

(C) PRICES AND WAGES

Prices

The Colombo Consumers' Price Index constructed by the Department of Census and Statistics in relation to working class family budgets in Colombo is used, in the absence of any other Index, as the measure of changes in the cost of living. The weightage of commodities included in the Index—vide figures in parenthesis in the table below—follows the recommendations of Sessional Paper VI of 1953.

The changes, commodity-wise and sector-wise, in the Consumers' Price Index since 1955 are shown in the following table:—

TABLE II (C) 1
Colombo Consumers' Price Index
(Base 1952=100)

Year	All Items	Commodity-wise					Sector-wise		
		Food (61.9%)	Clothing (9.4%)	Fuel and Light (4.3%)	Rent (5.7%)	Miscel- laneous (18.7%)	Domes- tic Group (51%)	Import Group (44%)	Export Group (5%)
1955	100.5	105.1	80.5	102.3	101.5	94.6	98.4	102.8	102.2
1956	100.2	103.3	81.8	101.3	101.5	98.6	100.0	99.0	115.1
1957	102.8	104.9	84.4	97.3	101.5	106.9	104.9	98.1	126.8
1958	105.0	105.8	87.5	101.0	101.5	113.1	109.2	97.0	135.0
1959	105.2	104.7	92.1	102.4	101.5	115.3	108.0	97.1	153.1
1960	103.5	100.8	95.1	102.7	101.5	117.5	108.9	93.7	138.4
1961	104.8	99.8	103.9	104.4	101.5	122.8	112.3	94.6	119.1
1962	106.3	100.9	108.2	105.6	101.5	124.9	113.9	96.7	113.8
1963	108.8	103.0	118.2	103.0	101.5	126.6	113.4	102.5	117.7
1964	112.2	106.4	127.2	103.2	101.5	129.3	116.7	106.6	115.3

Sources: Dept. of Census and Statistics and Central Bank of Ceylon.

The monthly changes in the Consumers' Price Index in 1964 are shown in the following table:—

TABLE II (C) 2
Monthly changes in the Consumers' Price Index
(Base 1952=100)

Month	All Items			Import Group			Domestic Group			Export Group		
	1963	1964	change %	1963	1964	change %	1963	1964	change %	1963	1964	change %
January	107.1	111.2	+3.8	98.7	103.3	+4.7	112.4	117.5	+4.5	128.7	113.3	-12.0
February	107.8	111.5	+3.4	100.5	105.0	+4.5	112.5	116.5	+3.6	126.2	117.4	-7.0
March	108.0	111.4	+3.2	101.8	106.7	+4.8	112.0	115.2	+2.9	123.9	114.7	-7.4
April	109.1	112.1	+2.8	103.7	107.7	+3.9	112.6	115.4	+2.5	122.6	117.6	-4.1
May	109.1	112.7	+3.3	103.3	107.4	+4.0	113.3	117.1	+3.4	118.1	114.9	-2.7
June	109.2	112.8	+3.3	103.3	107.3	+3.9	113.9	117.3	+3.0	113.9	115.2	+1.1
July	109.3	112.4	+2.8	104.8	107.3	+2.4	112.8	116.9	+3.5	113.1	111.3	-1.6
August	108.4	112.0	+3.3	104.3	106.8	+2.4	111.8	116.4	+4.1	111.4	112.6	+1.1
September	108.0	112.1	+3.8	103.3	106.4	+3.0	111.6	116.9	+4.7	112.1	112.6	+0.4
October	109.2	112.8	+3.3	102.2	106.9	+4.6	114.7	117.7	+2.6	114.2	114.7	+0.4
November	109.8	113.2	+3.1	102.1	107.6	+5.4	116.0	117.5	+1.3	113.4	118.3	+4.3
December	110.3	112.4	+1.9	101.9	107.3	+5.3	117.1	116.1	-0.9	115.0	120.8	+5.0
Average	108.8	112.2	+3.1	102.5	106.6	+4.0	113.4	116.7	+2.9	117.7	115.3	-2.0

Sources: Dept. of Census and Statistics and Central Bank of Ceylon.

