

CHAPTER 6

PRICE TRENDS

- 1.1 Labour Bureau an attached office of Ministry of Labour and Employment, since its inception has, inter-alia, been entrusted with the responsibility of compilation, maintenance and disseminating of the Consumer Price Index for Industrial Workers. The CPI-IW is compiled as per international best practices & guidelines of ILO and dissemination of CPI-IW is Special Data Dissemination Standard (SDDS) compliant. It is released on last working day of subsequent month. CPI (IW) are compiled and released by the Labour Bureau, Ministry of Labour and Employment and are specific to population segments
- 1.2 Consumer Price Index for Industrial Workers (CPI-IW), one of the prominent economic indicators, which measures the relative changes in retail prices over a period of time in respect of a fixed set of goods and services consumed by an average working class family in a given area with reference to a base year. The CPI-IW is mainly used for regulating and determination of dearness allowance (DA) being paid to large number of Central/State Government employees and also to the workers in the industrial sectors besides fixation and revision of minimum wages in scheduled employments, hence, having significant financial implications to the Public Exchequer. Further, CPI numbers are widely used as macroeconomic indicator of inflation, and also as a tool by government and central banks for targeting inflation and monitoring price stability.
- 1.3 From the month of September, 2020 the Labour Bureau has updated the Base of the Existing Series of CPI -IW (2001=100) to the New Base 2016=100. The main components for constructing consumer price index numbers are the weights and prices. Weights are the share of actual expenditure on each commodity during the base period and base prices are the annual average of item level prices during the 2016 in respect of items retained in the index basket.
- 1.4 The definition of price adopted for the compilation of CPI is the price which a consumer/industrial worker has to pay for the specified item/variety, for the specified unit, in the selected shop of the selected market. It includes all taxes like sales tax, etc., and excludes rebates and discounts, which are universally applicable for all the customers. It is the actual price prevailing in the open market at which transaction takes place between a buyer and a seller. The Black market or unauthorized prices are, however, not taken in the compilation of index numbers. In case of rationed commodities, the fair price is taken.
- 1.5 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.

- 1.6 Some notable price indices are indicated below
 - I. Wholesale Price Index number-All India (WPI)
 - II. Consumer Price Index number for Industrial Workers (CPI-IW)
 - III. Consumer Price Index number for Agricultural Laborers (CPI-AL)
 - IV. Consumer Price Index number for Rural Laborers (CPI-RL)

- 1.7 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 behavior. 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.

- 1.8 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 2015-16 to 2019-20 is presented in Table 6.1.

2. Methodology for Compilation of Whole Sale Price Index

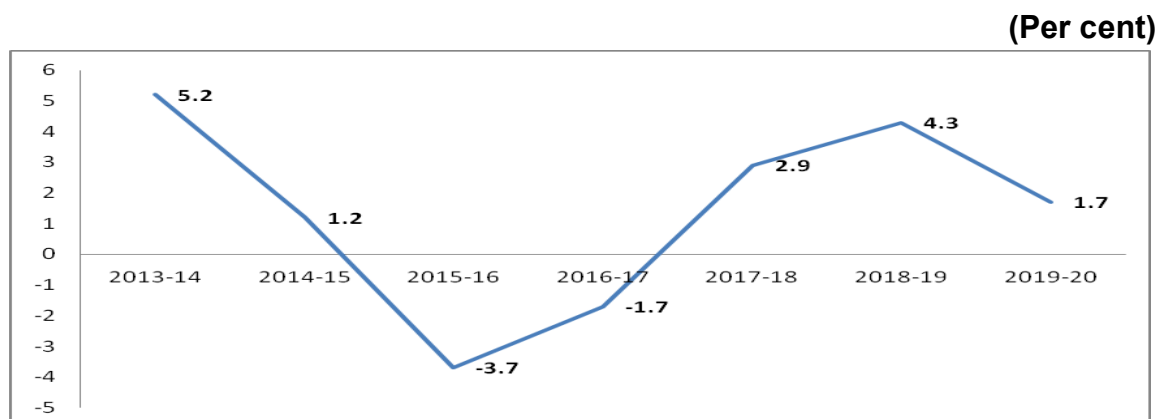
- 2.1 Wholesale price represents the quoted price of the bulk transaction of a commodity generally at the primary stage. The revised (current) series of Index Numbers of Wholesale Prices in India with base 2011-12 had replaced the hitherto operated WPI with base 2004-05. The current series is calculated on the principle of weighted arithmetic mean.

- 2.2 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.

2.3 The rate of inflation during the last Six years is depicted in chart 6.1.

Chart 6.1
THE RATE OF INFLATION IN INDIA (WHOLESALE PRICE INDEX)
2013-14 TO 2019-20



2.4 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.

