

From WPI to PPI: Why India Is Rewriting the Way It Measures Inflation

When most people hear the word inflation, they think about rising grocery bills, expensive vegetables, higher school fees or costlier airline tickets.

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New Producer Price Index Set to Replace WPI over Next Five Yrs

PPI to cover output, input and services prices; revised WPI series will switch to FY23 base year, to be out on June 15

Our Bureau

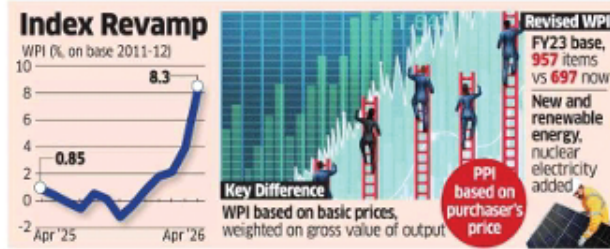
New Delhi: India will introduce a Producer Price Index (PPI) covering output, input and services prices, to offer a more realistic assessment of inflationary trends in the economy, while gradually phasing out the Wholesale Price Index (WPI), the government said Tuesday.

"Considering the wide usage of WPI in price escalation clauses, this index will be released for five years from the date of release of the revised series along with PPI and will be discontinued thereafter," the commerce and industry ministry said in a statement.

It is believed that the five-year period would give sufficient time to users to switch from WPI to PPI.

The new WPI series will use 2022-23 as the base year, replacing FY12, and the first print with the base for May along with the backseries from April 2023, will be released on June 15.

The Department for Promotion of Industry and Internal Trade (DPIIT) will also release a new series of Output Producer Price Index (OPPI), a trial Input Producer Price Index (IPPI), and Service Producer Price Index (Service PPI) of se-



ven services — Banking, Securities Transaction, Insurance, Management of Pension Funds, Railways, Air (Passenger), and Telecom with base year 2022-23 on June 15.

"After five years, the PPI is expected to replace WPI," said Praveen Mahto, Principal Economic Adviser in the ministry.

The transition from WPI to PPI aligns with global best practices adopted by advanced economies and the recommendations of the International Monetary Fund. WPI inflation shot up to a 42-month high of 8.3% in April.

Mahto said that the Service PPIs for seven services have been compiled in the

first phase based on the availability of data from administrative sources/agencies.

More services are planned to be added to the basket of services PPI in subsequent phases, subject to the availability of data.

"Services PPI will be released on a quarterly basis. The release schedule is being finalised in consultation with the Ministry of Statistics and Programme Implementation," the ministry said.

The monthly Trial Input PPI (only for manufacturing sector) will be published on an experimental basis from March 2026 onwards, and would enable

the department to examine the data quality and also receive feedback from stakeholders and users.

Services PPI will be released for the fourth quarter of FY26 (provisional) along with the back series from first quarter of FY24 to the third quarter of FY26.

WPI, Output PPI and Service PPI are being compiled on the basis of basic price (which excludes net tax and trade and transport margin), whereas Input PPI is being compiled using purchaser's price since industries purchase inputs from the market.

The availability of output and input PPI gives a "better understanding of the price movements of output items vis-à-vis input items being used in an industry," the department said. It will also explain how input inflation experienced by producers is passed through to output. The availability of both price indices enables the calculation of "double deflation" when estimating real GDP.

