

CHAPTER 6

PRICE TRENDS

Consumer Price Index (CPI) is a reflection of changes in the retail prices of specified goods and services over a time period, whereas Wholesale Price Index (WPI) accounts for changes in general price level of goods at wholesale level. WPI is the primary measure used for ascertaining inflation as it accounts for changes in prices at an early stage of distribution. A price index is a normalized average of prices for a given class of goods or services in a given region, during a given interval of time. Price Indices have several potential uses. The index can be said to measure the movement in prices or a cost of living. Some notable price indices are indicated below:

- (1) Wholesale Price Index number - All India (WPI)
- (2) Consumer Price Index number for Industrial Worker (CPI-IW)
- (3) Consumer Price Index number for Agricultural Labourers (CPI-AL)
- (4) Consumer Price Index number for Rural Labourers (CPI-RL)

- 1.2 The substantial change in prices of essential commodities affect both the quantum of production and the pattern of consumption. The change in prices also make an impact on living conditions of people in general and poor in particular. Therefore, it is absolutely essential to keep a constant watch on price behavior. Statistically index number of prices measures changes in prices over a period of time. The price indices are calculated at wholesale level as well as at retail level.
2. The Wholesale Price Index (WPI) is the only general index capturing price movements in a comprehensive way and is an indicator of movement in prices of commodities in all trade and transactions. It is generally taken as an indicator of the rate of inflation in the economy. The current series of WPI reflects the change in wholesale Prices over a period as compared to the base year (2004-05=100). The information regarding year-wise whole sale price index from 2005-06 to 2013-14 is presented in Table 6.1.

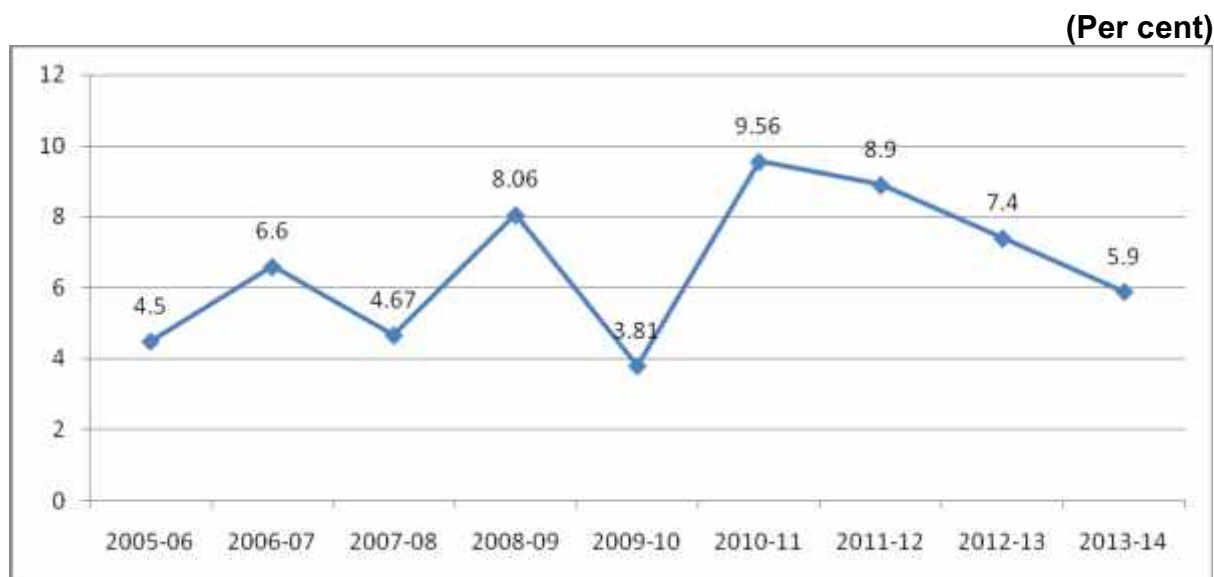
3. Methodology for Compilation of Whole Sale Price Index

- 3.1 Wholesale price represents the quoted price of bulk transaction of a commodity generally at primary stage. The revised (current) series of Index Numbers of Wholesales Prices in India with base 2004-05 has replaced the hitherto operated WPI with base 1993-94. The current series is calculated on the principle of weighted arithmetic mean.
- 3.2 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 (2004-05) price and multiplying the resulting 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. Being a representative of wholesale trade and transaction and also being available on a weekly basis WPI is conventionally used as an indicator to measure the rate of inflation in the economy.

