

Updating of the Price Indices

5.18 At present, there are four different price indices namely, the WPI with base 1993-94=100, CPI-IW with base 1982=100, Consumer Price Index for Urban Non-Manual Employees (CPI-UNME) with base 1984-85=100, and the CPI-AL with base 1986-87=100. As the consumption expenditure pattern in both rural and urban areas have undergone significant changes over the years, there is a need to shift the existing bases of these indices to a more

recent year. Accordingly, several exercises are being carried out under the directives of various technical advisory committees.

Wholesale Price Index

5.19 A Working Group under the Chairmanship of Prof. Abhijit Sen, Member, Planning Commission is currently engaged in the revision of the current series of WPI (Base 1993-94) (Box 5.1). The Working Group is expected to submit its report by the end of June 2006.

Box 5.1 : Revision of the existing Wholesale Price Index and Compilation of Producer Price Index

The Working Group has set up four sub-groups, namely, (a) Sub-Group on Analytical issues, (b) Manufactured items & related matters, (c) Unorganized/unregistered industries, and (d) Agricultural commodities. The sub-groups (b) and (c) have already submitted their reports and the work of the sub-group on agricultural commodities is at the final stage. Based on the recommendations of the three Sub-Groups, the analytical sub-group would arrive at a consolidated picture of the commodity basket and weighting diagram for the new series of WPI. The working Group has decided to shift the base from 1993-94 to 2000-01 for the revised WPI series.

The Working Group has also decided to recommend initiating the process of compilation of Producer Price Index (PPI) simultaneously, with the objective of ultimately switching over from WPI to PPI. PPI measures price changes from producers' perspective as against the consumer price indices which measures these from consumers' perspective. Many of the countries have switched over to PPI from WPI. In PPI, only basic prices are used for compilation, while taxes, trade margins and transport costs are excluded. PPIs, apart from their uses as measures of inflation, are used as deflators in the compilation of GDP.

PPI is considered to be a better measure of inflation as price changes at crude and intermediate stages can be tracked before it creeps into the finished goods stage.

The Office of the Economic Adviser, Department of Industrial Policy & Promotion (DIPP), at the instance of the Working Group, has already initiated the process of collection of price data from organized and SSI units, as identified by the concerned sub-groups. Proforma for collecting the price data has already been sent to the organized manufacturing units and the same is also currently being sent to the SSI Units. The Working Group has emphasized the need for involvement of State Governments for interacting with the various industry/trade associations/government agencies to get the required price data from source agencies. Chief Secretaries of State Governments have been requested to nominate nodal officers for assisting in price collection activity. The Office of the Economic Adviser, Department of Industrial Policy and Promotion is planning to organize interactive sessions with the local industry/ trade associations in different States in collaboration with the State Government agencies to facilitate smooth flow of price data for the new WPI series.