

PRICES AND DISTRIBUTION

Price Situation during 2000-01

Good performance on the agricultural front in 1999-2000, adequate buffer stocks of foodgrains and improved supply of essential commodities like edible oils, sugar and pulses, helped contain the prices of primary articles during the current fiscal year. Prices of manufactured products too remained below the 3 per cent level during much of the year. Stability in prices of the primary and manufactured products had a sobering effect on the inflation rate despite the sharp increase in administered prices of energy products.

5.2 The year 2000-01 began with an annual inflation rate of 6.75 per cent. But for the increase in the administered prices of fuel products like liquid petroleum gas (LPG), aviation turbine fuel, and kerosene in March 2000, inflation would have been close to the 4 per cent level at the beginning of this year. Whereas in the first half of the year (April-September),

the point to point annual inflation hovered a little above 6 per cent, yet another increase in the price of petroleum products in September 2000 caused the inflation rate to cross the 7 per cent level. The annual point to point rate of inflation (provisional) for the week ended January 27, 2001 was 8.21 per cent while the 52 week average annual rate was 6.60 per cent (Table 5.1). Though fuel and electricity price increase, influenced mainly by international crude oil price escalation, pushed up this year's inflation rate to over 8 per cent, yet the trend growth of manufactured prices has continued to trace 3-4 per cent growth path conforming to the trend of stability recorded since 1996-97, (Box 5.1).

Annual Inflation

5.3 The annual rate of inflation as per the latest available data for the week ended January 20, was 8.29 per cent, (Table 5.2 & 5.3). Annual rise in wholesale prices of primary articles (with

TABLE 5.1
Annual Inflation Rate based on
Wholesale Price Index

	<i>(Per cent)</i>	
	End of Year (point-to-point)	52 week Average
1992-93	7.0	10.1
1993-94	10.8	8.4
1994-95	10.4	10.9
1995-96	4.4	7.7
1996-97	5.4	4.6
1997-98	4.5	4.4
1998-99	5.3	6.9
1999-2000	6.5	3.3
2000-2001	8.2	6.6*

*Provisional as on January 27, 2001.

Note: Inflation rate for the years 1992-93 to 1994-95 are on base 1981-82=100 and from 1995-96 onwards on base 1993-94=100

BOX 5.1
Stable Prices of Manufactured Products

During the last few years, prices of manufactured products have by and large remained stable. This is indicative of the competitive forces that have begun to operate, entailing economies of scale and efficiency of production by the industrial sector. With increasing foreign competition, the importance of quality improvement is also being recognised now by the domestic consumer goods producing sector.

	Annual Inflation (%)					
	All Commodities		Primary		Manufactured	
	Pt.to	52 week	Pt.to	52 week	Pt.to	52 week
	pt.	average	pt.	average	pt.	average
1996-97	5.4	4.6	9.2	8.4	2.4	2.0
1997-98	4.5	4.4	4.6	2.7	2.3	2.9
1998-99	5.3	5.9	7.6	12.0	4.9	4.4
1999-00	6.5	3.3	4.0	1.1	2.4	2.7
2000-01*	8.3	6.5	4.2	2.9	4.0	2.8

* January 20, 2001

TABLE 5.2
Wholesale Price Index movement by commodities and their contribution to Inflation
 (Base: 1993-94=100)
 (As on 20 January, 2001)