2.5 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.

2.6 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 from the Year 2012 to 2019 are presented in Statement 6.1

Statement 6.1

Average Wholesale Prices of Selected Commodities in Delhi- 2012-2019

(In ₹)

S. No	Commodities	Unit	2012	2013	2014	2015	2016	2017	2018	2019
1.	Wheat (308)	Per Quintal	1675	1745	1725	1770	1800	1900	2100	1926
2.	Gram (grarra)	Per Quintal	4200	3300	3450	4200	4690	4500	4550	4400
3.	Rice (Basmati)	Per Quintal	5200	5800	6250	6300	6500	6800	7600	7950
4.	Dal Arhar (Split)	Per Quintal	6350	6500	6400	10200	11820	7000	7100	8200
5.	Dal Moong (Chhilka)	Per Quintal	5400	6300	6550	8425	9050	6800	6950	8000
6.	Dal Urd (Chhilka)	Per Quintal	4600	4700	5950	10200	11720	6900	6900	8000
7.	Mustard Oil (Kachi Ghani)	15 Kg tin	1350	1250	1340	1390	1490	1350	1400	1415
8	Ghee (desi) No.1	15 Kg Tin	4250	4300	4200	5250	6800	10000	10500	12200
9.	Ghee (Vanaspati)	15 Kg Tin	1110	1125	1050	1000	1200	1250	1275	1285
10	Kerosene Oil	Per liter	14.83	NA	NA	NA	NA	NA	NA	NA
11	Hard Coke)	Per 40 kg	NA	NA	NA	NA	NA	NA	NA	NA
12	Meat	Per Quintal	23000	26000	25500	22500	34500	28000	32000	40000
13	Eggs	Per 100 No.	270	340	400	400	540	400	425	400
14	Chillies (Red)	Per Quintal	4000	8100	9000	NA	9500	12000	12500	12000
15	Turmeric	Per Quintal	5800	7400	8000	9500	9800	9000	9500	10200
16	Sugar	Per Quintal	3425	3250	3300	3825	4150	3800	3500	3550
17	Gur	Per Quintal	2700	2850	2900	2900	4000	4200	4400	4300
18	Potato	Per Quintal	600	710	750	1675	1800	750	850	650
19	Onion (Dry)	Per Quintal	1125	1100	1200	1000	2375	1600	1200	950

Source: - Directorate of Agricultural Marketing, GNCTD.

3. Consumer Price Index for Industrial Workers CPI (IW)

- 3.1 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 i.e 2001=100 has included

eight selected markets in Delhi for data collection of CPI for industrial workers as mentioned above.

- 3.2 The Labour Bureau Shimla proposed the New Schedule for the replacement of exiting series base year 2001=100. For new Series base year 2016=100, the process for the collection of prices was started simultaneously. Five markets i.e Bawana, Najafgarh, Tilak Nagar, Bhajanpura/ Yamuna Vihar and Kotla Mubarakpur were added and whereas two existing/old markets i.e Rani Bagh and Moti Nagar were deleted for the new series 2016=100.
- 3.3 It is pertinent to mention that the Labour Bureau, Ministry of Labour & Employment Shimla vide letter no.114/1/2013-CPI dated 03.11.2020 for, CPI (IW) on the New Base Year 2016=100 and consequent upon the advent of New Series 2016=100, the existing series (old Series) base year 2001=100 is discontinued w.e.f. 03.11.2020.

Statement 6.2

CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN DELHI

(Base Year 2001=100)

Group	Group/Sub-Group	WEIGHT (%)	2018	2019	% Change
1	Food				
A	Cereals & Products	8.31	279	298	6.8
B	Pulses & Products	2.99	252	281	11.5
C	Oils & Fats	2.81	231	234	1.3
D	Meat, Fish & Eggs	1.85	373	404	8.3
E	Milk & Products	11.41	303	310	2.3
F	Condiments & Spices	2.39	263	320	21.7
G	Vegetables & Fruits	6.36	285	311	9.1
H	Other Foods	7.63	326	331	1.5
	Food Total	43.75	293	309	5.5
2	Pan, Supari, Tobacco & Intoxicants	2.12	333	341	2.4
3	Fuel & Light	5.39	238	220	-7.6
4	Housing	20.72	304	401	31.9
5	Clothing, Bedding & Footwear	5.68	246	253	2.8
6	Miscellaneous				
A	Medical Care	3.30	240	264	10.0
B	Education, Recreation & Amusement	6.30	195	197	1.0
C	Transport & Communication	5.12	206	207	0.5
D	Personal Care & Effects	4.44	240	246	2.5
E	Others	3.18	277	283	2.2
	Miscellaneous Total	22.34	225	231	2.7
	General Index	100.00	275	303	10.2

Source: - Labour Bureau, Shimla.

