

CHAPTER-6

PRICE TRENDS

1. PRICE SITUATION

The substantial change in prices of essential commodities affect both the quantum of production and the pattern of consumption. The change in prices also made 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 behaviour. 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. PRICE SITUATION IN INDIA

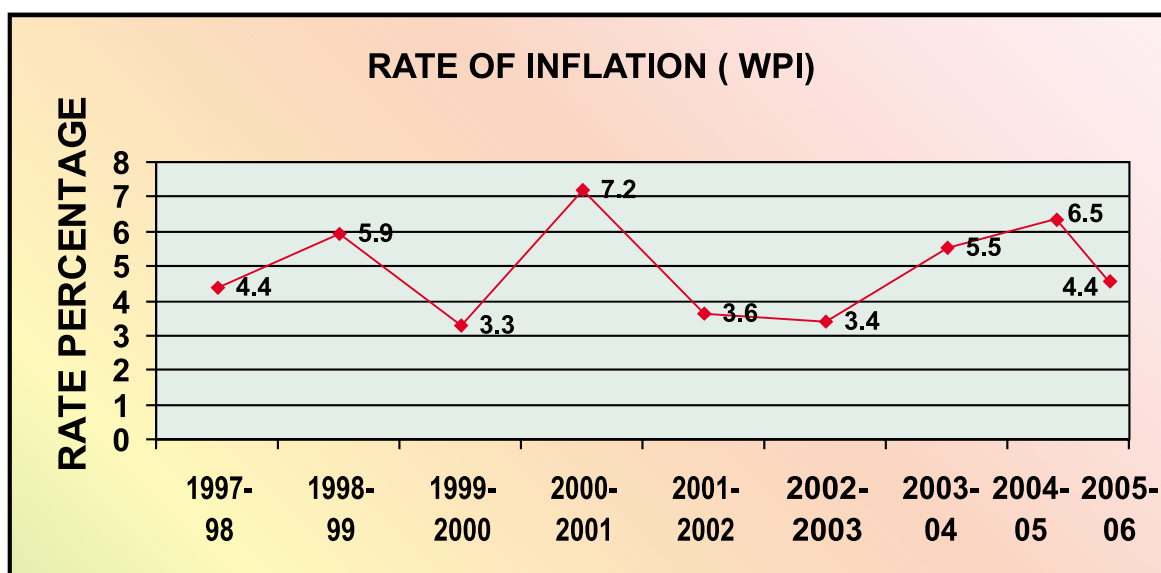
At all India level Wholesale Price Index (WPI) is used to measure changes in prices of commodities in wholesale market. The current series of WPI reflects the change in wholesale Prices over a period as compared to the base year (1993-94=100.) The rate of inflation as per Wholesale Price Index at the national level was 4.4% during the year 2005-06 as compared to 6.5% during the preceding year 2004-05. The year wise comparison of WPI from 1997-98 to 2005-06 are 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 NUMBER FOR INDUSTRIAL WORKERS

Consumer Price Indices are generally used for monitoring the movement of retail price of items of daily consumption. The Directorate of Economics & Statistics, Govt. of NCT of Delhi collect retail prices of essential commodities from the selected markets namely Moti Nagar, Rani Bagh, Subzi Mandi, Bara Hindu Rao, Bhogal and Shahdara on weekly and monthly basis. These rates are supplied to Labour Bureau, Shimla for compilation of Consumer Price Index Number for industrial workers. Labor Bureau, Shimla has been compiling and releasing Consumer Price Index on a monthly basis for 76 selected centers in India, including Delhi (table 6.2). The current series of Consumer Price Index for Industrial Workers is being compiled using 1982 as the base year. Now the old series of base 1982=100 has been replaced by new series 2001=100 since January 06. In the new series 2 markets namely Bhogal and Bara Hindu Rao have been deleted from the old series and 4 new markets namely Govindpui, Mangolpuri, Samaipur Badli and Azadpur have been included in the new series resulting in total 8 markets in place of 6 markets of old series for data collection of CPI (I W).

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 (50.70%), followed by miscellaneous (14.80%), Housing (14.00%), Clothing, Bedding & Footwear (12.50%), Fuel & Light (5.60%) and Pan.Supari, Tobacco & Intoxicant (2.40%).