Commodity group/ sub-group	Weight (per cent)	Annual rate of inflation (%)		Percentage share in inflation	
		2000-01	1999-90	2000-2001	1999-00
ALL COMMODITIES	100.00	8.3	3.9	100.0	100.0
PRIMARY ARTICLES	22.03	4.2	0.8	11.8	4.8
Food articles	15.40	3.6	4.9	7.5	21.3
Food-grains	5.01	-2.1	10.6	-1.5	15.3
Cereals	4.41	-3.6	12.5	-2.3	15.7
Rice	2.45	-1.1	13.5	-0.4	8.8
Wheat	1.38	-2.0	11.5	-0.4	4.7
Pulses	0.60	10.3	-2.1	0.9	-0.4
Gram	0.22	30.6	0.9	0.7	0.0
Fruits & Vegetables	2.92	17.0	-7.1	5.6	-5.6
Vegetables	1.46	14.5	-9.6	1.9	-3.0
Potatoes	0.26	8.3	-31.8	0.1	-1.5
Onions	0.09	55.5	-53.3	0.4	-1.6
Fruits	1.46	18.5	-5.4	3.7	-2.5
Milk	4.37	9.4	5.5	4.9	6.0
Eggs, Fish & Meat	2.21	-1.2	12.5	-0.4	8.5
Condiments & Spices	0.66	-6.5	-8.4	-0.8	-2.4
Other food articles	0.24	-10.4	-7.0	-0.3	-0.5
Tea	0.16	-6.8	-0.7	-0.1	-0.0
Coffee	0.08	-17.3	-17.0	-0.2	-0.4
Non-food articles	6.14	5.5	-8.8	3.9	-15.1
Fibres	1.52	15.9	-14.4	2.8	-6.4
Raw Cotton	1.36	15.3	-16.0	2.4	-6.5
Raw Jute	0.11	40.4	0.0	0.4	0.0
Oil seeds	2.67	-2.6	-13.8	-0.7	-10.0
Groundnut seed	1.03	-5.0	-9.3	-0.6	-2.5
Rape & mustard seed	0.58	-13.6	-24.9	-0.9	-4.8
Other non-food articles	1.95	7.5	2.4	1.9	1.3
Sugarcane	1.31	10.5	5.0	1.9	1.9
Minerals	0.49	10.9	-12.0	0.5	-1.2
FUEL, POWER, LIGHT & LUBRICANTS	14.23	29.6	16.2	58.6	60.5
Coal Mining	1.75	0.1	8.8	0.0	4.0
Mineral oils	6.99	42.1	25.5	41.9	44.5
Electricity	5.48	22.1	7.8	16.7	12.0
MANUFACTURED PRODUCTS	63.75	4.0	2.2	29.0	34.8
Food products	11.54	-4.8	-0.1	-7.0	-0.2
Sugar, Khandsari & gur	3.93	-3.6	2.0	-1.9	2.1
Sugar	3.62	2.3	2.6	1.0	2.3
Khandsari	0.17	0.4	-3.3	0.0	-0.1
Gur	0.06	-5.3	4.0	-0.0	0.1
Edible Oils	2.76	-14.4	-18.3	-3.8	-13.2
Rape & Mustard Oil	0.49	-18.5	-32.1	-1.0	-5.9
Groundnut Oil	0.17	-16.8	-4.1	-0.3	-0.2
Oil cakes	1.42	1.1	4.2	0.2	1.4
Beverages Tobacco & tobacco prod.	1.34	4.1	4.0	0.8	1.6
Textiles	9.80	4.7	2.0	4.5	4.1
Wood & Wood products	0.17	-10.8	-4.9	-0.3	-0.3
Paper & paper products	2.04	15.3	12.3	3.9	6.1
Leather & Leather products	1.02	-4.4	17.3	-0.6	4.3
Rubber & Plastic products	2.39	2.4	-0.4	0.6	-0.2
Chemicals & Chemical products	11.93	7.5	3.5	11.5	11.5
Fertilizers	3.69	13.1	3.0	5.6	2.8
Urea	2.16	16.0	7.9	4.1	4.1
Non-metallic mineral products	2.52	9.6	-4.5	2.5	-2.7
Cement	1.73	12.5	-5.1	2.2	-2.1
Basic metals, alloys & metal products	8.34	3.7	3.1	3.5	6.2
Iron & steel	3.64	2.1	2.0	0.8	1.7
Other Non-Ferrous Metals	0.61	0.1	6.8	0.0	0.9
Machinery & Machine tools incl.	8.36	8.8	-0.2	7.1	-0.3
Transport equipment & parts	4.30	5.2	4.2	2.6	4.3
Administered items	16.38	28.1	15.1	62.8	64.6
Seasonal items	29.64	1.6	-0.4	5.9	-3.4
Raw materials	6.62	5.8	-8.9	4.4	-16.3
Essential Commodities	17.63	5.8	3.6	12.8	16.8

