

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 the general price level of goods at the 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 Workers (CPI-IW)
3. Consumer Price Index number for Agricultural Laborers (CPI-AL)
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 makes an impact on the living conditions of people in general and poor in particular. Therefore, it is absolutely essential to keep a constant watch on price behaviour. Statistically index number of prices measures changes in prices over a period of time. The price indices are calculated at the wholesale level as well as at the 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 (2011-12=100). The information regarding the year-wise wholesale price index from 2013-14 to 2017-18 is presented in Table 6.1.

3. Methodology for Compilation of Whole Sale Price Index

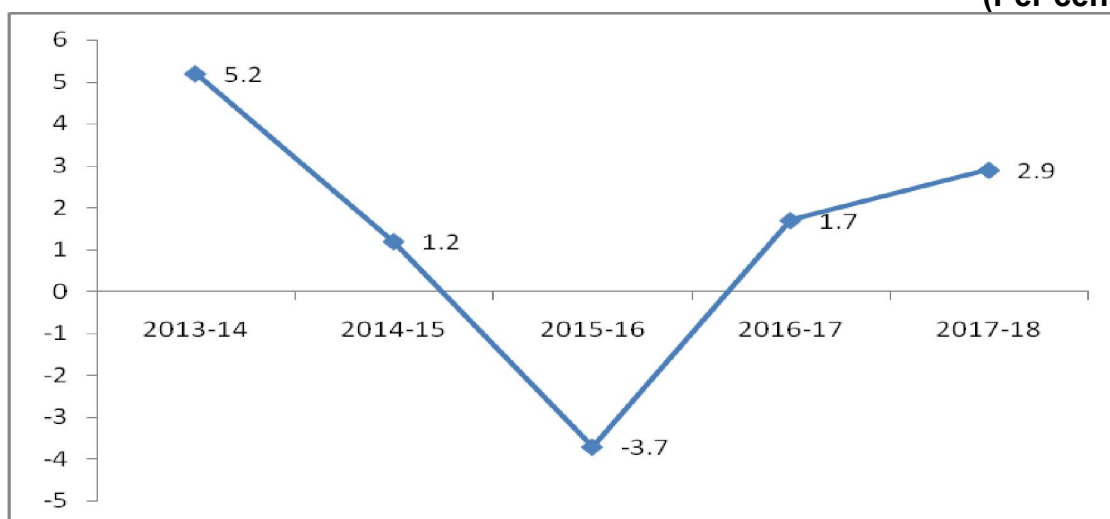
3.1 Wholesale price represents the quoted price of the bulk transaction of a commodity generally at the primary stage. The revised (current) series of Index Numbers of Wholesale Prices in India with base 2011-12 has replaced the hitherto operated WPI with base 2004-05. The current series is calculated 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 (2011-12) 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 five years is depicted in chart 6.1.

Chart 6.1
The rate of Inflation in India (Wholesale Price Index) 2013-14 to 2017-18
(Per cent)



- 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 ever more 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.
- 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 the 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.
- 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 government activities is to concentrate on improving food production and productivity, increasing investments in the 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- 2010-2017

(In ₹)

S. No	Commodities	Unit	2010	2011	2012	2013	2014	2015	2016	2017
1.	Wheat (308)	Per Quintal	1350	1275	1675	1745	1725	1770	1800	1900
2.	Gram (garra)	Per Quintal	2372	3300	4200	3300	3450	4200	4690	4500
3.	Rice(basmati)	Per Quintal	5245	5175	5200	5800	6250	6300	6500	6800
4.	Dal Arhar (Split)	Per Quintal	6172	6235	6350	6500	6400	10200	11820	7000
5.	Dal Moong (Chhilka)	Per Quintal	6940	5775	5400	6300	6550	8425	9050	6800
6.	Dal Urd (Chhilka)	Per Quintal	6393	4980	4600	4700	5950	10200	11720	6900
7.	Mustard Oil (Kachi Ghani)	15 Kg tin	974	1295	1350	1250	1340	1390	1490	1350
8.	Ghee (desi) No.1	15 Kg Tin	3456	4110	4250	4300	4200	5250	6800	10000
9.	Ghee (vanaspati)	15 Kg Tin	858	1120	1110	1125	1050	1000	1200	1250
10.	Kerosene Oil	Per liter	9.32	14.83	14.83	NA	NA	NA	NA	NA
11.	Hard Coke)	Per 40 kg	360	440	NA	NA	NA	NA	NA	NA
12.	Meat	Per Quintal	19266	22000	23000	26000	25500	22500	34500	28000
13.	Eggs	Per 100 No.	231	295	270	340	400	400	540	400
14.	Chillies (Red)	Per Quintal	7901	9249	4000	8100	9000	NA	9500	12000
15.	Turmeric	Per Quintal	14058	5200	5800	7400	8000	9500	9800	9000
16.	Sugar	Per Quintal	3152	3146	3425	3250	3300	3825	4150	3800
17.	Gur	Per Quintal	2957	3190	2700	2850	2900	2900	4000	4200
18.	Potato	Per Quintal	535	546	600	710	750	1675	1800	750
19.	Onion (Dry)	Per Quintal	1283	1015	1125	1100	1200	1000	2375	1600

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 a weekly and monthly basis. These rates are provided to Labour Bureau, Shimla for the 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 the CPI for industrial workers is 2001=100. The old series of base year 1982=100 was replaced by new series base 2001=100 since January 2006. The present series has included eight selected markets in Delhi for data collection of CPI for industrial workers as mentioned above. Now, for replacement of the existing series base 2001 by new proposed base 2016 = 100, the process for the 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/Yamuna 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 2016 and 2017 is presented in Statement 6.2.

