Ministry of Commerce and Industry  
Department of Industrial Policy and Promotion  
Office of Economic Adviser

RELEASE OF NEW SERIES OF WHOLESALE PRICE INDEX  
12th May, 2017

Frequently Asked Questions on Revision of Wholesale Price Index (Base 2011-12)

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**Annexure 1**

- Comparative statement on the weights of WPI (2004-05) and WPI(2011-12) | 22-23 |
Frequently Asked Questions (FAQs) on new series of Wholesale Price Index (Base: 2011-12=100)

Q1. What is Wholesale Price Index?

*Ans.* Wholesale Price Index (WPI) measures the average change in the prices of commodities for bulk sale at the level of early stage of transactions. The index basket of the WPI covers commodities falling under the three Major Groups namely Primary Articles, Fuel and Power and Manufactured products. The prices tracked are ex-factory price for manufactured products, agri-market (mandi) price for agricultural commodities and ex-mines prices for minerals. Weights given to each commodity covered in the WPI basket is based on the value of production adjusted for net imports. WPI basket does not cover services.

Q2. What is the purpose of revision of WPI series?

*Ans.* On account of the structural changes over time in the economy, products and their specification are changing even faster. Under the fixed basket approach the base year is changed at regular intervals. Simultaneously index basket weights and source agencies are also updated to keep the index series representative. So far, six revisions have taken place introducing the new base year, viz. 1952-53, 1961-62, 1970-71, 1981-82, 1993-94 and 2004-05. The current revision is the seventh since its regular introduction. The current revision of WPI is based on the recommendations of Working Group constituted under the chairmanship of Late Dr. Saumitra Chaudhuri, Ex Member, erstwhile Planning Commission which submitted its report in March 2014.

Q3. What are the new features of Wholesale Price Index with base 2011-12?

*Ans.* In the new WPI series significant improvement in concept, coverage and methodology has been made. In the revised WPI basket, the number of items has been increased from 676 to 697. Efforts have been made to
enhance the number of quotations from 5482 to 8331. The increase in number of quotations has been done across the major groups to ensure comprehensive coverage and representativeness. New definition of wholesale price index does not include taxes in order to remove impact of fiscal policy. This also brings new WPI series closer to Producer Price Index and is in consonance with the global practices. The item level indices are being compiled based on statistically robust Geometric mean as compared to Arithmetic mean used in the WPI 2004-05 series. Further for the first time a Technical Review Committee has been set up to recommend appropriate methodological intervention to continuously improve coverage, quality and timeliness of the WPI. The new series also present separate ‘WPI Food Index’ which along with CPI Food Price Index published by CSO would help monitor the food inflation effectively.

Q4. What are the changes in weights, number of items and quotations at the major group level between WPI (2011-12) and WPI (2004-05)?

Ans. Due to changes in the structure of the economy overtime, the weights of various groups/sub-groups and items also changes to reflect their relative importance. The revised weights in the new WPI basket reflect the structure of the economy in the base year i.e. 2011-12. In the revised WPI basket the weight of Primary Articles group has increased from 20.1 per cent to 22.6 per cent, whereas the weight of Fuel and Power group has declined from 14.9 per cent to 13.2 per cent. The weight of Manufactured products has declined marginally from 64.9 per cent to 64.2 per cent. Following table shows the comparison of weights, number of products and number of quotations between 2004-05 and 2011-12 series.
<table>
<thead>
<tr>
<th>Major Group/ Group</th>
<th>Weights</th>
<th>No. of Items</th>
<th>No. of Quotations</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL COMMODITIES</td>
<td>100.00</td>
<td>100.00</td>
<td>676</td>
</tr>
<tr>
<td>PRIMARY ARTICLES</td>
<td>20.12</td>
<td>22.62</td>
<td>102</td>
</tr>
<tr>
<td>FUEL &amp; POWER</td>
<td>14.91</td>
<td>13.15</td>
<td>19</td>
</tr>
<tr>
<td>MANUFACTURED PRODUCTS</td>
<td>64.97</td>
<td>64.23</td>
<td>555</td>
</tr>
</tbody>
</table>

