

(H) PRICES AND WAGES**1. PRICES**

In 1971 the annual average of the Colombo Consumers' Price Index recorded an increase of 2.7 per cent which in comparison with increases of 7.4 per cent and 5.9 per cent in 1969 and 1970 appears to indicate a levelling off of a rising trend in the index. This, however, is deceptive as the annual average of the index fails to show the details of monthly increases in prices which in 1971 were very significant. From December 1970 to December 1971 the monthly index has gone up by 6.0 per cent and was mainly caused by a sharp increase in prices during the last four months of the year. In November the prices in the food group increased considerably. This is attributable mainly to the rationing and the increase in price of sugar outside the ration, and the resultant increase in prices of sugar based products and to the increase in price of the second measure of rationed rice.

According to the data collected by the Central Bank prices of goods not covered by the Colombo Consumers' Price Index recorded appreciable increases. The prices of locally manufactured commodities went up due to shortages caused by further reduction in foreign exchange allocations for raw materials and to increased and wider coverage of business turnover taxes. The limited foreign exchange allocation which resulted in production units working below capacity would have also pushed up prime and overhead costs per unit of production.

In order to reduce the impact on prices as a consequence of the reduction of the availability of many essential commodities, and in order to ensure their equitable distribution, coverage of price control and rationing was widened. Some of the products that were brought under price control included cement, mammoties, paper and synthetic textiles, while the distribution of certain items of food such as maldive fish, dhal and dried chillies continued to be rationed.

Increases in wages normally tend to push up prices through a rise in production cost especially in view of the existing shortages and bottlenecks. The minimum wage rate index for workers in Wages Boards trades which is the combined index for workers in Agriculture, Industry and Commerce recorded a near 2.0 per cent increase over that of the previous year. This had caused an upward pressure in the prices.

When money supply increases very much faster than the increase in real product a rise in the general level of prices is to be expected. The money supply recorded an increase of 9.3 per cent in 1971 as compared with 4.4 per cent in 1970, while the Gross National Product in real terms rose only by 0.9 per cent in 1971 compared to 4.1 per cent in 1970.

(a) The Colombo Consumers' Price Index¹

The all items index increased by 2.7 per cent in 1971 in comparison with an increase of 5.9 per cent in 1970. The food index rose by 1.8 per cent, clothing by 5.6 per cent, fuel and light by 3.5 per cent, miscellaneous items by

1. The drawbacks in the use of this index to analyse the movement of the general level of prices have been discussed in previous Annual Reports. The main defects were the unrepresentative nature of the index to cover all classes of consumers and the adoption of an out-of-date weighting pattern of consumption expenditure which has not been revised since 1952.

4.1 per cent whilst the index for rent remained unchanged. The corresponding increases in 1970 were 6.8 per cent, 4.9 per cent, 9.0 per cent, 4.1 per cent and an increase of 1.3 per cent in rent.

The food index, which has the highest weightage in the overall index, registered the smallest increase due to the stability of food prices during the first two thirds of the year. During the first eight months of 1971, the index for food did not rise above the January figure. One of the factors contributing to this effect was the continuation of price controls of some of the imported consumer commodities. The sharp increase in the index for food that was recorded after August 1971 is the result of budgetary increase in prices of rationed rice (2nd measure) and sugar, the increase in vegetable prices and the increase in the price of imported butter following a rise in the world market prices. Some of the food items that recorded marked price increases are red onions (93%), tea B.O.P. (22%), cummin seed (15%), fennel seed (46%), mathe seed (57%), butter (54%) and jam (71%).

