

Quarterly changes in WPI in 1997-98

8. The first quarter (April-June) of this financial year witnessed a very modest rise of 1.1 per cent as against a rise of 2.3 per cent in the first quarter of the preceding year. The same trend continued through the second quarter, recording a further rise of 1.4 per cent in WPI as compared to an increase of 3.5 per cent in the corresponding quarter of preceding year. The third quarter Oct.-Dec. 1997, however, recorded a sharp increase of 2.7 percent mainly because of a sharp rise in the prices of some essential commodities (Table 5.4). This increase in the overall inflation rate was largely due to the increase in prices of primary articles. The advent of lean season for wheat and other major agricultural products, significant shortfall in the production of onions in major producing regions of the country and other seasonal factors exerted upward pressure on the prices of primary articles, particularly food articles in the third quarter. The last quarter of fiscal 1997-98 registered virtually no growth in the WPI.

Primary Articles

9. During the year 1997-98, the wholesale prices of primary articles rose by about 5.5 per cent which is lower than the rise of 7 per cent in the previous year. Prices of primary articles remained stable during the first and second quarter of 1997-98 registering a rise of only 0.8 per cent and 0.6 per cent respectively. Much of the increase was recorded in the third quarter (3.5 per cent). But during the fourth quarter, prices remained stable (Table 5.4). Primary articles with a weight of 32.3 per cent contributed 36.5 per cent to the inflation rate in 1997-98 with food articles alone contributing 14.4 percent, unlike in 1996-97 when food articles contributed 28 percent in the WPI increase. Within

the food articles group, the contribution of rice was 1.6 per cent, vegetables 4.4 per cent, milk 3.9 per cent, pulses 1.8 per cent, condiments & spices 6.6 per cent and other food articles 5.9 per cent. The non-food articles contributed 19.6 per cent, which include oil seeds (11.4 per cent) and raw cotton (5.4 per cent). The contribution of some of the important items in the inflation rate showing a fall during the year are wheat (5.8 per cent), fruits (3.6 per cent) and raw jute (1.0 per cent) (Table 5.2).

Manufactured Products

10. Prices of manufactured products recorded a rise of 1.3 per cent in the first quarter (April-June) of fiscal 1997-98 as compared to a rise of 4.1 per cent registered in the corresponding period last year. The rise in the second quarter was still lower at 0.9 per cent and it rose marginally (1.0 per cent) during the third quarter (Table 5.4). Prices in this group have remained almost stable for much of the year recording a total rise of just 3.8 per cent during 1997-98. Escalation in the prices of almost all the subgroups have been lower than last year except in case of groundnut oil, rape & mustard oil, khandsari, gur, beverages, wood & wood products and leather products (Table 5.2).

