

BUSINESS SERVICE PRICE
INDEX



OFFICE OF ECONOMIC ADVISOR
MINISTRY OF COMMERCE AND
INDUSTRY
GOVERNMENT OF INDIA
NEW DELHI

INTRODUCTION

- India's GDP growth since the 90's has been led by services sector
- Service sector growth has increased from 8.0% in 2012-13 to 9.1% in 2013-14 and further to 10.6% in 2014-15.
- Service sector accounted for 31.7% of GVA at factor cost at current prices during the period 2011-12 to 2013-14
- Currently India estimates Wholesale Price Index which covers only goods and not services
- However the Consumer Price Index in India covers some services like housing, education, health etc. but at B to C and not B to B level.
- Decision to include service sector prices in WPI/ PPI in India taken in principle
- Currently development of business service sector price indices is at an experimental stage
- Efforts are on to include both B to B and B to C services

CURRENT STATUS OF DEVELOPMENT OF BUSINESS SERVICE PRICE INDEX IN INDIA FOR INCLUSION IN WPI/PPI

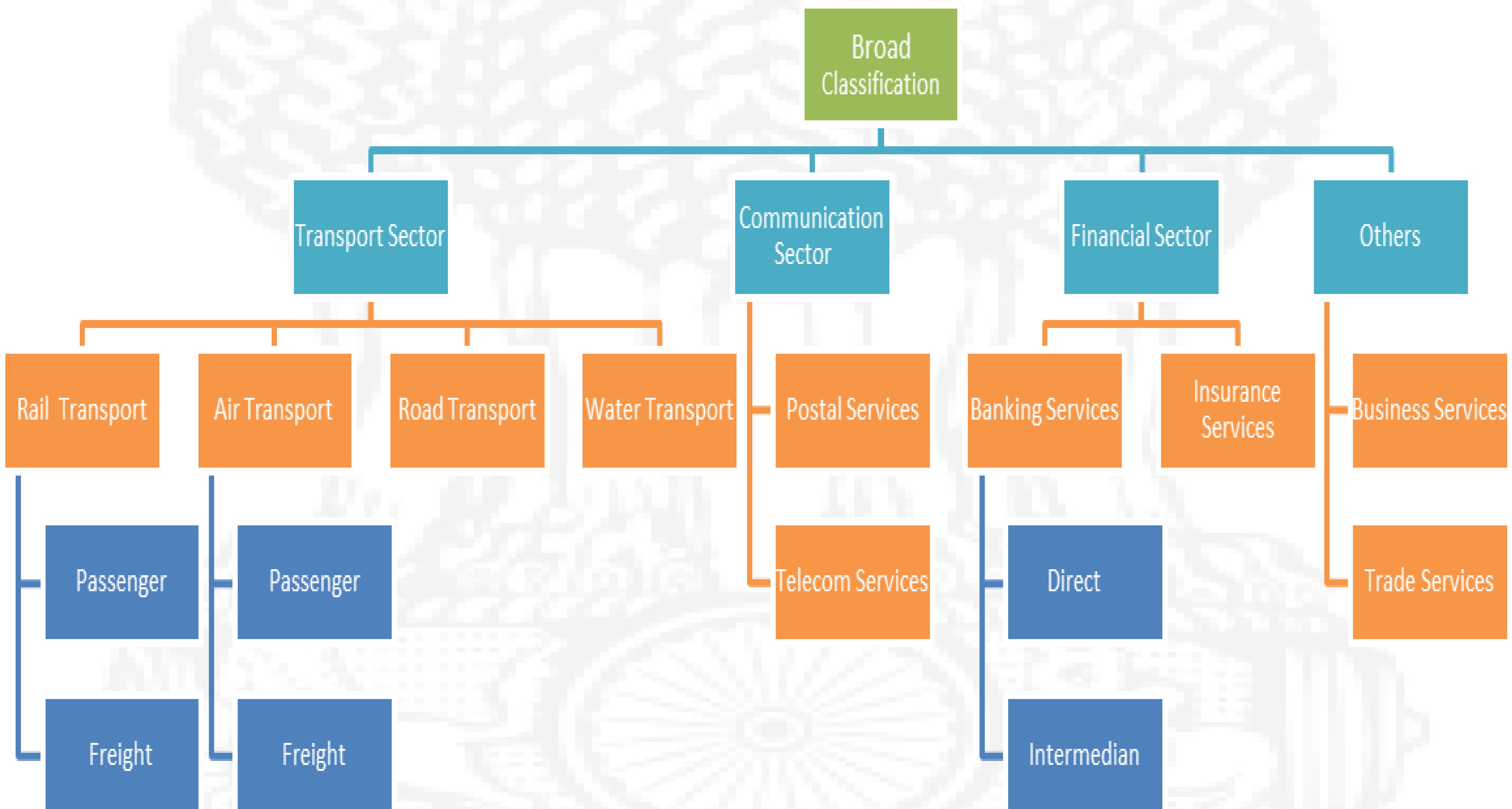
- Decision to cover ten broad business services initially in India
 - 1) Railways
 - 2) Air Transport
 - 3) Road transport
 - 4) Port
 - 5) Postal
 - 6) Telecommunication
 - 7) Banking
 - 8) Insurance
 - 9) Trade
 - 10) Business Services