Q5. **What is the basis of assignment of weights in WPI (base 2011-12)?**

*Ans.* The weight of an item in the revised WPI basket is based on the net traded value of the item in the base year i.e. 2011-12. The net traded value is the value of output of the item in the year 2011-12 adjusted for net imports. Thus, net traded value represents the total transactions of each product in the economy during the base year. However the weight assigned to crude petroleum is based on the value of domestic production only as crude petroleum is not directly traded in the market and its derivatives (petroleum products) are assigned due weight based on net traded value.

Q6. **What is the reason behind a significant increase of about 2.5% in the weight of Primary Articles in the WPI (2011-12)?**

*Ans.* The weight of the Primary Article has increased from 20.1 % in WPI (2004-05) to 22.6% in WPI (2011-12). This increase is primarily attributed to the increase in the weight of “Crude Petroleum” from 0.90% in 2004-05 series to 1.94% in 2011-12 series and addition of one new item “Natural gas” with 0.46% weight. It may be noted that the average price of crude oil (Indian basket) was at peak in 2011-12.
Q7. What is the reason behind a decrease in weight of Fuel & Power group in the WPI (2011-12)?

Ans. The decline in the weight of Fuel & Power from 14.9% in 2004-05 to 13.1% reflects the Group’s relative importance in the overall WPI basket.

Q8. Why has the weight of Manufactured Product group decreased?

Ans. The weight of manufactured products has marginally decreased from 64.9% in WPI (2004-05) to 64.2% in WPI (2011-12). There has however been a rearrangement of weights across the 22 (2-digit) groups in the new series (2011-12) vis-à-vis current series (2004-05). The 12 (2-digit) groups in 2004-05 now correspond to 22 (2-digit) groups in 2011-12.

- In the 2004-05 series, Manufacture of textiles had a weight of 7.33%. This has now been bifurcated into 2 sub-groups in 2011-12 namely Manufacture of Textiles and Manufacture of Wearing Apparel. The combined weight of these groups is 5.69% in 2011-12 series. The decrease in this Group’s weight is due to some items which were earlier classified under textile such as polyester staple fibre, viscose staple fibre, viscose staple fibre and acrylic fibre have now been put under the chemical group given their widespread applicability, not restricted to textile sector.

- In 2004-05 series all Chemicals, Chemical product, Pharmaceuticals and Medicinal items were categorized under the Chemicals & Chemical Products group. However, in the new series a new 2 digit group titled Manufacture of Pharmaceuticals, Medicinal, and Chemical & Botanical products has been introduced. Accordingly, the weight of Chemicals & Chemical Products in 2004-05 series (12.02%) has been split into 2 new groups namely, Manufacture of Chemicals & Chemical Products and Manufacture of Pharmaceuticals, Medicinal, Chemical & Botanical products. The combined weight of both the Groups is 8.46% in WPI
(2011-12) series. The fall in the combined weight is mainly due to deletion of certain items from the group like Acid (Inorganic), Alumina & Aluminium Salt, Sodium Salt, Titanium Dioxide etc.

Q9. Why are the weights of major groups in WPI at variance with their share in GDP?

Ans. The Wholesale Price Index (WPI) is an index covering prices of products/commodities only pertaining to four sectors comprising agriculture, mining, manufacturing and electricity. The other sectors of GDP, in particular, services sector are not covered under WPI. The share of these four sectors in GDP at current prices in 2011-12 was 41.4%. The weighting diagram of WPI is not drawn on the basis of gross value added which is a concept followed in GDP. The WPI weights are derived on the basis of turnover or value of output adjusted for net imports. The ratio of gross value added to value of output differs significantly in the sectors covered under WPI.
Q10. What is the change in the coverage of items in WPI (base 2011-12)?

