



WPI - ECONOMY

News: Wholesale inflation hit a 13-month high in April

What's in the news?

- Inflation in India's wholesale prices rose to a 13-month high of 1.26% in April, from 0.53% in March, owing to an uptick in food inflation and a 1.4% year-on-year rise in fuel and power prices after several months of deflation.

Key takeaways:

- April marks the sixth successive month that the Wholesale Price Index (WPI) has risen on a year-on-year basis, after seven months of deflation.
- On a month-on-month basis, the WPI was up 0.8% with primary articles and food prices rising nearly 2% in April, while manufactured products were up 0.5%.

Wholesale Price Index (WPI):

- The Wholesale Price Index is an index that measures and tracks the changes in the price of goods in the stages before the retail level.
- The base year for the WPI will be **2011-12**.

Released by:

- WPI is Published by the **Office of Economic Adviser, Ministry of Commerce and Industry**.

Components:

WPI includes **three components**:

- Manufactured products - 64.2%
 - Primary articles - 22.6%
 - Fuel and power - 13.1%
- (M > P > F&P)**
- The number of items covered in the new series of the WPI has increased from 676 to 697.

The WPI does not capture changes in the prices of services, which CPI does.

Go back to basics:

What is Inflation?

- Inflation is defined as a situation where there is **sustained, unchecked increase in the general price level and a fall in the purchasing power of money**.

Core Inflation:

- Core inflation is the change in the costs of goods and services, but it **does not include those from the food and energy sectors**.
- This measure of inflation excludes these items because their prices are much more volatile.



CPI:

- It measures price changes from the perspective of the **retail buyer**.
- The **National Statistical Office** publishes it.
- The CPI calculates the difference in the prices of commodities and services purchased by Indian consumers for use, such as food, medical care, education, electronics etc.
- Food and beverages, fuel and light, bedding and footwear, housing, and clothing are all sub-groups of the CPI.

Types:

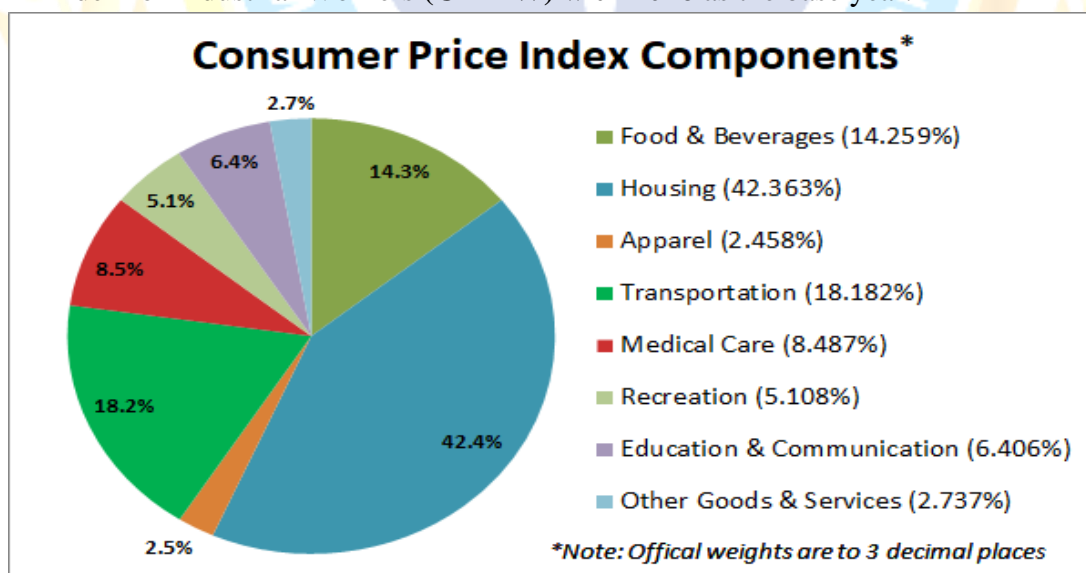
CPIs are classified into **four types**:

- **CPI Industrial Workers** - Labour Bureau
- **CPI Agricultural Labourer** - Labour Bureau
- **CPI Rural Labourer** - Labour Bureau
- **CPI (Urban/Rural/Combined)** - NSO

The first three are compiled by the Labour Bureau, which is part of the Ministry of Labour and Employment. The NSO at the Ministry of Statistics and Programme Implementation compiles the fourth.

Base year:

- CPI's base year is **2012**.
- The Ministry of Labour and Employment recently released the new series of Consumer Price Index for Industrial Workers (**CPI-IW**) with **2016** as the base year.



Source: BLS; The most recent annual reweighting was in December 2021

Usage:



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- CPI data are **used by the Monetary Policy Committee (MPC) to control inflation.** The Reserve Bank of India (RBI) adopted the CPI as its key measure of inflation in April 2014.

What is the difference between WPI and CPI?

- WPI measures inflation at the producer level, whereas CPI measures price changes at the consumer level.
- WPI does not account for changes in service pricing, but CPI does.
- In the WPI, manufactured goods are given more weightage, whereas food items are given more weightage in the CPI.

