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# India Adopts the Producer Price Index (PPI), Phasing Out WPI

19 June 2026 · **ECONOMY** · **GS3**

CURATED &amp; WRITTEN BY

**Bharat Choudhary**

UPSC Educator &amp; Content Creator

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# India Adopts the Producer Price Index (PPI), Phasing Out WPI

19 June 2026 · 3 min read ·

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## WHY IN NEWS

On June 15, 2026, India launched its first Producer Price Index (PPI (<https://ujjyari.com/terms/producer-price-index/>)), a measure of the average change in prices that domestic producers receive for their output. The Wholesale Price Index (WPI), India's long-standing producer-side gauge, is to be phased out within roughly five years.

## WHAT THE PPI MEASURES

The PPI tracks prices from the seller's (producer's) perspective at the point of sale, before retail margins, taxes and trade costs are added. It is conceptually distinct from the Consumer Price Index (CPI), which captures prices paid by households.

FEATURE	PRODUCER PRICE INDEX (PPI)	WHOLESALE PRICE INDEX (WPI)
Base year	2022-23	Older base (2011-12)
Coverage	Goods plus 7 services	Goods only; excluded services
Perspective	Prices producers receive	Prices at wholesale stage
Methodology	Double-deflator ( <a href="https://ujjyari.com/vocab/deflator/">https://ujjyari.com/vocab/deflator/</a> ) (IMF-backed)	Single-deflation
Global alignment	OECD and IMF standards	India-specific construct
Released by	Office of the Economic Adviser, DPIIT (Ministry of Commerce)	Office of the Economic Adviser, DPIIT (Ministry of Commerce)

The seven services covered at launch are banking, securities, insurance, pension-fund management, railways, air passenger transport and telecom. This is the most consequential change: by including services, which form the largest share of India's GDP, the PPI captures price dynamics the WPI structurally missed.

## WHY THE SWITCH MATTERS

### Three Methodological Upgrades

- 1 **Services inclusion.** The WPI tracked only goods, blinding it to two-thirds of the economy. The PPI's service coverage gives a fuller read of producer-side inflation.
- 2 **Double-deflator method.** The PPI uses a double-deflation approach, backed by the IMF, which separately deflates inputs and outputs and yields more accurate real value-added and GDP estimates than single deflation.
- 3 **Modern base year.** A 2022-23 base reflects the current structure of production, weights and consumption patterns.

### Global Comparability

The PPI aligns India with OECD and IMF statistical standards, the system used by most major economies. This improves cross-country comparability of inflation and supports better macroeconomic analysis.

## THE INFLATION READ

At launch, output PPI inflation stood at 9.4% for May 2026, signalling firm producer-side price pressure even as headline consumer inflation followed its own trajectory (<https://ujjiyari.com/vocab/trajectory/>). The divergence between producer and consumer inflation is itself analytically useful: it reveals where price pressure is building in the supply chain before it reaches households.

INDICATOR	VALUE
PPI base year	2022-23
Output PPI inflation (May 2026)	9.4%
Services covered at launch	7
WPI phase-out horizon	~5 years

## ANALYSIS: BETTER POLICY INPUTS

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A robust producer-price gauge sharpens three policy levers. For **monetary policy** (<https://ujjiyari.com/terms/monetary-policy/>), it offers an early-warning signal of pipeline inflation feeding into the CPI. For national accounts, the double-deflator improves the accuracy of real GDP. For trade and competitiveness analysis, OECD-aligned data allow cleaner benchmarking against partner economies. The transition period during which WPI and PPI co-exist will let analysts build back-series and avoid a break in the data.

## WAY FORWARD

- **Build robust back-series:** Maintain parallel WPI and PPI runs to preserve analytical continuity.
- **Expand service coverage:** Progressively add more service sectors beyond the initial seven.
- **Integrate into policy frameworks:** Feed PPI into RBI inflation analysis and CSO national-accounts methodology.

## UPSC RELEVANCE

**Prelims:** PPI base year (2022-23); difference between PPI, WPI and CPI; double-deflator method; releasing agency (Office of the Economic Adviser, DPIIT).

**Mains (GS3):** “The shift from WPI to a Producer Price Index marks a significant modernisation of India’s price-statistics architecture. Examine the advantages of the PPI for inflation measurement and national-income accounting.”

## FACTS CORNER

### FACTS CORNER — KNOWLEDGEPEDIA

**PPI launch:** June 15, 2026; base year 2022-23; released by the Office of the Economic Adviser, DPIIT (Ministry of Commerce).

**Coverage:** Goods plus 7 services (banking, securities, insurance, pension-fund management, railways, air passenger, telecom).

**Method:** Double-deflator (IMF-backed); aligns with OECD standards.

**WPI:** Goods-only, excluded services; to be phased out in about 5 years.

**Output PPI inflation:** 9.4% in May 2026.

**Sources:** *LiveMint* (<https://www.livemint.com>), *The Hindu* (<https://www.thehindu.com>)

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## Bharat Choudhary

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[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/daily/2026/06/19/india-producer-price-index-replaces-wpi/>

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