

CHAPTER 39

PRICES

The changes in prices, both absolute and relative, influence a wide range of economic activities, and a constant watch on prices becomes necessary for regulation of current economic policies as well as for the purpose of planning and policy formulation. The changes in prices over a period of time can be gauged by the statistical device of index number of prices. The price index can be either at the wholesale level or at the level of the retail end of marketing channel (Consumer Price).

This Chapter presents statistics relating to

- (i) Index number of Wholesale Prices
- (ii) Index number of consumer prices for
 - (a) Industrial workers
 - (b) Urban non-Manual Employees
 - (c) Agricultural labourers and
 - (d) Rural Labourers

Wholesale Price

Wholesale Price represents bulk transactions generally at the early stage of trading. The price pertaining to bulk transactions may have divergent nomenclatures e.g. farm harvest prices, wholesale prices, procurement prices, support prices, administered prices, import prices, forward prices etc. Wholesale price Index relates to the transactions at the primary stage which broadly correspond to producer prices. The Office of the Economic Advisor (OEA), Ministry of Commerce and Industry, has been Publishing the Index Number of Wholesale Prices with effect from January 10, 1942 onwards. The present data pertains to the Index Numbers of Wholesale Prices in India with base 1993-94=100. This series was introduced with effect from 1st April, 2000. The WPI commodity basket has three constituent commodity groups (a) primary articles, (b) fuel, power, light, and lubricants and (c) manufactured products, with respective weights of 22.02 percent, 14.23 percent and 63.75 percent. The (1993-94) series has 435 items for which there are 1918 quotations. All items having large transactions in the economy have been included in this series to the extent feasible.

The existing series is based on ex-factory/ex-mine prices in respect of the manufactured items. In the case of Agricultural commodities, however the prices as quoted in primary wholesale markets are used. The collection of price data is mostly through correspondence. Some of the important sources for collection of price data are as follows.

- (i) Directorate of Economics and Statistics, Ministry of Agriculture
- (ii) Agricultural marketing Departments of central and State Governments
- (iii) State Directorates of Economics and Statistics
- (iv) District Statistical Offices
- (v) Registrar of Cooperative Societies and other primary agencies belonging to the State Government
- (vi) The non-official sources are the various Chambers of Commerce Trade Associations, leading manufacturers and business houses.

Index is compiled on the principle of weighted arithmetic mean according to the Laspeyre's formula, which has fixed base year weights operating through the entire life span of the series.

Retail Prices: The retail price is defined as money cost to the consumer of a specified unit of sale which is inclusive of all taxes but excludes all rebates, discount etc.

Consumer Price Index

Industrial Workers

Consumer Price Index Numbers for Industrial workers measure a change over time in prices of a fixed basket of goods and services consumed by Industrial Workers. These index numbers are utilized for regulation of wages and dearness allowances of millions of employees and workers in the organized sector. It also serves as an indicator of retail prices in the country and is used for measuring inflation rates, formulation of wages and interest policies. The Labour Bureau, an attached office of the M/o Labour & Employment, has been compiling and disseminating Consumer Price Index for Industrial workers since its inception in the year 1946.

This index series till 2005 was based on 1982=100. A new series on base: 2001=100 has been released w.e.f. January, 2006 in respect of 78 important centers in which workers belonging to 7 sectors viz. factories, Mines, Plantations, Railways, Public Motor transport Undertakings Electricity Generating and Distributing Establishments and Ports & Docks. The data on Consumer Expenditure have been obtained from an ad-hoc survey "Family Income and Expenditure Survey" conducted during September 1999 to August 2000 in respect of 78 selected centers by the NSSO on behalf of Labour Bureau. The survey was conducted over a period of 12 months in each selected centre. These 78 centres were selected on the basis of their industrial importance in the country and distributed among different states in proportion to the Industrial employment in the State subject to a maximum allotment of 5 centers per state per sector. On the basis of the results thrown up by the survey, the weighing diagrams have been derived in respect of 78 constituent's centers and All -India. The indices are compiled by using price data collected on monthly basis and house rent survey data on half yearly basis. The CPI (IW), numbers at centre and all India levels are released every month (the last working day of the following months).

Urban Non-Manual Employees

The Central Statistical Organization had been regularly compiling since 1961 consumer price index (CPI) numbers for urban non-manual employees (UNME) for urban centers in the country as also for all-India with a view to depicting changes in the level of average retail prices of goods and services consumed by this segment of the population. The weighing patterns of CPI(UNME) numbers of base 1984-85=100 are based on the Family Living Survey of the non-manual employees population conducted during 1982-83 at 59 selected centers of the country. Release of Centre-wise monthly CPI (UNME) on the basis of 1984-85 =100 has been discontinued since April 2008. Only monthly linked All India CPI (UNME) is being compiled, linking to CPI (IW) with base 2001=100 and taking CPI (UNME) as weights. This linked All India CPI (UNME) is released in the third week of the following second month.