- 3.4 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 2018 and 2019 is presented in Statement 6.2.
- 3.5 It may be inferred from Statement 6.2 that the annual average consumer price index increased from 275 in 2018 to 303 in 2019 registering an increase of 28 points. The increase in CPI for industrial workers in Delhi was recorded at 10.2 per cent during 2019 over the last year 2018.
- 3.6 The index for food group increased from 293 in 2018 to 309 in 2019 registering an increase of 16 points (5.5 per cent). Index for pan, supari, tobacco & intoxicants increased from 333 to 341 registering an increase of 8 points (2.4 per cent). The index of fuel and light increased from 238 in 2018 to 220 in 2019 registering an decrease of 18 points (7.6%). The index under housing has also increased from 304 to 401 recorded an increase of 97 points (31.9 per cent). Index for clothing, bedding and footwear group increased from 246 to 253 registering an increase of 7 points (2.8 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 225 to 231 registering an increase of 6 points (2.7 per cent). Thus the maximum increase was in Housing, followed by Food groups, Clothing, bedding & footwear, Miscellaneous, Pan Supari, Tobacco & Intoxicants, while fuel & light was decreased.

4. Price Situation in Other Metros

- 4.1 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 the year 2002-2019 is presented in Statement 6.3.

Statement 6.3

CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN METRO CITIES IN INDIA - 2002-2019

(Average Annual Index)

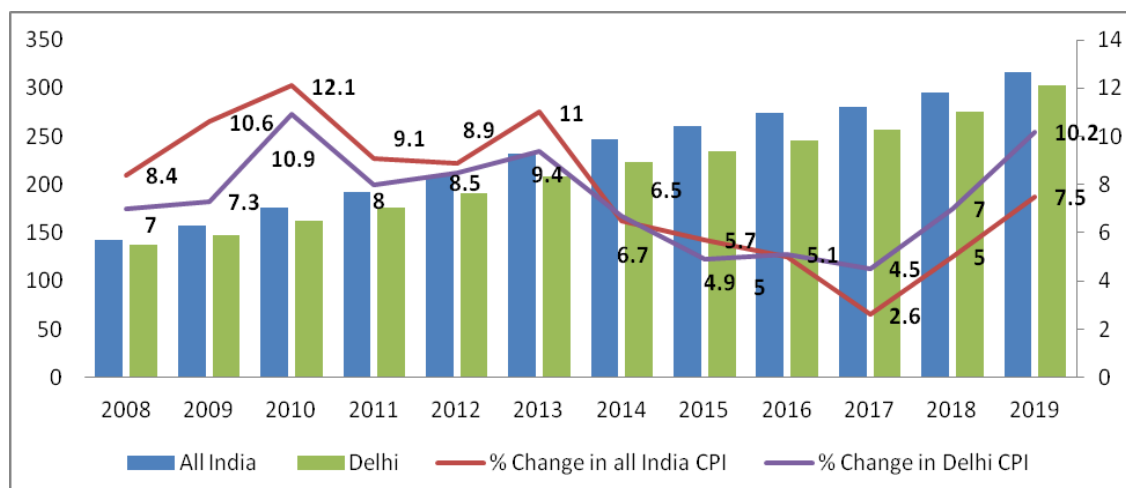
No	Year	All India	% Change	Delhi	% Change	Kolkata	% Change	Chennai	% Change	Mumbai	% Change
1	2002	477	4.1	550	4.0	530	7.7	513	5.3	558	5.7
2	2003	496	4.0	570	3.6	541	2.1	533	3.9	583	4.5
3	2004	514	3.6	598	4.9	565	4.4	549	3.0	604	3.6
4	2005	536	4.3	648	8.4	587	3.9	565	3.0	611	1.2
5	2005*	116	4.3	116	8.4	115	3.9	114	3.0	118	1.2
6	2006	123	6.0	122	5.2	121	5.2	118	3.4	126	6.8
7	2007	131	6.5	128	4.9	132	9.1	124	5.1	134	6.3
8	2008	142	8.4	137	7.0	142	7.6	135	8.9	144	7.5
9	2009	157	10.6	147	7.3	156	9.9	149	10.4	159	10.4
10	2010	176	12.1	163	10.9	172	10.3	161	8.1	174	9.4
11	2011	192	9.1	176	8.0	185	7.6	171	6.2	192	10.3
12	2012	209	8.9	191	8.5	199	7.6	196	14.6	212	10.4
13	2013	232	11.0	209	9.4	222	11.6	218	11.2	237	11.8
14	2014	247	6.5	223	6.7	239	7.7	230	5.5	257	8.4
15	2015	261	5.7	234	4.9	251	5.0	248	7.8	276	7.4
16	2016	274	5.0	246	5.1	261	4.0	255	2.8	287	4.0
17	2017	281	2.6	257	4.5	266	1.9	261	2.4	289	0.7
18	2018	295	5.0	275	7.0	278	4.5	269	3.1	294	1.7
19	2019	317	7.5	303	10.2	292	5.0	284	5.6	312	6.1