TABLE 5.3**Annual Rates of Inflation based on WPI and CPI
(point-to-point)***(Per cent)*

Year	Month	WPI	CPI	CPI	CPI
		93-94	(IW) 1982	(UNME) 84-85	(AL) 86-87
1999-2000	APR	4.3	8.4	7.9	8.1
	MAY	3.8	7.7	7.5	8.0
	JUN	3.1	5.3	6.1	6.7
	JUL	2.3	3.2	4.2	5.2
	AUG	2.2	3.1	4.5	5.1
	SEP	2.7	2.1	3.8	4.4
	OCT	2.9	0.9	2.9	3.6
	NOV	3.1	0.0	2.0	1.9
	DEC	2.8	0.5	2.6	2.0
	JAN	3.5	2.6	3.8	2.7
	FEB	3.5	3.6	4.4	3.0
	MAR	5.5	4.8	5.0	3.4
2000-2001	APR	6.5	5.5	6.2	4.1
	MAY	6.4	5.0	5.8	4.0
	JUN	6.5	5.2	5.8	3.0
	JUL	6.5	5.0	5.7	2.0
	AUG	6.1	4.0	5.1	0.0
	SEP	6.5	3.5	4.8	-1.3
	OCT	7.3	2.8	5.0	-3.2
	NOV	7.6	2.7	5.3	-3.2
	DEC	7.9*	3.5	5.9	-2.6

* Provisional.

a weight of 22.03) was 4.2 per cent as of January 20, 2001 and this group contributed only 11.8 per cent to the annual inflation during this period. Prices of foodgrains were in fact lower than last year by 2.1 per cent.

5.4 Annual price rise in the manufactured products group (with a weight of 63.75) for the week ending January 20, 2001, was 4.0 per cent. The current inflationary growth path running between 6-8 per cent has one stabilizing in-built factor, which is the stability in the prices of manufactured articles. This group which encompasses nearly two thirds of all traded commodities moved at the rate of less than 3 per cent annually for much of the year and presently contributes 29.0 per cent to the inflation. Since this sector to a large extent depends on the primary sector for raw materials, low inflation in the primary sector producing raw materials also contributed in keeping the rate of inflation in the manufacturing sector at a moderate level.

5.5 The Fuel, Power, Light & lubricants sub-sector (with a weight of 14.23) contributed most to the annual inflation this year. Annual rate of inflation of this group for the week ended January 20, 2001 was 29.6 per cent and their

contribution to the general price rise was 58.6 per cent, (Fig. 5.1 and Box 5.2). Given the current subdued trend of the price movement, the fiscal 2000-01 is likely to end with an inflation rate close to 7 per cent.

