

PRICES AND DISTRIBUTION

Overall price stability characterized 1997-98. The annual rate of inflation touched an eleven year low of 3.4 per cent in August 1997. This decline occurred despite the increase in the administered prices of petroleum products and electricity. Towards the end of the year, some uptrend was seen in primary product prices pushing up the annual inflation rate close to 6 per cent level by mid-January 1998. This uptrend was rather mild and by the end of March 1998, the growth in prices again showed some deceleration. Fiscal 1997-98 ended with an annual inflation rate (point to point) of just 5 per cent. The current financial year 1998-99 started with a modest inflation rate of 4.9 per cent and by the end of April 1998, it rose to 5.4 per cent.

Annual Inflation : 1997-98

2. Based on Wholesale Price Index (WPI), fiscal 1997-98 started with an annual inflation rate of 6.7 per cent. In the first two quarters, there was hardly any increase in the prices, hence the point to point inflation rate reached an eleven-year low of 3.4 per cent by the end of August 1997. The decline in the inflation rate in the first half of the fiscal year was indicative of reasonable success achieved in moderating the money supply growth and keeping fiscal deficit within prudent limits. A record rabi harvest in April 1997 helped further reduce the inflationary pressures in primary articles.

3. The low inflation rate of less than 4 per cent was maintained up to the end of November 1997. Thereafter, there was some mild uptrend caused by the increase in prices of some primary products, which pushed up the inflation rate to over 5 percent in January 1998. The annual inflation rate was 5 per cent in the last week of March, 1998. The 52-week average inflation rate of 4.8 per cent in 1997-98 is the lowest in the last six year period of 1992-93 to 1997-98 (Table 5.1).

	End of Year (point-to-point)	52 weeks 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	6.9	6.4
1997-98*	5.0	4.8
1998-99*	5.4**	4.7**
*Provisional		** As on 25 April, 1998

4. The wholesale prices of primary products, which include major essential commodities rose only by 5.5 per cent on a point to point basis at the end of March 1998. Wheat prices, which had escalated very sharply in 1996-97 by about 31 per cent, registered a decline of 11 percent bringing relief to the wheat consumers. The decline in the price of wheat was attributed to higher production of wheat and consequent increase in availability in the market. Government also imported 2 million tonnes of wheat to augment PDS stocks. However, prices of vegetables increased by 15.5 per cent. Price of onions and potatoes registered sharp increase of 34 per cent to 80 per cent during 1997-98. Other items which recorded high rise were tea (42.6 per cent), gram (22.1 per cent) and condiments & spices (22.5 per cent). Prices of sugar, pulses and edible oils increased by 5 per cent, 6.2 per cent and 2.6 per cent respectively. The rate of inflation in manufactured products was just about 3.8 per cent while that of fuel, power, light & lubricants 9.4 per cent. Thus, the decline in the inflation rate in 1997-98 was on account of deceleration in the rate of increase in the prices of primary articles besides the subdued and even stagnant growth in the prices of manufactured products for the second successive year (Table 5.2 and Figure 5.2).

TABLE 5.2
Wholesale Price Index movement by commodities and their contribution to Inflation
 (Base: 1981-82=100)