Ans. In the revised WPI basket, total of 199 new items have been added and 146 items have been deleted. In all 498 items are common between the 2004-05 and 2011-12 series. The details of number of items and price quotations have been provided in the table in the next page.

Table 2

<table>
<thead>
<tr>
<th>Major Groups/Groups</th>
<th>Weight</th>
<th>No. of Items</th>
<th>No. of Quotations</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Commodities</td>
<td>100.00</td>
<td>100.00</td>
<td>676</td>
</tr>
<tr>
<td>Primary Articles</td>
<td>20.12</td>
<td>22.62</td>
<td>102</td>
</tr>
<tr>
<td>Fuel and Power</td>
<td>14.91</td>
<td>13.15</td>
<td>19</td>
</tr>
<tr>
<td>Manufactured Products</td>
<td>64.97</td>
<td>64.23</td>
<td>555</td>
</tr>
</tbody>
</table>

* Weight of the items corresponds to 2011-12 series. # Weight of the items corresponds to 2004-05 series

Q11. What are the major changes in the item basket of the Primary Articles?

Ans. Following table illustrates the changes in the item basket of Primary Articles.

Table 3

<table>
<thead>
<tr>
<th>PRIMARY ARTICLES</th>
<th>New Items Added in WPI (2011-12) item basket</th>
<th>Items deleted from WPI (2004-05) item basket</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A). FOOD ARTICLES</td>
<td>Peas/Chawali, Rajma added under pulses</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Radish, Carrot, Cucumber, Pointed gourd, Bitter gourd, Bottle gourd, Beans, Pumpkin Drumstick under Vegetables</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Mosambi (Sweet Orange), Pomegranate, Amla, Jackfruit, Pear Almond, and Walnut under Fruits</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Tamarind under Condiment and Spices</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Betel Leaves under Other Food Articles</td>
<td>-</td>
</tr>
<tr>
<td>(B). NON-FOOD ARTICLES</td>
<td>Industrial wood under Other Non-Food Articles</td>
<td>Logs &amp; Timber from Other Non-Food Articles</td>
</tr>
<tr>
<td>(C). MINERALS</td>
<td>Copper Concentrate and Lead Concentrate under Metallic Minerals</td>
<td>Copper Ore, Gypsum from Metallic Minerals</td>
</tr>
<tr>
<td>-------------</td>
<td>-------------------------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Garnet under Other Minerals</td>
<td>Kaolin, Dolomite, Magnesite, Barytes, Steatite, Graphite from Other Minerals</td>
</tr>
<tr>
<td>(D). CRUDE PETROLEUM &amp; NATURAL GAS</td>
<td>Natural Gas</td>
<td>-</td>
</tr>
</tbody>
</table>

- The seasonality chart of the Fruits and Vegetables Sub Group under the Food Articles has been updated in the new series. Prices of seasonal fruits and vegetables will be available for longer period. For example, tomato price index will now be available around the year as against eight months in the current series of WPI (base 2004-05). Cauliflower was earlier available only for six months but now it will be available for eight month in year.

Q12. What are the major changes in the item basket of Fuel & Power?

Ans. The Fuel and Power group has been updated with significant changes made in number of items and price quotations. To compile Non-Coking Coal index, price quotations have been trifurcated into the following categories as separate items based on grades, to take into account the wide variation in the prices of different grades benchmarked on the basis of Gross Calorific Value (GCV).

- Non-Coking Coal G1 to G6 [GCV exceeding 5500 Kcal/kg.]
- Non-Coking Coal G7 to G14 [GCV 3100 Kcal/kg to 5500 Kcal/kg]
- Non-Coking Coal G15 to G17 [GCV < 3100 Kcal/kg.]

Similarly, improvement has been made by compiling electricity price index based on prices prevailing at bulk transactions level. Under 2004-05 series, price of electricity for WPI was measured based on retail tariff applicable
to usage in different sectors such as agriculture, industry, domestic, commercial, and railways. This was not capturing the price of electricity at point of bulk sale. In the new series, monthly average rate of sale of power of 49 selected generating stations from Central, State and private sectors covering Hydro and Thermal sectors to distributors has been used as relevant price of electricity. The changes in the items under the Fuel and Power group are given in Table 4.