TABLE II (H) - 1
Colombo Consumers' Price Index
1952 = 100

Year	All Items	Commodity-wise					Sector-wise		
		Food	Clothing	Fuel & Light	Rent	Miscellaneous	Domestic Group	Import Group	Export Group
Weights ..	100.0	61.9	9.4	4.3	5.7	18.7	60.0	35.0	5.0
1967 Average ..	114.8	112.7	116.7	96.5	101.5	128.9	117.1	111.2	123.9
1968 Average ..	121.5	121.2	120.1	103.2	101.5	133.6	123.2	117.3	142.4
1969 Average ..	130.5	127.9	130.9	124.9	108.4	147.1	134.2	123.6	148.2
1970 1st Quarter ..	137.3	136.5	134.4	129.4	109.8	151.8	140.2	129.3	175.6
2nd Quarter ..	138.5	137.0	137.0	138.3	109.8	153.2	144.3	128.8	150.7
3rd Quarter ..	137.8	135.5	138.7	138.3	109.8	153.6	143.0	129.7	144.4
4th Quarter ..	139.1	137.2	139.0	138.3	109.8	154.4	144.2	129.5	158.5
Average ..	138.2	136.6	137.3	136.1	109.8	153.2	142.9	129.3	157.3
1971 1st Quarter ..	139.1	136.4	140.9	139.3	109.8	155.8	143.9	129.2	166.2
2nd Quarter ..	140.4	137.3	144.3	141.3	109.8	158.1	146.9	128.6	160.7
3rd Quarter ..	141.5	138.1	146.1	141.3	109.8	160.1	149.1	128.8	152.1
4th Quarter ..	146.5	144.7	148.5	141.3	109.8	164.1	155.9	132.0	152.7
Average ..	141.9	139.1	145.0	140.8	109.8	159.5	148.9	129.7	157.9
Percentage increase 1971 over 1970 ..	2.7	1.8	5.6	3.5	0.0	4.1	4.2	0.3	0.4

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

Even though some food items like coconut oil and tamarind recorded price decreases, their influence on the index was insignificant.

The index for clothing rose 5.6 per cent as against a rise of 4.9 per cent in 1970. Among the sub-indices the largest increase was recorded in the clothing index. During the first nine months of the year, this index gradually rose and in December it recorded the largest increase which may be the result of higher demand preceding Christmas. The price increases of items of clothing covered by the index are in the order of following magnitudes: sarongs (6%), sarees (3%), printed fabrics (3.5%) and towels (7.5%).

The index for fuel and light rose by 3.5 per cent in 1971 as against a rise of 9.0 per cent in 1970. The increase is due to an upward revision in the price of kerosene from 80 cents per gallon to 92 cents in March, 1971.

The index for miscellaneous items increased by an identical amount of 4.1 per cent in 1971 as in the previous year. The index rose less sharply for the first five months of the year. The rise was moderated by the price controls imposed in the previous year on items such as toilet requisites, pharmaceuticals, bicycle tyres and tubes and educational stationery. There were shortages of household goods such as cups and saucers, plates, glass tumblers and even items like betel and arecanuts. The index increased sharply in June due to the upward revision of railway and bus fares that were effected on the 1st June, 1971. During the last quarter of the year the index rose further due to an increase in price of local newspapers and the revision of postal rates.

(b) Prices not covered by the Consumers' Price Index

Price data for a limited number of items not covered by the Consumers' Price Index are obtained from the published price lists and by direct inquiry from the retailers in the city of Colombo. These items are broadly classified into consumer, intermediate and investment goods.

The following table shows percentage changes in the prices of selected items from the end of 1970 to the end of 1971. These figures may be treated as rough indicators of the extent of price movements of similiar class of goods.

TABLE II (H) 2
Prices outside the Consumers' Price Index*

Type of Article	Percentage change 1971/1970
Consumer Goods	
Footwear	+ 13 to 33
Leather products assorted	+ 11 to 56
Sewing Machines	— 3
Motor Spares	+ 6 to 20
Cotton Thread	+ 2 to 25
Steel Furniture	+ 5 to 15
Electric Bulbs	+ 48 to 50
Electric Fans	+ 7
Intermediate Goods	
Fertilizer	— 3 to 10
Copper wire	— 23
Soda Ash	+ 80
P.V.C Compound	+ 10
Caustic Soda	+ 12
Tea Chests	+ 20 to 22
Glass bottles	+ 20 to 53
Petrol	+ 22
Paper	+ 34 to 50
Investment Goods	
Tea Machinery	+ 21 to 25
Grinding machines	+ 10 to 12
Insulated and Sheathed Cables	+ 9 to 20
Mild Steel	+ 14 to 17
Wire Nails	+ 29 to 35
Sanitary ware	+ 25
Mammoties	+ 2
Deep Freezers	+ 10 to 20

* The range of percentage change shown against the types of articles indicates the lowest and the highest percentage changes of representative items.

