

### 3. PRICES

Recent trend of inflation induced by the prices of primary articles echoed in the State and all-India, is a universal phenomena spread through out the world. At the national level, deficiencies occurred at the supply side, coupled with inefficient intermediation between producers and consumers which had exerted pressure on the primary articles to cause rapid increase in the overall price situation. In the short-term, localized demand-supply imbalances in wage goods, often due to seasonal variations in production along with market rigidities and regulatory failures have supported inflationary expectations. In the medium to long term, the movement of monetary aggregates such as money supply has influenced aggregate demand and changes in price levels in the economy. Eventually, similar rate of inflation was experienced in the State also, by registering a higher rate of 7.5 per cent and 8.1 per cent during 2006-07 and 2007-08 respectively. The availability of many of the essential commodities including rice, sugar, tea, milk and edible oils was satisfactory, in spite of continued pressure of the same for most part of the years.

#### Price Situation : National Scenario:

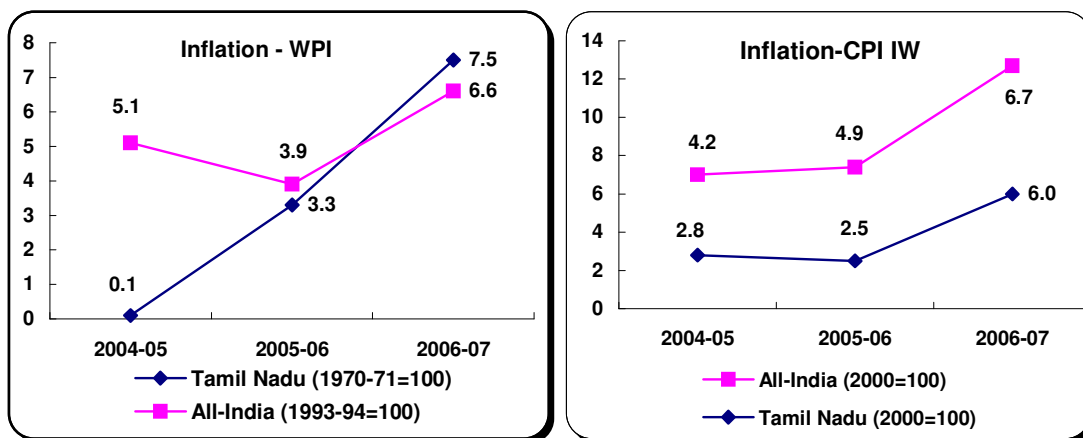
The rate of inflation measured by the movement of Wholesale Price Index accelerated at a faster rate in the State, hence, the Index moved up from 1396.9 in 2005-06 to 1562.2 in 2006-07 and further to 1576.0 by the end of March 2008. In spite of variation in the base year, the Tamil Nadu and all-India Indices were compared for their pace of increase. It was found that the rate of increase in the State was 5.6 per cent during 2007-08 (Apr- Nov) against 4.5 per cent than that of all-India during the corresponding period. In the case of Consumer Price Index for Industrial workers and Urban non-manual Employees, the State and National level had experienced almost similar rate of increases. The State Index for Agricultural Labourers had experienced a faster rate of 9.9 per cent against 7.9 per cent at the National level. In respect of all the Consumer Price Indices –Industrial Workers, Agricultural Labourers, Urban Non-Manual Employees, similar rate of increase was noticed.

**Table – 1: Price Behaviour - Based on Wholesale and Consumer Price Indices  
(Point to Point basis)**

Parameter	Base Year	Percentage change over previous year			
		2004-05	2005-06	2006-07	2007-08
<b>All-India</b>					
WPI	1993-94=100	5.1	3.9	6.6	4.5*
CPI-IW	2000=100	4.2	4.9	6.7	7.9
CPI-AL	1986-87=100	2.4	5.3	9.5	7.9
CPI-UNME	1984-85=100	4.0	5.0	7.6	5.9
<b>Tamil Nadu</b>					
WPI	1970-71=100	0.10	3.31	7.5	8.1
CPI-IW	2000=100	2.8	2.5	6.0	7.6
CPI-AL	1986-87=100	0	4.4	4.5	9.9
CPI-UNME	1984-85=100	3.6	4.5	6.8	6.3

\* for the period April to November Source: DOES, Economic Survey 2006-07 and Labour Buereau, Shimla.