**Table 4**

<table>
<thead>
<tr>
<th>New Items Added in WPI (2011-12) item basket</th>
<th>Items deleted from WPI (2004-05) item basket</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) COAL</td>
<td>Coke</td>
</tr>
<tr>
<td>(B) MINERAL OILS</td>
<td>Petroleum Coke</td>
</tr>
<tr>
<td>(C) ELECTRICITY</td>
<td>Electricity</td>
</tr>
<tr>
<td></td>
<td>Electricity (Domestic)</td>
</tr>
<tr>
<td></td>
<td>Electricity (Commercial)</td>
</tr>
<tr>
<td></td>
<td>Electricity (Agricultural)</td>
</tr>
<tr>
<td></td>
<td>Electricity (Railways Traction)</td>
</tr>
<tr>
<td></td>
<td>Electricity (Industry)</td>
</tr>
</tbody>
</table>

Q13. **What are the major changes in the item basket of the Manufactured Products?**

*Ans.* A reclassification of the following Manufactured Products groups at 2-digit level has been done following National Industrial Classification (NIC) 2008 in the WPI (Base 2011-12) series.
<table>
<thead>
<tr>
<th>S. No.</th>
<th>WPI (Base 2004-05)</th>
<th>WPI (Base 2011-12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacture of Food Products</td>
<td>1. Manufacture of Food Products</td>
</tr>
<tr>
<td>2</td>
<td>Manufacture of Beverage, tobacco</td>
<td>2. Manufacture of Beverages</td>
</tr>
<tr>
<td></td>
<td>and tobacco</td>
<td>3. Manufacture of Tobacco</td>
</tr>
<tr>
<td>3</td>
<td>Manufacture of Textiles</td>
<td>4. Manufacture of Textiles</td>
</tr>
<tr>
<td>4</td>
<td>Manufacture of Leather and Leather Products</td>
<td>5. Manufacture of Wearing Apparel</td>
</tr>
<tr>
<td>5</td>
<td>Manufacture of Wood &amp;Wood Product</td>
<td>6. Manufacture of Leather and Leather Related Products</td>
</tr>
<tr>
<td>6</td>
<td>Manufacture of Paper and paper</td>
<td>7. Manufacture of Wood and of Product of Wood and Cork</td>
</tr>
<tr>
<td></td>
<td>products</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Manufacture of Chemical and chemical products</td>
<td>8. Manufacture of Paper and paper Products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9. Manufacture of Printing and Reproduction of Recorded Media</td>
</tr>
<tr>
<td>8</td>
<td>Manufacture of Rubber and Plastic</td>
<td>10. Manufacture of Chemicals and Chemical Products</td>
</tr>
<tr>
<td></td>
<td>Product</td>
<td>11. Manufacture of Pharmaceuticals, Medicinal Chemical and Botanical Products</td>
</tr>
<tr>
<td>10</td>
<td>Manufacture of Basic metal, alloys</td>
<td>13. Manufacture of Other Non-Metallic Mineral Products</td>
</tr>
<tr>
<td></td>
<td>and metal products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14. Manufacture of Basic Metals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15. Manufacture of Fabricated Metal Products, except Machinery and Equipment</td>
</tr>
<tr>
<td>11</td>
<td>Manufacture of Machinery and machine tools</td>
<td>16. Manufacture of Computer, Electronic and Optical Products</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------</td>
<td>------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17. Manufacture of Electrical Equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18. Manufacture of Machinery and Equipment</td>
</tr>
<tr>
<td>12</td>
<td>Manufacture of Transport equipment &amp; parts</td>
<td>19. Manufacture of Motor Vehicles, Trailers and Semi-Trailers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20. Manufacture of Other Transport Equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21. Manufacture of Furniture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22. Other Manufacturing</td>
</tr>
</tbody>
</table>

Q14. What is the reason behind a substantial increase in the number of quotations for Fuel & Power in the new series of WPI?