- The rate of inflation during the last nine years is depicted in Chart 6.1.

Chart 6.1:
RATE OF INFLATION IN INDIA (WHOLESALE PRICE INDEX) - 2005-2014.



- Food price inflation is one of the most talked about issues in the country today. The brunt of the same is being felt across India and across all sections of society. The farmer or the grower may not be benefited in the ratio of rise in food prices as there are huge imperfections in the market. Demand-supply mismatches and inefficient supply mechanisms result in large price spreads between the growers and final consumers.
- Larger economic integration has allowed developments in international markets to trickle down to all corners of the world. At the same time such integration has allowed developing nations to play evermore important roles in global markets. In this regard, the rise in commodity prices during this present decade highlights the growing importance of the developing world as its demand for food, energy and materials appears to have been fuelling the current commodity boom.
- In addition to low production and productivity, the prevailing market inefficiencies – lack of coordinated efforts in public procurement, wastage due to inadequate storage facilities,

etc. have been crucial in allowing food prices to rise sharply. The complex causes of the current food and agriculture crisis require a comprehensive response. The thrust of the government activities is to concentrate on improving food production and productivity, increasing investments in agriculture sector, etc. Average wholesale prices of some essential commodities in Delhi are presented in Statement 6.1.

Statement 6.1:

AVERAGE WHOLESALE PRICES OF SELECTED COMMODITIES IN DELHI- 2007-14

(In ₹)

Sl. No	Commodities	Unit	2007	2008	2009	2010	2011	2012	2013	2014
1.	Wheat (308)	Per Quintal	1109	1194	1314	1350	1275	1675	1745	1725
2.	Gram (garra)	Per Quintal	2461	2572	2644	2372	3300	4200	3300	3450
3.	Rice(basmati) old	Per Quintal	4184	4817	4758	5245	5175	5200	5800	6250
4.	Dal Arhar (Split)	Per Quintal	3364	3805	4602	6172	6235	6350	6500	6400
5.	Dal Moong (split)	Per Quintal	3784	3458	4351	6940	5775	5400	6300	6550
6.	Dal Urd (black)	Per Quintal	3931	3354	3997	6393	4980	4600	4700	5950
7.	Mustard Oil (Kachi Ghani)	15 Kg tin	840	1047	1075	974	1295	1350	1250	1340
8.	Ghee (desi) No.1	15 Kg Tin	2693	2880	3035	3456	4110	4250	4300	4200
9.	Ghee (vanaspati)	15 Kg Tin	884	1061	794	858	1120	1110	1125	1050
10.	Kerosene Oil	Per liter	9.11	9.18	9.23	9.32	14.83	14.83	NA	NA
11.	Hard Coke)	Per 40 kg	245	304	320	360	440	NA	NA	NA
12.	Meat	Per Quintal	11122	11271	11768	19266	22000	23000	26000	25500
13.	Eggs	Per 100 No.	173	150	187	231	295	270	240	400
14.	Chillies	Per Quintal	5116	4720	5472	7901	9249	4000	8100	9000
15.	Turmeric	Per Quintal	3108	4458	5233	14058	5200	5800	7400	8000
16.	Sugar	Per Quintal	1605	1761	2479	3152	3146	3425	3250	3300
17.	Gur	Per Quintal	1401	1648	2274	2957	3190	2700	2850	2900
18.	Potato (UP, gola)	Per Quintal	685	465	767	535	546	600	710	750
19.	Onion (Nasik)	Per Quintal	1107	712	996	1283	1015	1125	1100	1200

Source: - Directorate of Agricultural Marketing, GNCTD.

