Analysis of Inflation Indicators during the Period of UPA Government

J. K. SACHDEVA[1]

Rising food prices hurt poor the most. The real burden of inflation is always higher than what the WPI figures suggest. Right through 2007, consumer inflation was running much higher for all categories. During the last month of 2007, inflation as measured by the consumer price index was above 5 per cent for the three categories of workers that are tracked by the official statistics, even as wholesale price inflation was just 3.5 per cent. Even as the government pulls out all stops to douse the fires of inflation, one should not forget that it is the outcome of years of neglect of agriculture. (Beast of Burden, Editorial EPW, April, 5, 2008). It has been observed that prices were highly volatile during the first half of 2008. UPA government took office in may, 2004. Leaving the first year of office as it is with period lagged effect of earlier government, an analysis of period between April, 2005 to May 2008 (leaving highly volatile period from April, 2004 to March, 2005 and June, 2008 to July 2008, by the time this paper is written) needs to be carried out to see trends in prices.

This paper has following objectives

1. To explore the literature regarding the determinants of prices rise.
2. To analyse the trends of wholesale price index and Consumer Price Index

[1] Dr J K SACHDEVA, Editor-in-Chief, Journal of Global Economy, Mumbai . The author is thankful to Dr Gulab Mohite, Professor-Head Research, N L Dalmia Institute of Management Studies Mumbai, for his valuable comments on the issue during his chair at Intercity Paper Presentation Conference, held at Mumabi on 20-9-2008

3. To test the hypothesis that consumer prices have risen more than whole sale prices.

Section 2 explores literature on various issues of inflation. Section 3 discusses methodology and data. Analysis has been done in section 4. Section 5 concludes with policy suggestions.

Section II

Inflation is the rate of change of general price level, which is computed as the weighted average of prices of individual goods and services. Assignment of weights for constructing the general price index normally reflects the relative importance of the goods and services included. Thus, the general price index captures the overall magnitude of prices of the goods and services. In India, there are mainly three types of measures of general price level namely, (i) wholesale price index (WPI), (ii) consumer price index (CPI) and (iii) implicit GDP deflator. The WPI is available for all tradable goods including for various groups, subgroups and individual commodities. CPI reflects the cost of living conditions of a homogeneous group of consumers for which it is constructed and based on retail prices of commodities generally consumed by the group. Currently, four categories of CPI are available in India. They are CPI for industrial workers (CPI-IW), CPI for agricultural labours (CPI-AL), CPI for rural labours (CPIRL) and CPI for urban non-manual employees (CPI-UE). Among the four, CPI-IW is very popular with better coverage whereas CPI-AL and CPI-UE are designed to measure the impact of inflation on rural and urban poverty, respectively (Reddy 1999 in Pattnaik et al 2008). The third measure of inflation, GDP deflator is derived from the national accounts as a ratio of GDP at current prices to GDP at constant price during the period 1970 to 2004, the average inflation depicted by either of the indices viz, WPI, CPI or the GDP deflator was close to 8 per cent. The correlation coefficient between WPI and GDP deflator at around 0.9 during the period implies a close association between the two. However, the association between CPI and WPI has been weaker in the 1980s and 1990s, (Pattnaik et al 2008).

In policy and academic discussions in India, the selection of the price index is heavily tilted in favour of the WPI. Factors such as a wide coverage of commodities, high frequency (weekly basis), data availability with a lag of just two weeks contributed towards emergence of WPI as the most suitable general price index.

Nevertheless, it suffers from excluding services and nontradeable commodities, (Pattnaik et al 2008).

Services not included in WPI

Price developments in services need to be analysed on the basis of CPI to study their contribution to inflation in relation to that of goods. At present, services sectors account for almost 50 per cent of the aggregate GDP. Higher price increases, rising productivity and increased tradability could create a 'virtuous circle' associated with a higher share of services in GDP. However, reforms and privatisation programmes, if not associated with increased efficiency, may also contribute to a rise in charges and services prices, (Kalyan, 2003).