REVISED WPI

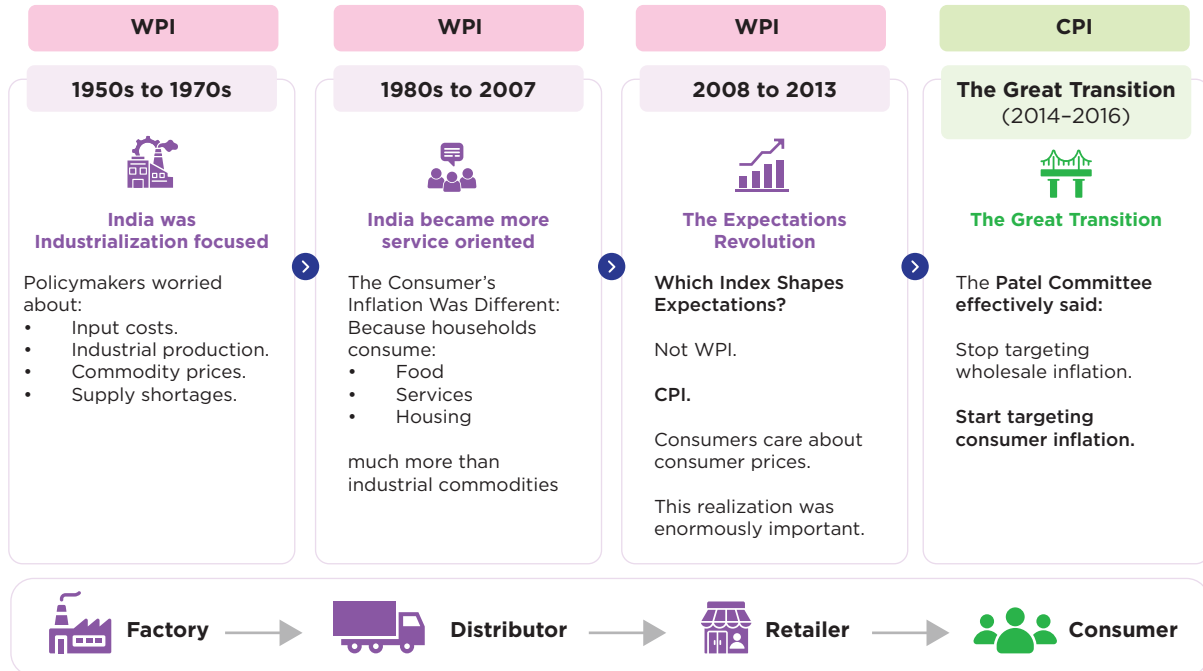
The total number of items has been increased to 957 from 697 in the updated WPI and new sources of energy, such as solar and wind, have been added under electricity group.

Source: [The Economic Times](#) | Date Published: 03 June 2026

But by the time inflation reaches your wallet, it has already travelled a long journey through farms, factories, warehouses, transport networks and retail stores.

For decades, India measured only parts of this journey.

The Evolution Of Inflation Measures In India



First, it focused on prices in wholesale markets through the Wholesale Price Index (**WPI**). Later, it shifted attention to prices paid by consumers through the Consumer Price Index (**CPI**).

Now, India is preparing for the next stage in that evolution: the Producer Price Index (**PPI**).

At first glance, it may sound like another technical change in government statistics. It is not...

The move from WPI to PPI is a significant reform in India's inflation measurement framework since inflation targeting was introduced in 2016.

To understand why, it helps to follow the life of a simple ₹100 product.

The Journey of a ₹100 Biscuit Packet

Imagine a packet of biscuits that ultimately reaches a consumer for ₹100.



Every stage involves costs, margins, taxes and value addition.

The question is: where exactly should inflation be measured?

The answer depends on **which index you are looking at...**

CPI: Inflation at the End of the Journey

Consumer Price Index measures the ₹100 paid by the final consumer.

If the packet costs ₹105 next year instead of ₹100, CPI captures that increase.

This is the inflation that households experience. It is why **CPI is the RBI's preferred inflation gauge**. When CPI rises sharply, consumers feel poorer because their purchasing power falls.

CPI answers one question: **How expensive has life become for consumers?**

WPI: Inflation in the Middle of the Journey

WPI looks at prices before products reach consumers.

In our example, it tracks prices closer to the distributor and wholesale stage.

Historically, this made sense.

When WPI was introduced in independent India, wholesale markets were the backbone of commerce. Reliable retail price data barely existed. For decades, WPI became India's primary inflation indicator. Government contracts used it. Infrastructure projects referenced it. Industrial supply agreements were linked to it.

But WPI had an obvious limitation - It measured goods. Not consumers' perspective and certainly not services.

A rise in hospital charges, insurance premiums, telecom tariffs or school fees would barely show up in WPI.

That limitation became increasingly problematic as India's economy evolved.

The Problem: India Changed Faster Than Its Inflation Measures

When WPI became India's primary inflation indicator, agriculture accounted for nearly half of economic activity.

Manufacturing dominated policy discussions and services were relatively small.

Today's India looks very different. **Services contribute more than half of GDP.**

Digital payments, cloud computing, telecom services, financial services, logistics, healthcare and aviation have become major parts of economic life.

Yet WPI largely remained a goods-based index.

This created a gap. The fastest-growing part of the economy had little representation in the country's primary producer inflation measure.

Imagine trying to understand modern India without considering banking, telecom, insurance, software, aviation and logistics.

That is effectively what WPI was doing.

