

Consumer Price Index - 1st Quarter 1985

The Consumer Price Index (C.P.I.) increased by 3.5 points or 3% during the first quarter of 1985 to reach 121.7 at the end of March 1985. This increase is substantially higher than that registered for the last quarter of 1984 when the index rose by 0.8 point or 0.7%, but not so much as the corresponding quarter of 1984 when it rose by 4.9 points or 4.6%. When compared to March 1984 the index shows a rise of 9.3 points or 8.3%.

The current annual rate of inflation for the twelve months ending March 1985 is 8.2% compared to 5.3% for the corresponding period ending March 1984. It might be recalled that this rate was 5.6% for financial year 1983/84 and 7.3% for calendar year 1984. Current price trends indicate that the inflation rate for financial year 1984/85 will be slightly below 9%.

Fresh vegetables have significantly influenced the movement of the index during the first quarter of 1985 and account for more than 50% of the rise in the index. Other commodities such as fruits, black lentils, canned fish and laundry soap have had an appreciable incidence on the index.

Heavy rains in February this year have severely affected food crop production, fresh vegetables in particular. A serious shortage of fresh vegetables in the market have caused prices of this commodity to rise sharply. Thus prices of fresh vegetables rose by 20% in February and by a further 16% in March 1985. These increases pushed the index up by 1.9 points.

Fresh fruits, particularly oranges and apples were available at higher prices in February and March and caused the index to rise by 0.4 point.

The price of black lentils was revised upwards by more than 125% in January 1985 and the price per half kilo shot from Rs 2.80 to Rs 6.40. This massive increase was however followed by decreases of about 13% both in January and February. The net impact on the index was a rise of 0.3 point.

Another item that has registered a substantial price rise during the quarter under review was canned fish. This commodity was 40% dearer and moved the index up by 0.2 point.

The price of laundry soap went up by 10.5% and raised the index by 0.2 point.

Details of all changes in the index during the first quarter of 1985 as compared to December 1984 are as follows:

<u>Commodity</u>	<u>Change</u>
Black lentils	+ 0.3
Frozen beef	- 0.1
Frozen mutton	- 0.1
Frozen fish	+ 0.1
Eggs	+ 0.1
Canned fish	+ 0.2
Fresh vegetables	+ 1.9
Fruits	+ 0.4
Other food products	+ 0.1
Durable household goods	+ 0.1
Clothing materials	+ 0.1
Laundry soap	+ 0.2
Educational expenses	+ 0.1
Other goods and services	+ 0.1
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Total	+ 3.5
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Central Statistical Office,
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Table 1 - Inflation Rate (%), 1975 - 1984

<u>Calendar Year</u>	<u>Inflation Rate</u>	<u>Financial Year</u>	<u>Inflation Rate</u>
1975	14.7	1974 - 75	20.6
1976	13.4	1975 - 76	14.7
1977	9.2	1976 - 77	9.6
1978	8.5	1977 - 78	10.1
1979	14.5	1978 - 79	8.0
1980	42.0	1979 - 80	33.0
1981	14.5	1980 - 81	26.5
1982	11.4	1981 - 82	13.4
1983	5.6	1982 - 83	7.5
1984	7.3	1983 - 84	5.6
		Annual inflation rate ending March 1984	5.3
		Annual inflation rate ending March 1985	8.2

Table 2 - Consumer Price Index (Base : January - June 1982 = 100)

	<u>1983</u>	<u>1984</u>	<u>1985</u>
January	104.6	109.9	119.1
February	106.1	110.6	120.7
March	106.4	112.4	121.7
April	106.7	113.2	
May	106.2	113.5	
June	105.8	113.2	
July	106.4	114.0	
August	106.5	115.6	
September	107.0	117.4	
October	108.1	118.0	
November	107.6	117.4	
December	107.5	118.2	
Yearly Average	106.6	114.4	

Table 3 - Sub indices by major commodity group (Base : January - June 1982 = 100)

Commodity Group	1984				Year	1985
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		1st Quarter
Food and non-alcoholic beverages	114.2	118.3	120.1	120.8	118.3	125.5
Alcoholic beverages and tobacco	107.4	107.8	110.1	111.2	109.1	111.3
Fuel and light	101.6	101.7	107.1	113.5	106.0	113.5
Housing	113.2	114.9	117.5	121.2	116.7	122.6
Clothing, footwear and bedding	111.3	111.1	113.4	116.0	113.0	117.8
Transport and communication	102.2	103.3	106.4	110.1	105.5	110.3
Medical care	114.0	115.0	118.1	120.6	116.9	121.9
Education	107.3	108.2	108.3	108.5	108.1	113.0
Miscellaneous	111.6	114.4	117.2	121.6	116.2	122.7
ALL GROUPS	111.0	113.3	115.7	117.9	114.4	120.5

Table 4 - Internal purchasing power of the rupee (1962 - 1984)

EROSION OF PURCHASING POWER

	1962	1967	1972	1977	1978	1979	1980	1981	1982	1983	1984
1962	100	93.1	79.2	38.1	35.1	30.6	21.6	18.9	16.9	16.0	14.9
1967	107.4	100	85.1	40.9	37.7	32.9	23.2	20.2	18.2	17.2	16.0
1972	126.2	117.5	100	48.1	44.3	38.7	27.2	23.8	21.4	20.2	18.8
1977	262.6	244.5	208.1	100	92.1	80.5	56.7	49.5	44.4	42.1	39.2
1978	285.0	265.4	225.8	108.5	100	87.3	61.5	53.7	48.2	45.7	42.6
1979	326.3	303.8	258.6	124.3	114.5	100	70.4	61.5	55.2	52.3	48.7
1980	463.3	431.4	367.1	176.4	162.6	142.0	100	87.3	78.4	74.2	69.2
1981	530.5	493.9	420.4	202.0	186.1	162.6	114.5	100	89.8	85.0	79.2
1982	591.0	550.2	468.3	225.0	207.3	181.1	127.6	111.4	100	94.7	88.2
1983	624.1	581.0	494.5	237.6	218.9	191.2	134.7	117.6	105.6	100	93.2
1984	669.7	623.4	530.6	254.9	234.9	205.2	144.5	126.2	113.3	107.3	100

EQUIVALENT PURCHASING POWER