The level of retail prices, as measured by the Colombo Consumers' Price Index, was on the average 3.1 per cent higher in 1964 than in 1963, reflecting an increase of 4.0 per cent in the import group index and 2.9 per cent in the domestic group index, which more than offset a decline of 2.0 per cent in the export group index.

Comparing the composite commodity group indices of Table II (C) 1 with those in 1963, the food index, clothing index, fuel and light index and miscellaneous indices were 3.3 per cent, 7.6 per cent, 0.2 per cent and 2.1 per cent higher respectively in 1964. No change was recorded in the index for rent.

In the import food group, condensed milk, spices, red onions, bombay onions, groceries, dried fish, eggs and potatoes are some of the imported food-stuffs that recorded price increases in 1964. In the domestic food group vegetables and fruits, prepared tea with milk, aerated waters and local eggs showed price increases.

The export food group fell by 2.0 per cent, largely due to the fall in the price of coconuts and pepper. Fats and oils, however, recorded higher prices in the export food group in 1964.

Throughout 1964, the clothing group index was consistently higher than in 1963.

The miscellaneous group index rose by 2.1 per cent mainly due to increases in the price of hair-dressing and laundry services. Medicines too recorded higher prices. The increase in duty on tobacco in August 1963, continued to be felt throughout 1964.

There was a fractional rise of 0.2 per cent in the fuel and light group index. The decline in the price of kerosene oil, as a result of the reduction in duty in August 1963, was more than offset by the increase in the price of matches and firewood.

Steps to control prices of essential food items and to ensure a strict check on traders taken in 1964 were as follows: Attempts to prevent any substantial increase in prices due to shortages were made when importers were requested to import their full quotas, and not create any artificial shortages. Measures to bring down the prices of vegetables have been made by the Marketing Department, which is taking steps to increase the volume of vegetables it handles. Co-operative societies too have been encouraged to increase the number of selling points in the rural and urban areas.

In the case of beef, departmental fair price stalls have been opened in the city to sell beef in competition with private beef-stall holders.

Attempts to reduce the price of fresh fish have been made by the Ceylon Co-operative Fish Sales Union which has increased the number of selling points in the urban areas. The Government, on the other hand, has set up a Fisheries Corporation, not only to increase the production of fish, but also to ensure more effective distribution at fair prices to the consumer.

The measures taken at the end of 1963 to keep prices of textiles down, by issuing textiles on ration at Co-operative Stores, was continued in 1964. During the first half of 1964 each ration book holder was issued with four yards of cloth. This ration was reduced to three yards in the second half of the year, but the ration of four yards was maintained for purchases of long cloth, poplin and grey cloth. Prices of textiles rose sharply during the first five months of 1964. Increased supplies were in evidence after July 1964 on account of higher imports in the first half of 1964 and the announcement that measures may be introduced to take over import stocks, made at the end of July.

It should be noted, however, that the Colombo Consumers' Price Index is not an adequate measure of price changes in the economy as a whole. It is restricted to items entering into the pattern of working class consumption in Colombo. Items whose prices are subsidised or controlled or which are not subject to strict import restrictions, account for a relatively heavy weight in the index.

Prices not covered by the Cost of Living Index

A survey of retail prices of important commodities not covered by the Cost of Living Index was conducted in 1964. The commodity groups surveyed were building materials, oils and paints, household goods (consumer durables of the less and more durable types) motor accessories and fertilizers.

Compared with the prices of 1963, prices in most groups showed increases in 1964. The largest increases were shown in the motor spares and accessories and less durable consumer goods groups. Prices of commodities in the building materials, oils and paints, more durable goods like furniture and fertilizer groups showed smaller increases.

Wages

In 1964 basic wage rates of most workers were unchanged. Where changes were recorded these were brought about mainly by an increase in allowances which vary with changes in the cost of living index. Indices on the year to year movements in the wage rates of workers are available only in respect of Government employees and Government school teachers and workers employed in the Wages Boards Trades.