Consumer Goods

The annual average open market price of par boiled rice in Colombo for the year 1971 registered a drop of nearly 1.5 per cent over that of 1970. The average price for the first half of 1971 fell by nearly 6 per cent as compared with the prices in the corresponding period in 1970, but during the latter half of 1971 the price of par boiled rice, on a similar comparison, increased by about 3.5 per cent. The price increase which probably was in sympathy with the price increase in the second measure of rationed rice occurred mostly during the last two months of the year.

Among the consumer goods considered, all items except sewing machines have recorded price increases. The reasons adduced for the price increases were increased landed costs of imported raw materials and components, increased wages and higher costs of packing materials. The price increases in motor spares are partly a reflection of scarcities in the market.

Intermediate Goods

The prices of intermediate goods, except for some varieties of fertilizer and copper wire, have increased owing to higher production costs. Increase in price of P.V.C. compound has been due largely to increased landed costs resulting from interest on deferred payments to foreign suppliers. The price of petrol was raised on 29th October by Gazette notification from Rs. 4.10 to Rs. 5.00 per gallon for super petrol and from Rs. 3.75 to Rs. 4.55 per gallon for ordinary petrol.

Investment Goods

Mild steel prices were revised upwards by the Steel Corporation and the higher prices charged by them for nail wire has resulted in the increase in prices of wire nails. Though the price of copper wire has declined, the price of insulated and sheathed cables has increased owing to increases in other production costs. The price of mammoties which was price controlled was revised upwards by a new price control order during the year.

Price Control

Some of the items that were brought under price control during the year were pencils, cement, candles, mammoties, paper and paper boards, synthetic textiles, sheet glass, red onions, spark plugs and mantles for lamps.

(c) Prices of Shares

TABLE II (H) 3
Percentage Changes in Share Prices and Turnover - 1971

	Average price 2nd half over 1st half % change	Turnover 2nd half over 1st half % change
1. Tea	- 18	+ 19
2. Tea cum rubber	+ 2	+ 299
3. Rubber	+ 5	+ 744
4. Coconut	•	•
5. Commercial & Industrial	+ 8	- 54
6. Financial	- 5	+ 84
7. All Equities	- 9	+ 46

The conditions on the Share Market were on the whole quiet during the year. It was easier during the months of March and April as a result of sellers reducing their selling limits. There was moderate activity during the months of July and August. The average prices of Teas and Financials for the second half of the year fell as compared with the average prices for the first half. The value of transactions increased in respect of these two types of shares. The average price of Commercial and Industrials for the second half year increased by 8 per cent and the volume of sales dropped by 54 per cent. The average prices of Tea cum Rubbers and Rubbers rose slightly but their sales went up considerably. There were no transactions in Coconuts other than the shares of one solitary estate that were selling at par in November. The average price of all equities fell during the second of the half year as compared with that of the first half while the total turnover increased by 46 per cent over the former half.

(d) Wholesale prices of locally manufactured commodities

The Central Bank undertook during the course of the year a study of the movement of wholesale prices of commodities manufactured in Ceylon. The industrial state corporations and private manufacturing firms furnished their wholesale price lists for 1970 and 1971. The information was collected with a view to providing a wholesale price index in the coming years. The response from the manufacturers was good in the Bank's attempt to obtain the required information.

These prices do not refer to prices charged by bulk distributors at various points of the distributive trade. The Table II (H) 4 gives only a few of the representative items under each broad category and does not include the traditionally exported commodities.

The wholesale prices of goods in the categories of Hardware and Electrical goods and Lumber and Construction materials have shown considerable increases during the year. Stability in the wholesale prices of most of the items in the Textile and Apparel, and Drugs and Toilet preparations is due to price control of such items. Of the Food Group soft drinks have shown increases. The fall in wholesale prices of tyres and tubes in the Equipment and Motor Vehicle Group was due to price control of these items in late 1970. The wholesale prices of fertilizers increased slightly during the course of this year.

