

CHAPTER-6

PRICE TRENDS

1. The inflation rate is the best measure to determine changes in the prices of groups of related commodities over a period of time. This is basically measured by the Wholesale Price Index (WPI). However inflation can also be measured using the Consumer Price Index (CPI) for Industrial Workers, the Consumer Price Index for Urban Non-Manual Employees (UNME) and the Consumer Price Index for Agricultural and Rural Labourers (CPI-ARL) depending upon the requirement. The current series of WPI reflects the change in wholesale prices using 1993-94=100 as a base year. The rate of inflation as per the WPI at the national level was 7.2% during 2000-01 compared to 3.3% during 1999-2000 (table-6.1). The month wise comparison of the WPI for 2000 and 2001 (along with percentage increase for the month of 2001 over the same month of 2000) is given in (table 6.1A). This shows that the rate of inflation has been declining during 2001.

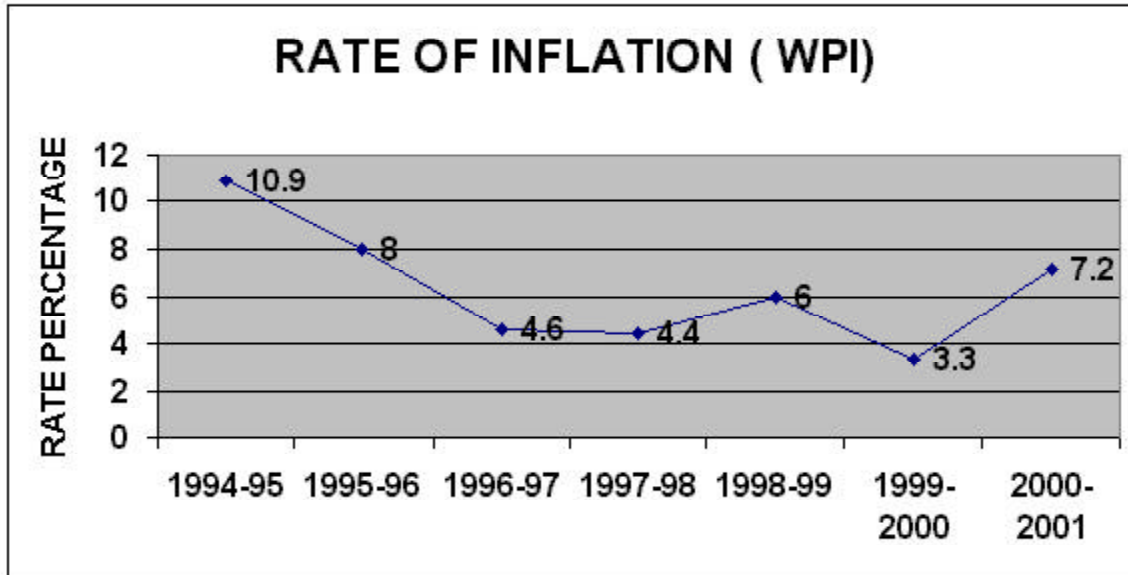
METHODOLOGY FOR COMPILATION OF WHOLESALE PRICE INDEX

The revised (current) series of index numbers of wholesales prices in India with base 1993-94 has replaced the hitherto operated WPI with base 1981-82. The revised series has 435 items for which there are 1918 quotations. The index number is calculated on the principle of weighted arithmetic mean.

The price relatives are calculated as the percentage ratios which current prices bear to those prevailing in the base period. In other words, the price relative for each variety/quotation is calculated by dividing the current price by the corresponding base period (1993-94) price and multiplying the resultant figure by 100. The commodity index is arrived at as the simple arithmetic average of the price relatives of varieties/quotations selected for that commodity. The indices for the sub-groups/groups/major groups of commodities in turn are worked out as the weighted arithmetic mean of the indices of the items/sub-groups/groups falling under their respective heads.

The WPI is compiled only at the all India level and is not compiled separately at State/Union Territory level.

CHART 6.1



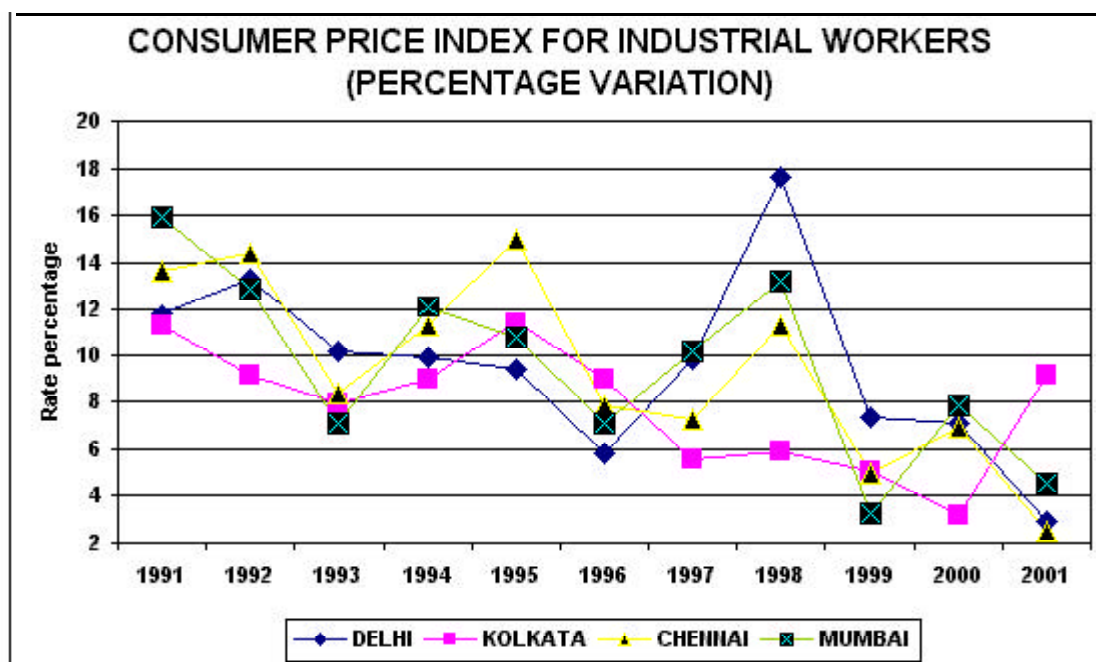
CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS

