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TODAY'S IMPORTANT CURRENT AFFAIRS

UPSC PRELIMS

Date: 16.09.2025

Source: The Hindu

TODAY'S DROPS OF NEWS:

<u>SUBJECT</u>	<u>IN NEWS</u>
POLITY	---
ECONOMY	WPI inflation in August at four-month high of 0.52%
GEOGRAPHY	---
HISTORY AND ART & CULTURE	---
ENVIRONMENT	---
SCIENCE & TECH	---
MISCELLANEOUS	---

ECONOMY

In news: WPI inflation in August at four-month high of 0.52%

Inflation:

Inflation is a gradual loss of purchasing power that results in a significant increase in the prices of goods and services over time.

Measures of Inflation:

Inflation is measured using indices that track price changes in a basket of goods and services over time. A price index is a statistical measure that reflects changes in this average price level relative to a base year. In India, inflation is primarily tracked using two main price indices: the Wholesale Price Index (WPI) and the Consumer Price Index (CPI). Globally, another widely used measure of inflation is the GDP Deflator.

Wholesale Price Index (WPI):

- WPI measures the changes in the prices of goods sold and traded in bulk by wholesale businesses to other businesses.
- It is calculated and published by the Office of Economic Advisor, Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry.
- WPI data is published monthly.

Difference between WPI and Consumer Price Inflation (CPI) inflation:

- While the WPI keeps track of the wholesale price of goods, the CPI measures the average price that households pay for a basket of different goods and services.
- WPI is restricted to only goods, while CPI is for both goods and services.
- Even as the WPI is used as a key measure of inflation in some economies, the Reserve Bank of India (RBI) no longer uses it for policy purposes, including setting repo rates. The RBI currently uses CPI, or retail inflation, as a key measure of inflation to set monetary and credit policy.

Weightage in calculating WPI:

- It is calculated by taking a weighted average of the prices of a basket of goods, with each item's weight determined by its share of total wholesale sales.
- The basket of goods comprises three major groups:
 - Primary Articles (Weight 22.62%)
 - Fuel and Power (Weight 13.15%)
 - Manufactured Products (Weight 64.23%)
- The prices of a total of 697 items are tracked under the 2011-12 series of the WPI, which includes 117 primary items, 16 items of fuel and power, and 564 manufactured products.

MENTOR

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DAILY CURRENT AFFAIRS