

## Service Price Indices

5.30 Given the importance of the service sector, there is a need to develop service price indices for selected services, particularly in the national accounts framework. The need for such indices was highlighted 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 – road transport, railways, air transport, port, banking, insurance, posts, telecommunication, business services and trade services – to develop service price indices (Box 5.4).

### Box 5.4 : Service price indices in India

As per OECD-Eurostat 2005 Inquiry on National Collection of Services Producer Prices Preliminary Report, giving information on 45 countries, the number of National Statistical Agencies taking up data collection on service producer prices, though growing, is still small. While some agencies have focused exclusively on the prices of services provided to enterprises, others have approached the subject more broadly through the development of services producer price indices. Approaches differ and coverage varies. Attempts are on to enhance the coverage, aiming at an improved deflator for the sector.

According to the OECD-Eurostat report, 30 countries collect services producer prices. These are Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hong Kong (China), Ireland, Israel, Italy, Japan, Korea, Lithuania, Mexico, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States, and Vietnam. In addition, preliminary work has started in several others, particularly European countries, under the auspices of Eurostat.

The need for a service sector price index in India is warranted by the growing dominance of the sector in the economy. So far, there is no index number to measure the changes in the prices of the service sector. The present Wholesale Price Index (WPI) takes care of price movements of only commodity-producing sectors, viz. primary and secondary sectors, of the economy. The need for such an index was recommended by the Working Group set up to revise the WPI (1993-94) series and was reiterated by the National Statistical Commission. The Office of the Economic Adviser, Ministry of Commerce and Industry has been making an effort to develop sector specific service price indices for the country. Technical assistance for this work is being received under World Bank Assisted Economic Reforms Project.

Efforts are being made to develop service price indices for selected service sectors on an experimental basis, initially covering road transport, railway services, air transport services, business services, trade services, port services, postal, telecommunication services, banking services and insurance services. The basic studies relating to construction of index numbers for road transport, air transport, ports services, insurance, railway transport and banking services have been completed and are under examination. Studies on postal, telecommunication, business and trade services are proposed to be launched soon. The completed studies would be discussed among academicians, practitioners and users before putting in place the service price indices.