Statement 6.2
Consumer Price Index for Industrial Workers in Delhi

(Base Year 2001=100)

Group	Group/Sub-Group	WEIGHT (%)	2016	2017	% Change
1	Food				
A	Cereals & Products	8.31	262	284	8.4
B	Pulses & Products	2.99	384	296	-22.9
C	Oils & Fats	2.81	235	230	-2.1
D	Meat, Fish & Eggs	1.85	361	372	3.0
E	Milk & Products	11.41	276	300	8.7
F	Condiments & Spices	2.39	258	276	7.0
G	Vegetables & Fruits	6.36	282	287	1.8
H	Other Foods	7.63	258	281	8.9
Food Total		43.75	278	289	4.0
2	Pan, Supari, Tobacco & Intoxicants	2.12	288	313	8.7
3	Fuel & Light	5.39	216	226	4.6
4	Housing	20.72	227	240	5.7
5	Clothing, Bedding & Footwear	5.68	216	230	6.5
6	Miscellaneous				
A	Medical Care	3.30	248	247	-0.4
B	Education, Recreation & Amusement	6.30	194	196	1.0
C	Transport & Communication	5.12	190	199	4.7
D	Personal Care & Effects	4.44	215	231	7.4
E	Others	3.18	250	262	4.8
Miscellaneous Total		22.34	213	220	3.3
General Index		100.00	246	257	4.5

Source: - Labour Bureau, Shimla.

8.3 It may be inferred from Statement 6.2 that the annual average consumer price index increased from 246 in 2016 to 257 in 2017 registering an increase of 11 points. The increase in CPI for industrial workers in Delhi was recorded at 4.5 per cent during 2017 over the last year 2016.

8.4 The index for food group increased from 278 in 2016 to 289 in 2017 registering an increase of 11 points (4.0 per cent). Index for pan, supari, tobacco & intoxicants increased from 288 to 313 registering an increase of 25 points (8.7

per cent). The index of fuel and light increased from 216 in 2016 to 226 in 2017. The index under housing has also increased from 227 to 240 recorded an increase of 13 points (5.7 per cent). Index for clothing, bedding and footwear group increased from 216 to 230 registering an increase of 14 points (6.5 per cent). Under the miscellaneous group, there are certain items like medical care, education, recreation & amusement, transport & communication and personal care & affects the index in this group increased from 213 to 220 registering an increase of 7 points (3.3 per cent). Thus the maximum increase was in Pan, Supari, Tobacco & Intoxicants, followed by Clothing, bedding & footwear, Housing, fuel & light, Food groups and Miscellaneous.

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 the 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 2001-2017 is presented in Statement 6.3.

Statement 6.3:**Consumer Price Index for Industrial Workers in Metro Cities in India-
2001-2017**

(Average Annual Index)

No	Year	All India	% Change	Delhi	% Change	Kolkata	% Change	Chennai	% Change	Mumbai	% Change
1	2001	458	3.9	529	2.9	492	9.1	487	2.5	528	4.6
2	2002	477	4.1	550	4.0	530	7.7	513	5.3	558	5.7
3	2003	496	4.0	570	3.6	541	2.1	533	3.9	583	4.5
4	2004	514	3.6	598	4.9	565	4.4	549	3.0	604	3.6
5	2005	536	4.3	648	8.4	587	3.9	565	3.0	611	1.2
6	2005*	116	4.3	116	8.4	115	3.9	114	3.0	118	1.2
7	2006	123	6.0	122	5.2	121	5.2	118	3.4	126	6.8
8	2007	131	6.5	128	4.9	132	9.1	124	5.1	134	6.3
9	2008	142	8.4	137	7.0	142	7.6	135	8.9	144	7.5
10	2009	157	10.6	147	7.3	156	9.9	149	10.4	159	10.4
11	2010	176	12.1	163	10.9	172	10.3	161	8.1	174	9.4
12	2011	192	9.1	176	8.0	185	7.6	171	6.2	192	10.3
13	2012	209	8.9	191	8.5	198	7.0	195	14.0	212	10.4
14	2013	232	11.0	209	9.4	222	12.1	218	11.8	237	11.8
15	2014	247	6.5	223	6.7	239	7.7	230	5.5	257	8.4
16	2015	261	5.7	234	4.9	251	5.0	248	7.8	276	7.4
17	2016	274	5.0	246	5.1	261	4.0	255	2.8	287	4.0
18	2017	281	2.6	257	4.5	266	1.9	261	2.4	289	0.7

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 average consumer price index number (General) in All India was recorded at 281. For Mumbai, it was 289 followed by Kolkata 266, Chennai 261 and Delhi 257 respectively. The highest percentage of change was recorded in Delhi at 4.5 per cent. The prices of food items at the national level increased during 2017 at 1.3 per cent as compared to the previous year; the highest recorded in Delhi at 4.0 per cent and lowest in Kolkata at 0.7 per cent. At the national level, the average consumer price index recorded during the year 2017 at 308 in the food group while in Delhi recorded at 289. The group-wise price index numbers for industrial workers of mega cities in India during 2016 and 2017 is presented in Statement 6.3. The CPI for industrial workers in Delhi and selected megacities in India during 2006-2017 is depicted in Chart 6.2.

Chart 6.2

CPI for Industrial Workers in Delhi & Mega Cities in India 2006-2017