*Ans.* The number of quotations for Fuel & Power has increased from 72 in WPI (2004-05) to 442 in WPI (2011-12) as per the details given below:

**Coal:** In new series, pithead run of mine notified prices for both regulated and unregulated sectors from all mines and for all grades is being used. This change has increased the number of quotations for coal from 20 in current series to 127 in new series.

- **Electricity:** There is a change in the definition of prices for computation of price index for electricity from considering use based retail prices in the WPI (2004-05) to using average rate of sale of power of selected generating stations in the new series WPI (2011-12). There is a substantial increase in number of quotations from 5 in 2004-05 series to 49 in new series covering Hydro and Thermal (coal and gas) based power plants.
• **Mineral Oil:** Number of quotations under mineral oil has increased from 47 in current series to 266 in new series due to increased coverage of refineries and varieties.

Q15. **What is the change in the method of compilation of item level indices in WPI (Base 2011-12)?**

*Ans.* In the new WPI series (2011-12), elementary price index (i.e. at the item level) has been computed using the geometric mean of the price relatives, which is statistically robust, as opposed to the practice of taking arithmetic mean of price relatives in 2004-05 series. The formula geometric mean is used for calculation of elementary indices by CSO in its CPI series. The change is also in tune with the international best practices. Prior to independence, the WPI was computed using Geometric Mean. The weighted arithmetic mean was adopted in preference to weighted geometric mean since independence with increase in number of commodities and consequent computational complexities.

Q16. **Why is the indirect tax not been included in the compilation of WPI in the new series?**

*Ans.* A significant change in the new series of WPI has been the exclusion of indirect taxes while compiling indices of manufactured products. The Working Group for revision of WPI had recommended that taxes should not figure in this measure so that price signals emerging from production side of the economy are not influenced by the fiscal policy.

• Excluding indirect taxes brings the new series of WPI conceptually closer to the concept of output Producer Price Index (PPI). PPI reflects the
change in average prices that producers get. This is also in keeping with the international best practices.

- The exclusion of indirect taxes would also ensure the continuity and compatibility of new WPI series as and when Goods and Services Tax (GST) is introduced.

- WPI is used as a deflator for nominal macroeconomic aggregates like GDP and Index of Industrial Production (IIP). Since the nominal estimates of GVA for different sectors are computed at basic price exclusive of taxes on products taxes, excluding indirect taxes from WPI makes it a compatible and appropriate deflator.

**Q17. How does the inflation estimates based on the new series of WPI (2011-12) compare with the WPI (2004-05)?**

*Ans.* The inflation for “All Commodities” in the new series of WPI (2011-12) is in general lower than 2004-05 series due to shift to latest base year. The minor variation in rate of inflation estimates can be attributed to the changes in weighting structure, increase in number of quotations, inclusion of new items and exclusion of obsolete items, exclusion of indirect taxes and use of geometric mean instead of arithmetic mean in the new series.

The slight variation in the trend of inflation estimates of Fuel and Power Group based on the two series are due to significant increase in number of quotations in the new series, taking electricity prices at bulk transaction level rather than at retail level, variation in item level weights etc. the steep rise in inflation estimates of Fuel and Power Group from January 2017 onwards has been due to spurt in global crude oil prices in comparison to the corresponding months of 2016 and revision of coking coal prices in January 2017 after a long period.
The inflation estimates of Manufactured Products Group under the new series by and large are closely aligned to the 2004-05 series. The marginal variation in the month to month inflation estimates can be attributed due to the exclusion of indirect taxes, reclassification of product groups at 2-digit level and variation in weights in textiles, chemicals and basic metals.

Q18. What explains the divergence between WPI and CPI?