At the national level, Inflation in terms of Wholesale prices started firming up from June 2006 due to substantial increases in the prices of wheat, pulses and edible oils in the primary articles group and mineral oils in the fuel and power group. The wholesale prices reached a peak of 6.6 per cent in March 2007 and thereafter declined gradually to reach 3.6 per cent in October 2007, which in later months rose gradually to 4.5 per cent in January 2008.



### Wholesale Price Index: Tamil Nadu:

The Wholesale Price Index available on monthly basis continues to be the popular method for monitoring inflation. The Index at 1396.9 by the end of March 2006 soared higher to 1502.2 in March 2007 registering 7.54 per cent increase (on point to point basis) and further to 1624.2 during March 2008. The increase thus registered, indicates an upward movement at a rate of 8.12 percent on a point to point basis. However, on an average basis, an over all rate of 6.03 per cent was witnessed.

**Table -2 : WPI : Tamil Nadu**

Year	Index		Rate of Increase (%)	
	Point to Point	Average	Point to Point	Average
2002-03	1323.87	1288.08	7.25	2.70
2003-04	1350.77	1350.94	2.03	4.88
2004-05	1352.14	1375.39	0.10	1.81
2005-06	1396.89	1387.62	3.31	0.89
2006-07	1502.24	1475.47	7.54	6.33
2007-08	1624.22	1564.40	8.12	6.03

*Source: Department of Economics and Statistics, Chennai-6.*

### Intra-Year Movement of WPI:

The monthly movement of all commodity index over that of the corresponding months a year ago is analysed to identify the sensitive months. Unlike 2005-06, the following two years (2006-07 and 2007-08) were unable to see any negative trend, almost throughout the year. The fluctuated rates prevailed in the first six months of 2006-07 (April-September 07) had decelerated continuously for the next three months and later on increased to 7.5 per cent during March 2007. This highest rate fluctuated in the range of 4.88 (June 2007) to 8.12 (March 2008) percentage points during 2007-08.

**Table – 3 : Month-wise Movement of WPI – Tamil Nadu**

Month	2006-07	%	2007-08	%
April	1433.6	5.26	1514.5	5.64
May	1437.0	5.05	1522.5	5.95
June	1456.4	6.10	1527.5	4.88
July	1459.3	6.04	1541.2	5.61
August	1469.7	6.11	1561.0	6.21
September	1481.7	7.36	1572.8	6.15
October	1482.8	6.83	1565.0	5.54
November	1496.1	5.96	1576.0	5.34
December	1481.7	5.48	1576.5	6.40
January	1502.2	6.75	1586.2	5.59
February	1502.9	7.44	1605.1	6.80
March	1502.2	7.54	1624.2	8.12

Source: DOES, Chennai.

### Quarterly Movement of WPI – Tamil Nadu:

Looking at the behaviour of the all commodity index during the four quarters of 2006-07, it is learnt that the first quarter had a faster rate compared to the other three quarters. During 2007-08, second and fourth segments of the year had higher rates (3.0%) than that of other two quarters (1.7 and 0.2%). The primary articles group, which had an insignificant rate of 7.4 per cent during first quarter of 2006-07 declined gradually to reach 'nil' rate in the third quarter in the same year. The Index later got warmed up in the subsequent quarters to reach 4.1 per cent in the second part of 2007-08 and slipped down to 3.7 per cent after a short duration fall of 0.4 per cent in the third quarter of 2007-08. The index of 'fuel, power and lubricants' group which was at 1.9 per cent in the first quarter of 2006-07 remained unchanged in the second and third quarters, dropped significantly in the last quarter of 2006-07 and maintained a similar trend in the two quarters which turned to a 1.1 per cent hike in the last three months of 2007-08. Due to the impact of pressure exerted by the primary articles and fuel, power and lubricant groups, the manufactured products group rose by 2.4 per cent during the end of 2007-08.

**Table - 4 : WPI – Quarterly Movement (% Point to Point basis)**

	2005-06				2006-07				2007-08			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Primary	1.9	0.5	3.5	(-)0.7	7.4	2.2	0.0	1.2	2.5	4.1	0.4	3.7
Fuel, Power & Lubricants	4.0	2.6	0.0	0.0	1.9	0.0	0.0	(-)1.1	(-)0.9	0.0	0.0	1.1
Manufacturing	0.8	0.3	0.0	(-)0.4	0.7	1.4	0.0	1.9	1.0	1.9	1.9	2.4
All Commodities	1.5	0.5	1.8	(-)0.6	4.3	1.7	0.0	1.4	1.7	3.0	0.2	3.0

Source: Department of Economics and Statistics, Chennai.

