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Government to Replace Wholesale Price Index (WPI) with Producer Price Index (PPI) System

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The Government of India has decided to gradually replace the Wholesale Price Index (WPI) with a Producer Price Index (PPI) framework. The revised WPI and new PPI series are scheduled to be released as part of a major overhaul of India's inflation measurement system.?

Summary

India is moving towards a Producer Price Index (PPI) system to align its inflation measurement practices with international standards. Unlike the existing WPI, which measures only the prices of goods at the wholesale level, the PPI will cover both goods and services and track price changes at different stages of production. The transition from WPI to PPI will be implemented gradually over the next five years.

Key Highlights

The current WPI (Base Year: 2011-12) will be replaced by a revised WPI (Base Year: 2022-23).

India will simultaneously introduce:

Output Producer Price Index (OPPI)

Input Producer Price Index (IPPI)

Service Producer Price Index (SPPI)

The new PPI will initially cover seven service sectors:

Banking

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Securities Transactions

Insurance

Pension Fund Management

Railways

Air Passenger Transport

Telecommunications

The revised WPI basket has expanded from 697 items to 957 items, improving representation of economic activities.

WPI and PPI will run together for approximately five years before PPI becomes the primary producer inflation indicator.

WPI vs PPI

Feature: Wholesale Price Index (WPI): Producer Price Index (PPI)

Coverage: Goods only: Goods + Services

Price Measured: Wholesale prices: Producer/factory-gate prices

Stage Covered: Mainly wholesale stage: Multiple production stages

International Use: Limited: Widely used globally

Inflation Analysis: Less comprehensive: More comprehensive

Why is PPI Being Introduced?

To align India's statistical system with global best practices.

To provide a more accurate measure of producer-level inflation.

To capture inflation in the services sector, which contributes significantly to India's GDP.

To help policymakers understand inflationary pressures before they reach consumers.

To improve monetary policy, fiscal policy, and business pricing decisions.

Producer Price Index (PPI)

Measures average change in prices received by producers for their output.

Considered an early indicator of inflation because producer prices often influence consumer prices later.

Used extensively in countries such as the United States, United Kingdom, Canada, and Australia.

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Wholesale Price Index (WPI)

Released by the Office of Economic Adviser (OEA) under the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry.

Current WPI base year: 2011-12.

New WPI base year: 2022-23.

Consumer Price Index (CPI)

CPI measures retail inflation faced by consumers.

CPI is compiled and released by the National Statistical Office (NSO) under the Ministry of Statistics and Programme Implementation (MoSPI).

The Reserve Bank of India (RBI) primarily uses CPI inflation for monetary policy decisions.