Wholesale prices of locally

	Unit	Average price Rs. 1970	Average price Rs. 1971	% change 1971/70
1. Food, Beverages & Tobacco				
Ostermilk (powdered milk)	.. lb. tin	3.90	3.90	—
Chocolate (Milk)	.. per doz.	15.50	15.50	—
Chocolate Biscuit	.. per tin	3.50	3.50	—
Mineral Waters (portello)	.. per bot.	.32	.40	+ 25
Mineral Waters (soda)	.. per bot.	.18	.20	+ 11
Cordials (passiona)	.. per bot.	4.25	5.00	+ 18
Cordials (black currant)	.. per bot.	5.25	6.00	+ 14
Island Pride Tobacco (2 ozs. tins)	.. lb.	49.00	54.00	+ 10
Three Rose Cigarettes	.. 1000	125.10	134.40	+ 7
2. Textile and Apparel				
Cloth (L.D.M.) white	.. yd.	2.20	2.20	—
Cloth (L.D.M.) coloured	.. yd.	2.40	2.40	—
Poplin - white	.. yd.	2.50	2.50	—
Voile - printed fancy	.. yd.	2.80	2.80	—
Yarn 30s corded	.. lb.	4.55	4.95	+ 9
Saree Fabric (Nylon satin) 44"/45"	.. yd.	6.70	6.70	—
Shirting (Tetrolene polyester) 35"/36"	.. yd.	8.95	8.95	—
Dress Fabric (Nylon satin) 35"/36"	.. yd.	6.27	6.27	—
Saree (Ceysilk)	.. yd.	7.04	8.06	+ 14
Shirting (Ceysilk)	.. yd.	6.33	8.25	+ 30
Suiting (Ceysilk)	.. yd.	12.50	15.94	+ 28
3. Drugs & Toilet Preparations				
Aspirin Tablets	.. 1000s	6.75	6.75	—
Vitamin B complex Tablets	.. 1000s	5.90	5.90	—
Teramycin Capsules	.. 16 cap. bot.	11.16	11.75	+ 5
Obron Capsules	.. 30 cap. bot.	6.28	6.61	+ 5
Dürol	.. 1 bot.	3.85	4.05	+ 5
Pennicilin V Dumex	.. 100 tab. bot.	14.34	15.11	+ 5
4. Furniture & Home Furnishing				
Office Cupboard (Steel)	.. 1	517.00	596.50	+ 15
Wardrobes (Steel)	.. 1	705.00	747.30	+ 6
Filing Cabinets (Steel)	.. 1	517.00	564.00	+ 9
5. Hardware & Electrical Goods				
Steel M.S. Rounds $\frac{1}{2}$.. metric ton	1500.00	1930.00	+ 29
Steel M.S. Equal Angles $1 \times 1 \times \frac{1}{2}$.. "	1500.00	1980.00	+ 32
Binding wire black	.. "	1330.00	2135.00	+ 61
Barbed Wire	.. 56 lbs.	32.50	38.50	+ 18