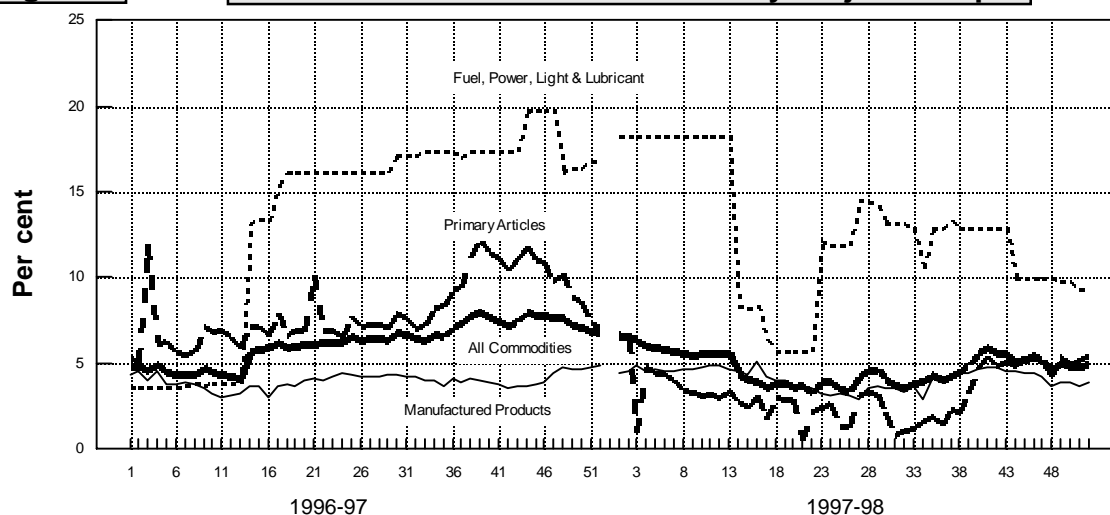
Seasonal Items

11. A brief, though sharp, spurt in some seasonal items in December- January pushed up the prices of seasonal items resulting in 6.2 per cent rise in 1997-98, as against a rise of 8 per cent during the previous financial year. Prices of seasonal items increased by a modest 2.2 per cent in the first quarter (April-June) and further by only 0.7 per cent in the second quarter (July- Sept.). The seasonal impact was visible through decline in the prices of food grains and wheat and a low rise in the prices

TABLE 5.4
Quarterly Movement of Wholesale Price Index

(Per cent change)

| Commodity group | Weight | 1996-97 | | 1997-98 | | | |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| | | Qrt 1 | Qrt 2 | Qrt 3 | Qrt 4 | | |
| | | Apr-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Mar |
| ALL COMMODITIES | 100.000 | 6.9 | 1.1 | 1.4 | 2.0 | -0.2 | 5.0 |
| Primary Articles | 32.295 | 7.0 | 0.8 | 0.6 | 3.5 | -0.7 | 5.5 |
| Fuel, Power, Light and Lubricants | 10.663 | 16.9 | 1.2 | 5.8 | 2.1 | 0.0 | 9.4 |
| Manufactured Products | 57.042 | 4.9 | 1.3 | 0.9 | 1.0 | 0.1 | 3.8 |
| Administered items | 15.929 | 14.5 | 1.0 | 5.8 | 1.7 | 0.0 | 8.7 |
| Seasonal items | 34.403 | 8.0 | 2.2 | 0.7 | 2.7 | -0.9 | 6.2 |
| Raw materials | 14.909 | 3.2 | 0.5 | 1.9 | 3.0 | 3.5 | 8.8 |
| Essential Commodities | 21.770 | 12.5 | 1.5 | 1.3 | 2.8 | -2.0 | 5.4 |

Fig. 5.2**Annual Rate of Inflation in WPI by Major Groups**

of rice, eggs, fish and meat among food articles; among the non-food articles prices of fibres and raw cotton showed a rising trend. During the second half of the year, some uptrend was seen in seasonal items- mostly fruits and vegetables and for a brief period even wheat. The quarterly increase in seasonal items was 2.7 per cent during the third quarter of 1997-98 (Oct.-Dec.) and in the fourth quarter it declined by 0.9 per cent (Jan.-Mar.).

Raw Materials

12. The raw materials group exhibited a rise of 8.8 per cent in 1997-98 as against an increase of 3.2 per cent last year. Much of this increase occurred during the third and fourth quarter (3.0 and 3.5 per cent respectively) of the year (Table 5.4).

Administered items

13. Administered items include mainly energy inputs - petroleum, electricity, coal and urea fertilizer. A rise of 1 per cent was recorded in their prices during April-June 1997. Due to the upward revision in the prices of petroleum products in July 97, a sharp rise of 5.8 per cent was registered during the second quarter (July-Sept). The increase in this group was a modest 1.7 per cent in the third quarter (Oct.-Dec.) and there was no increase in the fourth quarter. The contribution of various items in the

growth of prices in this group during 1997-98 are mineral oils (13.5 per cent), coal mining (2.9 per cent) and petroleum crude and natural gas (2.4 per cent). This group had contributed 23.9 per cent of the annual inflation of 5.0 per cent during 1997-98 (Table 5.2 & 5.4).

Essential Commodities

14. The wholesale prices of 30 essential commodities increased by 5.4 per cent during 1997-98. In the first quarter (April-June) the index increased by 1.5 per cent which was lower than the previous year's rise of 6.7 per cent. The increase remained modest in the second quarter (July-Sept.). However, in the third quarter, prices of essential commodities rose by 2.8 per cent. The WPI of some selected commodities such as onion, arhar, milk, fish, tea, gur, groundnut oil, rape & mustard oil, chillies (dry), potatoes and salt registered higher relative increase during 1997-98 compared to last year, while some other commodities like rice, masur, bajra, sugar and washing soap registered relatively lower rate of inflation. In contrast, the WPI of wheat, jowar, urad, atta, vanaspati and coconut oil declined substantially in 1997-98 (Table 5.2). The comparison of price movements in essential commodities as captured by WPI and CPI-IW is listed in Table 5.5.

