

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 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 Laborers (CPI-AI)
4. Consumer Price Index number for Rural Laborers (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 movement 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 2007-08 to 2015-16 is presented in Table 6.1.

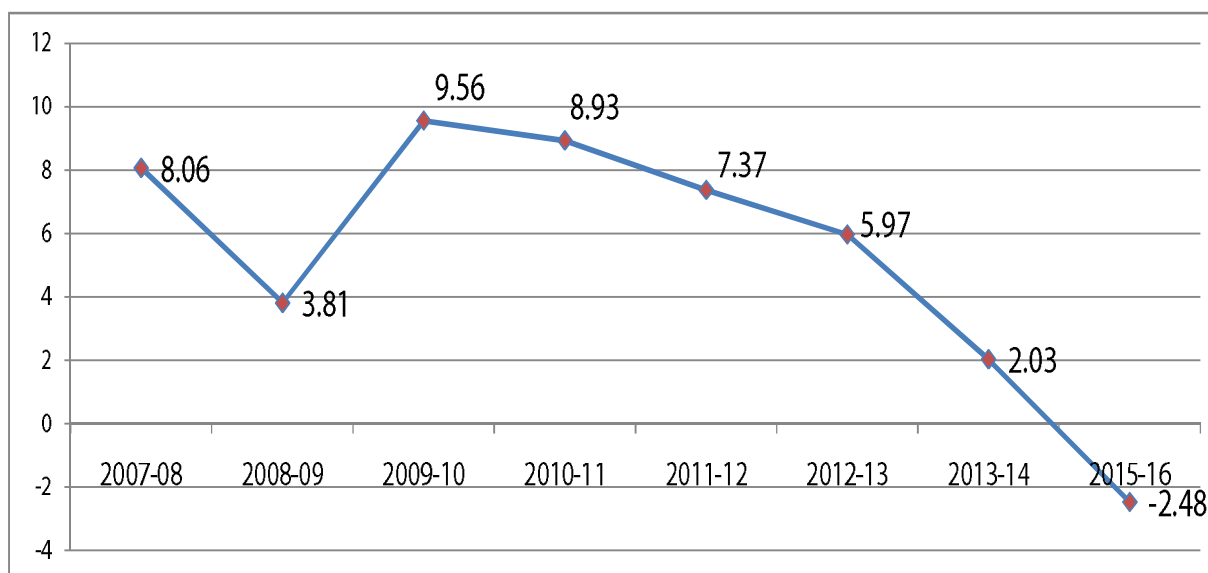
3. Methodology for Compilation of Whole Sale Price Index

- 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.

4. The rate of inflation during the last eight years is depicted in chart 6.1.

Chart 6.1
RATE OF INFLATION IN INDIA (WHOLESALE PRICE INDEX) - 2008-2015
 (PER CENT)



5. 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.
6. 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.

7. 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- 2008-2015

(In `)

S. No	Commodities	Unit	2008	2009	2010	2011	2012	2013	2014	2015
1.	Wheat (308)	Per Quintal	1194	1314	1350	1275	1675	1745	1725	1770
2.	Gram (grarra)	Per Quintal	2572	2644	2372	3300	4200	3300	3450	4200
3.	Rice(basmati) old	Per Quintal	4817	4758	5245	5175	5200	5800	6250	6300
4.	Dal Arhar (Split)	Per Quintal	3805	4602	6172	6235	6350	6500	6400	10200
5.	Dal Moong (split)	Per Quintal	3458	4351	6940	5775	5400	6300	6550	8425
6.	Dal Urd (black)	Per Quintal	3354	3997	6393	4980	4600	4700	5950	10200
7.	Mustard Oil (Kachi Ghani)	15 Kg tin	1047	1075	974	1295	1350	1250	1340	1390
8	Ghee (desi) No.1	15 Kg Tin	2880	3035	3456	4110	4250	4300	4200	5250
9.	Ghee (vanaspati)	15 Kg Tin	1061	794	858	1120	1110	1125	1050	1000
10.	Kerosene Oil	Per liter	9.18	9.23	9.32	14.83	14.83	NA	NA	NA
11.	Hard Coke)	Per 40 kg	304	320	360	440	NA	NA	NA	NA
12.	Meat	Per Quintal	11271	11768	19266	22000	23000	26000	25500	22500
13.	Eggs	Per 100 No.	150	187	231	295	270	240	400	400
14.	Chillies	Per Quintal	4720	5472	7901	9249	4000	8100	9000	NA
15.	Turmeric	Per Quintal	4458	5233	14058	5200	5800	7400	8000	9500
16.	Sugar	Per Quintal	1761	2479	3152	3146	3425	3250	3300	3825
17.	Gur	Per Quintal	1648	2274	2957	3190	2700	2850	2900	2900
18.	Potato (UP, gola)	Per Quintal	465	767	535	546	600	710	750	1675
19.	Onion (Nasik)	Per Quintal	712	996	1283	1015	1125	1100	1200	1000

Source: - Directorate of Agricultural Marketing, GNCTD.