BOX 5.2**Contribution of Fuel Products in Fueling Inflation**

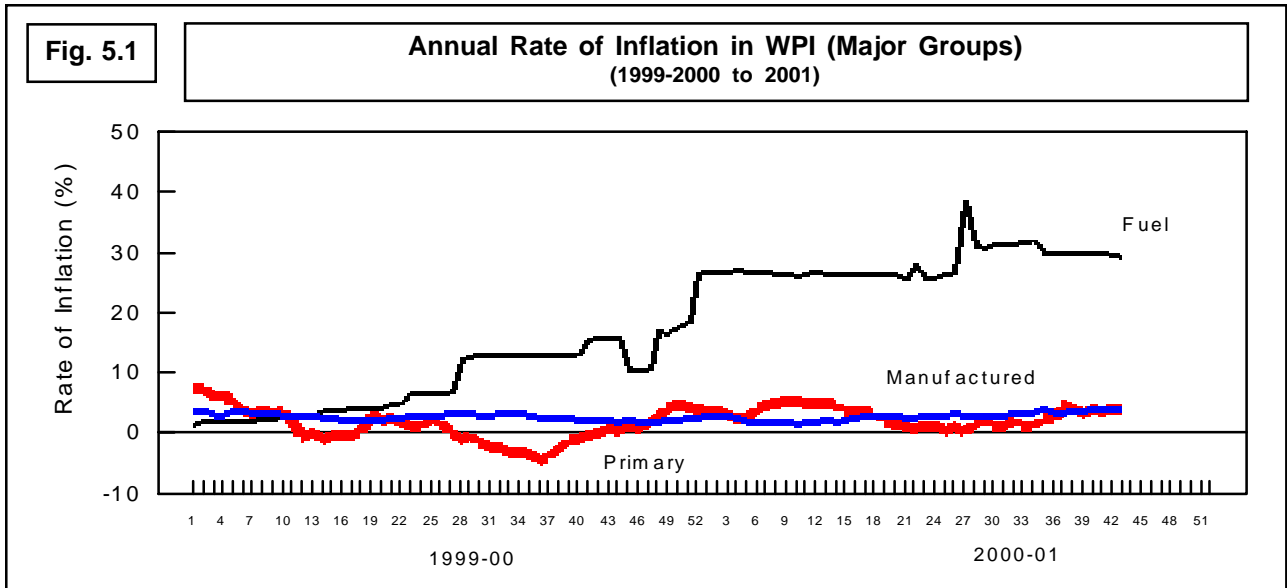
The new Wholesale Price Index (WPI) series with base 1993-94=100 became effective from April 1, 2000 from the earlier base of 1981-82. Changes in the series have been introduced without disturbing the basic structure of the earlier series. This has been done to balance the needs for change with those for continuity and stability between the new and the old series.

One of the significant changes in the new WPI series is that the weight for primary articles has gone down by 10 percentage points while that of the fuel group and the manufacturing products group have increased. This would imply that the seasonal fluctuations in food prices may now have a relatively lesser influence in the new WPI series. The revised weights of the three major groups in the new Wholesale Price Index series are:

	Weights	
	1981-82=100	1993-94=100
All Commodities	100.00	100.00
Primary Articles	32.30	22.02
Fuel, Power, Light & Lub.	10.66	14.23
Manufactured Articles	57.04	63.75

It may be noted that the weight of the fuel, power group has not only increased from 10.66 to 14.23 but has undergone a structural change with substantial increase in the weight of LPG and electricity. As a consequence, any increase in the prices of administered products would push up the rate of inflation by a much greater magnitude than it would in the earlier series. The fluctuations in international oil prices would thus have a greater impact on the new WPI. Increase in price of electricity too would now cause much higher rise in inflation rate because of doubling of its weight in the new series from 2.74 to 5.48.

	Weights	
	1981-82=100	1993-94=100
Fuel, Power, Light & Lub	10.66	14.23
Coal Mining	1.256	1.753
Mineral oils	6.666	6.990
LPG	0.677	1.837
Petrol	0.806	0.888
Kerosene	0.868	0.689
ATF	0.341	0.170
HSD	2.154	2.020
Electricity	2.741	5.484
Elec.(Agriculture)	0.317	1.946
Elec.(Industry)	new item	2.169
Elec.(Railway traction)	new item	0.132



Quarterly Changes in WPI in 2000-01

5.6 During the first quarter (April-June) the Wholesale Price Index (WPI) recorded a rise of 3.3 per cent, (Table 5.4). The second quarter (July-September) registered a modest growth of 1.0 per cent while in the third quarter, the index increased by 2.8 per cent (provisional). The cumulative growth in wholesale prices (April-December) was 7.2 per cent during this financial year. As mentioned earlier, much of the increase in WPI this year was due to the rise in administered prices of fuel products.