### WPI – Group / Sub-Group-wise Movement of WPI - Tamil Nadu:

The Wholesale Price Index of the State having 1970-71 as base year assigned Primary Articles group with 52.69 weight, fuel, power, light and lubricants with 3.26 and manufactured products with 44.05 weight. The movement of all-commodity Index

depends upon the behaviour of these three groups and the overall rate of inflation by the assigned weight of each of these groups. During 2006-07 the Primary Articles had a faster rate of 11.11 per cent followed by 4.14 per cent of manufactured products and 0.79 per cent of the energy group. Faster rate of increase at the Primary Articles Group coupled with greater weight had influenced the all-commodity Index to move at a faster rate of 7.54 per cent after a gap of five years. In the year 2007-08, the price increases in the primary articles group was 11.04 per cent compared to the corresponding period of 2006-07. During this period, price decline in fuel, power and light group was noticed. During 2007-08, the Index of manufactured products accelerated at an annual rate of 5.40 per cent from 4.14 per cent in 2006-07.

**Table – 5 : Behaviour of WPI : Group-wise**

Group	Weight Assigned	% increase		Contribution (%)	
		2006-07	2007-08	2006-07	2007-08
1. Primary Article	52.69	11.11	11.04	76.13	72.56
2. Fuel, Power, Light & Lubricant	3.26	0.79	0.16	0.62	0.11
3. Manufactured products	44.05	4.14	5.40	23.26	27.32
All Commodity	100.00	7.54	8.12	100.0	100.0

*Source: Department of Economics and Statistics, Chennai*

### Primary Articles:

The food and non-food articles are the major sub-groups of Primary Articles. Most of the essential commodities of every day use are covered under this sub-group, prices of the same are determined by the supply of the agro-produces which in turn depends on unpredictable climatic conditions. The Wholesale Price Index of the Primary Articles at 1370.1 during March 2006 moved up to 1522.3 during the corresponding period of 2006-07 and further to 1690.33 in 2007-08. Over and above the tolerable level of 5.22 per cent increase of 2005-06, the group had a double digit rate of 11.00 per cent subsequently in the next two years. The Index was much influenced by the sub-group food articles (32.26 weight), comprising of foodgrains, fruits and vegetables, milk, egg, fish and meat, condiments and spices and other food articles like tea and coffee.

**Table – 6 : Primary Articles Movement : Sub-group-wise**

Sub-group	Weight Assigned	% increase		
		2005-06	2006-07	2007-08
Food Articles	32.26	8.48	14.48	9.59
Non-food Articles	19.61	(-)1.75	3.37	15.39
Minerals	0.82	0.0	0.0	1.84
Primary Articles	52.69	5.22	11.11	11.04

*Note: Weighted contribution of each group is given in brackets.*

The sensitive nature of this group affects the day-to-day life of the people. For the current year inflation, prices of wheat, pulses, edible oils, fruits and vegetables are the major drivers of the Primary Articles inflated during 2007-08. Domestic production against its demand and hardening International prices were the causes for this price increase. The Government both at the Centre and State took all out efforts to contain the inflation of the same by adopting different strategies like importing cereals and pulses and curtailing exports. Despite these measures, the overall rate of increase at the sub-group

food articles witnessed 14.48 per cent and 9.59 per cent increases on top of 8.48 per cent registered during 2005-06 had pushed up the prices of food articles sub-group. Complementing with the above increases, the non-food articles group comprising of fibres, oil seeds and sugarcane also had unfavourable situation. The negative rates recorded (-1.75%) during 2005-06 rose by 3.37 per cent in 2006-07 and a much faster 15.39 per cent in 2007-08. The price increases witnessed during the latest two years in both food and non-food articles caused the over all inflationary spiral to move at a very faster rate.

