



**OFFICE OF ECONOMIC ADVISOR
MINISTRY OF COMMERCE AND INDUSTRY
GOVERNMENT OF INDIA**

CHALLENGES OF DEVELOPING SERVICE PRICE INDEX

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

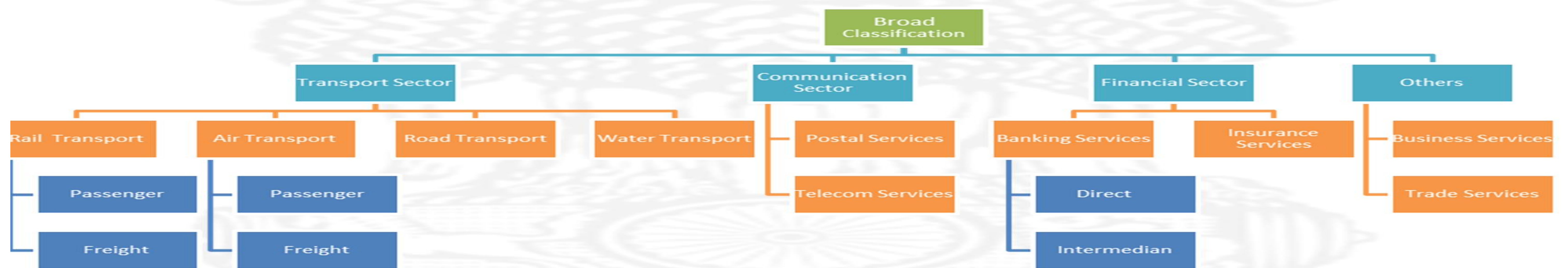
- Decision to cover ten broad business services initially in India
 - 1) Railways
 - 2) Air Transport
 - 3) Road transport
 - 4) Port
 - 5) Postal
 - 6) Telecommunication
 - 7) Banking
 - 8) Insurance
 - 9) Trade
 - 10) Business Services

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

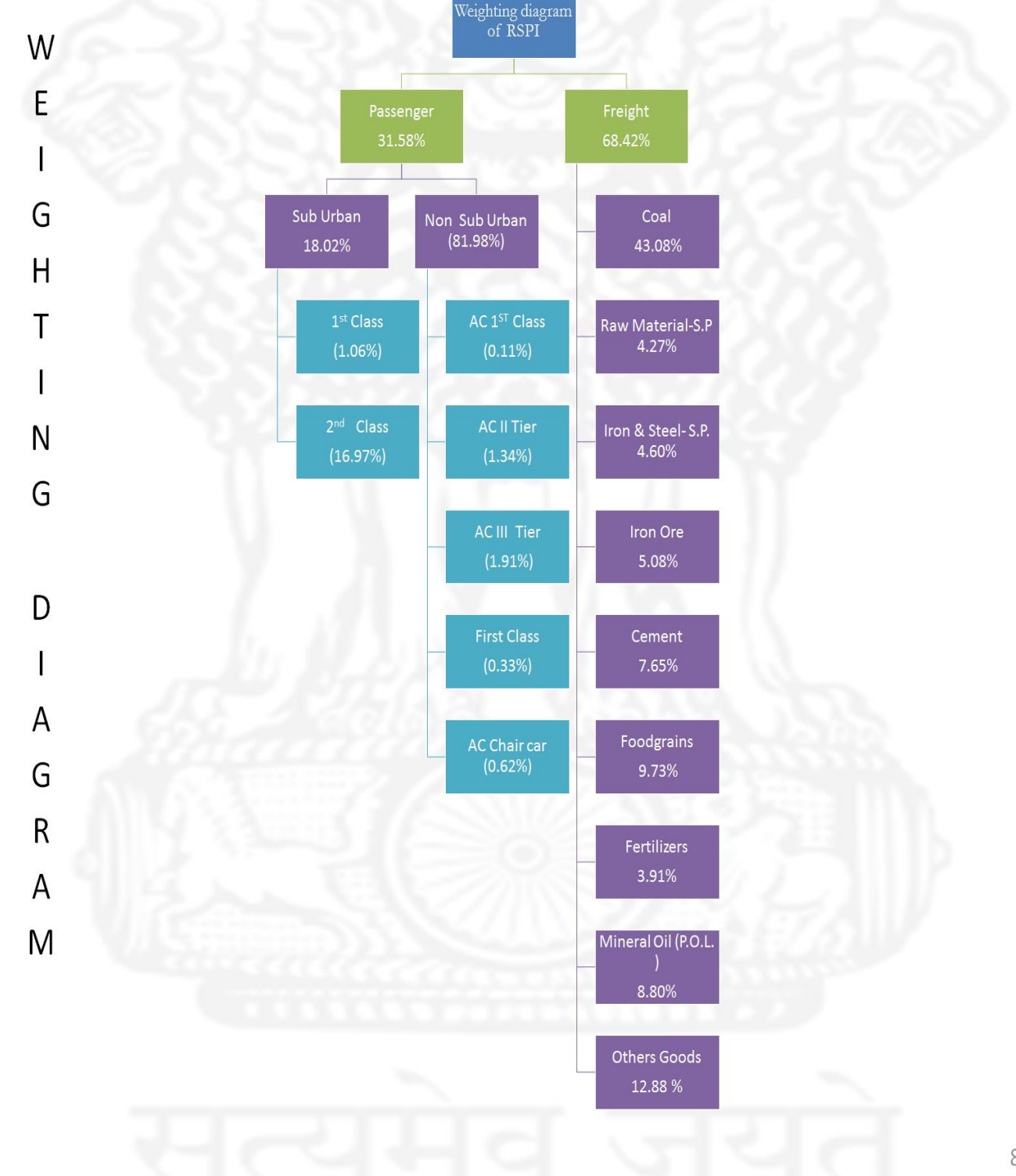
- So far five business service indices have been compiled on an experimental basis
 1. Rail
 2. Air transport
 3. Banking
 4. Postal
 5. Telecom
- Fixed base Laspeyres' method has been used in all cases as is currently being done for Wholesale Price Index estimation