The following table gives the movements in the wage rates and real wage rates of Central Government employees and Government school teachers since 1955. During 1964 there was no change in the wage rates of these employees.

TABLE II (C) 3

Wage rate Index Number of Government Employees

(1952=100)

Period	Clerical and Technical Employees		Minor Employees		Central Government Employees (a)		Government School Teachers	
	Wage Rate Index	Real Wage Rates	Wage Rate Index	Real Wage Rates	Wage Rate Index	Real Wage Rates	Wage Rate Index	Real Wage Rates
1955	106.9	106.4	110.4	109.9	108.7	108.2	110.2	109.7
1956	108.7	108.5	113.0	112.8	111.0	110.8	113.2	113.0
1957	111.2	108.2	116.0	112.8	113.8	110.7	113.9	110.8
1958	122.3	116.5	130.4	124.2	126.7	120.7	117.4	111.8
1959	122.3	116.3	130.4	124.0	126.7	120.4	117.4	111.6
1960	122.3	118.2	130.4	126.0	126.7	122.4	117.4	113.4
1961	122.3	116.7	130.4	124.4	126.7	120.9	117.4	112.0
1962	122.3	115.0	130.4	122.6	126.7	119.2	117.4	110.4
1963	122.3	112.4	130.4	119.9	126.7	116.5	117.4	107.9
1964	122.3	109.0	130.4	116.2	126.7	112.9	117.4	104.6

Source: Central Bank of Ceylon.

(a) Combined index for clerical and technical employees and minor employees.

Following an announcement in the Budget Speech, the annual increment of semi-skilled and unskilled Government employees of Re. 1/- per month was increased to Rs. 2/50 per month from October 1st, 1964. It was estimated that this increase would result in an increase of Rs. 1/50 per month in cost of living and rent allowances. The total increase in the wages of this group of workers was estimated at Rs. 4/- per month in the second year of service, with progressively larger amounts for those with two years service or more. It is estimated that this benefit would accrue to about 90,000 Government employees and would cost the Government about Rs. 3 million in 1964-65. This increase in increments is not reflected in the index as presented in the table above as the index only takes into account the initial salary and wage scales and has not been devised to take in changes in increments or any changes in maximum of salary and wage scales.

Data on the movement of wage rates in the private sector are available only in respect of workers in those industries for which Wages Boards have been set up. Workers in Agriculture constitute 89.4 per cent of all workers covered by these Boards.

The following table gives the movements in the wage rates and real wage rates of workers in Wages Boards Trades since 1955.

TABLE II (C) 4

Minimum Wage Rate Index Number of Workers in Wages Boards Trades
(1952=100)

Period	Workers in Agriculture		Workers in Industry		Workers in all Wages Boards Trades (a)	
	Minimum Wage Rate Index	Index of Real Wage Rates	Minimum Wage Rate Index	Index of Real Wage Rates	Minimum Wage Rate Index	Index of Real Wage Rates
1955	106.6	106.1	101.4	101.0	105.9	105.4
1956	107.1	106.9	102.9	102.7	106.4	106.2
1957	108.7	105.6	104.5	101.5	107.8	104.7
1958	110.2	105.2	116.1	110.9	110.8	105.6
1959	110.2	104.8	128.8	122.4	112.3	106.7
1960	110.2	106.5	128.1	123.8	111.8	108.0
1961	110.7	105.6	128.4	122.5	112.3	107.2
1962	111.9	105.2	129.5	121.8	113.7	106.9
1963	113.3	104.2	130.9	120.3	115.2	105.9
1964	116.0	103.5	132.8	118.4	117.8	105.0

Source: Dept. of Census & Statistics and Central Bank of Ceylon

(a) Combined index for workers in agriculture and workers in industry and commerce.

In 1964 the wage rates of workers in Agriculture were 2.4 per cent higher and those of workers in Industry and Commerce were 1.5 per cent higher than in 1963. The rise in the wage rates was due solely to an increase in their allowances following the rise in the cost of living index. The enhanced allowances, however, did not compensate fully for the rise in living costs.