



WPI and CPI Inflation Rates

For Prelims: Wholesale Price Index, Consumer Price Index, Monetary Policy Committee, Reserve Bank of India.

For Mains: Inflation and its impact, Monetary Policy.

Why in News?

Data released by the government showed that **wholesale inflation in India rose to 13.11%** while the retail inflation rate in India -measured by the **Consumer Price Index (CPI)**- came in at 6.07% in February 2022.

What is the Wholesale Price Index?

- It measures the **changes in the prices of goods sold and traded** in bulk by wholesale businesses to other businesses.
- Published by the **Office of Economic Adviser**, Ministry of Commerce and Industry.
- It is the **most widely used inflation indicator in India**.
- Major criticism for this index is that the **general public does not buy products at wholesale price**.
- The base year of All-India WPI has been revised from **2004-05 to 2011-12 in 2017**.

What is the Consumer Price Index?

- It measures **price changes from the perspective of a retail buyer**. It is released by the [National Statistical Office \(NSO\)](#).
- The CPI **calculates the difference in the price of commodities and services** such as food, medical care, education, electronics etc, which Indian consumers buy for use.
- The CPI has **several sub-groups including food and beverages**, fuel and light, housing and clothing, bedding and footwear.
- Four types of CPI are as follows:
 - CPI for Industrial Workers (IW).
 - CPI for Agricultural Labourer (AL).
 - CPI for Rural Labourer (RL).
 - CPI (Rural/Urban/Combined).
 - Of these, the first three are compiled by the **Labour Bureau in the Ministry of Labour and Employment**. Fourth is compiled by the **NSO in the Ministry of Statistics and Programme Implementation**.
- **Base Year** for CPI is **2012**.
 - Recently, the Ministry of Labour and Employment released the [new series of Consumer Price Index for Industrial Worker \(CPI-IW\)](#) with base year 2016.
- [The Monetary Policy Committee \(MPC\)](#) uses CPI data to control inflation. In April 2014, the [Reserve Bank of India \(RBI\)](#) had adopted the CPI as its key measure of inflation.

PYQ

With reference to India, consider the following statements: (2010)

1. The Wholesale Price Index (WPI) in India is available on a monthly basis only.
2. As compared to Consumer Price Index for Industrial Workers (CPI(IW)), the WPI gives less weight to food articles.

Which of the statements given above is/are correct?

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: (b)

What is the difference between CPI and WPI?

- WPI tracks **inflation at the producer level** and CPI **captures changes in prices levels at the consumer level**.
- WPI **does not capture changes in the prices of services**, which CPI does.
- **In WPI, more weightage is given to manufactured goods**, while in **CPI**, more weightage is given **to food items**.

What is Inflation?

- Inflation refers to the **rise in the prices of most goods and services** of daily or common use, such as food, clothing, housing, recreation, transport, consumer staples, etc.
- Inflation measures the **average price change in a basket of commodities and services over time**.
- Inflation is **indicative of the decrease in the purchasing power** of a unit of a country's currency.
 - This could ultimately lead to a deceleration in economic growth.
- However, a **moderate level of inflation is required in the economy** to ensure that production is promoted.
- In India, **inflation is primarily measured by two main indices** — WPI & CPI which measure wholesale and retail-level price changes, respectively.

PYQ

Consider the following statements: (2020)

1. The weightage of food in Consumer Price Index (CPI) is higher than that in Wholesale Price Index (WPI).
2. The WPI does not capture changes in the prices of services, which CPI does.
3. The Reserve Bank of India has now adopted WPI as its key measure of inflation and to decide on changing the key policy rates.

Which of the statements given above is/are correct?

(a) 1 and 2 only

(b) 2 only

(c) 3 only

(d) 1, 2 and 3

Ans: (a)

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