CURRENT STATUS OF DEVELOPMENT OF BUSINESS SERVICE PRICE INDEX IN INDIA FOR INCLUSION IN WPI/PPI

- So far five business service indices have been compiled on an experimental basis
 1. Rail
 2. Air transport
 3. Banking
 4. Postal
 5. Telecom
- Fixed base Laspeyres' method has been used in all cases as is currently being done for Wholesale Price Index estimation

OVERVIEW OF PROPOSED SERVICE PRICE INDEX

All indices are expected to be integrated as per the following framework:



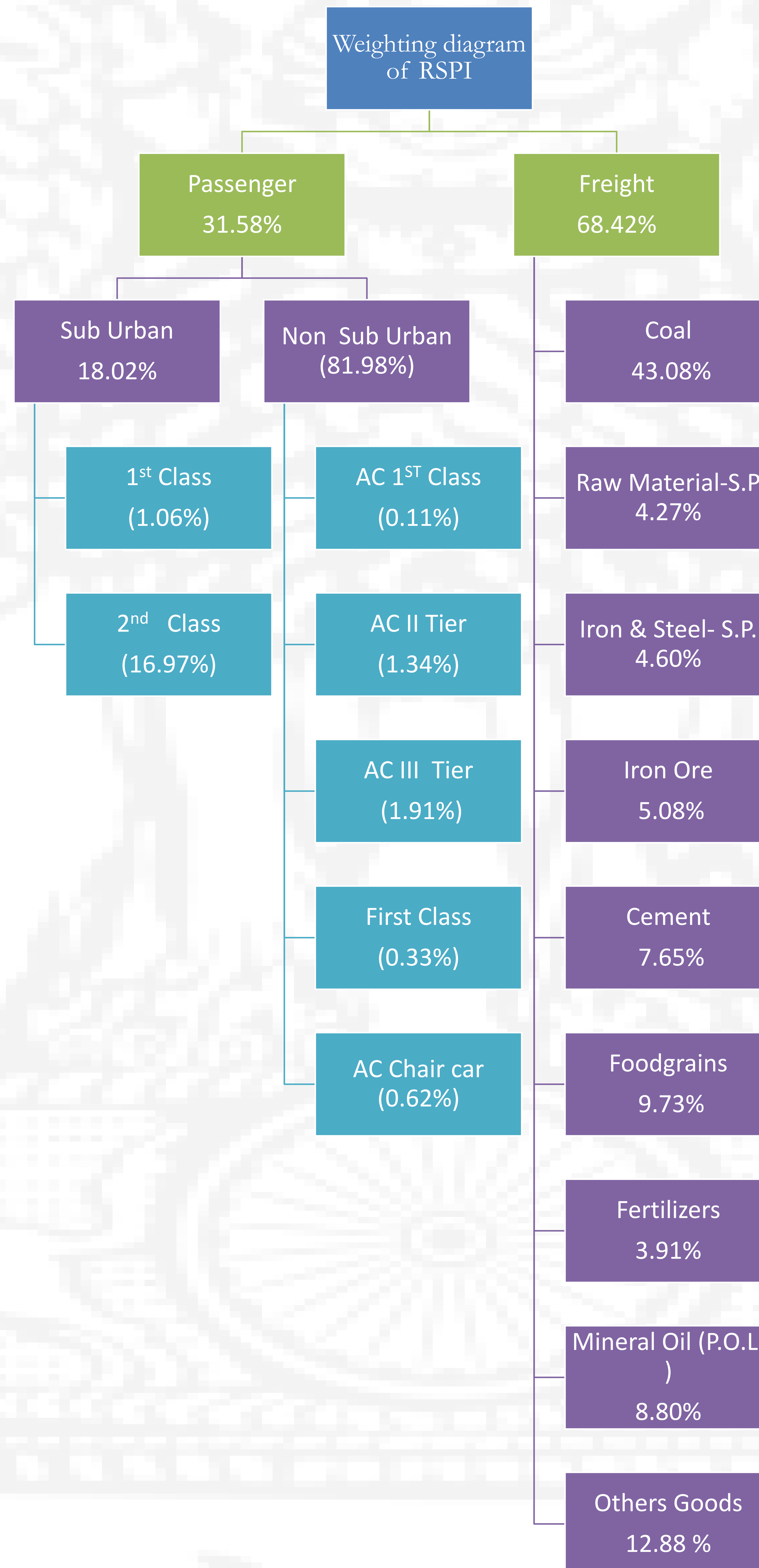
RAILWAY SERVICE PRICE INDEX

Base Year	2004-05
Frequency	Monthly
Components	Passenger service and freight service
Price of freight service	Total revenue earning from freight service/ Total tonne Km
Weight for freight service	Based on share of different commodities by tonne Km in total tonne Km of all commodities transported through railways
Price for passenger service	Total revenue earnings from passenger service/ Total passenger Km
Weight for passenger service	Based on share of different classes of passengers (economy, premium) by passenger Km in total Passenger Km of passenger transport service.
Data availability so far	April 2005 to October 2014
Data sources	Railway Board, Ministry of Railways

