

Consumer Price Index for Industrial Workers (CPI-IW)

5.14 It is generally argued that WPI inflation is not an appropriate index to determine the impact of price rise on the cost of living of the common man. Rather, the Consumer Price Index for Industrial Workers (CPI-IW), which also includes selected services and is measured on the basis of retail prices, and is used to determine the dearness allowance of employees in both the public and private sectors, is the appropriate indicator of general inflation. In sharp contrast to the WPI, CPI-IW inflation has been stable and moderate (Figures 5.1 & 5.2). This is because food items have higher weights in CPI-IW than in WPI, and in general the price increases of these items have been moderate in the current year.

5.15 Trends of average monthly WPI and CPI-IW inflation for food items and all commodities since April 2003 (Table-5.7) indicate the following:

- (1) In general, inflation for the food group has been lower than the overall inflation in terms of both CPI-IW and WPI.

- (2) CPI-IW inflation was lower than WPI inflation for all months. This is because the food group, which had lower inflation, has higher weights of 57 per cent in the CPI-IW basket compared to only 27 per cent in the WPI basket.
- (3) Food group inflation had a declining trend throughout 2003-04. This was reversed by an increasing trend in the current year since April 2004. This is true for both CPI-IW and WPI and may have been caused by the contrast between the very good monsoon accompanied by a bumper crop last year and erratic and deficient monsoon this year with an adverse impact on kharif crop.
- (4) Annual point-to-point CPI-IW inflation declined from 5.1 per cent in April 2003 to 3.5 per cent in March 2004 and further to 2.2 per cent in April 2004 (Table-5.7). CPI-IW inflation rate was on an increasing trend from April 2004 to reach 4.8 per cent in

Table 5.7 : Trend of WPI and CPI inflation for selected groups Annual Inflation Rate (per cent)						
Period		CPI-IW (General)	Food Group (CPI)	WPI (All Commodities)	WPI (Essential Commodities)	Food Group (WPI)
Year	Weight → Months ↓	100.0	57.0	100.0	17.6	26.9
2003-04	APR	5.1	5.4	6.7	0.0	4.6
	MAY	4.7	7.7	6.5	0.2	5.7
	JUN	4.4	6.5	5.3	0.7	5.3
	JUL	4.2	4.2	4.7	1.0	4.0
	AUG	3.1	2.5	3.9	1.2	1.8
	SEP	2.9	1.9	4.9	0.8	3.2
	OCT	3.3	2.9	5.1	1.3	5.0
	NOV	3.1	2.9	5.4	1.6	4.0
	DEC	3.7	3.5	5.7	2.9	4.5
	JAN	4.3	4.6	6.5	3.8	5.0
	FEB	4.1	4.2	6.1	5.3	4.4
	MAR	3.5	3.1	4.8	5.3	3.6
2004-05	APR	2.2	1.2	4.5	4.5	3.4
	MAY	2.8	1.8	5.0	4.9	3.6
	JUN	3.0	2.0	6.7	4.9	2.3
	JUL	3.2	1.2	7.6	4.8	3.6
	AUG	4.6	3.4	8.5	4.8	5.6
	SEP	4.8	3.9	7.9	5.9	4.9
	OCT	4.6	3.4	7.2	5.2	3.6
	NOV	4.2	2.6	7.5	5.1	4.6
	DEC	3.8	1.8	6.7	5.0	4.1

September 2004. Post-September, resuming its declining trend, it reached 3.8 per cent in December 2004, which was substantially lower than the average WPI inflation at 6.7 per cent in the same month.

- (5) Food group inflation is lower in CPI-IW than in WPI, implying that food

prices in the wholesale market increased faster than in the retail markets.

5.16 Trends of quarterly inflation in terms of CPI (W) for major groups indicated continual decline of quarterly inflation rates over previous quarter in 2003-04, followed by some increase of quarterly rate in the current year (Table 5.8).

Table 5.8 : Trends of quarterly inflation in terms of CPI (IW) for major groups (Percentage change over previous quarter)								
Group	Weight	2003-04				2004-05		
		Apr-June	July-Sep	Oct-Dec	Jan-Mar	Apr-June	July-Sep	Oct-Dec
General	100.00	2.1	1.0	0.7	0.2	0.8	2.5	0.6
Food	57.00	3.1	1.0	0.7	-0.8	0.8	2.1	0.5
Pan, supari, tobacco & intoxicants	3.15	0.8	1.3	0.8	1.3	0.5	0.4	0.9
Fuel & light	6.28	2.1	-0.3	1.6	3.2	1.8	2.5	1.7
Housing	8.67	0.0	2.3	0.0	1.5	0.0	10.0	0.0
Clothing, bedding & footwear	8.54	0.8	0.5	-0.5	1.1	1.3	0.2	-0.3
Misce. group	16.36	0.6	0.7	0.9	1.0	0.5	0.8	1.2