Table II (H) 4

manufactured commodities

	Unit	Average price Rs. 1970	Average price Rs. 1971	% change 1971/70
5. Hardware & Electrical Goods				
Lankaloha mammoities ..	1	7.56	7.90	+ 5
Knives 12" ..	1	2.50	2.50	—
Wire nail ..	cwt.	105.00	160.00	+ 52
P.V.C. Insulated and sheathed cables 1/044 ..	100 yds.	27.45	31.50	+ 15
Auto Cables 35/012 ..	" "	21.15	22.95	+ 9
General lighting service lamps (25 W) ..	1 "	1.30	1.93	+ 48
Special lamps (15 W) ..	1	1.45	2.00	+ 38
Daylight (60 W) ..	1	2.15	2.15	—
6. Industrial, Commercial and Agricultural Machinery and Equipment and Motor Vehicles				
Lotus Bicycle Tyres 28 x 1½ ..	1	6.10	5.35	- 12
Lotus Heavy Duty Tyres 28 x 1½ ..	1	8.10	7.15	- 12
Lotus Seamless Tubes 26 x 1½ ..	1	3.50	3.25	- 7
Sewing machine 265H/55 (Singer) ..	1	667.80	646.80	- 3
Sewing machine 237M/1W (Singer) ..	1	1008.00	966.00	- 4
7. Agricultural raw materials				
Special Vegetable fertilizer ..	ton	465.00	470.00	+ 1
Special paddy mixture ..	" "	530.00	545.00	+ 3
Muriate of potash ..	" "	535.00	585.00	+ 9
Urea ..	" "	740.00	745.00	+ 1
Blood Meal ..	" "	945.00	955.00	+ 1
8. Lumber & Construction Materials				
Concrete products— Electric poles (K.K.S. Cement Works)	27 ft.	168.69	219.15	+ 30
Concrete products— Electric poles (—do—)	32 ft.	299.54	414.80	+ 38
Concrete products— Electric poles (Ruhuna Cement Works)	32 ft.	344.44	441.00	+ 28
Telegraph poles (K K.S. Cement Works)	18 ft.	110.00	142.55	+ 30
9. Miscellaneous				
Flashlight batteries ..	1	.59	.55	- 7
Transistor batteries ..	1	.68	.58	- 15
Radio batteries ..	1	25.75	31.50	+ 22
Antimonial lead 7% ..	ton	2500.00	5600.00	+124
Antimonial lead 5% ..	ton	2250.00	4000.00	+ 78

Note: The volume of production and sales were not available in many cases and their changes are not indicated here.

2. WAGES

The Central Bank prepares wage rate indices for technical and clerical employees, minor employees and school teachers in the Government sector. These indices are calculated from the initial wages and salaries and allowances payable to representative grades and do not include incremental and overtime payments. Wage rate indices for workers in Agriculture, Industry and Commerce covered by Wages Boards in the private sector are published by the Labour Department. These are based on minimum wage rates fixed by Wages Boards and from December 1967 include devaluation allowances. The base period for these indices is 1952.

The wage rate indices referred to above do not represent actual earnings which would include overtime, and in the case of private sector, incentive or special payments such as bonuses. Indices of real wage rates are calculated by the Central Bank by deflating the wage rates indices by the Cost of Living Index (the Colombo Consumers' Price Index).

The Table II (H) 5 shows the annual and quarterly indices of wage rates and real wage rates of Government employees for 1970 and 1971.

The wages rates of technical and clerical employees and minor employees and school teachers remained unchanged during 1970 and 1971.

TABLE II (H) 5
Wage Rate Index Numbers for Government Employees
1952=100

	Technical and Clerical Employees		Minor Employees		Central Government Employees (a)		Government School Teachers	
	Wage Rate Index	Real Wage Rate Index	Wage Rate Index	Real Wage Rate Index	Wage Rate Index	Real Wage Rate Index	Wage Rate Index	Real Wage Rate Index
1970								
1st Quarter	157.2	114.5	182.9	133.2	171.3	124.7	141.1	102.7
2nd Quarter	157.2	113.5	182.9	132.1	171.3	123.7	141.1	101.9
3rd Quarter	157.2	114.1	182.9	132.7	171.3	124.3	141.1	102.4
4th Quarter	157.2	113.0	182.9	131.5	171.3	123.2	141.1	101.4
Average	157.2	113.8	182.9	132.4	171.3	124.0	141.1	102.1
1971								
1st Quarter	157.2	113.0	182.9	131.5	171.3	123.2	141.1	101.5
2nd Quarter	157.2	112.0	182.9	130.3	171.3	122.0	141.1	100.5
3rd Quarter	157.2	111.1	182.9	129.3	171.3	121.1	141.1	99.7
4th Quarter	157.2	107.3	182.9	124.8	171.3	116.9	141.1	96.3
Average	157.2	110.9	182.9	129.0	171.3	120.8	141.1	99.5

Source : Central Bank of Ceylon.

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

Note The index numbers are calculated on fixed weights, based on the numbers employed as at September 30, 1959. The wage rates used in the calculations of index numbers are the initial salaries and wages and allowances in each representative scale.

The quarterly indices of real wage rates for technical and clerical employees and minor employees and school teachers were less in 1971 than the respective quarterly indices for 1970.