8. Consumer Price Index for Industrial Workers

8.1 The CPI-IW purports to measure the temporal change in the retail prices of fixed

basket of goods and services being consumed on daily basis by an average working class family and thus, is an important indicator of the change in consumption level of average industrial worker in the country. The Directorate of Economics and Statistics, Government of NCT of Delhi collect retail prices of essential commodities from the selected markets viz Moti Nagar, Rani Bagh, Subzi Mandi, Shahdara, Mangol Puri, Azadpur, Govindpuri and Samai Pur Badli on weekly and monthly basis. These rates are provided to Labour Bureau, Shimla for compilation of Consumer Price Index Number for industrial workers. Labour Bureau, Shimla has been compiling and releasing Consumer Price Index on a monthly basis for 78 selected centers in India, including Delhi. The base year of the current series of consumer price index for industrial workers is 2001=100. The old series of base year 1982=100 was replaced by new series base 2001=100 since January 06. The present series have included eight selected markets in Delhi for data collection of consumer price index for industrial workers as mentioned above. Now, for replacement of the existing series base 2001 by new proposed base 2015= 100, process for collection of prices have been started simultaneously in the new schedules provided by Labour Bureau. For new series five new markets (Bawana, Najafgarh, Tilak Nagar, Bhajanpura/Yumana Vihar and Kotla Mubarakpur) have been added and two existing/old markets (Rani Bagh and Moti Nagar) have been deleted for the new series.

8.2 The Index is separately prepared for six groups and then combined by assigning weights to each group. The highest weight is assigned to food group at 43.75 per cent, followed by miscellaneous at 22.34 per cent, housing at 20.72 per cent, clothing, bedding and footwear at 5.68 per cent, fuel & light at 5.39 per cent and pan-supari, tobacco and intoxicants at 2.12 per cent respectively. The consumer price index number for industrial workers in Delhi during 2013 and 2014 is presented in Statement 6.2.

Statement 6.2:

CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN DELHI

(Base Year 2001=100) (Per cent)

GROUP	Group/Sub-Group	WEIGHT	2013	2014	% Change
1-A	Food				
A	Cereals & Products	8.31	172	202	17.4
B	Pulses & Products	2.99	249	268	7.6
C	Oils & Fats	2.81	224	218	-2.7
D	Meat, Fish & Eggs	1.85	283	315	11.3
E	Milk & Products	11.41	223	249	11.7
F	Condiments & Spices	2.39	297	259	-12.8
G	Vegetables & Fruits	6.36	277	281	1.4
H	Other Foods	7.63	229	239	4.4
Food Total		43.75	231	246	6.5
1-B	Pan, Supari, Tobacco & Intoxicants	2.12	220	236	7.3
2	Fuel & Light	5.39	220	253	15.0
3	Housing	20.72	190	202	6.3
4	Clothing, Bedding & Footwear	5.68	190	198	4.2
Miscellaneous					
A	Medical Care	3.30	235	226	-3.8
B	Education, Recreation & Amusement	6.30	163	180	10.4
C	Transport & Communication	5.12	180	185	2.8
D	Personal & Effects	4.44	167	185	10.8
E	Others	3.18	214	233	8.9
Miscellaneous Total		22.34	186	196	5.4
General Index		100.00	209	223	6.7

Source: - Labour Bureau, Shimla.

- 8.3 It may be inferred from Statement 6.2 that the annual average consumer price index increased from 209 in 2013 to 223 in 2014 registering an increase of 14 points. The increase in consumer price index for industrial workers in Delhi was recorded at 6.7 per cent during 2014 over last year 2013.
- 8.4 The index for food group increased from 231 in 2013 to 246 in 2014 registering an increase of (15 points, 6.5 per cent). Index for pan, supari, Tobacco & intoxicants increased from 220 to 236 registering an increase of (16 points, 7.3 per cent). The index of fuel and light increased from 220 in 2013 to 253 in 2014. The index under housing has also increased from 190 to 202 recorded an increase of (12 points, 6.3 per cent), for clothing, bedding and foot wear it increased from 190 to 198 registering an increase of (8 points, 4.2 per cent). Under the miscellaneous group there are certain items like medical care, education, recreation, amusement, transport communication and personal care and affects the index in this group rose from 186 to 196 registering an increase of (10 points, 5.4 per cent). Thus the maximum increase was in Fuel & Light followed by Pan, Supari, Tobacco & Intoxicant, Food groups, Housing Miscellaneous Group and clothing, bedding and foot wear.