**Box-1**

**Major Group-wise WPI Inflation (Y-O-Y) (%)**

Year	Primary Articles	Fuel, Power, Light & Lubricants	Manufacturing Products	All Commodities
1993-94	0.8	1.93	6.3	3.2
1994-95	14.3	5.7	5.0	9.9
1995-96	9.4	17.1	5.6	8.0
1996-97	14.0	10.4	9.5	12.0
1997-98	11.8	28.0	8.3	10.7
1998-99	10.7	11.4	6.0	9.2
1999-00	(-) 2.5	10.6	0.6	(-) 0.8
2000-01	(-) 0.9	21.8	14.5	6.0
2001-02	0.5	5.4	(-)4.6	1.9
2002-03	2.0	5.2	11.6	2.7
2003-04	5.8	10.1	2.7	4.9
2004-05	(-)1.4	2.4	4.4	1.8
2005-06	1.7	5.2	1.3	0.9
2006-07	10.3	3.0	1.9	6.3
2007-08	8.0	2.1	4.9	6.0

*Source: Computed by DEAR.*

### **Fuel, Power, Light & Lubricants:**

The group comprising of 'energy' commodities has been assigned a least weight of 3.26 in the all commodity index with 1970-71 base. The International availability of resources coupled with the domestic policies ensures the price trend of this group. The sharp and continuous fluctuations in crude and petroleum products in the international markets project an unsteady trend in the 'energy' group index. The international annual average (January – December) price of crude oil per barrel, which was around US\$38 in 2004 increased to US\$54 in 2005 and reached US\$65 during 2006. This necessitated an upward revision of prices of petro products in the domestic market to an intra year peak rate with effect from June 2006 to reduce the shortfall of their domestic prices from the corresponding import-parity prices. By March 31<sup>st</sup> 2007, the fuel group inflation was moderated to 1.0 per cent. But the pass through to consumers was restricted to just 12.5 per cent and the rest absorbed by Government and oil marketing companies. With the softening of international petroleum prices in 2006-07, domestic prices of petrol and high speed diesel were initially raised by Rs.4 and Rs.2 respectively in June 2006 which was reduced by Rs.2 (around 4%) and Re.1 (by 3%) respectively with effect from November, 2006 since February 2007 (Economic Survey, 2006-07, Government of India). In the case of Kerosene oil and LPG, the prices were kept unchanged since April 2002 and November 2004 respectively. The price increase at the fuel group was controlled initially

by reducing the customs duty on petrol and diesel oil to 7.5 per cent from 10.0 in June 2006. This apart, government has also issued oil bonds aggregating Rs.24121 crores during 2006-07 (against Rs.11500 crores in the previous year).

**Table – 7 : Price Trend in Energy Group Index**

	Weight Assigned	% increase		
		2005-06	2006-07	2007-08
Coal Mining	0.39	0.0	0.0	0.0
Mineral oils	1.23	9.5	4.4	(-)1.5
Kerosene	0.48	0.0	0.0	0
Petrol	0.14	1.0	5.6	(-) 2.63
Diesel oil	0.61	7.7	5.9	NA
Electricity	1.64	(-)5.9	(-)0.2	NA
Fuel, Power, Light & Lubricants	3.26	2.8	0.8	0.2

The WPI of 'fuel, power, light' and lubricant group of the State at 2494.9 in 2005-06, increased at a slower rate of 0.8 per cent to touch 2558.0 in 2006-07 which is a welcome feature. While the prices of kerosene and coal mining are kept at the same level, diesel and petrol had soared by 5.9 per cent and 5.6 per cent respectively. In contrast, prices of electricity had dropped 0.2 per cent and mineral oils decelerated to 4.4 per cent respectively at the wholesale level.

#### **Manufactured Products:**

The vibrations at the Primary Articles index in spite of smoother flow of Fuel, Power, Light and Lubricants group had pushed up the Manufactured Products group by 4.1 per cent. The price increase to the tune of 5.29 per cent recorded by the 'manufactured' products during 2001-02 moved at a decelerated rate to reach 0.63 per cent in 2005-06, which later accelerated at a faster rate. Hence, the index at 1344.5 in 2005-06 rose to 1400.1 in 2006-07 (by 4.14%) and further to 1475.0 in 2007-08 (by 5.4%).

