

CHAPTER-6

PRICE TRENDS

1. PRICE SITUATION

The task of monitoring of changes in prices of essential commodities attains top priority as the changes in prices result in decisive impact on living conditions of people in general and poor in particular. The Price Indices are the uniformly accepted Statistical index measuring the temporal changes in prices of seeds and fertilizers over a period of time. The price indices statistical tools are calculated at wholesale level as well as at retail level. Price Indices of retail prices are compiled for each class of workers viz. industrial, urban non-manual and agricultural rural labour.

2. PRICE SITUATION IN INDIA

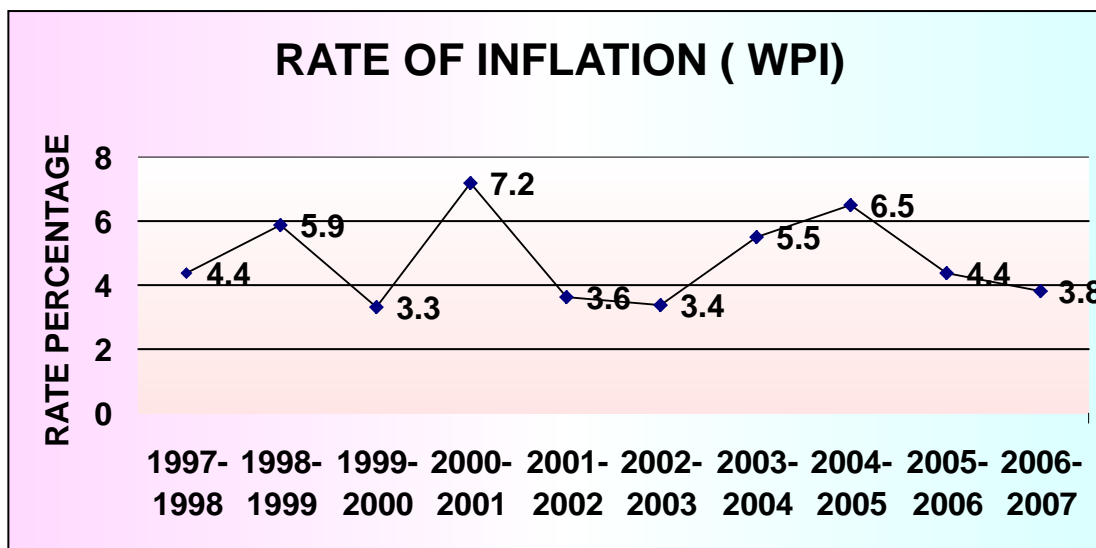
At all India level Wholesale Price Index (WPI) is used to quantify the rate of inflation in the economy by measuring changes in prices of selected basket of commodities in wholesale market. The current series of WPI reflects the change in wholesale Prices over a period as compared to the base year (1993-94=100.) The rate of inflation as per Wholesale Price Index at the national level was 3.8% during the year 2006-07 as compared to 4.4% during the preceding year 2005-06. The year wise comparison of WPI from 1997-98 to 2006-07 is given in (table 6.1).

3. METHODOLOGY FOR COMPILATION OF WHOLESALE PRICE INDEX

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 1993-94 has replaced the hitherto operated WPI with base 1981-82. The revised series has 435 representative items for which there are 1918 quotations collected on weekly basis by the office of Economic Adviser, Ministry of Industries, Govt. of India. The current series 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 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.

CHART 6.1



4. CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS (CPI)

Consumer Price Indices for industrial workers is an important indicator of the retail price statistics as it measure the periodic change in the retail prices of goods and services consumed by an average working class family. The Directorate of Economics & Statistics, Govt. of NCT of Delhi collect retail prices of essential commodities from the selected markets and there after sent 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 (table 6.2).

The current series of Consumer Price Index for Industrial Workers is being compiled using 2001=100 as the base year. The old series of base 1982=100 has been replaced by new series base 2001=100 since January 06. In the new series, prices are being collected from a total of 8 markets on weekly and monthly basis viz. Moti Nagar, RaniBagh, SubziMandi, Shahdara, Mangol Puri, Azadpur, Govindpuri and Samai Pur Badli.

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 (43.75%), followed by miscellaneous (22.34%), Housing (20.72%), Clothing, Bedding & Footwear (5.68%), fuel & light (5.39%) and Pan.Supari, Tobacco & Intoxicants (2.12%).