According to Kalyan, (2003), at present, the consumers are stuck with increased services prices due to inefficiencies and high costs of utilities. Increasing modernisation and technological upgradation as, also competition, may help in raising productivity while increasing sophistication and consumer preferences for services associated with products (like electronic items, PCs, sanitaryware, automobiles, white goods and construction) may enable service providers to enhance charges and fees. The perceived inflation by consumers depends on the importance attached to price developments in goods and services they buy frequently. Analysis of prices of goods by Kalyan (2003) shows that prices of edible oils and onions remain volatile despite availability of goods of consumptions and prices of other goods remain steady . With the shift in importance of consumption towards items of comfort, leisure and support services, observed in private consumption expenditure (PCE), the perception of inflation in services remains strong, notably in housing. The discounts and gifts are not directly related to MRP by the consumers and are taken as freebies. Indeed, formal MRP or like prices of certain items and of services associated with them are not falling despite a significant decline in raw material or base material prices, for example, tea and coffee. This is mainly due to lack of adequate price information and consumer pressure. Analysis by Kalyan shows that services in CPI account for over 16% and weight of CPI goes upto 22.29. The weight goes up to 22.3 per cent if fuel and light services and goods are included in services. It goes up to about 25 per cent if all services overlapping with products also are included. The poor also avail of services, they must be paying at least for housing and, in contingencies, for medical care. Fuel and light remain essential items of expenditure.

Exchange Rate and Inflation

According to Jeevan Kumar (2008), in India, since the early 1990s economic reforms were initiated on several fronts and have led to a market determined exchange rate, full convertibility in the current account, a substantial reduction in peak and weighted average tariff rates, abolition of import licensing and quantitative restrictions, encouragement of foreign investment through liberalisation and simplifying procedures, abolition of industrial licensing, allowing private sectors in areas earlier reserved for the public sector, decontrol of interest rates, reduction in pre-emption of banking resources and enforcing capital adequacy and prudential norms, government borrowing at market rates and discontinuation of automatic monetisation of deficit, and gradual liberalisation of administrative price control mechanism on a number commodities. Jeevan Kumar (2008) analysed whether the economic reforms affected the exchange rate passthrough to domestic prices in India. He analysed the data from 1990 to 2005 and found fairly robust evidence of a rise in pass-through until recent years. This is in contrast to a decline in pass-through observed in several countries since the 1990s. When a large domestic economy liberalises, and gets increasingly integrated with the global economy, the influence of the external sector, including the exchange rate movement, could become substantial during the transition. Dismantling various types of controls within the economy itself could also affect the way the external sector influences the inflationary process in the economy. In consonance with the literature, the plausible factors are reduction in tariff and removal of quantitative restrictions on trade; rise in the proportion of imports and exports in the income and consumption basket; changing composition of imports; increased inflation persistence due to dismantling of price controls and lack of control on government deficit under limited monetary independence, (Jeevan Kumar,2008).

Income Inflation and Profit Inflation:

There are two very different concepts of inflation.. One is inflation in the nominal wage unit, with the price level in terms of the wage unit remaining unchanged; the other is inflation of the price level in terms of the wage unit. In the first case, all prices, including the money wage rate, increase in tandem, but the real wage rate remains unchanged; in the second case, prices increase relative to the nominal wage rate, resulting in a fall in the real wage rate. These two cases, following

Keynes, can be called "income inflation" and "profit inflation" respectively, (Patnaik, 2007).

The concept of profit inflation is inconceivable within a monetarist paradigm, based as it is on the assumption of full employment, which in any given period can occur only at a certain real wage rate. Within this paradigm then, the equilibrium real wage rate, which ensures full employment, is always maintained, and inflation necessarily takes the form of a rise in all nominal prices including the money wage rate. Hence, inflation in the monetarist paradigm does not bring about any redistribution of incomes in society, i e, monetarism deals exclusively with what we have called income inflation. By contrast, if the level of the money wage is fixed in the short run, which is a feature of all economies that are prone to variability in the state of aggregate demand relative to full employment (or full capacity) output, and hence of all real economies, an ex ante excess demand at this output raises the share of profits relative to wages, through a profit inflation that squeezes "forced savings" out of the workers, though such savings add to the wealth not of the workers but of the capitalists, (Patnaik, 2007).

The current inflationary episode in India, is one of profit inflation, since it is fuelled basically by excess demand for a variety of goods, notably primary commodities, including food articles. Indeed, one can say that this is the first time since economic "liberalisation" was introduced in 1991 that we are witnessing an excess demand caused profit inflation. This is because "liberalisation" typically keeps the level of demand deflated, through a variety of instruments, including fiscal responsibility legislation.. The current inflation too is accompanied by inflation in the world market, but can scarcely be attributed to the "passing on" of world market price increases, (Patnaik, 2007).