In the year 2007-08, non-metals & alloys and food products had a faster rate of 21.4 per cent and 16.6 per cent respectively over and above the higher rates of 25.7 and 11.1 per cents recorded in 2006-07. But for the least weight assigned to these sub groups comprising of structural clay products like bricks, earthen wares and cement products, the manufacturing index would have seen a much higher inflation. Sudden hikes in the prices of construction materials has a direct impact on the construction industry. Machinery & Transport, Textiles and Food Products together constituted about 60 per cent of the total group weight and hence abrasions at these would have greater impact on the group Index. The rate of inflation recorded among these three sub groups was higher in the case of food products (16.6%) followed by machinery & transport (6.1%) and textiles (0.7%). Current year abrasions on the previous year's stress has kindled the already soared indices to reach new peaks.

**Table – 8 : Movement of Manufactured Products  
(Point-to-Point Basis)**

Sub-group	Weight	% Increase		
		2005-06	2006-07	2007-08
Food products	6.76	4.4	11.1	16.6
Beverages, Tobacco & Tabacco products	0.25	0.0	0.2	0.2
Textiles	8.95	(-)0.3	(-)2.9	0.7
Paper and Paper products	1.06	3.7	2.5	1.4
Leather & leather products	2.43	4.5	8.7	(-)3.0
Rubber & Rubber products	1.52	(-)10.8	11.8	8.6
Chemical & Chemical products	3.39	3.1	13.5	(-)0.3
Non-metals and alloys	1.46	(-)5.3	25.7	21.4
Basic metals & alloys	2.34	4.0	(-)0.2	8.8
Machinery & transport	10.98	(-)0.5	6.0	6.1
Miscellaneous – Manufactured products	4.92	(-)0.9	(-)5.6	0.0

To reduce the cost of manufactured products and infrastructure development, the central government took fiscal measures in the form of reduction in customs duties on inorganic chemicals, non-ferrous metals, cement, capital goods and project imports. The government reduced the customs duty from 12.5 to 10.0 per cent and in some cases below 10.0 per cent.

**Behaviour of WPI – Commodity Level: Tamil Nadu:**

Movement of index of essential commodities of every day use selected from the primary articles group for 2007-08 was compared with that of 2006-07 to find out the dearer commodity of the review year. Price hikes witnessed in the case of wheat and gingely were unprecedented ones. The wholesale price of wheat has almost doubled and that of gingely has attained 93.6 per cent increase. The staple food of Tamil Nadu, rice has increased by 25.6 per cent and that of arhar (red gram) rose by 31.4 per cent.

**Table - 9 : Price Variations of Select Commodities**

Rate of increase	Commodities	
	2006-07	2007-08
Negative rate	Gingelly	Bengal gram, Potatoes
Nil change	-	-
0.1 – 2.0	Rice, Milk	Egg, fish & meat and condiments and spices
2.1 – 4.0	Coffee	
4.1 – 6.0	Arhar, Potatoes, Onions, Tea	Onions, Coffee
6.1 – 11.0	Fruits, Sugarcane	Milk
11.1 – 30.0	Jowar, Groundnut, Egg, Fish & Meat	Sugarcane, Groundnut, Tea, Rice, Jowar
30.1 – 40.0	Bengal gram, Condiments & Spices	Arhar, Fruits
40.1 – 55.0	Wheat	-
55.1 – 100.0	-	Wheat, Gingely

Weighted contribution of essential commodities of every day use viz, rice (16.5), fruits (13.4%) Arhar (6.9%), sugarcane (6.0%) together attributed to 42.8% of the overall inflation (8.12%).

