

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:435

ANSWERED ON:18.12.2009

GAP IN WPI AND CPI

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Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a wide gap in the Wholesale Price Index (WPI) and the Consumer Price Index (CPI) during each month between January, 2009 and October, 2009 in the country;
- (b) if so, the details of both the indices during each month during the said period;
- (c) whether the CPI of prices of 30 most essential consumer items was also found different during the said period;
- (d) if so, the details thereof alongwith the reasons for difference in the said price indices; and
- (e) the steps taken by the Government to cushion the common man from the pressure of inflation?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a)to(e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 435 ON "GAP IN WPI AND CPI" FOR 18TH DECEMBER, 2009

Year-on-year inflation measured in term of Wholesale Price Index (WPI) and Consumer Price Index for Industrial Workers (CPI-IW) along with composite inflation of 30 essential commodities in these two indices are indicated in the table below:

Table: Index and inflation trends in WPI and CPI-IW

All commodities

30 Essential commodities

Month- Year	WPI (Wt.100.0%)		CPI-IW (Wt.100.0%)		WPI (Wt.17.6%)		CPI-IW (Wt. 48.8%)	
Index 1993-94 =100	Y-o-Y Inflation (%)	Index 2001 =100	Y-o-Y Inflation (%)	Index 1993-94 =100	Y-o-Y Inflation (%)	Index 2001 =100	Y-o-Y Inflation (%)	
Jan-09	228.9	4.90	148	10.45	228.1	9.85	157.4	14.38
Feb-09	227.6	3.50	148	9.63	231.6	10.75	158.9	14.59
Mar-09	228.2	1.20	148	8.03	232.8	9.91	159.3	12.52
Apr-09	231.5	1.31	150	8.70	235.5	10.33	161.2	13.24
May-09	234.3	1.38	151	8.63	238.8	11.88	162.9	13.97
Jun-09	235.0	-1.01	153	9.29	243.9	13.24	164.7	13.42
Jul-09	238.4	-0.54	160	11.89	252.7	15.99	170.1	14.30
Aug-09	240.8	-0.17	162	11.72	258.3	16.93	173.6	14.12
Sep-09	242.6	0.46	163	11.64	263.2	18.50	176.2	15.77
Oct-09	242.2 (P)	1.34 (P)	163	11.49	264.5 (P)	17.91 (P)	180.7	17.70

Wt:Weight P:Provisional Y-o-Y:Year-on-year

There is a gap between the inflation measured in terms of WPI and CPHW. This is explained by the fact that whereas WPI defines the

price changes of wholesale transactions of a basket of commodities representing the entire economy, the CPI-W measures the changes in (retail) prices of goods and services. Thus, in case of WPI, the basis of inclusion in the commodity basket is the importance of the commodity produced or transacted in the economy whereas in the case of CPI-W only those goods and services are included which form part of the budget of the family of the identified group. The basket of CPI-W, therefore, includes only a segment of the items covered in the WPI basket. The capital goods, intermediate goods and other non-consumption goods of the economy, which are included in the WPI basket, do not find place in the basket of CPI-W. The weights of items in WPI, broadly, have been assigned in proportion to their share in the total value of transactions in the economy. In case of CPI-W, the weights are in proportion to their share in the total consumption expenditure of the family of industrial workers in the selected centers. For example, the weight of food items in CPI-W is 46.20 per cent as against 25.43 per cent in the case of WPI. The inflation in 30 essential commodities measured in terms of WPI and CPI-W are broadly at the same level because the items in both indices are same. A little difference is because of the difference in weights and seasonal variations.

Government is monitoring the price situation on a regular basis and containment of inflation is high on its agenda. The Government has taken a number of important measures to improve domestic availability of essential commodities and to moderate their prices to help the common man from the pressure of inflation. These include:

- # Ensuring adequate supply of foodgrains through record procurement.

- # Maintaining adequate public stocks of foodgrains for market intervention.

- # Maintaining a strategic reserve of 5 million tonnes of wheat and rice.

- # Maintaining the Central Issue Price (CIP) for rice at Rs.5.65 per kg for Below Poverty Line (BPL) and Rs.3 per kg for Antyodaya Anna Yojana (AAY) and wheat at Rs. 4.15 per kg for BPL and Rs. 2 per kg for AAY since July 2002 to protect the interests of families living below poverty line and beneficiaries of AAY.

- # Distribution of one million tonnes of imported edible oils to States/UTs at a subsidy of Rs.15/kg.

- # Distribution of imported pulses to State Governments for supply through PDS with a subsidy of Rs.10 per kg.

- # To augment availability of pulses, the Public Sector Undertakings (namely, State Trading Corporation, MMTC Limited and PEC Limited) and National Agricultural Cooperative Marketing Federation of India Limited (NAFED) permitted to import and sell pulses under a scheme and losses, if any, up to 15% are reimbursed by the Government.

- # Imposition of stock limit orders in the case of paddy, rice, pulses, sugar, edible oils, and edible oilseeds upto September 30, 2010.

- # Using minimum export price to regulate exports of onion (averaging at US \$ 450 per tonne for December, 2009) and basmati rice (US \$ 900 per tonne).

- # Banning of future trade in key essential commodities.

- # Minimum Support Prices (MSPs) for agriculture produce being increased systematically which is expected to increase acreage, production, productivity and central procurement.