This transition to a demand pull inflation, affecting food prices in particular, is reminiscent of the pre-liberalisation period. The fact that it has recurred is often attributed in the popular press to an "overheating" of the economy, reflected in the high growth rates. But this "overheating" explanation cannot stand scrutiny. It camouflages the fact that the agricultural sector has actually been discriminated against. While profit inflation may come to an end, i e, prices in terms of the wage unit may cease to increase, that still will leave the level of real wages below what it was before profit inflation began. Hence the end of profit inflation does not mean the end

of the increased squeeze on the poor, relative to the initial situation; it only means a stabilisation of the squeeze at a higher level than initially. A higher fiscal deficit in other words should not be a cause of worry if supply is allowed to adjust to demand at a certain level of prices in terms of the wage unit. In short, the tax-GDP ratio and the ratio of "transfers" to the workers to GDP should both have increased in the context of inflation, together with "supply management" measures. The budget for 2007-08 raises neither the tax-GDP ratio, nor the ratio of GDP being transferred to the poor and the working people. It allows the "booty" to remain in the hands of the rich, (Patnaik, 2007).

In the literature, the Philips curve phenomenon implied the trade-off between economic growth and price stability. This phenomenon, originating from the seminal paper by A W Phillips ((1958), in Pattnaik et al 2008), suggested an estimated inverse relationship between the growth rate of money wages and the rate of unemployment. On the basis of relating prices to money wages, Samuelson and Solow ((1960) in Pattnaik et al 2008) extended the above analysis and estimated the positive association between rate of employment and inflation. The Phillips curve philosophy had produced numerous research works during 1960s and 1970s. During the early 1970s, a series of events like the breakdown of the Bretton Woods fixed exchange rate system, oil shocks and post-Vietnam war scenario resulted in both high inflation and high unemployment rates in the US. The prevalence of a combination of high inflation and unemployment rates with stagnating output known as stagflation empirically repudiated Philips curve philosophy. At the theoretical level, Friedman ((1968) in Pattnaik et al 2008) and Phelps ((1967) in Pattnaik et al 2008) had already challenged theoretical underpinnings of the Philips curve. Subsequent research and the phenomenon of "stagflation" implied that beyond the short-run, any trade-off between inflation and growth is illusory. The interrelationship between money, output and prices is one area in macroeconomics subject to very intense and wide research.. In the determination of real money demand, output serves as an important argument and supply of money above the amount determined from the money demand function fuels inflationary pressure. Thus, the inverted money demand function represented by a single equation with price as the dependent variable and money and output as important explanatory variables served as the framework to study the interaction of money, output and prices.

Factors impacting inflation

Arabi (2005) comments that lagged inflation is significant although the size of the coefficient is not very large. This suggests that inflation may be persistent, i.e., a shock that raises inflation in one year will impart an upward push to inflation expectations in the year ahead and vice versa. Amongst the three measures of inflation, the persistence appears to be maximum for GDP deflator measure and the lowest for wholesale price inflation.

Second, excess domestic demand conditions have the expected positive effect on inflation. An increases of one percentage point in output gap (i.e., if actual output exceeds its trend level by one per cent) raises inflation rate by 31-56 basis points with a lag of one year, depending upon the inflation measure. The effect is maximum in case of GDP deflator and the least in the case of consumer price inflation.

Third, the supply shocks emanating from food grains prices play an important role in the inflation process in India.

Fourth, import price inflation has the expected positive effect on domestic inflation. Estimates suggest that an increase of 10 per cent in import price inflation raises domestic inflation by up to 1.1 percentage points. The effect is the minimum for CPI inflation (0.5 percentage points) followed by GDP deflator (0.8 percentage points) and wholesale inflation (1.1 percentage points). These estimates appear to be consistent with the openness of the Indian economy over the sample period-an average of around nine per cent, increasing from four per cent to 13 per cent.