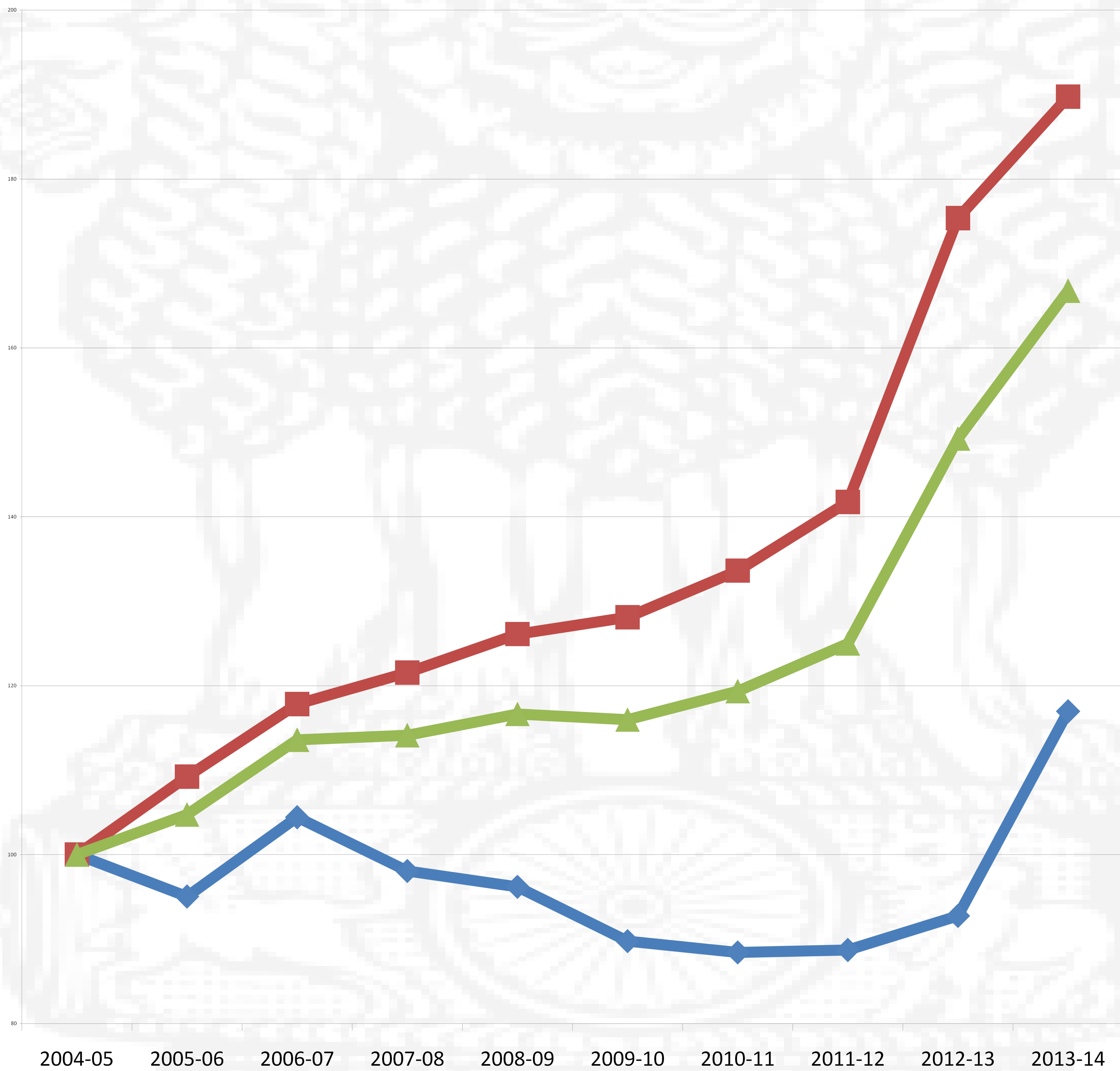


RAILWAY SERVICE PRICE INDEX

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RAILWAY SERVICE PRICE INDEX



◆ Passenger index

■ Freight Index

▲ Total RSP Index

BANKING SERVICE PRICE INDEX

Base Year	2004-05
Frequency	Monthly
Components	Direct services(for which bank charges fees, commissions and brokerages) and Intermediation services (accepting deposits and giving loans and advances)
Price of Direct service	Fees, commissions, brokerages charged by the banks
Price for Intermediation services	Loan price = Interest rate received on loans reference rate Deposit price = Reference rate Interest rate paid on deposits Weighted average yield to maturity (YTM) of Central Government securities with residual maturity between 1 and 5 years be used as a reference rate.