*Ans.* WPI reflects the change in average prices for bulk sale of commodities at the first stage of transaction while CPI reflects the average change in prices at retail level paid by the consumer. Major difference is the underlying data used for the derivation of weights of the items retained in the two index baskets. The weights of the WPI are based on production values whereas the weights of the CPI basket are based on the average household expenditure taken from the Consumer expenditure survey conducted in the base year. The prices used for compilation of WPI are collected at ex-factory level for manufactured products, at ex-mine level for mineral products and mandi level for agricultural products. In contrast, retail prices applicable to consumers and collected from various markets are used to compile CPI.

- The reasons for the divergence between the two indices can also be partly attributed to the difference in the weight of food group in the two baskets. CPI Food group has a weight of 39.1 per cent as compared to the combined weight of 24.4 per cent (Food articles and Manufactured Food products) in WPI basket. Similarly weights of the major petroleum products such as petroleum and HSD also vary significantly.

- The CPI basket consists of services like housing, education, medical care, recreation etc. which are not part of WPI basket. A significant proportion of WPI item basket represents manufacturing inputs and intermediate goods like minerals, basic metals, machinery etc. whose prices are
influenced by global factors but these are not directly consumed by the households and are not part of the CPI item basket. Thus even significant price rise or decline in items included in WPI basket need not necessarily translate into CPI in the short run. The rise or fall in prices at wholesale level spills over to the retail level after a lag.

- Similarly, the movement in prices of non-tradable items included in the CPI basket widens the gap between WPI and CPI. The relative price trends of tradable vis-a-vis non-tradable is an important explanatory factor for divergence in the two indices in the short term.

Q19. What is the significance of new “WPI Food Index” in WPI (Base 2011-12) series and how it has been estimated?

*Ans.* The WPI Food index is compiled by taking the aggregate of WPI for Food Products under Manufacture Products and Food Articles under Primary Article using weighted arithmetic mean. Indices for Food Articles and Food Products were being released separately in WPI (2004-05) as well. The combined index number of WPI Food indices together with the Consumer Food Price Index published by CSO, would help monitor the food inflation effectively.

Q20. What are the main uses of WPI?

*Ans.* The main uses of WPI are the following:

a) Provides estimates of inflation at the wholesale transactions level for the economy as a whole. This helps in timely intervention by the Government to check inflation, in particular inflation in essential commodities, before the price increase spills over to retail prices.
b) WPI is used as deflator for many sectors of the economy for estimating GDP by CSO. It is also used to deflate nominal values of production in high frequency IIP.
c) WPI is also used for indexation by users in business contracts.
d) Global investors also track WPI as one of the key macro indicators for their investment decisions.

Q21. What is Producer Price Index (PPI)?

Ans. Producer Price Index (PPI) measures the average change in the price of goods and services either as they leave the place of production, called output PPI or as they enter the production process, called input PPI.

Q22. How is PPI different from WPI?

Ans. PPI is different from WPI on following grounds:

- WPI captures the price changes at the point of bulk transactions and may include some taxes levied and distribution costs up to the stage of wholesale transactions. PPI measures the average change in prices received by the producer and excludes indirect taxes.
- Weights of items in WPI are based on net traded value whereas in PPI weights are derived from Supply Use Table.
- PPI removes the multiple counting biases inherent in WPI. PPIs can be compiled separately for Out PPIs, Input PPIs and Export and Import PPIs. In build Stage of Processing indices can be compiles to avoid multiple counting.
- WPI does not cover services and whereas PPI includes services.
Q23. How is PPI different from Consumer Price Index (CPI)?

Ans. PPI is different from CPI on following grounds:

- PPI estimates the change in average prices that a producer receives while CPI measures the change in average prices that a consumer pays. The prices received by the producers differ from the prices paid by the consumers on account of various factors such as taxes, trade and transport margin, distribution cost etc.

- Weights of items in CPI are derived from Consumer Expenditure Surveys whereas for PPI it is calculated on the basis of Supply Use Table.

- CPI based inflation estimates are used as nominal anchor for Monetary Policy formulation in general, whereas PPI estimates are used as deflators and for indexation of contracts etc.