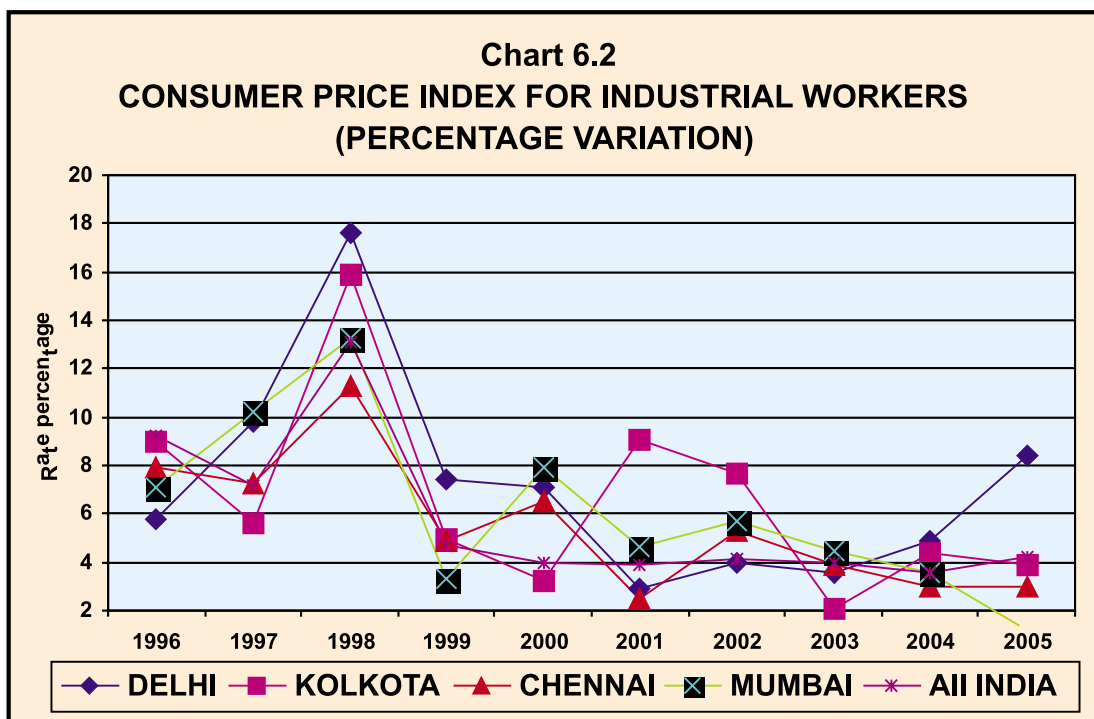
The highest increase in CPI for Industrial Workers in Delhi was during the year 1998 (17.6%) followed by 1999 (7.4%), 2000 (7.1%), 2001 (2.9%), 2002 (4.0%), 2003 (3.6%), 2004 (4.9%) and 2005

(8.4%) Delhi's annual average index increased from 598 in 2004 to 648 in 2005 registering an increase of (50 points, 8.4%). The index for Food group was 565 in 2004, which increased to 576 in 2005 registering an increase of (11 points, 2.0%). Index for Pan, Supari, Tobacco & Intoxicant has increased from 716 to 725 registering an increase of (9 points, 1.3%). The index of Fuel and Light was 519 increased to 586 registering an increase of (67 points 12.9%). During the year the index under Housing has gone up from 781 to 1047 registering an increase of (266 points, 34.1%). The Index under Clothing, Bedding and Foot wear also marginally increased from 389 to 405 registering an increase of (16 points, 4.1%). 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 723 to 734 registering an increase of (11 points, 1.5%). The maximum increase was in housing followed by Fuel & Light, Clothing bedding & footwear, Food items, Miscellaneous and Pan.Supari, Tobacco & Intoxicant. (Table No. 6.3)

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

5. PRICE SITUATION IN DELHI AND COMPARATIVE POSITION IN METROPOLITAN CITIES & ALL INDIA.

Among the metropolitan cities the percentage increase in the CPI during the calendar year 2005 was the highest in Delhi (50 points, 8.4%) followed by Kolkata (22 points, 3.9%), Chennai (16 points, 2.9%), Mumbai 7 points (1.2%) and All India (22 points 4.3%) (Table 6.4 & 6.5)



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. Table 6.6 presents average Consumer Price Index Number for Urban Non-manual Employees in respect of 59 centers from 1997-98 to 2005-2006. It is revealed that among the metropolitan cities the highest increase in average CPI during 2005-06 was in Delhi (5.8%) followed by Kolkata (4.5%), Chennai (4.4%) and Mumbai (3.7 %). National average annual increase was 4.6 %.

7. CONSUMER PRICE INDEX FOR AGRICULTURAL LABOURERS AND RURAL LABOURERS

The Consumer Price Index Number for Agricultural labourers and rural labourers is being compiled by Labour Bureau Shimla w.e.f. November 1995 with base year as 1986-87=100 replacing the old base of 1960-61=100. The new series of index number has covered 20 States at All India level but not Delhi. Table 6.7&6.8 present CPI for Agricultural labourers and rural labourers with base year 1986-87=100.