BANKING SERVICE PRICE INDEX

Weighting diagram	The weighting diagram used for the intermediation services is calculated as the average of the amount outstanding as on 31st March 2004 and 31st March 2005 and for the direct services, it is calculated on the basis of total income from these services during the year 2004-05.
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Data availability	April 2004 to April 2015
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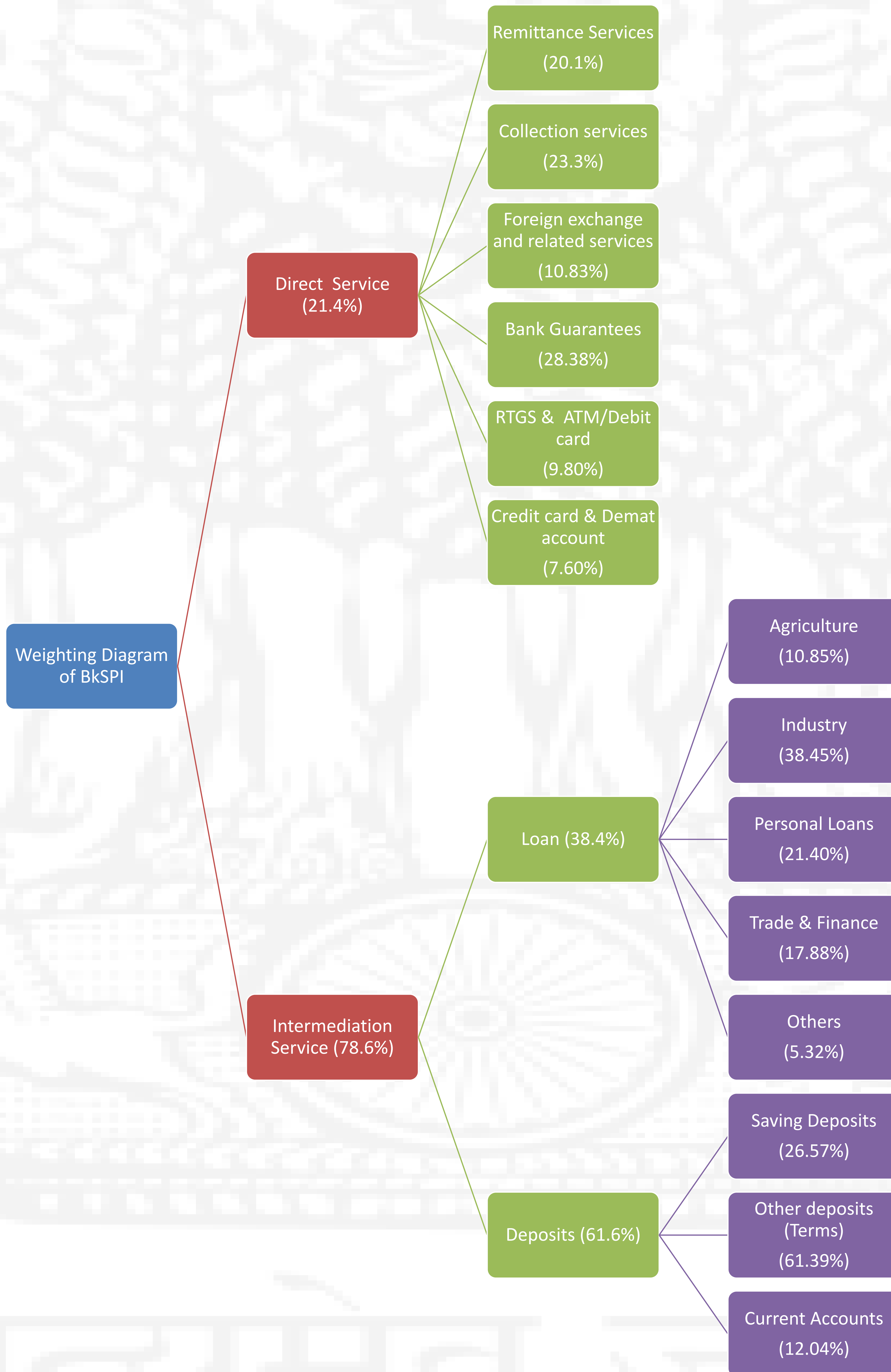
Data Sources	Reserve Bank of India
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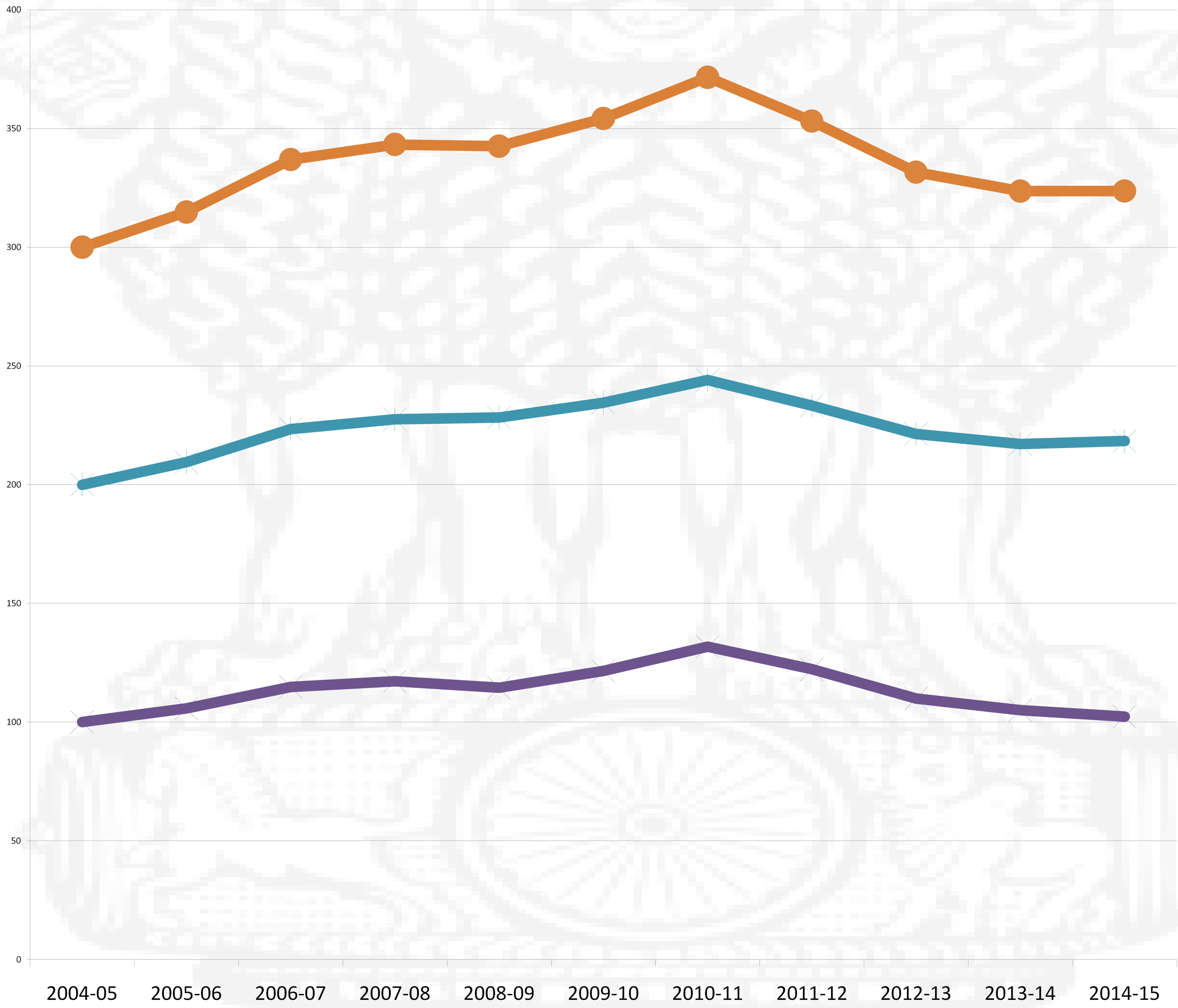
BANKING SERVICE PRICE INDEX