Q24. What is the composition and Terms of Reference of Technical Review Committee (TRC)?

Ans. Economies undergo structural changes over time. Products and their specification both in terms of quality and technology are changing even faster. This makes it increasingly difficult to obtain the price information of selected products for a fixed number of quotations over a longer period of time. Further an implicit disadvantage of Laspeyre’s formula used for compiling the WPI is that the indices with fixed weighting diagram fail to capture the dynamic changes in product mix and structure of the economy over time. In order to address important technical issues such as substitution of source of data, change in specification of products and other data/methodological issues which require continuous process of review on a dynamic basis so that the new WPI series remains relevant during the life of the series, an institutional mechanism has been established through
creation of Technical Review Committee (TRC) chaired by Secretary, Department of Industrial Policy & Promotion.

The composition of TRC is as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Secretary, D/o Industrial Policy and Promotion (DIPP)</td>
<td>Chairman</td>
</tr>
<tr>
<td>2.</td>
<td>Secretary, M/o Statistics and Programme Implementation</td>
<td>Member</td>
</tr>
<tr>
<td>3.</td>
<td>Chief Economic Adviser, Ministry of Finance</td>
<td>Member</td>
</tr>
<tr>
<td>4.</td>
<td>Principal Economic Adviser, DIPP</td>
<td>Member</td>
</tr>
<tr>
<td>5.</td>
<td>Economic Adviser, DIPP</td>
<td>Member Secretary</td>
</tr>
</tbody>
</table>

The function of TRC will be as follows:

- Reviewing periodically the list of products in the item basket of WPI and suggesting methodology for inclusion of new important items in and exclusion of outdated items from the existing basket as and when warranted.
- Reviewing periodically the panel of factories for compilation of WPI and suggest methodology for including new representative units that emerged after the roll out of the series in the existing panel, along with suggesting adjustment of the back series.
- The Committee will also consider cases of closed units during the currency of the base year and recommend the methodology for replacing such units by new ones.
- Reviewing periodically the items in the item basket that exhibit extraordinarily high increase/decline in index during the currency of a fixed base year and propose normalization methodology.
- Suggest methodology for adjusting prices of items with frequently changing specification.
- Recommending appropriate methodological intervention to improve coverage, quality and timeliness of the WPI.
Q25. What are the Term of References of the Working Group for the revision of the current series of Wholesale Price Index?

Ans. The Terms of Reference of the Working Group are as follows:

- To select the most appropriate Base Year for the preparation of a new official series of Index Numbers of Wholesale Price (WPI), Producers Price Index (PPI) and Business Service Price Index (BSPI) in India.
- To review commodity basket of the current series of WPI, PPI and BSPI and suggest additions/deletions of commodities in the light of structural changes in the economy witnessed since 2004-05.
- To evolve a suitable system for allocation weight to the various commodities to be included in the WPI/PPI/BSPI basket.
- To decide the computational methodology to be adopted for Monthly WPI/PPI.
- To suggest methods for ensuring smooth flow of data and also to look into the possibility of having a single agency for collecting data for Wholesale Price Index (WPI) and Index of Industrial Production (IIP).
- To suggest any other improvements as may be necessary for enhancing the reliability of the official series of WPI/PPI/BSPI.

Q26. What Sub-Groups were formed under the Working Group for the revision of the Wholesale Price Index?

Ans. The following Sub Groups were formed under the Working Group for revision of Wholesale Price Index:

I. The Subgroup on analytical, conceptual, and computerization related issues
II. The Subgroup on Agricultural Commodities
III. The Subgroup on Mining, Fuel and Power
IV. The Subgroup on manufacturing items basket (organized and unorganized)
V. The Subgroup on Producer Price Index

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Comparative statement on the weights of WPI (2004-05) and WPI (2011-12)