5.7 The increase in prices of primary articles was moderate this year due to the relative stability in prices of essential commodities. The index of Primary articles rose by 3.8 per cent

in the first quarter, by 0.1 per cent in the second quarter but declined by 0.1 per cent in the third quarter of the current financial year.

5.8 The index of Fuel, Power, Light & Lubricants registered a rise of 12.0 per cent in the first quarter, 1.2 per cent in the second quarter and 11.6 per cent in the third quarter.

5.9 The Manufactured Products registered a modest price rise of 0.7 per cent in first quarter and 1.2 per cent in the second quarter. The index increased by 1.1 per cent in the third quarter.

Price Trends of Essential Commodities

5.10 Prices of most of the important items of daily consumption have remained stable during

TABLE 5.4
Quarterly Movement in the Wholesale Price Index (Average of weeks) (Per cent change)

Commodity group	Weight	1999-00				2000-01				
		Qrt 1 Apr-Jun	Qrt 2 Jul-Sep	Qrt 3 Oct-Dec	Qrt 4 Jan-Mar	Qrt 1 Apr-Jun	Qrt 2 Jul-Sep	Qrt 3 Oct-Dec	Qrt 4 Apr-Dec	
All commodities	100.00	1.1	1.2	1.5	0.3	4.2	3.3	1.0	2.8	7.2
Primary articles	22.03	1.4	2.2	-0.2	-1.6	1.9	3.8	0.1	-0.1	3.9
Fuel, power, light & lubricants	14.23	2.3	1.4	7.3	4.1	15.9	12.0	1.2	11.6	26.4
Manufactured products	63.75	0.7	0.7	0.7	0.1	2.1	0.7	1.2	1.1	3.1
Administered items	16.38	2.3	1.1	6.4	4.2	14.6	11.7	1.2	10.2	24.6
Seasonal items	29.64	0.6	1.3	0.3	-1.7	0.4	2.4	-0.1	-0.3	1.9
Raw materials	6.62	-4.7	-0.1	-1.3	-1.6	-7.6	1.7	3.1	-0.8	4.1
Essential commodities	17.63	1.3	2.5	0.5	-1.0	3.3	5.8	-0.4	1.2	6.6

the current year. Annual price rise in the group of 30 essential commodities that are monitored on a weekly basis was 5.8 per cent upto the week ending January 20, 2001 over the corresponding period of last year.

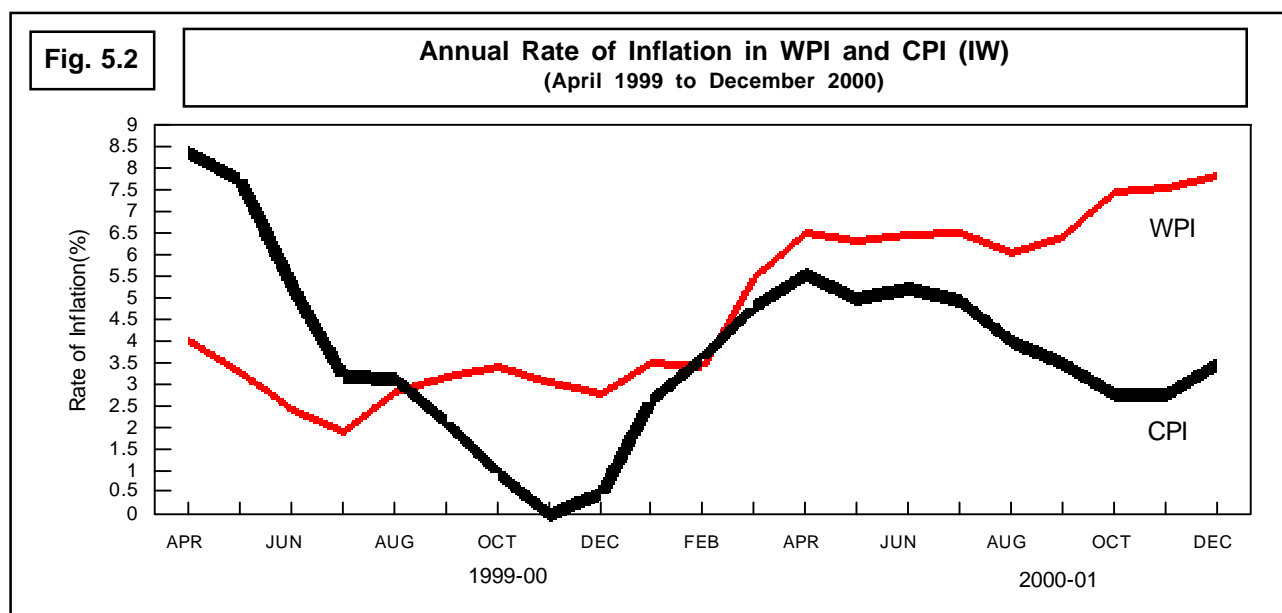
5.11 Out of the 30 essential commodities, prices were lower than last year in 16 commodities, which included items like rice, wheat, atta, edible oils, tea etc. In 4 commodities, there was no change in prices over the last year, while 2 commodities recorded a price rise of less than 3 per cent. Only milk, some pulses, and kerosene (administered price) recorded a sharp rise in prices.

