Indian Economy · GS - III

Persistent wholesale price inflation can transmit cost pressures across the economy and affect household consumption and industrial competitiveness.
Examine the major causes and macroeconomic implications of rising WPI inflation in India.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 16/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

WPI, cost-push inflation, crude oil prices, food inflation, input costs, supply-chain disruptions, manufacturing, CPI transmission, monetary policy, fiscal measures.

Model Answer

Introduction

Wholesale Price Index (WPI) inflation measures changes in the prices of goods at the wholesale level. Persistent increases can raise production costs and create broader macroeconomic pressures.

Major Causes

- **Energy prices:** Higher crude oil and fuel prices increase transportation and production costs.
- **Food inflation:** Supply shortages and adverse weather conditions raise agricultural commodity prices.
- **Manufacturing costs:** Expensive raw materials and intermediate goods increase input costs.
- **Supply-chain disruptions:** Global conflicts and logistical constraints affect commodity availability.

Macroeconomic Implications

- Higher input costs can reduce industrial profitability and competitiveness.
- Producers may pass increased costs to consumers, contributing to retail inflation.

- Persistent inflation can weaken purchasing power and household consumption.
- Uncertainty over prices may discourage investment and complicate monetary policy decisions.

Way Forward

Improve logistics infrastructure, diversify energy sources, strengthen agricultural supply chains and use calibrated fiscal and monetary measures to manage inflationary pressures.

Conclusion

Managing wholesale inflation requires coordinated supply-side interventions and macroeconomic stability measures. Monitoring both WPI and CPI helps policymakers understand price pressures across the economy.

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