Enter PPI: Measuring Inflation Where It Begins

Producer Price Index seeks to solve this problem.

Instead of measuring prices at wholesale markets, it measures prices received by producers themselves.

In simple terms, PPI asks:

How much is the producer charging before taxes, distribution costs and retail margins are added?

Returning to our biscuit example: PPI would focus on the farmer selling wheat. The mill selling flour. The manufacturer selling biscuits.

It captures inflation closer to the source.

This is important because inflation usually starts long before consumers notice it.

If wheat prices rise today, consumers may not immediately pay more for biscuits. Manufacturers might absorb the cost. Distributors might reduce margins. Retailers might delay price increases.

But eventually those costs tend to move through the supply chain. PPI helps policymakers see those pressures early.

For this reason, economists often call PPI a "leading indicator" of inflation

Why Economists Like PPI

Think of inflation as a fever- CPI tells you that the patient already has a fever. PPI helps identify the infection before the fever appears.

If steel prices surge, manufacturers experience it first.

If energy prices jump, factories notice before households do.

If freight costs rise, producers absorb the impact before consumers see higher prices.

PPI captures these pressures at the source.

That makes it useful for:

- Q Tracking cost pressures
- Q Forecasting inflation
- Q Understanding corporate margins
- Q Measuring competitiveness
- Q Improving GDP calculations

The Missing Piece: Services

Perhaps the biggest change is the inclusion of services. This is where PPI becomes transformational.

India's revised framework will gradually capture producer prices across sectors such as:

- Q Banking
- Q Insurance
- Q Telecommunications
- Q Railways
- Q Air transport
- Q Logistics
- Q Professional services

For the first time, policymakers will be able to systematically track inflation in large parts of the economy that were largely invisible under WPI.

This matters because services now account for more than 50% of India's GDP.

An inflation measure that ignores services may increasingly be incomplete.

Why GDP Measurement Improves

PPI is not only about measuring inflation - it also plays a critical role in improving how GDP is calculated.

GDP is measured in two ways: Nominal GDP, which includes inflation and Real GDP, which removes the effect of inflation.

To convert nominal GDP into real GDP, statisticians need accurate price indices - essentially, reliable measures of inflation to “deflate” the numbers.

This is where PPI becomes important...

Because it captures prices closer to the point of production - before taxes, distribution costs and retail margins are added - it provides a more precise measure of underlying price movements in the economy.

Let us understand with an example:

Imagine nominal GDP is ₹100.

If inflation is measured at 5% using WPI, the Real GDP = $100 / 1.05 = ₹95.2$

But if a more comprehensive measure like PPI captures additional cost pressures (say 6% inflation, including services and upstream inputs), then: Real GDP = $100 / 1.06 = ₹94.3$

The difference may appear small in isolation, but at the level of a multi-trillion-dollar economy, it becomes meaningful. Even small improvements in the deflator can significantly change how growth is interpreted over time.

As a result, **PPI is widely considered a more appropriate deflator than WPI**, particularly in economies where supply chains are complex and services play a large role.

A better deflator **leads to more accurate estimates of real economic growth**, improves sector-level output measurement and provides a clearer picture of productivity trends.

This is one of the key reasons why institutions such as the IMF, World Bank and OECD encourage countries to adopt PPI-based frameworks.

Why Most Countries Already Use PPI

India is, in many ways, aligning itself with global practice.

The United States replaced WPI with PPI in 1978. China adopted PPI in the early 2000s. European economies use harmonized producer price indices extensively.

The reason is simple- Modern economies are too complex to rely solely on wholesale prices. They need visibility into production costs, services inflation and supply-chain dynamics.

India's transition follows the same logic...

What Happens Next?

Beginning June 2026, India has introduced a revised WPI series with FY23 as the base year while simultaneously launching PPI. For roughly five years, both indices will coexist.

This transition period allows industries, government departments and businesses to adjust contracts and systems that currently rely on WPI.

By around 2031, PPI is expected to become India's primary producer inflation measure.

The Bigger Picture

The move from WPI to PPI may appear technical, but it reflects something larger.

Every inflation measure tells a story about an economy.

WPI belonged to an India where wholesale markets dominated trade.

CPI reflected an India increasingly focused on consumers.

PPI reflects an India driven by complex supply chains, manufacturing networks and a rapidly expanding services sector. In many ways, India's inflation framework is finally aligning with the economy it seeks to measure.

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