TABLE 5.5
Annual Rate of Inflation in Essential Commodities

(Per cent)

| | Weight (%) | | Annual rate of inflation Feb/Feb | | | |
|------------------------------|--------------|--------------|-------------------------------------|-------------|------------|-------------|
| | | | CPI Based | | WPI Based | |
| | CPI | WPI | 1997-98 | 1996-97 | 1997-98 | 1996-97 |
| GENERAL INDEX | 100.00 | 100.00 | 9.1 | 10.8 | 5.2 | 7.9 |
| Rice | 12.45 | 3.69 | 4.7 | 10.7 | 1.3 | 14.3 |
| Whole wheat | 4.43 | 2.25 | -3.8 | 38.7 | -3.8 | 35.9 |
| Wheat atta | 1.75 | 0.76 | 1.2 | 38.1 | -8.5 | 39.9 |
| Jowar | 0.46 | 0.42 | -5.8 | 7.8 | -7.8 | 20.5 |
| Bajra | 0.16 | 0.18 | 3.6 | -0.6 | -3.6 | 4.1 |
| Moong | 0.53 | 0.20 | 8.1 | 5.9 | 2.8 | 2.7 |
| Gram | 0.08 | 0.41 | 47.3 | 36.1 | 40.6 | 50.0 |
| Masur | 0.41 | 0.05 | -10.6 | 10.9 | -9.9 | 7.0 |
| Arhar | 1.69 | 0.27 | -2.3 | -4.1 | -1.2 | -2.7 |
| Urad | 0.35 | 0.15 | -3.5 | -4.4 | -8.2 | 1.9 |
| Coconut oil | 0.09 | 0.17 | -25.5 | 49.5 | -17.1 | 48.5 |
| Groundnut oil | 2.27 | 0.53 | 4.0 | -3.3 | 3.6 | -1.2 |
| Mustard oil | 1.44 | 0.28 | 3.1 | -4.9 | 1.4 | -6.4 |
| Vanaspati | 0.78 | 0.52 | 0.7 | -1.8 | -0.7 | -0.2 |
| Goat meat | 2.12 | 0.52 | 5.5 | 13.8 | -0.4 | 20.0 |
| Fresh fish | 1.31 | 0.51 | 9.8 | 6.2 | 18.6 | -2.4 |
| Milk | 5.52 | 1.96 | 5.1 | 9.5 | 10.4 | 1.7 |
| Salt | 0.15 | 0.04 | 0.6 | 8.7 | 10.9 | -8.8 |
| Chillies | 0.63 | 0.32 | -16.2 | -12.5 | -6.7 | -9.5 |
| Onions | 0.67 | 0.16 | 190.1 | 12.5 | 179.0 | 9.2 |
| Potatoes | 1.23 | 0.47 | -10.3 | 4.4 | -13.5 | 11.0 |
| Sugar | 2.24 | 2.01 | 13.7 | 5.5 | 11.0 | 9.4 |
| Gur | 0.47 | 1.75 | 18.6 | 22.0 | 34.4 | 8.4 |
| Tea leaves | 0.82 | 0.56 | 26.1 | 5.9 | 86.8 | 9.7 |
| Soft coke | 0.80 | 0.35 | 3.7 | 25.4 | 0.0 | 41.1 |
| Kerosene oil | 1.82 | 0.87 | 18.4 | 13.1 | 0.0 | 1.1 |
| Matchboxes | 0.23 | 0.23 | 3.3 | 28.4 | 2.9 | 5.5 |
| Washing soap | 1.33 | 0.59 | 3.4 | -22.5 | 4.6 | 8.3 |
| Long cloth | 0.20 | 0.36 | 13.0 | 6.3 | 0.0 | 4.0 |
| Dhoties | 0.35 | 1.19 | 7.7 | 7.0 | 2.7 | 11.3 |
| Sarees | 2.05 | | 12.8 | 9.2 | | |
| Essential commodities | 48.83 | 21.77 | 6.6 | 10.1 | 7.7 | 13.2 |

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 |