

**(G) PRICES AND WAGES****Prices**

The analysis of the movement of consumer prices during the year 1966 is largely based on the Consumers' Price Index published by the Department of Census & Statistics. In the last year's report two drawbacks in the use of the index for this purpose were discussed, namely,

- (a) the index designed to measure the changes in the cost of living of the working class families in the city is used to analyse the overall price changes ;
- (b) no revision of the weights used in the index has been made for the last sixteen years, although the consumption pattern of the sector covered by the index could have changed during the period.

Another factor which tends to make the index unreliable arises from the frequent changes in the relative importance of open and controlled markets caused by the fluctuations in the supply of a commodity. To keep the index realistic the weights used to combine prices of a commodity in different markets should be revised frequently, but such revisions are not always practicable.

Table II (G) 1 shows the movement of the index and its sub-indices since 1957.

**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
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	98.7	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	100.7	101.5	128.3	116.4	106.4	127.2
1966	112.3	109.1	117.0	95.9	101.5	127.3	116.8	105.4	127.6

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

After a period of sharply rising prices since 1961, the stability gained by the 'All Items' index during 1965 was further strengthened in 1966. There was in fact a slight decrease of 0.18 per cent in the index from 1965 to 1966, which may be compared with the percentage increases of 2.35, 3.13 and 0.27 from 1962 to 63, 1963 to 64 and 1964 to 65, respectively.

The breakdown of the cost of living index given in the above table reveals certain features of price movements during recent years. When the changes during 1966, within different commodity groups, are compared, an increase in price 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. The same pattern with only a difference in degree, was observed in the price movements during 1965. The index covering food items which was generally exerting a downward pull on consumer prices up to the end of 1962 has moved up rapidly during the subsequent years.

The average price of food to the consumer, as indicated by the index, increased by 1.7 per cent from 107.3 in 1965 to 109.1 in 1966. Within the food group significant increases in prices were recorded against wheat flour, tea dust, milk food, condiments, spices, onions, potatoes, vegetables, beef, mutton and dried fish. The items that experienced a decline in prices were fresh fish, butter and cheese. During the year 1966 there were periodic scarcities in some common consumer goods such as chillies, onions, corriander, milk powder, and consequent sharp increases in their open market prices. These scarcities were not always the result of decreased imports. In fact there was a substantial increase in the imports of items such as fish products, grams and pulses, chillies and other curzystuffs. Even in milk products of which there were acute shortages at times, the quantity imported in 1966 was slightly more than that in 1965. This would mean that an even distribution of foodstuffs was not achieved during the year.

During the decade prior to 1965, steadily rising prices of textiles has been a major factor in raising the cost of living index. In 1965, however, the prices of textiles declined slightly below the prices prevailing in the previous year. In 1966, the index continued to decline and the decline was as much as 7.7 per cent. During the year even though the C.W.E. raised its textile prices, the quantity it brought into the market through its own shops and private trade, was big enough to bring down the open market prices substantially. The import price of textiles too declined during the period.

The price index of the fuel and light group has fallen by 5.7 per cent ; and the drop is mainly due to a fall in price of kerosene due to abolition of import duties on it. Even though the duties were abolished in 1965, kerosene at reduced prices was available only during the latter part of 1965 whereas it was available throughout 1966.

The average price of items in the miscellaneous group declined slightly. Among the components of this group, household goods, education and hairdressing became more costly while betel and arecanuts and transport were cheaper.

The decline in transport costs reflects a further decrease in prices of bicycle tyres and tubes during the year.

### 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. According to the prices collected, a price decline occurred only in respect of the oils and paints group. The prices obtained on fertilizers for coconut, rubber and tea are reliable and show a price increase of about 2 per cent. There were periodic scarcities of building materials during the year and this caused the prices to rise to very high levels.

### Wages

The wage rate indices are available only in respect of the 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 decline of the cost of living index, their real wage rates indices increased during 1966.

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
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
1966	122.3	108.9	130.4	116.1	126.7	112.8	117.4	104.6

Source : Central Bank of Ceylon.

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

The indices of minimum wages for workers in Wages Boards Trades are given in the Table II (G) 3. The index for workers in Industry has increased during the year while the index for workers in Agriculture has remained the same. However, in both cases the index of real wages has moved up. The overall index of real wages which also covers the Wages Boards Workers in Commerce has risen despite a fall in money wages.

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
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
1966 ...	116.3	103.5	133.2	118.6	118.1	105.1

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

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