**Table -10 : Movement of Essential Commodities: At Wholesale Level  
(Point-to-Point Basis)**

Sub-group / Commodities	Weight	Index		Percentage change (Nov. 07 over Mar.07)		Weighted contribution 2007-08
		2006-07	2007-08	2006-07	2007-08	
Primary Articles	52.69	1493.65	1630.95	10.5	13.17	85.0
Food articles	32.26	1764.03	1917.80	14.5	11.47	53.5
Foodgrains	12.26	1618.81	1812.48	13.7	17.77	28.9
Cereals	8.53	1260.77	1534.01	5.9	31.15	27.5
Rice	6.39	1233.11	1417.48	0.9	25.59	16.5
Wheat	0.51	1769.65	3348.86	53.7	99.93	7.4
Jowar	0.7	1053.00	1224.14	16.7	28.33	1.7
Pulses	3.73	2437.58	2449.30	24.6	1.94	1.4
Arhar	1.14	1884.04	2475.73	4.7	39.37	6.9
Bengal gram	1.32	2821.55	2824.52	30.3	(-) 0.06	(-)0.02
Fruits & vegetables	5.41	1975.72	2409.51	10.7	17.86	15.7
Vegetables	2.31	2490.17	2959.27	10.4	4.39	2.1
Potatoes	0.33	1103.15	1522.72	4.7	(-) 7.13	(-)0.2
Onions	0.59	3012.32	4043.92	5.9	4.81	0.7
Fruits	3.1	1592.37	1999.85	11.1	33.57	13.4
Milk	4.24	1048.54	1175.75	0.2	10.66	3.9
Egg, fish and meat	3.38	3595.28	3590.61	17.8	0.56	0.6
Condiments and spices	4.65	1408.28	1328.90	37.4	0.44	0.2
Tea	1.02	1462.48	1491.08	4.7	23.35	2.9
Coffee	0.6	888.24	1620.19	2.6	5.06	0.2
Oil seeds	5.41	1029.01	1151.17	6.7	32.99	15.1
Groundnut	0.99	1318.92	1602.19	16.9	21.39	2.3
Gingelly	1.05	877.38	1070.87	(-)1.7	93.60	7.1
Sugarcane	3.08	1180.96	1419.27	6.9	20.18	6.0

*Source: Department of Economics and Statistics, Chennai.*

### **Whole Sale and Retail Prices of Select Commodities:**

The wholesale and retail prices of select commodities of every day use, in absolute terms, are compared to know the percentage variation between the two. In this analysis, highest variation of 1.19 per cent was seen in the case of ground nut and about twelve commodities were in the range of 0.90 – 0.95. The perishables were in the range of 0.80-0.85, tomatoes which had 0.58 variation in 2005-06 increased to 0.71 during 2006-07.

**Table – 11 : Wholesale and Retail Prices: Tamil Nadu** (Rs.)

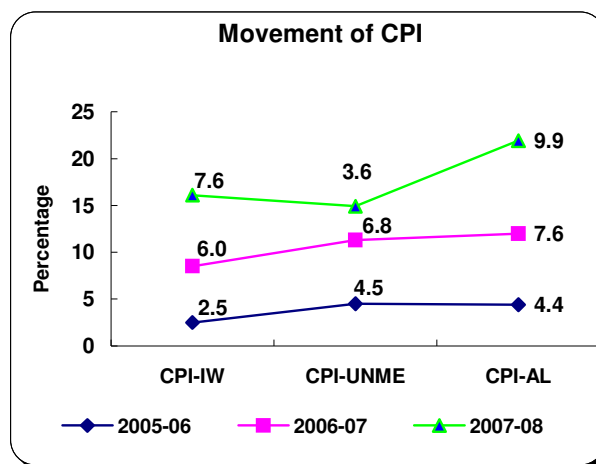
Sl. No	Commodity	Wholesale Prices		Retail Prices		% variation between wholesale & retail Prices	
		2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
1	Rice	10.52	10.33	11.40	11.43	0.92	0.90
2	Wheat	11.08	13.32	12.83	14.89	0.86	0.89
3	Ragi	6.87	7.67	8.37	9.15	0.82	0.84
4	Jowar	7.10	7.80	8.10	9.33	0.88	0.84
5	Tea	180.13	202.00	197.33	219.20	0.91	0.92
6	Sugar	17.74	17.13	18.51	17.98	0.96	0.95
7	Ground nut	24.57	28.92	28.00	24.32	0.88	1.19
8	BengalGram	23.52	33.08	26.86	36.08	0.88	0.92
9	Chillies	23.10	50.28	26.33	54.66	0.88	0.92
10	Corriander	26.27	34.25	29.54	37.49	0.89	0.91
11	Turmeric	31.87	27.36	43.50	45.00	0.73	0.61
12	Garlic	23.11	51.23	26.60	55.79	0.87	0.92
13	Tamarind	38.57	31.38	42.42	35.02	0.91	0.90
14	Groundnut oil	48.77	56.71	52.35	60.08	0.93	0.94
15	Gingilly oil	56.62	59.56	59.70	64.28	0.95	0.93
16	Coconut oil	59.39	61.79	61.55	66.17	0.96	0.93
17	Gur	17.42	13.83	19.83	16.18	0.88	0.85
18	Cooking coal	7.00	7.00	8.00	8.00	0.88	0.88
19	Onion	8.68	960.06	10.51	11.41	0.83	0.84
20	Tomato	5.17	804.78	8.91	11.41	0.58	0.71
21	Potato	9.11	1036.58	11.35	12.20	0.80	0.85

Source: Department of Economics and Statistics, Chennai.