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

- 4.2 It may be observed from Statement 6.3 that the average consumer price index number (General) in All India was recorded at 317. For Mumbai, it was 312 followed by Delhi 303, Kolkata 292, and Chennai 284 respectively.
- 4.3 The price of food items at the national level increased during 2019 at 5.8 percent as compared to the previous year, the highest recorded in Mumbai at 6.4 percent and lowest in Kolkata 2.9 percent. At the National Level, the average consumer prices index recoded during the year 2019 at 328 in the food group while in Delhi recoded at 309. The group-wise Price index numbers for industrial workers of metro cities in India during 2018- and 2019 in presented in table 6.2.
- 4.4 The CPI for industrial workers in Delhi and all India during the years from 2008 to 2019 is depicted in Chart 6.2.

CHART 6.2**CPI FOR INDUSTRIAL WORKERS IN DELHI & ALL INDIA IN INDIA 2008-2019****5. NEW SERIES OF CPI (IW) WITH BASE YEAR 2016=100**

It may be observed from Statement 6.4 that as per new base year (2016=100), the Consumer Price Index Number (General) for the month of November, 2020 in All India is recorded at 120. In Metro cities, the highest CPI is recorded in Kolkata, at 129, followed by Chennai 123, Delhi and Mumbai each by 114. The Growth in CPI (IW) as compared to previous month i.e. October, 2020 is remained constant at All India level, and in Chennai it is increased by 2.5% followed by 1.0% in Kolkata, 0.9% in Delhi. Whereas it is decreased in Mumbai by 0.9%.

Statement 6.4**CONSUMER PRICE INDEX FOR INDUSTRIAL WORKERS IN ALL INDIA AND METRO CITIES FOR THE PERIOD FROM SEPTEMBER TO NOVEMBER, 2020 (NEW BASE YEAR 2016=100)**

	September	October	In %	November	In %
All India	118	120	1.7	120	0.0
Delhi	113	113	0.0	114	0.9
Mumbai	114	115	0.9	114	-0.9
Chennai	120	120	0.0	123	2.5
Kolkata	127	128	0.8	129	1.0

CONSUMER PRICE INDEX NUMBERS ON BASE 2012=100 RELEASED BY NATIONAL STATISTICAL OFFICE, MoSPI, GOVT OF INDIA

The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation is releasing CPI (Rural, Urban, Combined) on Base 2012=100 every month. Month wise comparative picture of Inflation rates based on CPI

(Combined) in Delhi and All India are depicted in Statement 6.5 (for the months of January, 2019 to December, 2019) & in Statement 6.6 (for the months of January, 2020 to December, 2020).

Statement 6.5

INFLATION RATES BASED ON CONSUMER PRICE INDEX (COMBINED) IN DELHI AND ALL INDIA- FOR THE MONTHS OF JANUARY, 2019 TO DECEMBER, 2019 (WITH BASE YEAR 2012)

Year	Month	DELHI	ALL INDIA
2019	January	2.18	1.97
2019	February	2.76	2.57
2019	March	3.64	2.86
2019	April	4.24	2.99
2019	May	4.38	3.05
2019	June	3.73	3.18
2019	July	3.51	3.15
2019	August	3.71	3.28
2019	September	3	3.99
2019	October	2.97	4.62
2019	November	3.11	5.54
2019	December	5.18	7.35
Annual Inflation Rate		3.53	3.71

Statement 6.6

INFLATION RATES BASED ON CONSUMER PRICE INDEX (COMBINED) IN DELHI AND ALL INDIA- FOR THE MONTHS OF JANUARY, 2020 TO DECEMBER, 2020 (WITH NEW BASE YEAR 2012)

(In%)

Year	Month	DELHI	ALL INDIA
2020	January	4.69	7.59
2020	February	3.46	6.58
2020	March	2.88	5.84
2020	June	1.69	6.23
2020	July	3.6	6.73
2020	August	3.58	6.69
2020	September	4.78	7.27
2020	October	3.85	7.61
2020	November	3.36	6.93
2020	December	1.23	4.59
Annual Inflation Rate		2.76	5.50