8. Consumer Price Index for Industrial Workers

- 8.1 Consumer Price Indices are generally used for measuring the trends of retail prices of the most common items of daily consumption. 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 be 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 2014 and 2015 is presented in Statement 6.2.

Statement 6.2

CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN DELHI

(Per cent) (Base Year 2001=100)

GROUP	Group/Sub-Group	WEIGHT	2014	2015	% Change
1-A	Food				
A	Cereals & Products	8.31	202	247	22.3
B	Pulses & Products	2.99	268	333	24.3
C	Oils & Fats	2.81	218	222	1.8
D	Meat, Fish & Eggs	1.85	315	348	10.5
E	Milk & Products	11.41	249	263	5.6
F	Condiments & Spices	2.39	259	298	15.1
G	Vegetables & Fruits	6.36	281	274	-2.5
H	Other Foods	7.63	239	240	0.4
	Food Total	43.75	246	265	7.7
1-B	Pan, Supari, Tobacco & Intoxicants	2.12	236	258	9.3
2	Fuel & Light	5.39	253	222	-12.3
3	Housing	20.72	202	212	5.0
4	Clothing, Bedding & Footwear	5.68	198	208	5.1
	Miscellaneous				
A	Medical Care	3.30	226	235	4.0
B	Education, Recreation & Amusement	6.30	180	188	4.4
C	Transport & Communication	5.12	185	182	-1.6
D	Personal & Effects	4.44	185	197	6.5
E	Others	3.18	233	244	4.7
	Miscellaneous Total	22.34	196	203	3.6
	General Index	100.00	223	234	4.9

Source: - Labour Bureau, Shimla.

- 8.3 It may be inferred from Statement 6.2 that the annual average consumer price index increased from 223 in 2014 to 234 in 2015 registering an increase of 11 points. The increase in consumer price index for industrial workers in Delhi was recorded at 4.9 per cent during 2015 over last year 2014.
- 8.4 The index for food group increased from 246 in 2014 to 265 in 2015 registering an increase of (19 points, 7.7 per cent). Index for Pan, Supari, Tobacco & intoxicants increased from 236 to 258 registering an increase of (22 points, 9.3 per cent). The index of fuel and light increased from 253 in 2014 to 222 in 2015. The index under housing has also increased from 202 to 212 recorded an increase of (10 points, 5.0 per cent), for clothing, bedding and foot wear it increased from 198 to 208 registering an increase of (10 points, 5.1 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 196 to 203 registering an increase of (7 points, 3.6 per cent). Thus the maximum increase was in Pan, Supari, Tobacco & Intoxicant, followed by Food groups, Clothing, bedding & footwear, housing and miscellaneous while decrease was observed in fuel& light group.

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 2005-2015 is presented in Statement 6.3.

Statement 6.3

CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN METRO CITIES IN INDIA-2005-2015

(Average Annual Index)

S. No	Year	Consumer Price Index					Percentage change				
		India	Delhi	Kolkata	Chennai	Mumbai	India	Delhi	Kolkata	Chennai	Mumbai
1.	2005	116	116	115	114	118	4.3	8.4	3.9	3	1.2
2.	2006	123	122	121	118	126	6	5.2	5.2	3.4	6.8
3.	2007	131	128	132	124	134	6.5	4.9	9.1	5.1	6.3
4.	2008	142	137	142	135	144	8.4	7	7.6	8.9	7.5
5.	2009	157	147	156	149	159	10.6	7.3	9.9	10.4	10.4
6.	2010	176	163	172	161	174	12.1	10.9	10.3	8.1	9.4
7.	2011	192	176	185	171	192	9.1	8	7.6	6.2	10.3
8.	2012	209	191	198	195	212	8.9	8.5	7.0	14	10.4
9.	2013	232	209	222	218	237	11	9.4	12.1	11.8	11.8
10	2014	247	223	239	230	257	6.5	6.7	7.7	5.5	8.4
11	2015	261	234	251	248	276	5.7	4.9	5.0	7.8	7.4

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 261. For Mumbai it was 276 followed by Kolkata 249, Chennai 248 and Delhi 234 respectively. The highest percentage change was also recorded in Chennai at 7.8 per cent. The prices of food items at national level increased during 2014-15 at 6.3 per cent; the highest recorded in Chennai at 12 per cent and lowest in Kolkata at 4.8 per cent. The consumer price index during 2015 in Delhi recorded lesser than the national level. At national level the average consumer price index recorded during the year 2015 at 261 while the same in Delhi recorded at 234. The group-wise price index numbers for industrial workers of mega cities in India during 2014 and 2015 is presented in Statement 6.2. Consumer price index for industrial workers in Delhi and selected megacities in India during 2005-2015 is depicted in Chart 6.2.

Chart 6.2:
CPI FOR INDUSTRIAL WORKERS IN INDIA & DELHI 2005-15