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BANKING SERVICE PRICE INDEX



● Total- BkSPI

◆ Direct

◆ Intermediation

POSTAL SERVICE PRICE INDEX

Base Year	2004-05
Frequency	Monthly
Components	<ul style="list-style-type: none">• Postal Services related to letters• Postal services related to Parcels• Post Office counter services• Other services
Price	Since the tariffs/charges are weight sensitive and/or distance sensitive all the tariffs/charges classified by different categories within a service have been treated as different entities e.g. an envelope with weight upto 20 grams has been treated as a separate entity than an envelope in excess of 20 grams.

POSTAL SERVICE PRICE INDEX

Weighting diagram	Weights assigned on the basis of estimated revenue of each item
Data availability	April 2005 to May 2014
Data source	Department of Posts

भारतीय डाक

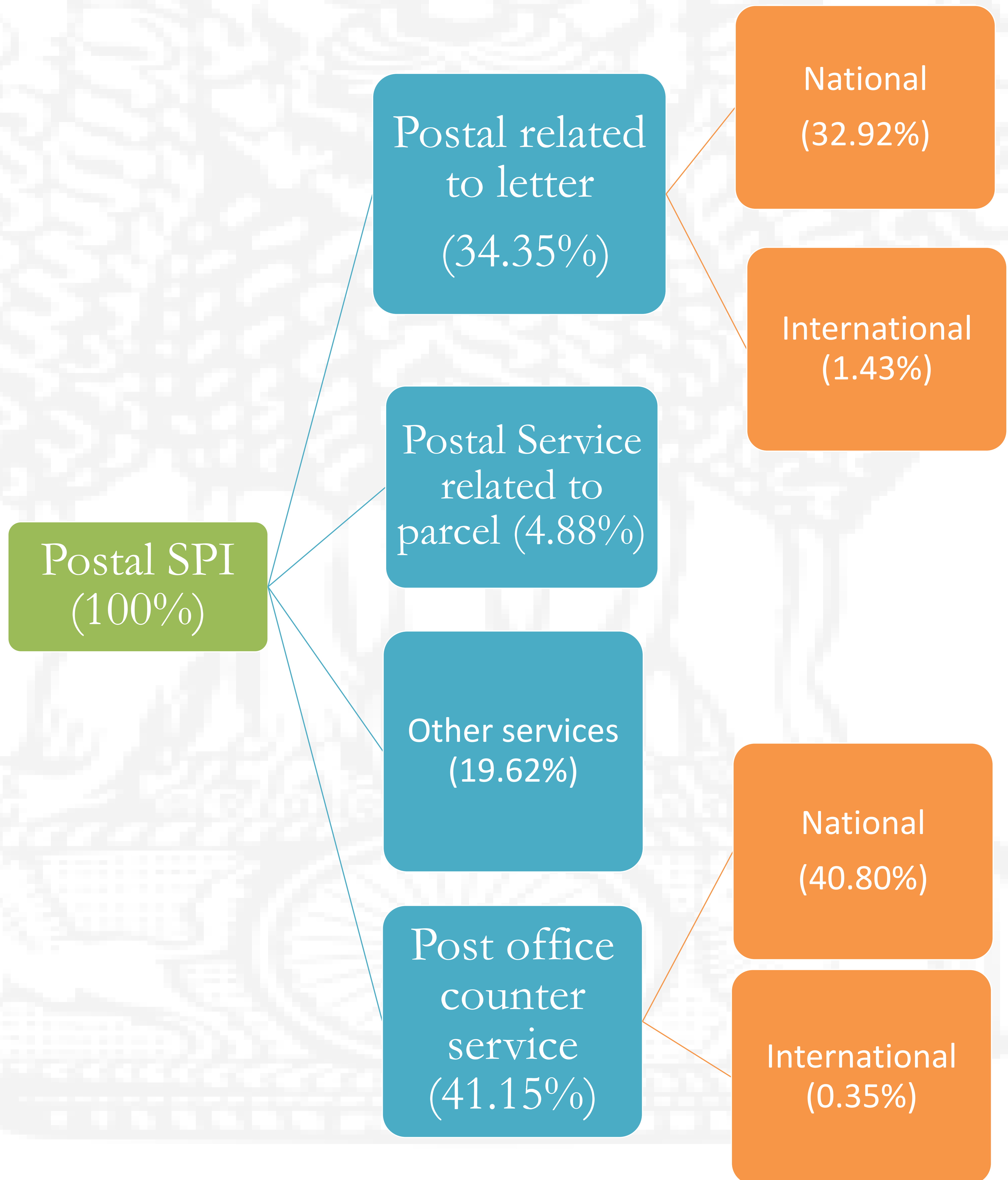


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POSTAL SERVICE PRICE INDEX

W
E
I
G
H
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N
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R
A
M



POSTAL SERVICE PRICE INDEX

सत्यमेव जयते

TELECOM (CELLULAR) SERVICE PRICE INDEX

Base Year	2009-10
Frequency	Monthly
Components	Telephone call and Short Messaging Service
Price of Call	Average Subscriber Outgo per Outgoing Minute
Weight of call	Weights to the item call have been assigned on the basis of the share of the estimated revenue of calls to the total revenue generated in call and SMS categories.
Price of SMS	Derived as the average revenue per subscriber per SMS
Weight of SMS	Weights to the items SMS have been assigned on the basis of the share of the estimated revenue of SMS item to the total revenue generated in call and SMS categories).