5.12 Annual inflation based on latest available data (Nov/Nov), in essential commodities based both on WPI and Consumer Price Index for Industrial Workers is listed in Table 5.5.

Inflation based on Consumer Price Index

5.13 There are three distinct series of Consumer Price Index (CPI) used for monitoring retail price movement on a monthly basis for (i) industrial workers (IW), (ii) agricultural labourers (AL) and (iii) urban non-manual employees (UNME). Of these, the CPI (IW) is the most popular and is also used for grant of Dearness Allowance to Central Government

	Weight (%)		Annual rate of inflation Nov/Nov.			
			CPI Based		WPI Based	
	CPI	WPI	2000-01	1999-00	2000-01	1999-00
General Index	100.00	100.00	2.7	0.0	7.4	3.1
Rice	12.45	2.45	3.8	6.3	-6.1	18.5
Whole wheat	4.43	1.38	1.9	12.5	-2.1	16.3
Wheat atta	1.75	0.21	-9.0	9.9	-10.8	6.1
Jowar	0.46	0.22	-32.3	13.4	-21.4	23.0
Bajra	0.16	0.11	-3.3	25.4	-16.2	22.0
Moong	0.53	0.11	-2.1	-2.2	4.0	-4.7
Gram	0.08	0.22	20.9	-6.4	20.2	-1.8
Masur	0.41	0.04	-5.7	0.9	-6.9	-0.9
Arhar	1.69	0.13	-19.6	-17.5	-22.2	-12.6
Urad	0.35	0.10	25.0	10.2	20.9	15.0
Coconut oil	0.09	0.17	-41.6	19.5	-36.3	16.8
Groundnut oil	2.27	0.17	-1.3	-18.1	-3.7	-10.8
Mustard oil	1.44	0.49	-18.7	-33.5	-25.5	-28.2
Vanaspati	0.78	0.80	-14.3	-26.1	-14.5	-0.6
Goat meat	2.12	0.44	2.6	2.4	5.3	-2.2
Fresh fish	1.31	0.50	10.7	3.0	-1.4	33.4
Milk	5.52	4.37	3.8	4.5	13.0	7.2
Salt	0.15	0.02	5.4	3.7	-18.9	-16.3
Chillies	0.63	0.19	-14.1	-4.7	-18.3	-15.1
Onions	0.67	0.09	0.0	-65.0	-16.2	-68.8
Potatoes	1.23	0.26	-18.2	-46.6	-26.0	-66.3
Sugar	2.24	3.62	11.4	1.3	3.7	3.1
Gur	0.47	0.06	0.2	-5.1	1.6	4.2
Tea leaves	0.82	0.16	3.0	-3.7	-29.0	7.5
Soft coke	0.80	0.24	1.8	9.9	0.0	0.0
Kerosene oil	1.82	0.69	145.0	11.1	234.9	-1.8
Matchboxes	0.23	0.12	2.2	1.9	0.0	0.0
Washing soap	1.33	0.17	0.7	2.1	0.0	-0.1
Long cloth	0.20	0.06	2.7	5.1	0.0	0.0
Dhoties	0.35	0.04	6.5	1.7	3.9	0.7
Sarees	2.05	-	4.4	0.6	-	-
Essential comm.	48.83	17.63	3.0	-4.9	5.5	2.9