- The current series of Consumer Price Index for Industrial Workers is being compiled since 1989 using 1982 as the base year, replacing the old series (1960=100). The Labour Bureau, Shimla has been compiling and releasing the index on a monthly basis for 70 selected centres in India, including Delhi (Table 6.2). Price data is collected by the field staff of the State Government for the respective centres. In Delhi, the field staff of Directorate of Economics and Statistics collects price data from six different markets namely Subzi Mandi, Bara Hindurao, Moti Nagar, Rani Bagh, Shahdara and Bhogal on a weekly and monthly basis. These rates are supplied to Labour Bureau, Shimla for compilation of the Consumer Price Index Number. The series is being replaced by new base for which survey has already been conducted during 1999-2000 and 8 markets viz. Subzi Mandi, Moti Nagar, Rani Bagh, Shahadara, Govindpuri, Mangolpuri, Samaipur Badli and Azadpur, have been selected. Price data is also being regularly collected from these markets.
- This Index Number is used to work out dearness allowance of Government employees and industrial workers.
- The highest increase in CPI for industrial workers in Delhi was during the year 1998 (67 points, 17.6%) followed by 1991 (23 points, 11.8%) and then in 1993 (25points, 10.1%). During the remaining years the lowest increase in the index was in 2001 (15 Points, 2.9%) followed by 1996(19 points, 5.8%) (Table 6.3).

Among the metropolitan cities the percentage increase in the CPI during the calendar year 2001 was the highest in Kolkota (41points, 9.9%) followed by Mumbai (23 points, 4.55%), Delhi (15 points, 2.91%) and Chennai (12 points, 2.52%) (Table 6.4).

- The index is separately prepared for six groups and then combined by assigning weights to each group. The weighted diagram for each group differs for each centre in the country. In the case

CHART 6.2



of Delhi, the highest weight (50.70%), is assigned to the food group, followed by (14.80%) miscellaneous, (14.00%) housing, (12.50%) clothing, bedding & footwear, (5.60%) fuel & light, and (2.40%) pan, supari, tobacco & intoxicant (Table 6.5).

6. Delhi's annual average index increased from 514 in 2000 to 529 in 2001 registering an increase of 15 points only (2.9%). The index for the food group was 503 in 2000 which increased to 509 registering an increase of 6 points (1.2%). The index for pan, supari, tobacco & intoxicant has increased from 584 to 652 registering an increase of 68 points, (11.6%). During the period fuel and light has gone up from 371 to 427, an increase of 56 points, (15.1%). This was due to increase in the cost of petrol, kerosene and LPG gas cylinder. During the year the index under housing has marginally gone up from 637 to 662 registering an increase of 25 points, (3.9%). The index under clothing, bedding and foot wear also marginally decreased from 381 to 378 implying a fall in prices by 0.8%. Under the miscellaneous group there are certain items like medical care, education, recreation, amusement, transport communication and personal effects. The index in this group rose from 586 to 617 registering an increase of 31 points, (5.3%). The maximum increase was in fuel & light for reasons that have been explained above (Table 6.6).

CONSUMER PRICE INDEX FOR URBAN NON-MANUAL EMPLOYEES

7. The CPI is compiled by the Central Statistical Organisation, Government of India, on a monthly basis and the twelve monthly average is calculated to give the index for the year. Data is collected from 59 centres located all over the country, including Delhi, and a separate index is calculated for each centre. This index is used by Public Sector Undertakings, Banks and Insurance Companies etc to grant dearness allowance to their employees. Table 6.7 presents average Consumer Price

Index Number for Urban Non-manual Employees in respect of 59 centres from 1990-91 to 2000-2001. Among the metropolitan cities the highest increase in the average CPI between 1999-2000 and 2000-2001 was Chennai (8.8%) followed by Mumbai (6.2%), Delhi (6.1%), Kolkata (4.9%) and a National average of 5.4%.

8 CONSUMER PRICE INDEX FOR AGRICULTURAL LABOURERS AND RURAL LABOURS

The present Consumer Price Index Number for Agricultural labourers and Rural labourers is being compiled by Labour Bureau Shimla w.e.f. November 1995 with base year as 1986-87=100 replacing the old base of 1960-61=100. The new series of index number has covered 20 States at All India level but not Delhi. Table 6.8 presents CPI for Agricultural labourers and Rural labourers with base year 1986-87=100.