TELECOM (CELLULAR) SERVICE PRICE INDEX

Final weighting diagram	The index is first compiled at the item level, for both GSM & CDMA services. Then, the GSM & CDMA services are combined by allocating the weight to GSM & CDMA categories on the basis of estimated revenue in the base year.
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Data availability	April 2009 to December 2014
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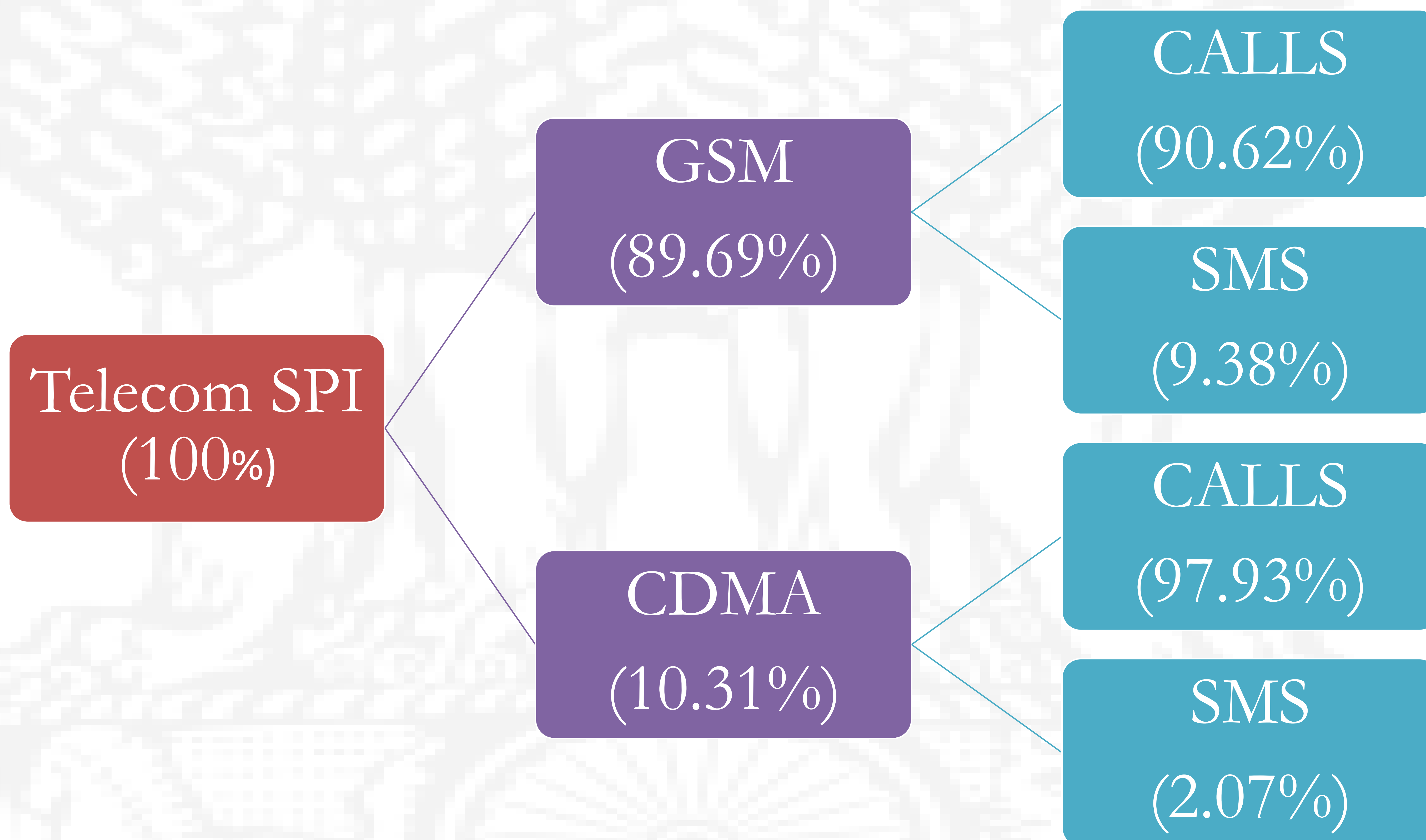
Data source	Telecom Regulatory Authority of India
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TELECOM (CELLULAR) SERVICE PRICE INDEX

W
E
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G
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N
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D
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A
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A
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TELECOM (CELLULAR) SERVICE PRICE INDEX



AIR SERVICE PRICE INDEX

Base Year	2009-10
Frequency	Monthly
Components	<ul style="list-style-type: none">• Passenger services• Freight services
Price of freight service	Unit price is arrived by dividing total monthly revenue earning for a selected airline by total monthly Tonne Km. for the airline.
Weight of freight service	Weights are assigned to the routes based on Passenger Km
Price for passenger service	Unit price is arrived by dividing total monthly revenue earning in a route of the selected Airline by total monthly passenger Km of the route
Weight of passenger service	Weights are assigned to the routes based on Tonne Km .

AIR SERVICE PRICE INDEX

Weighting diagram

For developing composite index, the weights for passenger and freight services are arrived by dividing the revenue earned in these services by total revenue earned by both services put together respectively.