employees. CPI is constructed on a monthly basis, with a lag of one month. The base year for CPI (IW) is 1982.

5.14 CPI(IW) based inflation rate recorded an annual increase of 5.5 per cent in April 2000 and decelerated continuously thereafter to reach 2.7 per cent in November 2000, and then rose to a modest 3.5 per cent in December 2000, (Table 5.3, 5.6 and Fig. 5.2). This is indicative of retail prices of most of the essential

commodities of daily use having remained stable during the year.

5.15 Government has been following an effective supply management policy to ensure stability and moderation in prices of sensitive essential commodities, (Box 5.3). Prices and availability of these commodities are closely monitored and price stabilising measures are taken as and when required.

TABLE 5.6
Movement of CPI (IW)—by major commodity groups

Major Group	Weight (%)	(Per cent Change)								
		1999-00					2000-01			
		Apr-Jun-	Jul-Sept	Oct-Dec	Jan-Mar	Apr Mar	Apr-Jun	Jul-Sep	Oct-Nov.	Apr-Nov.
General	100.00	1.4	2.1	0.5	0.7	4.8	1.8	0.5	1.4	3.7
Food	57.00	1.6	3.0	-0.2	-0.9	3.5	1.8	0.0	1.3	3.1
Pan, supari tobacco & intoxicants	3.15	3.3	0.2	1.4	2.6	7.8	1.2	-0.3	-0.3	0.5
Fuel and Light	6.28	1.7	2.2	2.4	4.7	11.3	7.7	1.2	9.1	18.9
Housing	8.67	0.0	2.8	0.0	3.2	6.1	0.0	2.4	0.0	2.4
Clothing, bedding and footwear	8.54	1.0	-1.3	2.0	1.9	3.6	1.0	0.0	6.6	7.6
Misc. Group	16.36	1.0	0.7	2.7	1.2	5.7	1.6	1.1	2.3	5.1

BOX 5.3**Stable Prices of Essential Commodities**

The current financial year was characterised by stability in prices of most of the essential commodities. This has surprisingly gone unnoticed perhaps because people's attention was diverted towards the concern for sharp rise in fuel and electricity prices during the same period. Inflation rate at over 8% per se is certainly no reason for comfort. However it is important to point out that the impact of relatively higher inflation rate has been least on the poor in view of essential commodity prices remaining stable, both at wholesale (measured by WPI) and retail level (measured by CPI) as listed below:

**Annual Inflation in Essential Commodities
during 2000-01 (%)
(Nov/Nov)**

	<u>WPI Based</u>	<u>CPI Based</u>
All Essential Commodities	5.5	3.0
Rice	-6.1	3.8
Atta	-10.8	-9.0
Masur	-6.9	-5.7
Arhar	-22.2	-19.6
Groundnut oil	-3.7	-1.3
Mustard oil	-25.5	-18.7
Vanaspati	-14.5	-14.3
Milk	13.0	3.8
Potatoes	-26.0	-18.2
Chillies	-18.3	-14.1
Tea	-29.0	3.0
Sugar	3.7	11.4
Kerosene oil	234.9	145.4