OVERVIEW OF PROPOSED SERVICE PRICE INDEX

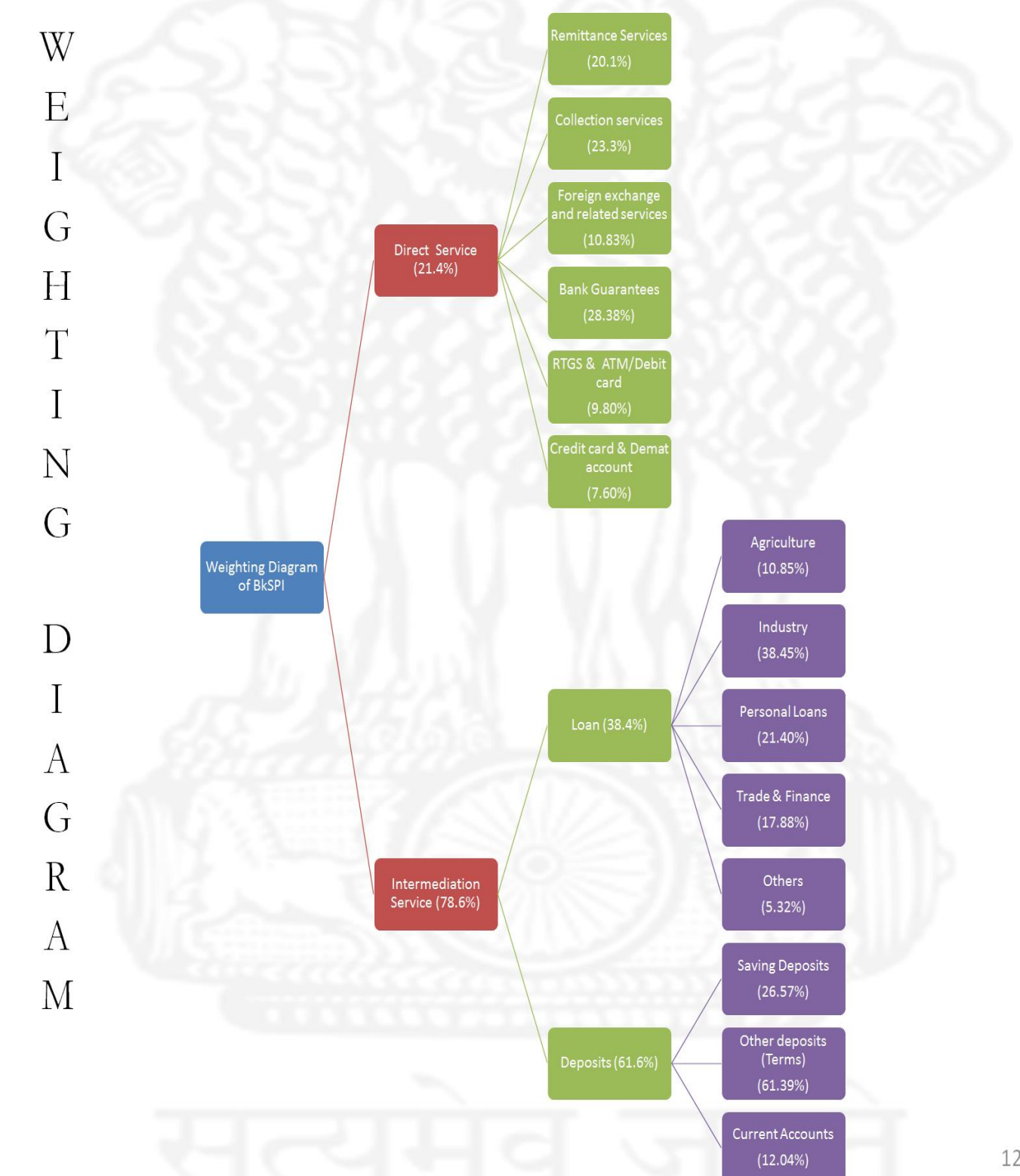
All indices are expected to be integrated as per the following framework:



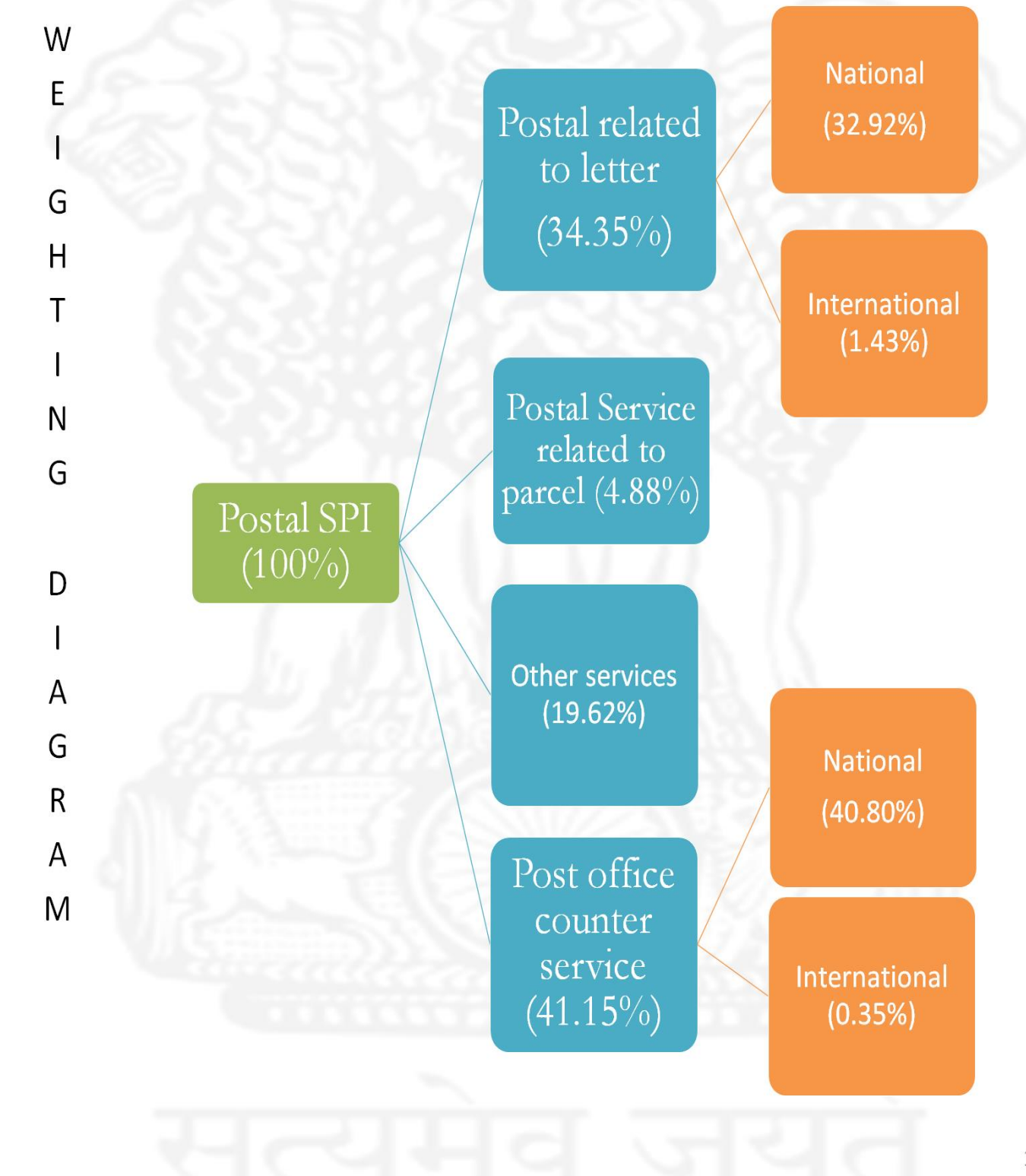
RAILWAY SERVICE PRICE INDEX



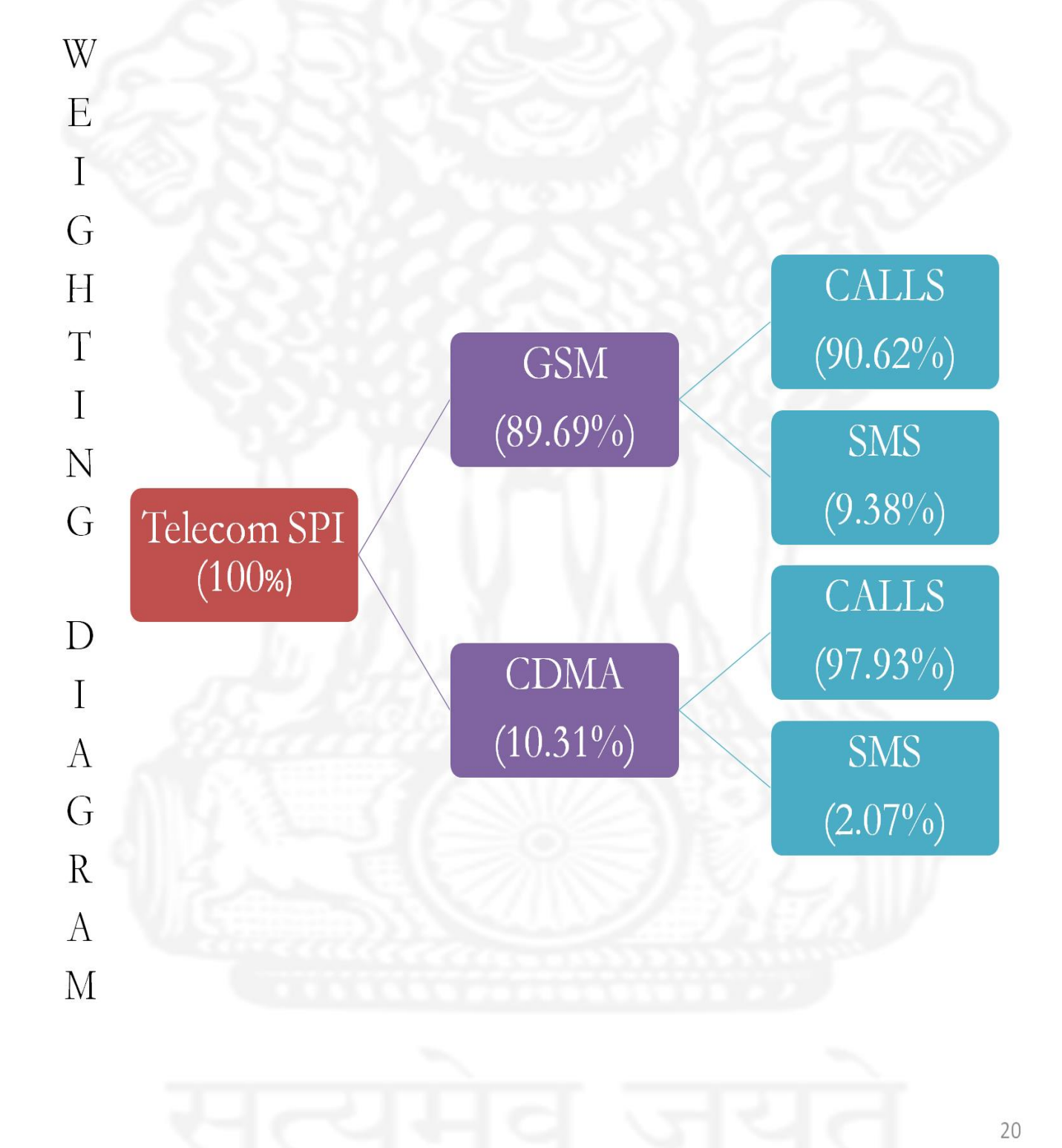
BANKING SERVICE PRICE INDEX



POSTAL SERVICE PRICE INDEX



TELECOM (CELLULAR) 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 tonnage 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.

Presented by

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