

Annual Inflation : 1998-99

3. From 5.3 per cent in the first week of this financial year, the annual inflation rate based on wholesale price index (WPI) rose gradually to over 7 per cent in early June and quickly crossed 8 per cent level thereafter by June end, reaching a peak level of 8.84 per cent by September. Towards the middle of November, deceleration in inflation was seen and by the end of December became more pronounced leading to sharp decline in annual inflation rate (point to point), to 4.4 per cent by the second week of January, 1999.

4. The undercurrent of inflationary pressure which was observed towards the end of the last fiscal year escalated during the current fiscal year due particularly to the sharp rise in the prices of primary products, especially vegetables, fruits, oilseeds and pulses. Wholesale price of primary articles increased by 16.3 per cent and accounted for over 60 per cent rise of the annual inflation of 8.84 per cent by the last week of September 1998. The prices of primary articles softened only in December and by the second week of January, 1999 the prices of primary articles were higher by only 8 per cent on point to point basis. The manufactured product prices, increased by 3.4 per cent and contributed 41.1 per cent to the annual inflation. The fuel, power, light sub-sector

representing mostly energy products whose prices are still administered, recorded a modest decline of 0.9 per cent, thus not contributing to current year's inflation. The WPI movement by commodities and their contribution to annual inflation is shown in Table 5.2.

5. At the time of peak inflation (8.84 per cent in end September), the major share of the annual growth in inflation was contributed by food articles (47 per cent). The main culprit for the massive price rise in this group was vegetables whose price had increased by 136.6 per cent from a year ago. Prices of potato and onion were higher by 250.9 per cent and 409.6 per cent respectively as on September 26, 1998 due to a sharp decline in their market arrivals. Production of potato was reported to be lower by 60 lakh tonnes (28 per cent) and production of onion was lower by 7 lakh tonnes (16.9 per cent) in 1997-98. Decline in production of pulses by 11 lakh tonnes (7.7 per cent) caused prices of pulses to rise by 11 per cent. Prices of edible oils rose by 22.7 per cent, with price of mustard oil rising by 59 per cent and groundnut oil by 37 per cent by the last week of September, 1998. Prices of sugar remained steady throughout the year. By the end of December 1998, the prices of vegetables, edible oils and pulses showed a declining trend (Table 5.2.)

TABLE 5.2
Wholesale Price Index movement by commodities and their contribution to Inflation
 (Base: 1981-82=100)
 As on January 16, 1999

Commodity group/ sub-group	Weight (per cent)	Annual rate of inflation (%)		Percentage share in inflation	
		1998-99	1997-98	1998-99	1997-98
ALL COMMODITIES	100.000	4.4	5.7	100.0	100.0
PRIMARY ARTICLES	32.295	8.0	4.9	60.9	29.3
Food articles	17.386	7.6	5.4	36.2	20.0
Food-grains	7.917	7.5	2.0	15.1	3.3
Cereals	6.824	7.3	0.7	12.1	1.0
Rice	3.685	10.2	2.2	9.2	1.6
Wheat	2.248	1.6	0.7	0.9	0.3
Pulses	1.093	8.6	8.4	3.0	2.3
Gram	0.410	-19.5	46.3	-2.6	3.5
Fruits & Vegetables	4.089	14.2	-4.6	14.4	-4.0
Vegetables	1.291	12.4	4.5	4.5	1.3
Potato	0.472	67.8	-38.0	5.0	-3.7
Onion	0.156	-16.9	143.4	-1.5	4.3
Fruits	2.798	15.3	-9.1	9.9	-5.4
Milk	1.961	6.1	13.0	2.8	4.4
Eggs, Fish & Meat	1.783	5.1	7.1	2.8	3.0
Condiments & Spices	0.947	23.1	7.7	8.5	2.2
Other food articles	0.689	-23.4	72.3	-7.6	11.2
Tea	0.564	-29.0	99.9	-7.5	10.7
Coffee	0.125	-0.9	10.9	-0.1	0.5
Non-food articles	10.081	11.5	3.9	26.8	7.2
Fibres	1.791	3.8	5.7	1.6	1.9
Raw Cotton	1.335	-0.4	20.6	-0.1	4.6
Raw Jute	0.160	40.7	-33.4	1.4	-1.4
Oil seeds	3.861	26.8	1.3	20.3	0.8
Groundnut seed	1.296	26.5	-2.2	7.2	-0.5
Rape & mustard seed	0.661	50.1	-2.9	5.6	-0.3
Other non-food articles	4.429	4.2	5.0	4.9	4.5
Sugarcane	2.706	0.0	7.3	0.0	3.9
Minerals	4.828	-3.8	5.0	-2.1	2.1
FUEL, POWER, LIGHT & LUBRICANTS	10.663	-0.9	13.0	-2.3	25.4
MANUFACTURED PRODUCTS	57.042	3.4	4.7	41.1	45.4
Food products	10.143	4.4	8.1	9.9	13.8
Sugar, Khandsari & gur	4.059	-5.1	25.9	-4.3	14.2
Sugar	2.013	0.4	12.6	0.1	3.4
Khandsari	0.300	8.3	9.3	0.4	0.4
Gur	1.746	-11.8	43.7	-4.9	10.4
Edible Oils	2.445	17.3	0.0	8.6	0.0
Rape & Mustard Oil	0.276	65.1	0.6	3.0	0.0
Groundnut Oil	0.526	14.4	1.4	1.5	0.1
Oil cakes	0.432	4.6	-4.5	0.5	-0.4
Beverages Tobacco & tobacco prod.	2.149	10.0	12.2	6.4	5.7
Textiles	11.545	3.0	3.3	7.2	6.3
Wood & Wood products	1.198	-0.8	34.3	-0.4	10.1
Paper & paper products	1.988	5.8	-2.4	2.9	-1.0
Leather & Leather products	1.018	0.3	4.5	0.1	0.7
Rubber & Plastic products	1.592	1.8	-0.8	0.5	-0.2
Chemicals & Chemical products	7.355	3.7	3.6	5.0	3.8
Fertilizers	1.748	3.0	6.0	0.8	1.2
Non-metallic mineral products	2.477	8.3	1.3	4.7	0.6
Cement	0.860	7.3	-1.6	1.1	-0.2
Basic metals, alloys & metal products	7.632	0.3	3.0	0.5	4.2
Iron & steel	2.441	-0.4	4.0	-0.2	1.6
Non-ferrous metals (without aluminium)	0.571	-0.6	2.8	-0.1	0.3
Machinery & machine tools incl.	6.268	2.2	0.0	2.7	0.0
Transport equipment & parts	2.705	3.8	3.1	1.9	1.2
Other misc. Manufacturing industries	0.972	1.5	1.0	0.2	0.1
Administered items	15.929	-1.5	12.0	-4.8	28.3
Petroleum crude & natural gas	4.274	-6.1	6.7	-2.5	2.1
Coal Mining	1.256	3.2	8.2	1.3	2.5
Petroleum pdts. (Mineral oils)	6.666	-5.9	11.9	-8.3	12.2
Electricity	2.741	5.2	17.2	4.6	10.6
Urea	0.992	0.0	10.6	0.0	0.9
Seasonal items	34.403	8.0	6.2	67.7	41.0
Raw materials	14.909	8.6	4.1	24.8	9.3
Essential Commodities	21.770	3.9	8.6	20.5	34.2