<table>
<thead>
<tr>
<th>Major Groups/Groups</th>
<th>2004-05</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Commodities</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Primary Articles</td>
<td>20.118</td>
<td>22.618</td>
</tr>
<tr>
<td>Food Articles</td>
<td>14.337</td>
<td>15.256</td>
</tr>
<tr>
<td>Non Food Articles</td>
<td>4.258</td>
<td>4.119</td>
</tr>
<tr>
<td>Minerals</td>
<td>0.623</td>
<td>0.833</td>
</tr>
<tr>
<td>Crude Petroleum &amp; Natural Gas</td>
<td>0.900</td>
<td>2.410</td>
</tr>
<tr>
<td>Fuel and Power</td>
<td>14.91</td>
<td>13.152</td>
</tr>
<tr>
<td>Coal</td>
<td>2.094</td>
<td>2.138</td>
</tr>
<tr>
<td>Mineral Oils</td>
<td>9.364</td>
<td>7.950</td>
</tr>
<tr>
<td>Electricity</td>
<td>3.452</td>
<td>3.064</td>
</tr>
<tr>
<td>Manufactured Products</td>
<td>64.972</td>
<td>64.230</td>
</tr>
<tr>
<td>Manufacture of Food Products</td>
<td>9.974</td>
<td>9.122</td>
</tr>
<tr>
<td>Manufacture of Beverages</td>
<td>1.762</td>
<td>0.909</td>
</tr>
<tr>
<td>Manufacture of Tobacco Products</td>
<td>0.514</td>
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<tr>
<td>Manufacture of Textiles</td>
<td>7.326</td>
<td>4.881</td>
</tr>
<tr>
<td>Manufacture of Wearing Apparel</td>
<td></td>
<td>0.814</td>
</tr>
<tr>
<td>Manufacture of Leather and Leather Related Products</td>
<td>0.835</td>
<td>0.535</td>
</tr>
<tr>
<td>Manufacture of Wood and of Product of Wood and Cork</td>
<td>0.587</td>
<td>0.772</td>
</tr>
<tr>
<td>Manufacture of Paper and paper Products</td>
<td></td>
<td>1.113</td>
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<tr>
<td>Manufacture of Printing and Reproduction of Recorded Media</td>
<td>2.034</td>
<td>0.676</td>
</tr>
<tr>
<td>Manufacture of Chemicals and Chemical Products</td>
<td>12.018</td>
<td>6.465</td>
</tr>
<tr>
<td>Manufacture of Pharmaceuticals, Medicinal Chemical and Botanical Products</td>
<td>2.987</td>
<td>1.993</td>
</tr>
<tr>
<td>Manufacture of Rubber and Plastic Products</td>
<td></td>
<td>2.299</td>
</tr>
<tr>
<td>Major Groups/Groups</td>
<td>2004-05</td>
<td>2011-12</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Manufacture of Other Non-Metallic Mineral Products</td>
<td>2.556</td>
<td>3.202</td>
</tr>
<tr>
<td>Manufacture of Basic Metals</td>
<td></td>
<td>9.646</td>
</tr>
<tr>
<td>Manufacture of Fabricated Metal Products, except Machinery and Equipment</td>
<td>10.748</td>
<td>3.155</td>
</tr>
<tr>
<td>Manufacture of Computer, Electronic and Optical Products</td>
<td>8.931</td>
<td>2.009</td>
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<tr>
<td>Manufacture of Electrical Equipment</td>
<td></td>
<td>2.930</td>
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<tr>
<td>Manufacture of Machinery and Equipment</td>
<td></td>
<td>4.789</td>
</tr>
<tr>
<td>Manufacture of Motor Vehicles, Trailers and Semi-Trailers</td>
<td>5.213</td>
<td>4.969</td>
</tr>
<tr>
<td>Manufacture of Other Transport Equipment</td>
<td></td>
<td>1.648</td>
</tr>
<tr>
<td>Manufacture of Furniture</td>
<td></td>
<td>0.727</td>
</tr>
<tr>
<td>Other Manufacturing</td>
<td></td>
<td>1.064</td>
</tr>
</tbody>
</table>