Commodity group/ sub-group	Weight (per cent)	Annual rate of inflation		Percentage share in inflation	
		1997-98	1996-97	1997-98	1996-97
ALL COMMODITIES	100.000	5.0	6.9	100.0	100.0
PRIMARY ARTICLES	32.295	5.5	7.0	36.5	34.0
Food articles	17.386	3.5	9.6	14.4	28.0
Foodgrains	7.917	-2.7	15.2	-4.9	18.9
Cereals	6.824	-4.4	18.4	-6.7	18.7
Rice	3.685	2.0	10.5	1.6	6.0
Wheat	2.248	-11.0	30.9	-5.8	9.7
Pulses	1.093	6.2	1.0	1.8	0.2
Gram	0.410	22.1	30.5	1.9	1.6
Fruits & Vegetables	4.089	0.9	-0.2	0.8	-0.1
Vegetables	1.291	15.5	4.4	4.4	0.9
Potatoes	0.472	80.3	-28.7	6.0	-2.3
Onions	0.156	34.1	-2.3	1.0	-0.1
Fruits	2.798	-5.9	-2.2	-3.6	-1.1
Milk	1.961	9.7	3.8	3.9	1.1
Eggs, Fish & Meat	1.783	4.3	15.3	2.1	5.0
Condiments & Spices	0.947	22.5	6.1	6.6	1.3
Other food articles	0.689	32.2	14.5	5.9	1.8
Tea	0.564	42.6	19.6	5.5	1.7
Coffee	0.125	8.0	4.2	0.4	0.2
Non-food articles	10.081	9.5	3.5	19.6	5.4
Fibres	1.791	8.9	-3.3	3.3	-1.0
Raw Cotton	1.335	21.2	3.3	5.4	0.6
Raw Jute	0.160	-20.3	-23.3	-1.0	-1.1
Oil seeds	3.861	17.4	1.4	11.4	0.7
Groundnut seed	1.296	15.7	0.8	3.8	0.1
Rape&mustard seed	0.661	7.0	-0.4	0.7	0.0
Other non-food articles	4.429	4.7	7.5	4.9	5.7
Sugarcane	2.706	7.3	15.9	4.4	6.5
Minerals	4.828	5.4	1.8	2.6	0.7
FUEL, POWER, LIGHT & LUBRICANTS	10.663	9.4	16.9	21.5	25.8
MANUFACTURED PRODUCTS	57.042	3.8	4.9	42.2	40.2
Food products	10.143	4.7	14.1	9.2	18.8
Sugar,Khandsari & gur	4.059	16.4	17.2	10.7	7.5
Sugar	2.013	5.0	14.8	1.6	3.3
Khandsari	0.300	14.9	10.2	0.7	0.3
Gur	1.746	29.7	21.4	8.4	3.9
Edible Oils	2.445	2.6	1.4	1.2	0.5
Rape&Mustard Oil	0.276	8.2	-5.3	0.3	-0.2
Groundnut Oil	0.526	6.7	-2.2	0.6	-0.2
Oil cakes	0.432	-2.3	16.2	-0.2	1.1
Bewerages Tobacco & Tobacco prod.	2.149	9.4	7.8	5.1	3.0
Textiles	11.545	3.4	2.3	7.5	3.8
Wood & Wood products	1.198	34.3	0.0	11.4	0.0
Paper & Paper products	1.988	0.2	-0.6	0.1	-0.2
Leather & Leather products	1.018	4.8	0.1	0.9	0.0
Rubber & Plastic products	1.592	0.3	1.7	0.1	0.3
Chemicals & Chemical products	7.355	2.3	3.4	2.7	3.1
Fertilizers	1.748	0.4	4.9	0.1	0.9
Non-metallic mineral products	2.477	0.0	6.6	0.0	2.5
Cement	0.860	-10.6	-3.4	-1.6	-0.4
Basic metals,alloys & metal products	7.632	2.2	2.7	3.6	3.3
Iron & steel	2.441	3.7	4.5	1.7	1.6
Non-ferrous metals(other than aluminium)	0.571	1.8	-2.1	0.2	-0.2
Machinery & machine tools incl.	6.268	-0.1	4.4	-0.1	3.8
Transport equipment & parts	2.705	3.0	3.8	1.3	1.3
Other misc. manufacturing industries	0.972	2.5	4.3	0.3	0.3
Administered items	15.929	8.7	14.5	23.9	27.2
Petroleum crude & natural gas	4.274	6.8	2.2	2.4	0.6
Petroleum prod.(Mineral oils)	6.666	11.5	18.7	13.5	14.4
Coal Mining	1.256	8.2	22.3	2.9	5.0
Electricity	2.741	6.7	12.0	5.1	6.4
Urea	0.992	0.0	10.5	0.0	0.8
Seasonal items	34.403	6.2	8.0	45.7	42.5
Raw materials	14.909	8.8	3.2	22.2	6.1
Essential commodities	21.770	5.4	12.5	0.3	0.4

5. The retail price based inflation rate monitored through Consumer Price Index for Industrial Workers (CPI-IW, base: 1982=100), also remained subdued in 1997-98. From a 10 per cent inflation rate at the end of the last financial year i.e., in March 1997, it showed a continuous deceleration till it reached a low level of 4.7 per cent in August 1997. In October 1997, however, it rose to 5.5 per cent, and further to 6.3 percent in December 1997 and to 9.7 per cent in January 1998. But it declined to 8.3 per cent in March 1998. Almost a similar trend was observed in CPI for Urban Non-Manual Employees (UNME) (Table 5.3).

