

Consumer Price Index for Agricultural Labourers (CPI-AL)

5.22 CPI-AL is basically used for revising minimum wages for agricultural labour in different States. The present base of CPI-AL is 1986-87, and as in the case of other consumer price indices, the consumption pattern of agricultural labourers has changed over the years. Therefore, the NSSO is presently conducting a family expenditure survey for agricultural labourers to get the present consumption pattern and to shift the present base of CPI-AL to a more recent year. The CSO is also examining the feasibility for constructing a consumer price index for the rural sector as a whole.

Real Estate/ Housing Price Index

5.23 Housing and real estate sector constitutes not only a major proportion of national wealth but also an important fast expanding service sector in the economy. Because both lenders and borrowers may have large real estate/housing exposures (direct as well indirect), financial balance sheets may be affected by any large volatility of prices in this sector. Thus, it is desirable to monitor housing and real estate prices — an important segment of asset prices — for formulation of appropriate monetary and fiscal measures.

5.24 The National Housing Bank (NHB) has set up a Technical Advisory Group (TAG) to explore the possibility of constructing a real estate price index (Box 5.3).

Box 5.3 : Housing Price Indices- International Best Practices and an operational Housing Price Index for India

There are various concepts of housing price indices, and many sources and ways for compiling price data, both private and public. The methodology for construction of indices differs from country to country depending on the use and purpose of such indices and the availability of data.

With an Adviser, Ministry of Finance as the Chairman, the TAG comprises technical experts and members from NHB, CSO, RBI, Labour Bureau, HDFC, HUDCO, LIC Housing Finance Ltd., Dewan Housing Finance Corporation Ltd., and the Society for Development Studies.

After reviewing international best practices and the methodology, sampling techniques, collection of price data for construction of real estate price indices in USA (index developed by the Office of Federal Housing Enterprise Oversight), Canada (New Housing Price Index) and UK (Halifax index), the TAG has suggested a methodology for India. The TAG decided to conduct a pilot study for Delhi and to use both the (a) hedonic regression model and (b) the basic Laspeyre's weighted index for constructing an HPI for Delhi.

The residential colonies in Delhi have been categorized as one of the 8 tax zones (A to H) as decided by the Municipal Corporation of Delhi (MCD) under the Unit Area Method for property tax assessment. The classification of the colonies is largely based on the level of services and the capital value of housing units. 30 colonies in different tax zones have been selected on the basis of transactions for the collection of basic data. These colonies are spread over all parts of Delhi.

The TAG has decided to take 2001 as the base year for the construction of HPI on a half yearly basis. The choice of base year for HPI is consistent with the base period of other indices, that is, 2001 for the revised CPI-IW series, 2000-01 for the revised WPI and 1999-2000 for the revised GDP series.

For HPI, basic data are being collected for each year since 2001. For each selected colony and for each year, information is being collected for at least 20 transactions, which actually took place during the year. At the First Phase of the pilot study, only residential houses (both independent houses and flats, and both old and new for sale) in urban areas with basic amenities are being considered. At the second stage, commercial housing units will be considered and finally land may be included in order to make it a comprehensive real estate price index.

It is well known that the registered prices of houses are grossly under-estimated due to very high registration fees and stamp duty. Due to same reasons and subsequent obligations for the payment of property tax, individual purchasers (except corporate bodies) do not reveal the exact purchase price of a house. Therefore, in addition to information from registration offices, basic data on value, plinth area, location, age and basic characteristics of houses are being collected from property dealers, Residential Welfare Associations (RWAs), Delhi Development Authority and the private builders.

Services Price Index

5.25 Given the importance of the service sector, there is a need to develop service price indices for selected service sectors, particularly in the national accounts framework. The need for such indices was recommended by the Working Group set up to revise the WPI and reiterated by the National Statistical Commission. The Office of the Economic Adviser, Department of Industrial Policy & Promotion, Ministry of Commerce and

Industry has been implementing two plan schemes aiming at (i) switching over from the existing WPI to the PPI and (ii) developing service sector price indices, as per international best practices. Under the plan schemes, studies are being commissioned for selected services, that is, road transport, railways, air transport, port, banking, insurance, posts, telecommunication, business services and trade services, to develop service price indices.