Consumer price index number is also used to work out dearness allowance of Government employees and industrial workers.

9. Price Situation in Other Metros

9.1 Price rise has been the major issue for the majority of citizens in the country. Growth means a better life for our kids. In the last couple of years, prices of essential commodities have gone up. Barring seasonal fluctuations in some commodities like onion, potato and wheat due to decline in arrivals, inclement weather in major producing areas, transportation bottlenecks, increase in cost of movement and lower stocks, the retail prices of most of the essential commodities have exhibited a steady trend in all metro cities in India. The information regarding the consumer price index for industrial workers in metro cities in India during 2000-2014 is presented in Statement 6.3.

Statement 6.3: CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN METRO CITIES IN INDIA-2000-2014

(Average Annual Index)

No	Year	All India	% Change	Delhi	% Change	Kolkata	% Change	Chennai	% Change	Mumbai	% Change
1	2000	441	4.0	514	7.1	451	3.2	475	6.5	505	7.9
2	2001	458	3.9	529	2.9	492	9.1	487	2.5	528	4.6
3	2002	477	4.1	550	4.0	530	7.7	513	5.3	558	5.7
4	2003	496	4.0	570	3.6	541	2.1	533	3.9	583	4.5
5	2004	514	3.6	598	4.9	565	4.4	549	3.0	604	3.6
6	2005	536	4.3	648	8.4	587	3.9	565	3.0	611	1.2
7	2005 *	116	4.3	116	8.4	115	3.9	114	3.0	118	1.2
8	2006	123	6.0	122	5.2	121	5.2	118	3.4	126	6.8
9	2007	131	6.5	128	4.9	132	9.1	124	5.1	134	6.3
10	2008	142	8.4	137	7.0	142	7.6	135	8.9	144	7.5
11	2009	157	10.6	147	7.3	156	9.9	149	10.4	159	10.4
12	2010	176	12.1	163	10.9	172	10.3	161	8.1	174	9.4
13	2011	192	9.1	176	8.0	185	7.6	171	6.2	192	10.3
14	2012	209	8.9	191	8.5	198	7.0	195	14.0	212	10.4
15	2013	232	11.0	209	9.4	222	12.1	218	11.8	237	11.8
16	2014	247	6.5	223	6.7	239	7.7	230	5.5	257	8.4

Source: - Labour Bureau Shimla,

Notes: - * Converted figure according to the base year 2001=100. Base year 1982=100 changed to 2001=100 w.e.f 01.01.2006

9.2 It may be observed from Statement 6.3 that the consumer price index number in All India was recorded at 247. For Mumbai it was 257 followed by Kolkata 239, Chennai 230 and Delhi 223 respectively. The highest percentage change was also recorded in Mumbai at 8.4 per cent. The prices of food items at national level increased during 2013-14 at 6.7 per cent; the highest recorded in Kolkata at 8.8 per cent and lowest in Chennai at 5.5 per cent. The

consumer price index during 2014 in Delhi recorded lesser than the national level. At national level the average consumer price index recorded during the year 2014 at 247 while the same in Delhi recorded at 223. The group-wise price index numbers for industrial workers of mega cities in India during 2013 and 2014 is presented in Table 6.2. Consumer price index for industrial workers in Delhi and selected megacities in India during 2006-2014 is depicted in Chart 6.2.

Chart 6.2:
CPI FOR INDUSTRIAL WORKERS IN DELHI & MEGA CITIES
IN INDIA 2006-13