Finally, exchange rate depreciation has also the expected affect of raising domestic prices and the coefficient of exchange rate pass-through to domestic in inflation ranges between 8-17 basis points, i.e., a 10 per cent depreciation of the Indian rupee (vis-a -vis the US dollar) would, other things remaining unchanged, increase consumer inflation by less than one percentage point and the GDP deflator by 1.7 percentage points. The empirical results throw some differences between the pass-through from import price inflation and exchange rate movements. While import prices impact on domestic inflation in the same year, the exchange rate movements seem to affect inflation with a lag of one year (two years in case of consumer inflation). Another difference is that the pass-through from exchange rates to inflation is somewhat larger than that of pass-through from import prices, (Arabi , 2005)

Inflation Targeting

Scholars suggest to target the inflation, however targeting inflation is a tedious job. Despite its many potential benefits, implementation of inflation targeting in developing countries appears to be difficult and number of caveats are worth noting:

i) In view of high and variable rates of inflation, it is more difficult to predict future inflation accurately. The probability of missing inflation targets is higher in developing countries.

ii) Lack of flexibility and rigidity on account of many factors as well as high degree of pass-through from exchange rate channels to prices cause significant inflation inertia.

iii) One of the prerequisites for inflation targeting is commitment to no other nominal targets. This is a major constraint in implementation of inflation targeting.

iv) Some developing countries may encounter difficulties in meeting the sophisticated information requirements needed for inflation forecasting, especially information on leading indicators and reliable econometric models.(Joshi, 2006)

Inflation and house holds

Joshi (2007) surveyed more than 350 families to see how families manage their budget during high inflation. She observed that high prices of essential commodities of daily requirements cause burden on low income, lower middle income and middle income group families. Families from these three groups were forced to cut down the expenditure on items of daily requirement. Further to maintain the level of living with increasing cost of living, families were forced to go for lower quality of edible items. This problem is the cardinal problem of our society. Policy makers need to take concrete steps against constant increase in the price of essential items. 'Inflation hits the poor the most' is the fact which needs to be dealt with, (Joshi, 2007)

Indian experience of Inflation

India has traditionally been a low inflation country. Prior to that, the 1950s, India witnessed average inflation of less than 2 per cent, but with considerable variation in yearly inflation barring few years of high inflation driven by supply

shocks, inflation has remained benign throughout the period since independence. During the period 1951-52 to 2004-05, in 28 years inflation was below 6 per cent and in 40 years it was below 9 per cent. There are only four years in the entire period, when inflation was above 15 per cent. These years of high inflation basically reflect the impact of supply shocks, primarily due to setbacks in domestic agricultural production and external oil price hikes.

It became a matter of serious concern when it breached 20 per cent in the early 1970s led by a setback in agricultural production and an unprecedented hike in international oil prices. The decade of the 1970s stands out as the most tumultuous period in India in terms of inflationary uncertainty, witnessing very high inflation mainly driven by the supply shocks emanating from agricultural and oil prices. For the first time since independence, inflation overshot the level of 20 per cent in 1973-74 and 1974-75. Reflecting the first oil shock of 1973, the import price deflator (measured as year-on- year changes in the unit value index of imports) surged by 43.0 per cent and 72.8 per cent during 1973-74 and 1974-75, respectively. While the average output growth of GDP during this period stood at 3.2 per cent, the average growth of broad money (M3) at 17.7 per cent added to demand pressures. Demand pressures emanating from an expansionary fiscal policy and its monetisation, coupled with intermittent supply shocks, continued inflationary pressure during the 1980s but its severity was lower than the previous decade. Inflation averaged 7.2 per cent per annum during the 1980s with a noteworthy reduction in inflation variability. Inflation varied between 4.4 per cent in 1985-86 and 10.1 per cent in 1990-91.

The Indian economy underwent a severe economic crisis in 1991 mainly triggered by a balance of payment problem and manifestation of underlying imbalances emanating from an adverse impact of high fiscal and current account deficits of the 1980s. The year 1991-92 witnessed low economic growth of 1.3 per cent and foreign currency assets at around US $ 1 billion were barely sufficient to finance two weeks of imports in July 1991.

During the crisis year of 1991-92, inflation was 13.7 per cent. As a response to this crisis, an entire gamut of reforms covering external, industrial and financial sectors were introduced and the reform initiatives significantly contributed to a moderation of inflation. As part of the macroeconomic stabilisation programme and structural reforms undertaken in the aftermath of the crisis, the exchange rate

depreciated substantially. Between end-March 1991 and end-March 1992, the Indian rupee depreciated by nearly 37 per cent with respect to the US dollar. Notwithstanding the limited openness of the Indian economy, this order of depreciation added to inflationary pressures during the first half of the 1990s. In terms of inflationary behaviour, the post-reform period can be distinguished into two sub-periods. The average inflation was around 9.8 per cent during the period 1992-96, which came down by half (4.9 per cent) during the period 1996-2005.