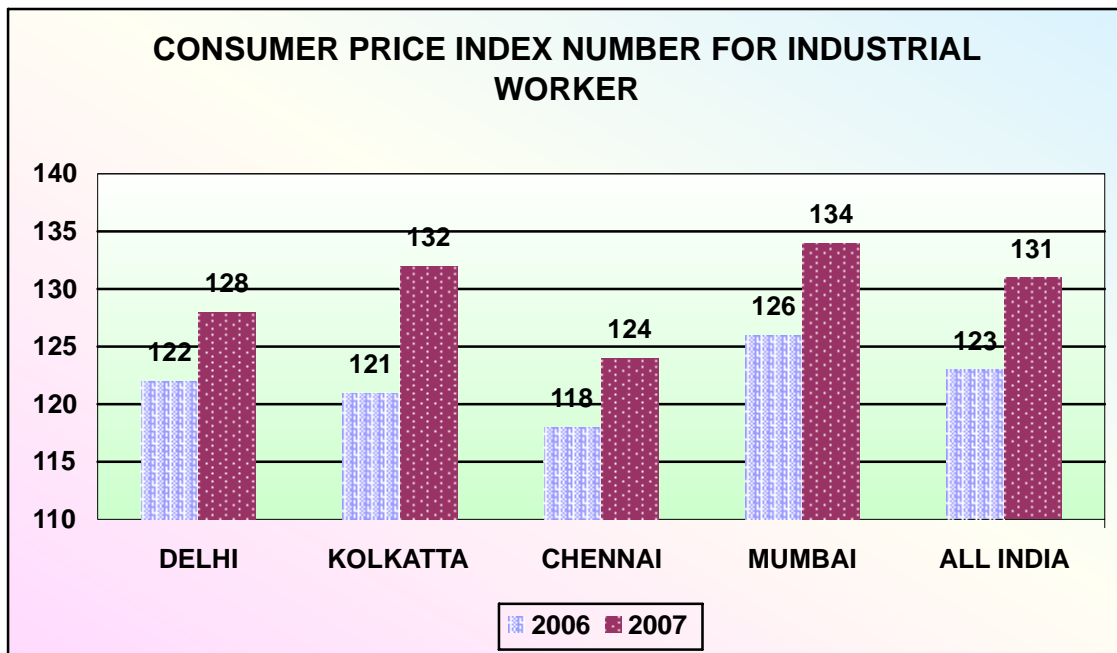
The highest increase in CPI for Industrial Workers in Delhi was during the year 1998 (17.6%) followed by 1997 (9.8%), 2005 (8.4%), 1999 (7.4%), 2000 (7.1%), 2006 (5.2%), 2004 and 2007 (4.9%), 2002 (4.0%) , 2003 (3.6%) and 2001 (2.9%). Delhi's annual average index increased from 122 in 2006 to 128 in 2007 registering an increase of (6 points, 4.9%). The index for Food group was

117 in 2006, which increased to 129 in 2007 registering an increase of (12 points, 10.3%). Index for Pan, Supari, Tobacco & Intoxicants has increased from 110 to 117 registering an increase of (7 points, 6.4%). The index of Fuel and Light was 149 which remained constant during 2007. The index under Housing has also marginally increased from 120 to 122 registering an increase of (2 points, 1.7%), for Clothing, Bedding and Foot wear it increased from 110 to 112 registering an increase of (2 points, 1.8%). 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 129 to 135 registering an increase of (6 points, 4.7%). Thus the maximum increase was in Food items followed by Pan.Supari, Tobacco & Intoxicants, Miscellaneous, Housing, Clothing bedding & footwear, while Fuel &Light remained constant. (Table No. 6.2)

Consumer Price Index Number is also used to work out dearness allowance of Government Employees and Industrial workers.

5. PRICE SITUATION IN DELHI VIS-À-VIS OTHER METROPOLITAN CITIES

Among the metropolitan cities the percentage increase in the CPI during the calendar year 2007 was the highest in Kolkata (11 points, 9.1 %) followed by Mumbai (8 points, 6.3 %), Chennai (6 points, 5.1%) and Delhi by (6 points, 4.9%) while increase in All India was (8 points 6.5 %). (Table No. 6.3 & 6.4)



6. CONSUMER PRICE INDEX FOR URBAN NON-MANUAL EMPLOYEES

The Central Statistical Organisation, Ministry of Statistics & Programme Implementation, and Government of India compile the CPI on monthly basis and the twelve monthly averages is calculated to give the index for the year. Data is collected from 59 centers located all over the country, including Delhi, and a separate index is calculated for each center. Public Sector Undertakings, Banks and Insurance Companies etc to grant dearness allowance to their employees use this index. It is revealed that among the metropolitan cities the highest increase in average CPI during 2006-07 was in Mumbai (28 points 6.2%%) followed by Delhi (27 points 5.7%), Kolkata (23 points 5.5%) and Chennai (26 points 4.8 %). National average annual increase was (30 points 6.6 %).