

ECONOMY

Price Increases in first half of 1983

A deceleration in prices had been a feature of price behaviour in the Price Indexes, compiled by both the Census and Statistics Department and the Central Bank, during the three years from 1980. In the first half of 1983 there is a reversal in this declining trend and prices moved up as much as 19 percent on the Wholesale Price Index and 11 percent on the Colombo Consumer Price Index during the first half of the year. From the beginning of 1980 till end 1982, there was a trend of price deceleration. The Colombo Consumers' Price Index, computed by the Census and Statistics Department, recorded on a point to point basis price increases of 25, 18 and 5 per cent, respectively for the years 1980, 1981 and 1982. A point to point comparison of these increases with 1983 indicate a noticeable increasing trend in the first half of 1983 when there was a 11 per cent increase compared to only a 3 per cent increase in the same period in 1982,

Responsible for the acceleration in prices from the beginning of 1983 were the increase in costs of the main food items such as wheat flour, bread, sugar, milk food and vegetables which increased sharply during the first half of 1983. Among the other items, price increases of kerosene, newspapers and transport were also significant; although, favourable supply conditions for rice, chillies and coconut resulted in a drop in the prices of these commodities, during this period.

The Cost of Living Index Numbers for Colombo compiled from Department of Census and Statistics and Central Bank data indicates an even sharper increase during the period. The All Items index which stood at 203.2 in 1977 had moved up to 416.1 by 1982. In 1983, the All Items Index which stood at 430.3 in January had reached 477.1 by July, as seen in table 1.

The Wholesale Price Index (computed by the Central Bank) which measures the prices at the primary market level increased by 19 per cent during the first half of 1983 as against a 6 per cent decrease in the corresponding period of the previous year. In 1982, it increased by only 1 per cent.

The slower rate of annual increase, before 1983, of the Wholesale Price Index averaging 5.5 percent was due to a relatively moderate increase in the domestic and export goods.

Table 1
Cost of Living Index Numbers - Colombo

Period	All Items
1976	200.7
1977	203.2
1978	227.8
1979	252.3
1980	318.2
1981	375.4
1982	416.1
1983 January	430.3
February	433.7
March	450.0
April	460.0
May	466.8
June	472.6
July	477.1

Source: Department of Census and Statistics and Central Bank of Ceylon.

In the first half of 1983, according to the Central Bank, the main contributory factor for the increase in prices was the upward revision of Customs Duty and Turnover Tax (B.T.T.) Consequent to these policy changes, prices of the commodities which have a link with external trade (Import or Export) increased by higher rates than others. Group-wise analysis reveals that the increases in the prices of the Food and the Fuel and Light groups were more than those in the other groups. The exchange rate adjustments during July 1983 was another factor exerting an upward pressure on prices. The value of the Sri Lanka rupee depreciated against the major international currencies; between Rs 1.25 and Rs 1.80 on the US dollar and pound sterling. Following these changes, prices of fuel, bus fares and fuel adjustment surcharges on electricity all recorded increases. The annual percentage changes of the Colombo Consumers' Price Index and the Wholesale Price Index are indicated in the Table 2 below.

Table 2
Percentage Increase of the Indices
1978-83

Year	Colombo Consumers' Price Index	Wholesale Price Index
1978	17	8
1979	15	16
1980	25	32
1981	18	14
1982	5	1
1983	10	18

C.G. Source: Central Bank of Ceylon