6. The rate of inflation based on the Consumer Price Index for Agricultural Labourers (CPI-AL, base: 1986-87) rose to 11.4 per cent in February 1997 after which, it declined continuously and reached a very modest rate of 1.2 per cent in October 1997. This is the lowest level recorded since November 1995 when the new series with base 1986-87 was introduced replacing the old series with 1960-61 base (Table 5.3). However, it rose to 4.6 per cent in January 1998.

7. The trend observed in the inflation rates based on WPI and CPI-IW from the beginning of the financial year reveals that CPI (IW) moved by and large in tandem with that of the WPI, though the magnitude of rise was found to be more pronounced in the CPI based inflation rate (Figure 5.1).

TABLE 5.3					
Annual Rates of Inflation based on WPI and CPI					
(point-to-point)					
(Per cent)					
Year	Month	WPI	CPI (IW)	CPI (UNME)	CPI (AL)
	Base	1981-82	1982	1984-85	1986-87
1993-94	Apr	6.9	6.1	6.7	-0.7
	May	6.9	5.1	6.2	-1.9
	June	7.0	5.9	6.6	-1.0
	July	7.3	4.5	5.4	-2.0
	Aug	8.0	5.8	5.9	-2.3
	Sept	8.8	6.6	6.4	0.1
	Oct	8.5	7.4	6.3	3.2
	Nov	8.6	8.6	7.3	6.5
	Dec	8.8	8.6	7.8	9.3
	Jan	9.1	9.1	7.8	9.4
	Feb	9.5	9.5	8.3	10.2
	Mar	10.5	9.9	8.3	12.1
1994-95	Apr	11.8	9.8	8.7	12.1
	May	12.0	10.6	9.7	13.2
	June	11.8	10.8	9.5	12.5
	July	11.6	11.1	9.9	13.4
	Aug	10.2	10.9	9.8	13.1
	Sept	8.9	11.2	9.7	12.4
	Oct	8.9	10.3	10.1	11.6
	Nov	9.8	9.8	9.1	11.2
	Dec	11.2	9.5	8.6	11.2
	Jan	12.1	9.9	9.5	10.8
	Feb	11.7	9.8	9.5	10.8
	Mar	10.6	9.7	9.9	10.6
1995-96	Apr	10.0	9.7	10.3	12.1
	May	9.9	10.3	9.7	12.0
	June	9.1	10.5	10.4	12.4
	July	8.4	11.4	10.3	14.5
	Aug	8.8	10.9	10.2	14.1
	Sept	8.9	10.1	9.7	13.2
	Oct	8.4	10.4	9.6	11.6
	Nov	8.4	10.3	10.0	10.1
	Dec	6.4	9.7	9.2	8.2
	Jan	5.0	9.0	8.3	7.8
	Feb	4.6	8.6	8.2	6.8
	Mar	5.1	8.9	8.2	7.2
1996-97	Apr	5.0	9.8	8.1	8.1
	May	4.5	9.3	8.8	9.0
	Jun	4.5	8.8	7.9	8.8
	Jul	6.0	8.3	8.9	7.2
	Aug	6.2	8.9	8.8	7.1
	Sept	6.5	8.5	8.8	7.9
	Oct	6.6	8.5	8.7	8.3
	Nov	6.5	8.7	9.1	9.2
	Dec	7.5	10.4	10.3	10.5
	Jan	7.5	11.1	10.7	11.0
	Feb	7.9	10.8	10.6	11.4
	Mar	7.1	10.0	10.2	10.5
1997-98	Apr	6.4	9.3	9.7	8.7
	May	5.8	7.3	8.1	6.2
	Jun	5.7	6.6	7.7	4.9
	Jul	4.1	5.6	5.7	3.6
	Aug	3.7	4.7	5.7	2.3
	Sept	3.7	4.9	6.0	1.5
	Oct	4.4	5.5	5.9	1.2
	Nov	3.9	4.9	5.2	0.0
	Dec	4.5	6.3	6.2	0.8
	Jan	5.8	9.7	7.9	4.6
	Feb	4.9	9.1	7.6	-
	Mar	5.0*	8.3	7.2	-

* Provisional.

Fig. 5.1

**Annual Rate of Inflation
(WPI and CPI)**