Agricultural and Rural Labourers

Consumer Price Index Numbers for Agricultural and Rural Labourers are compiled on the basis of the weights derived from consumer expenditure data collected during NSS 38th round in 1983 and the prices are collected by NSSO (FOD) on monthly basis. The CPI-AL/RL is compiled for 20 States. The index of each State covers 85 to 106 items, from a fixed samples 600 villages spread over 66 zones.

Rural Labour is a person who does manual work in rural areas in agricultural and/or non agricultural occupations in return for wages in cash or kind, or partly in cash and partly in kind. A person is treated as an agricultural labourer, if he or she followed one or more of the following agricultural occupations in the capacity of a labour on hire, whether paid in cash and partly in kind.

- a) Farming including cultivation, growing and harvesting of any agricultural commodity
- b) Production, cultivation, growing and harvesting of any horticultural commodity
- c) Dairy farming
- d) Raising of livestock, bee keeping or poultry farming and
- e) Any practice performed on a farm as incidental to or in conjunction with the farm operations. The manual work in fisheries was however excluded from the category of agricultural labourer.

CPI vis WPI

There is always a debate over whether WPI is an appropriate index or CPI. The International Monetary Fund (IMF) statistics reveals that 24 countries use WPI as the official measure to track inflation, compared to 157 countries which use CPI. The WPI has the advantages of a comprehensive and economy-wide coverage and the weights in the commodity basket are based on the value of quantities traded in the domestic market. The CPIs are consumer group specific and measure the changes over time in the general level of prices of goods and services consumed by the group, with the commodity basket being based on consumer expenditure surveys and the weights proportional to the expenditure.

Highlights:

- Over the four year span, 2005-06 to 2007-08, inflation remained below 7 percent whereas in 2008-09, it was above 8%. The high inflation in 2008-09 was largely due to spurt in the prices of crude oil, minerals, and metal related products. However, the inflation came down in 2009-10.
- Over the years, the rise in Wholesale price Index, in Primary Articles is higher than Manufactured Products and Fuel, Power, Light and Lubricants.
- The inflation rates in all the primary Article in 2008-09 (10.2%) which was much higher than the rise of similar products in all other years. In Manufactured products also the inflation in 2008-09 at 8.1 percent was the highest over the previous five year span.
- A rise in the Whole Sale Price Index in Minerals is observed for all the years, except in 2009-10.
- Similar trend as that of mineral could be seen in Man Made textiles, other Rubber and Plastic Products, Pesticides, Dyestuffs and Indigo, Turpentine, Synthetic Resins, Plastic materials, basic Metals, Alloys and Metal products, Machinery & Machine Tools (incl. Electric Machinery), Refrigeration & other Non-Electrical Machinery, Wires and Cables
- Percentage of rise in the WPI was highest in 2008-09, during the four year period from 2005-06 to 2008-09 for the following category, Coal mining at 6.6 percent, minerals oils 11 percent. This is also observed in case of food products at 10 percent level.
- At all India level, the rise in General Index of Consumer Price Index Number for Industrial Workers (CPI-IW), (Base, 2001=100) of 2009 over 2006 is 34 points. The centers which are having above average rise in the same period are: Godavarikhani, Guntur, Hyderabad, Vijawada, Visakhapatnam, Warangal, Bhilai, Goa, Faridabad, Yamunanagar, Giridih, Kodarma, Ranchi, Bangalore, Belgaon, Hubli Mercara, Mysore, Mundakaya, Chhindwara, Nagpur, Pune, Sholapur, Angul-talcher, Rourkela, Sale, Tiruchhirapally, Agra, Lucknow, Asansol, Puducherry.
- In Southern States, namely Andhra Pradesh, Karnatka, Kerala and Tamilnadu increase in Consumer Price Index for Rural Labourer in the year 2008-09 over 2007-08 is above than the All India. Consumer Price Index of Rural Labourer has increased minimum in 2008-09 over 2007-08 in Tripura.

This chapter contains the following tables:

Table 39.1 (A) & (B)-Wholesale Price Index

Table 39.2 (A) & (B) -Consumer Price Index for Industrial Workers

Table 39.3 -Consumer Price Index for Urban Non-Manual Employees

Table 39.4 -Consumer Price Index for Agricultural and Rural Laboureres