

DPIIT takes expert advice from IMF on PPI methodology

INDEX MODEL. In the transitional phase, both PPI and WPI will co-exist: DPIIT Secretary

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The Department for Promotion of Industry and Internal Trade (DPIIT) is finalising the model for the Producers Price Index (PPI), which is used in most G20 countries, and has taken expert advice from IMF on the methodology, DPIIT Secretary Rajesh Kumar Singh has said.

"Consultations with the Ministry of Statistics and Programme Implementation (MoSPI) have been done. Procedural consultation with the National Statistical Commission (NSC) has to happen before it is placed before higher authorities, but we are on the job," he said at a media briefing on Thursday.

THE DIFFERENCE

In the transitional phase, both PPI and Wholesale Price Index (WPI) will co-exist, the Secretary said. "There will be a transitional phase where both will be there. Eventually, WPI should go but a call will need to be taken," he said. PPI



DPIIT Secretary Rajesh Kumar Singh

measures the average change in prices received by the producer and excludes indirect taxes. WPI, on the other hand, 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 also covers services while WPI does not.

"The procedural clear-

ances required (for PPI) will be worked on. That process is on but right now the timeline can't be given," Singh said.

Responding to a query on a proposal to change the WPI base year, the Secretary said that it was one of the issues that the government was considering. "The government, including MoSPI, looks at other statistical indicators, including the CPI

and various other indicators. I suppose you can expect some sort of an update of the base year eventually, but whether there will be one particular base year or different...because our studies show that other countries have multiple base years for different types of indices. Unless we have a decision I can't really say," he said.

DRAFT REPORT

The DPIIT in June 2021 issued a draft report of a working group suggesting revising WPI base year from 2011-12 to 2017-18 and proposed addition of about 480 new items to the basket including medicinal plants, pen drive, lifts, gymnasium equipment, and certain motorcycle engines in the new series. This would help in presenting a more realistic picture of the price situation in the country, the report has suggested.

At present, both WPI and CPI are used for tracking price movement. While the WPI measures price movement of goods in wholesale markets, the CPI tracks inflation at retail level and also includes certain services.