The annual average indices of real wages of all categories of workers were less in 1971 than in 1970. In the case of Government school teachers and clerical employees the indices declined by 2.5 per cent, while for minor employees the decline was by 2.6 per cent.

The following table shows the the annual and quarterly indices of minimum wage rates for workers covered by certain Wages Boards in the private sector for 1970 and 1971.

TABLE II (H) 6
Minimum Wage Rate Index Numbers for Workers in
Wages Boards Trades (1952=100)

	Workers in Agriculture (a)		Workers in Industry and Commerce (b)		Workers in Wages Boards Trades (c)	
	Minimum Wage Rate Index	Real Wage rate Index	Minimum Wage Rate Index	Real Wage rate Index	Minimum Wage Rate Index	Real Wage rate Index
1970						
1st Quarter	139.8	101.8	162.2	118.1	142.2	103.5
2nd Quarter	140.3	101.3	162.3	117.2	142.7	103.0
3rd Quarter	140.3	101.8	165.5	120.1	143.0	103.7
4th Quarter	140.5	101.0	174.2	125.2	144.0	103.5
Average	140.2	101.5	166.1	120.2	142.9	103.4
1971						
1st Quarter	140.7	101.1	175.2	126.0	144.3	103.8
2nd Quarter	140.8	100.3	175.6	125.1	144.6	103.0
3rd Quarter	141.3	99.9	175.7	124.2	145.1	102.1
4th Quarter	143.5	98.0	178.1	121.5	147.2	100.5
Average	141.9	99.8	176.1	124.2	145.3	102.0

Source: Department of Labour and Central Bank of Ceylon.

- (a) Covers tea growing and manufacturing, rubber growing and manufacturing and coconut growing trades only.
- (b) Covers coconut manufacturing, engineering, printing, match manufacturing, motor transport, dock, harbour, port transport, tea export, rubber export, cinema and building trades only.
- (c) Combined index for workers in Agriculture and workers in Industry and Commerce.

In 1971, the quarterly and annual average wage rate indices of private sector employees were higher than the indices for the previous year. The annual average index for workers in Agriculture recorded an increase of 1.2 per cent over the annual average for 1970; the average for 1971 is 141.9. The average wage rate index for workers in industry and commerce rose from 166.1 in 1970 to 176.1 in 1971 recording an increase of 6.0 per cent.

During the last quarter of 1971 the wage rate indices for workers in Agriculture, Industry and Commerce and workers in Wages Boards trades rose due to the payment of higher allowance in accordance with Section 4 (1) of the Interim Devaluation Allowances of Employees Act No. 40 of 1968.¹

In 1971, the annual average real wage rate index for workers in Agriculture decreased by 1.7 per cent, moving from 101.5 to 99.8; while the average index for workers in Industry and Commerce rose by 3.3 per cent from 120.2 to 124.2 in 1971.

Collective Agreements were signed in July 1971 in respect of workers in manual and labouring capacities in the Rubber Export, Motor Transport, Engineering, Printing, Tea Exports and Coir Mattresses and Bristle Fibre Export Trades. The Agreement stipulated consolidated monthly wages in place of daily wages. In the process of consolidation, a sum of Rs. 15 was added to the monthly wage of each worker. A non-recurring cost of living gratuity is also payable to workers in September each year. Here, the worker gets Rs. 2 per month for every one point increase in the annual average of the cost of living index above 137.5.

The special allowance payable to all workers in Garments Manufacturing Trade has been increased by 75 cents per day with effect from March 1971. The minimum piece rate of wages of certain categories of workers in the Coconut Manufacturing Trade has been increased with effect from 1st April, 1971. An increase of Rs. 1.35 per day in the minimum consolidated wages for workers covered by the Wages Board for the Rubber Export Trade was effected from 1st December, 1971.

1. Under this Act employees are paid a devaluation allowance plus cost of living or special allowance frozen at their December 1967 values. This Act also provides that whenever the cost of living or special allowance payable according to the cost of living index exceeds the aggregate allowances payable under this Act, employees are entitled to receive the amount of the excess.