

(G) PRICES AND WAGES

Prices

The Consumers' Price Index published monthly by the Department of Census & Statistics is based on the consumption pattern of Colombo working class families in 1949-50 as revealed in a family budget survey. This index, on which the discussion of the movement of prices is based, has two main drawbacks. First, the index was designed to measure changes in the cost of living of working class families in the city, and as such its use for the purpose of analysing the overall price increases is limited. Secondly, the pattern of consumption of the working class itself would have changed markedly during the last fifteen years. This index, however, is being made use of in the absence of a better one.

Tabel II (G) 1 shows the movement of the index and its sub-indices since 1956

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

Year	All Items	Commodity-wise					Sector-wise		
		Food	Clothing	Fuel and Light	Rent	Miscellaneous	Domes- tic Group	Import Group	Export Group
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
1965	112.5	107.3	126.8	101.7	101.5	128.3	116.4	106.4	127.2

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

The five way commodity-wise classification in the above table discloses some noteworthy features. The "All Items" index which had been rising sharply during the last few years slowed down considerably in 1965. The increase in the index from 1964 to 1965 was only 0.27 per cent which may be compared with the percentage increases of 1.43, 2.35 and 3.13 from 1961 to 62, 1962 to 63 and 1963 to 64 respectively.

When the price changes during 1965 in different commodity groups are compared, an increase is seen only in the food group, while in all other groups (except in rent, where controlled rents are used) the movement of average prices has been downward. Within the food group, increases in prices were recorded against milk foods, condiments, spices, pulses, butter, potatoes almost all of which are imported, and vegetables, yams, beef, mutton, eggs, coconuts and coconut oil. The food items in which a significant decline in prices occurred in 1965 were coffee seeds, red onions, kraft cheese, biscuits, fresh and dried fish.

The index of volume of imports of food and drink for 1965 was 38 per cent less than that for 1964 as shown in table 34 of Appendix II. The import price index of this group, however, was lower in 1965. Despite the fall in import prices, the retail prices of some imported goods, including those not covered by the index, were higher. Scarcities caused by reduced quotas were made use of by traders to put up prices of some imported goods. In the case of butter, for instance, even after the quotas were restored, the price which earlier rose markedly was slow to move downwards. The pressure exerted by the high export prices of coconut products kept the prices of coconuts and coconut oil high in the local market. Due to failure of crop, vegetable prices were high during the year. The price of fish fell presumably because the Fisheries Corporation by opening up its own retail selling points helped to check prices.

During the decade prior to 1965, steadily rising price of textiles has been a major factor in raising the index of the cost of living. In 1965, however, the prices of textiles declined slightly below the prices prevailing over the previous year. This lowering of prices was despite the fact that the volume of textiles imported in 1965 was lower than in 1964 and the import prices of textiles were higher. The decline in the index may have been partly due to the increased ration issued on textile coupons. Another possible explanation is that the comparatively large textile imports during 1964 would have been brought into the market through measures adopted by Government to bring out hoarded goods.

The price index of the fuel and light group has fallen by 1.5 per cent and the reduction is almost completely due to the reduced price of kerosene as a result of the complete abolition of import duties on kerosene by Government. The average price of items in the miscellaneous group also recorded a small decline during the year. The noteworthy price rise in this group was in the case of hairdressings and toilet requisites, while a similar noteworthy price reduction, due to a fall in price of bicycle tyres, was noted against transport.

The handling of cargo in the Port which has a direct bearing on prices continued to improve right through the year. The improvements by way of quick clearance of goods from the Port reduced to a certain extent short-run price fluctuations. The improved conditions in the Port also resulted in the final removal of shipping surcharges imposed by the Conference Lines. There is no evidence, however, to show that the savings due to abolition of surcharge has been passed on to the consumers by the traders.

The year 1965 also witnessed increased price control activities. In addition to the items already under control, a large number of new items were subject to price control. The Police, Price Control and Food Department authorities made organised raids on hoarders of scarce goods. There were instances during 1965 when enforcing of price controls, which generally tend to control the retail dealers, has caused the disruption of distribution of goods. This was mainly due to the difficulty of controlling the wholesale dealers, who absorb a disproportionate share of the profits.

Prices not covered by the Cost of Living Index:

To supplement the prices entering the cost of living index, the Central Bank collects retail prices of building materials, oils and paints, household goods (such as furniture, sewing machines, utensils, cups and plates, etc.) motor accessories, and spare parts, and fertilizers. The prices of all these categories except those of fertilizers rose during 1965. Motor accessories and spare parts already selling at high prices in 1964, recorded the highest price increase in 1965 according to the figures collected by the Bank. The price increase in oils and paints was also high.

Wages

The wage rate indices are available only in respect of Government employees and workers in trades covered by the Wages Boards. The table II (G) 2 shows that the wage rates of Government Employees and School Teachers have remained unchanged since 1958. Due to a slight upward movement of the cost of living index, their real wage rate indices declined during 1965.

TABLE II (G) 2
Wage Rate Index Numbers of Government Employees
(1952 = 100)

Year	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
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	124.3	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
1965	122.3	108.7	130.4	115.9	126.7	112.6	117.4	104.4

Source: Central Bank of Ceylon.

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

The index of minimum wages and workers in all Wages Boards Trades are given in the table II (G) 3. The increases shown in the indices were all due to increased allowances based on the cost of living index. A comparison of the real wages indices for 1965 with those of 1964 shows that in the case of workers in agriculture and workers in industry, the increased allowances have not been sufficient to off-set the effect of the rising cost of living. But the overall index of real wages which also covers the Wages Board workers in commerce, indicates that the average increase in allowances has been sufficient to keep the index unchanged during 1965.

TABLE II (G) 3

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

Year	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
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
1965	116.3	103.4	132.8	118.0	118.2	105.0

Sources: Dept. of Labour and Central Bank of Ceylon.

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