**Consumer Price Indices:**

Four different consumer price indices measuring the changes over time in general level of prices of goods and services used by four different groups of population – Consumer Price Index for Urban Non-Manual Employees (CPI-UNME), Consumer Price Index for Industrial Workers (CPI – IW), Consumer Price Index for Agricultural Labourers (CPI-AL) and Consumer Price Index for Rural Labourers (CPI-RL). These indices

were compiled in terms of general standards and guidelines set by the International Labour Organisation (ILO) for all the member countries. The CPI-IW used for wage indexation in Government and organised sector has its own value.



**Table - 12 : Consumer Price Index :Tamil Nadu  
(Point-to-point basis) (Percentage change over the previous year)**

Indices	March, 2004	March, 2005	March, 2006	March, 2007	March 2008
Consumer Price Index for -					
- Industrial workers	3.8	2.8	2.5	6.0	7.6
- Urban Non-Manual Employees	2.0	3.6	4.5	6.8	3.6
- Agricultural Labourers	(-)2.8	0	4.4	7.6	9.9
- Wholesale Price Index	2.0	0.1	3.3	7.5	8.1

**Consumer Price Index for Industrial Workers (CPI-IW):**

The Consumer Price Index for Industrial Workers (CPI-IW) with the base year 2001=100, helps to measure the temporal changes in the retail prices of goods and services consumed by the working class people. The CPI-IW based year-on-year inflation as on March, 2007 in the State was 6.0 per cent against 2.5 per cent in March 2006. In the year 2007-08, the over all index for the State warmed up to 7.6 per cent.

During 2006-07, among the six centers of the State's representation, Coimbatore was the dearest recording a faster rate of increase (11.6%) followed by Thiruchirappalli (7.1%). In 2007-08 Coonoor turned to be the cost over center followed by Trichy. Coimbatore was only center which had a decelerated rate. The Coimbatore center experienced a deceleration during 2004-05 remained unchanged in the following year and soared to an higher rate of 11.6 per cent in 2006-07. Salem was the only center that had dropped the rate from 10.3 per cent in 2005-06 to 1.7 per cent in 2006-07.

**Table – 13 : CPI - IW : Centre-wise Movement  
(percentage increase on point –to point basis)**

Centre	Chen- nai	Coim- batore	Coon- nor	Salem	Trichy	Madu rai	Tamil Nadu	All- India
Weight	3.47	1.89	1.54	1.16	1.35	1.51	10.92	100.0
Linking factor	4.95	4.49	4.58	4.45	5.01	4.51	-	4.63
2004-05	4.6	0.9	(-)1.8	2.9	8.6	2.8	2.8	3.7
2005-06	2.7	0	0.9	10.3	(-)0.9	2.7	2.5	0
2006-07	4.3	11.6	7.3	1.7	7.1	4.4	6.0	6.7
2007-08	6.6	6.4	11.0	6.7	9.9	6.7	7.6	7.9

*Source: Labour Bureau, Shimla.*

**Consumer Price Index – Agricultural Labourers:**

The Consumer Price Index for Agricultural Labourers (CPI-AL), basically used for revising the minimum wages for Agricultural Labourers in different States has 1986-87 as base year. Due to change in the consumption pattern of this segment of population, the Labour Bureau proposes to shift the base year from 1986-87 to a nearest year by using the consumer expenditure data collected by NSSO for the 61<sup>st</sup> NSS round (2004-05). The State Index at 359 in 2005-06 rose to 375 in 2006-07, by 4.5 per cent which later soared to 412 in 2007-08 registering a higher rate of about 19.9 per cent. The all-India Index recorded a faster rate of 9.5 per cent in 2006-07 thereafter decelerated to 7.9 per cent in

2007-08. Tamil Nadu Index which had experienced a lower rate of increases than that of all India since 2005-06 had accelerated at a faster rate (9.9%) during 2007-08.

