

Wholesale inflation peaked at 0.53% in March

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Context

The inflation rate for March 2024, based on the All India Wholesale Price Index, is 0.53% compared to March 2023.

Details about the WPI in March 2024

In March 2024, India's wholesale price inflation (WPI) rose to a three-month high of 0.53%. This increase is primarily attributed to a rise in the prices of food articles, electricity, crude petroleum & natural gas, machinery & equipment, and other manufacturing products.

Key Highlights of the WPI in March 2024

- **Primary Articles:** The primary good's index grew by 0.94% to 183.1 and the gains were mainly due to many price increases in crude petroleum & natural gas, food articles, minerals, and non-food articles.
- **Fuel & Power:** The index for fuel and power went up slightly by 0.06 percent to 155.2 due to increased prices for electricity and mineral oils.
- **Manufactured Products:** Manufactured products' prices jumped by 0.21 percent (140.1%), among which [food products](#), motor vehicles, trailers, rubber and plastics products, chemicals, and chemical products' prices witnessed sharp growth.

Specific Commodities Impact

- **Onion Prices:** There was a significant surge in wholesale onion prices by 56.99% due to a predicted shortage until the next kharif crop.
- **Potato Prices:** Potato prices also increased sharply by 52.96%.

Month-over-Month Changes

- The March index registration of 0.40% month-over-month was reached in comparison to February 2024.
- Food price inflation, on the other hand, worsened with a growth rate of 4.7% year-on-year, up from 4.1% the previous month.
- In the month of March inflation on food is going up by 1.01% from the 0.11% in the month of February.

Economic Outlook

- The [Reserve Bank of India \(RBI\)](#) maintains its inflation forecast for the fiscal year at 4.5%.
- Despite concerns about a scorching summer, rising crude oil prices, and supply chain disruptions, the RBI is optimistic about inflation returning to target levels.

Wholesale Price Index (WPI)

- The Wholesale Price Index (WPI) refers to an economic indicator that is used to track the fluctuations in the prices of goods at the wholesale level. It is a vital measure. It is one of the essential criteria for evaluating the inflation in the economy and is a very useful tool of observation of price movements across different industries at the same time.
- **Calculation of WPI:** The WPI is made up by the weighted mean of these groups of products, representing various industries. They are composed of primary articles and artefacts, power and fuel goods, insert name here. The index is generally updated every month, being the one that includes the most recent price information.

Significance of WPI

- **Inflation Indicator:** WPI is considered the most important indicator of the changes in the price level or inflation in the economy. Manufacturing WPI reaches historical records thus such inflation may translate into rising consumer prices.
- **Policy Implications:** [Central banks](#) and financial authorities have to be on alert all the time to supervise the level of WPI and make decisions accordingly in order to develop the monetary policy. A runaway growth in inflation due to WPI could compel policy makers to institute actions that could stabilise inflation, which may include adjusting interest rates.
- **Business Planning:** Companies apply WPI data for forecasting of production costs and the evaluation of the market situation to select the prices for their goods. Instability of the WPI brings about changes in the affordability of companies and their investment

outlooks.

Conclusion

The rise in WPI is a critical economic indicator that reflects changes in the market prices of goods and can influence monetary policy decisions. The government and the RBI closely monitor these trends to manage inflation and ensure economic stability.

Source: [BS](#)

UPSC Mains Practice Question

Q. Discuss the significance of the Wholesale Price Index (WPI) as an indicator of inflationary trends in an economy. How does the WPI differ from other inflation indices, such as the Consumer Price Index (CPI)?