The range of inflation varied from a low of 3.3 per cent in 1999-2000 to a high of 7.2 per cent in 2000-01. During this period, inflation has had a distinct decelerating trend. In fact, even in 2002-03 when the country faced a severe drought, inflation remained moderate at 3.4 per cent. Moreover, a 2002-03 was also marked by the simultaneous impact of several other adverse developments such as border tensions and high international crude oil prices. The fiscal measures cushioning the pass-through of an increase in international oil prices to domestic inflation included a reduction in excise and customs duties in June and August 2004. In 2005-06 (as of October 1, 2005), year-on-year WPI inflation eased to 4.2 per cent as compared to 6.2 per cent a year earlier.

In a nutshell, an assessment of the inflation record of India reveals that inflation increased from the 1970s onwards before moderating in the mid-1990s. Supply shocks, both due to a setback in agricultural production and international oil prices, and monetary expansion due to automatic monetisation of the fiscal deficit were the major contributory factors to higher inflation. Reform initiatives since the early 1990s towards developing a broad-based financial market, particularly activation of the government securities and forex markets coupled with improved monetary-fiscal interface enabled better monetary management since the second half of the 1990s. Moreover, judicious supply management through buffer stocks of foodgrains and import of sensitive commodities containing the adverse impact of supply shocks also played an important role, (Pattnaik et al 2008).

Section 3

Data

Data has been taken from RBI Hand book of Statistics on Indian Economy, Labour Ministry Site http://labourbureau.nic and office of the Economic advisor, Ministry of Commerce and Industry New Delhi's site http://eaindustry.nic.in, CMIE's old issue and EPW statistics for the period April 2005 to April, 2008 with monthly indices (37 months) for WPI(AC) for all commodities, WPI(FA) for food articles, WPI (MG) for manufactured goods, CPI (IW) consumer price index for industrial workers, CPI (AL) –consumer price index for agricultural labourer. . All series were converted to 1993-94 base. The time series were tested for Unit Root with ADF (Augmented Dickey Fuller) test for zero mean stationarity. Time series could be detrended not by difference but by time. Hence time trend variable was used in all models.

Section 4

Data Analysis

Correlation coefficient (r) has been calculated between various series and has been shown in table 1. It should be noted that WPI (AC) has WPI (FA) and WPI(MG) as its major components. It is seen r between WPI (MG) and food articles is 0.947 while WPI (PG) and WPI (AC) is 0.99. Similarly CPI (AL) and CPI (IW) are correlated with r as .99

Table 1
Correlation Coefficient between series.

	WPI (AC) All Commodities	*WPI (FA) Food Articles*	*WPI (MG) Manufacured*	*CPI IW*	*CPI AL*
WPI All Commodities	1				
WPI F A	0.965761	1			
WPI M G	0.991488	0.947332	1		
CPI IW	0.979958	0.96701	0.96508	1	
CPI AL	0.987465	0.974862	0.98136	0.991908	1

AC –All Commodities, FA- Food Articles, MG- Manufactured goods, IW- Industrial Workers, AL- Agricultural Labourer

Compounded Growth rate has been calculated by using the model

$$LN(Y) = a + t * \ln(1+g)$$

The monthly Compounded growth rate has been annualised. Average Growth rate has been calculated for month on month basis and later annualised. Instability index has been calculated by

$$INS = \text{Standard Deviation of } LN(Y_t/Y_{t-1})$$

It is seen from table 2, the highest rise in prices is for Agricultural labour. The prices have risen for them at the compounded growth rate of 7.44%. The volatility in prices is 1.93%.

Next to them are consumers belonging to urban industry. Prices have risen at the compounded growth rate of 6.87% with instability index of 2.27%. Whole sale prices of food articles have risen at the rate of 6.25%, but are highly volatile as compared to other indices. The prices of manufactured goods have risen least as compared to other series. Prices of manufactured goods have risen by 4.72% compounded annually.

Table 2
Growth rate of price indices from April, 2005 to May 2008.