**Table - 14 : Consumer Price Index – Agricultural Labourers  
(Point-to-point basis)**

	Tamil Nadu		All India	
	Index	% Change	Index	% Change
2003-04	344	-2.8	332	2.5
2004-05	344	Nil	340	2.4
2005-06	359	4.4	358	5.3
2006-07	375	4.5	392	9.5
2007-08	412	9.9	423	7.9

*Source: Central Statistical Organisation, Government of India*

### **Consumer Price Index for Urban Non-Manual Employees :**

A few foreign companies working in India in service sectors such as airlines, communications, banking insurance and other financial services make use of the Consumer Index for Non-Manual Employees to determine the Dearness Allowance for their employees. This apart, the Index is also used to assess the capital gains under the Income Tax. The State is represented by Five centers from where the data is being collected. The movement of this Index though at an accelerated mode, was slower (6.8%) than that of all-India (7.6%) during 2006-07.

**Table – 15 : Consumer Price Index for Urban Non-Manual Employees :  
Centre-wise (Point to point basis)**

	Chennai	Coimbatore	Salem	Trichy	Madurai	Tamil Nadu	All India
Weight	3.86	1.61	1.43	1.83	1.80	10.53	100.00
2004-05	4.2	2.8	2.6	2.8	4.4	3.6	4.0
2005-06	4.0	6.7	3.3	3.6	5.3	4.5	5.0
2006-07	6.8	9.0	7.3	5.9	5.0	6.8	7.6
2007-08	5.6	4.6	5.7	9.1	7.2	6.3	6.0

*Source: Central Statistical Organisation, GOI.*

### **Anti-Inflationary Measures:**

For managing inflation, supply side policies are critical, particularly in agriculture. Such policies will not only help in fighting inflation but also reinforce growth. What is important to note is that international experience shows that troublesome inflation need not be the price to be paid for favourable high growth. The fight against inflation has to be calibrated so that policies contain inflation without compromising growth. With appropriate policies, it should be possible to maintain and manage high growth without inflation.

Finding immediate answers to inflation influenced by commodity specific supply shortfall is difficult. A durable solution to such inflation problem has to be found in increasing yield and domestic output for products such as pulses, edible oils, rice and wheat. There is tremendous scope for increasing yield levels through technology diffusion. Simultaneously, there is a need to recognise that there could be potential contradiction between a remunerative price for the farmer and a fair price for the

consumer in the short run. The same contradiction arises in the case of pricing of petroleum products. The reconciliation of such a contradiction ought not to be in terms of an expensive compromise of fiscal rectitude.

Besides daily monitoring of prices, the government at the State and Center has taken steps to stabilise the prices of essential commodities through several measures such as-

1. Release of adequate quantities under targetted Public Distribution System and other welfare measures;
2. Augmenting domestic supplies through open market sales scheme;
3. Ensuring adequate stocks in all the regions of the country together with supplementing the domestic availability with import of 55 lakh tonnes of wheat through State Trading Corporation.

The Public Distribution System (PDS) in Tamil Nadu is unique since it is based on the choice of the people and covers all families. The State adopt the Universal Public Distribution System (UPDS) against TPDS advocated by Government of India. Under UPDS the families are not discriminated as BPL and APL as in the case of TPDS and all families are supplied with essential commodities at uniform price. To contain spurt in prices of essential commodities such as pulses and edible oil, a special PDS scheme has also been introduced covering dhall (Urad & Thoor), rava / maida and palm oil.

Price soaring has become not only the national phenomenon but also a global one. Food prices jumped from 25 to 70 per cent in recent months. As all the human beings are net consumer of food, nutrition, bio-energy, environment and livelihood, all the aspects of agriculture and food industry have to be integrated in future. There is large scale migration and farm workers to cities in search of job opportunities affected by variable and low outputs and volatile markets.

At the National level, in order to contain the price use in primary commodities, several fiscal and supply side measures were taken (i) The government allowed the State Trading Corporation (STC) to tender overseas for 5.5 million tonnes of wheat to supplement domestic availability; (2) The private traders were permitted to import wheat initially at 5.0% duty and subsequently at zero duty; (3) Pulses imports were allowed at zero duty and exports were banned since June 2006; (4) Sugar import was exempted from customs duty and their exports were stopped; (5) importing of maize was allowed at zero duty and (6) customs duty on palm oil was reduced by 10 percentage points each in August 2006 and April 2007 and by another 5 percentage points in July 2007.