Data availability

April 2011 to February 2013

Data sources

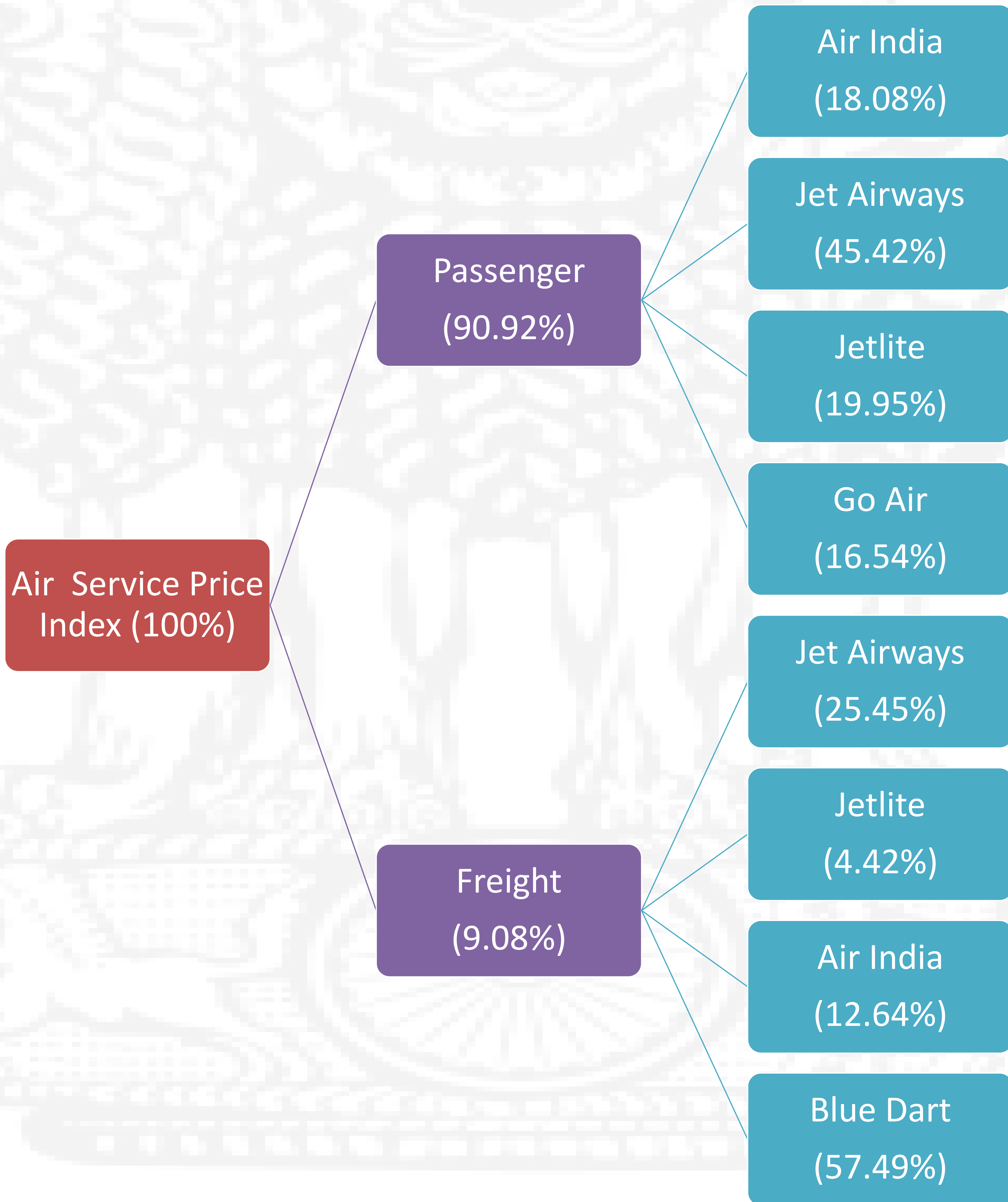
Director General of Civil Aviation



AIR SERVICE PRICE INDEX

W
E
I
G
H
T
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D
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AIR SERVICE PRICE INDEX



WORK IN PROGRESS

A. Insurance Service Price Index

- a) *Life insurance*
- b) *General insurance*

B. Port Service Price Index

- a) *Port related charges*
 - i. *Bulk handling and storage charges*
 - ii. *Container handling and storage services*
- b) *Vessel related charges*
 - i. *Port and dock charges*
 - ii. *Pilotage and towage fees*
 - iii. *Berth hire charges*
- c) *Miscellaneous charges*
 - i. *Dry docking charges*
 - ii. *Cranage*
 - iii. *Quay dues*
 - iv. *Anchorage charges*
 - v. *Craft hire charges*
 - vi. *Salvage and underwater repairs*

C. Road Transport Service Price Index

a) Freight

D. Trade Service Price Index

a) Wholesale trade except of motor vehicles

b) Retail trade (except of motor vehicles)

c) Repair of personal household goods

d) Maintenance and sale of motor vehicles

E. Business Service Price Index

a) Renting of machinery and equipment

b) Computer relating services

c) Research and Development

d) Other Business activities

i. Legal

ii. Book keeping, accounting and auditing

iii. Tax consultancy

iv. Advertising

CHALLENGES

1. Conceptual and methodological complexities relating to definition of price of service, for instance in case of insurance and trade.
2. Data flow is very restricted- mostly confined to public sector.
3. Issues relating to data flow from private sector companies, for instance, private courier services:-
 - i. No data readily available for private sector
 - ii. No mechanism to collect the data as no statistical frame for service sector industry exists
 - iii. Annual survey of service sector indices on the anvil
4. Consideration for use of statutory provision to make it compulsory for firms to respond with price statistics
5. Turnover statistics on services sector not readily available in a consistent manner leading to problems in fixing weighting diagram.



THANK YOU

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