Price Index	Compounded Growth Rate		Average Growth Rate		INS
	Monthly %	Annualised %	Monthly%	Annualised %	Annualised
WPI ALL	0.42	5.05	0.5	5.9%	1.95
WPI FA	0.52	6.25	0.6	6.7	4.95
WPI MG	0.39	4.72	0.4	5.28	2.06
CPI (IW)	0.57	6.87	0.6	6.89	2.27
CPI (AL)	0.62	7.44	0.6	7.69	1.93

To see the slopes between consumer prices and various whole price, and test its significance CPI (IW) was regressed on WPI(AC), WPI (FA) and WPI (MG) individually. Similarly CPI (AL) was regressed on WPI(AC), WPI (FA)and WPI (MG) individually.

The following results were seen with figures in brackets as t-stat

CPI (IW) on WPI (AC) with time trend ……(1)

CPI_IW = 151.61 + 0.2473 WPI_AC + 1.0512t
(1.9438) (9.3085*)

R^2 = .99 n = 37

* statistically significant at 1% level

CPI (IW) on WPI (FA) with time trend…….(2)

CPI_IW = 153.64 + 0.2375 WPI_FA + 1.0085t
(4.055*) (9.3085*)

R^2 = .99 n = 37

* statistically significant at 1% level

CPI (IW) on WPI (MG) with time trend…….(3)

CPI_IW = 195.64 + 0.1768WPI_MG + 1.2535t
(0.1279) (12.40*)

R^2 = .98 n = 37

* statistically significant at 1% level

CPI (AL) on WPI (AC) with time trend …….(4)

CPI_AL = 63.23 + .5614 WPI_AC + 0.7015t
(4.8099*) (6.7708*)

R^2 = .98 n = 37

* statistically significant at 1% level

CPI (AL) on WPI (FA) with time trend…….(5)

CPI_AL = 104.403 + 0.346 WPI_FA + 0.8141t
(6.3637*) (13.17*)

R^2 = .98 n = 37

* statistically significant at 1% level

CPI (AL) on WPI (MG) with time trend…… (6)

CPI_AL = 78.049 + 0.5515 WPI_MG + 0.79791t
(4.4479*) (8.79*)
R^2 = .98 n = 37
* statistically significant at 1% level

It is seen from (1) to (6) that both consumer prices are rising with time. From (1) it is seen that CPI (IW) time series has insignificant relationship with whole sale prices of all commodities. However CPI (IW) is significantly related with WPI of Food articles. This can be seen from model (3). CPI (IW) do not form any significant slope with wholesale prices of manufactured goods. However CPI (AL) is related significantly both with WPI(FA)) and WPI(MG). Effect of prices of manufactured goods appears to be more on CPI (AL) than food articles on CPI (AL)

Section 5

Conclusions

In India, there are mainly three types of measures of general price level namely, (i) wholesale price index (WPI), (ii) consumer price index (CPI) and (iii) implicit GDP deflator. In policy and academic discussions in India, the selection of the price index is heavily tilted in favour of the WPI despite its drawback that it does not cover services and non-tradable goods. Price developments in services need to be analysed on the basis of CPI to study their contribution to inflation in relation to that of goods. At present, services sectors account for almost 50 per cent of the aggregate GDP. The current inflationary episode in India, is one of profit inflation, since it is fuelled basically by excess demand for a variety of goods, notably primary commodities, including food articles.

India has been traditionally a low inflation country. During the period 1951-52 to 2004-05, in 28 years inflation was below 6 per cent and in 40 years it was below 9 per cent.

Data analysis during the period April, 2005 to April, 2008 leaving the volatility period of first year of UPA government and last year of high volatility, it has been seen that whole sale prices of all commodities grew at the rate of 5.05% compounded annually. Out of all commodities, food articles grew at the rate of 6.25% while prices of manufactured item grew at the rate of 4.72%. Consumer prices grew more than wholesale prices.. CPI for Industrial workers grew at the rate of 6.87% while for Agricultural labour it grew at the rate of 7.44%. This can be concluded that during the non-volatility period of three years prices of consumer items have grown more than 1 to 2% than wholesale prices.

It has further been seen that CPI (IW) time series has insignificant relationship with whole sale prices of all commodities. However CPI (IW) is significantly related with WPI of Food articles. CPI (IW) does not form any significant slope with wholesale prices of manufactured goods. However CPI (AL) is related significantly both with WPI(FA)) and WPI(MG). Effect of prices of manufactured goods appears to be more on CPI (AL) than food articles on CPI (AL).

Policy suggestions: Planning process should emphasize more on production especially diversified agricultural products than money supply control. Money supply control measures will help in short run but in the long run economy will tend towards depression mode.

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