CHAPTER IX

PRICES

1. MAIN DEVELOPMENTS

The consumer price index shot up at an annual average 39.5 percent rate in 1975 and 23.5 percent in December levels. But this was a far more modest advance than in 1974, when prices rocketed 60 percent (36 percent discounting the effects of the government's economic measures of November 1974). Nevertheless, the 1975 rate was still high, even in comparison with the pre-1973 years.

Prices of resources and uses moved up 40 percent on an annual average, largely because of the precipitate jump in the latter part of 1974. In the course of the year reviewed the curve ascended at a milder rate--30 percent from the last quarter of 1974 to the last quarter of 1975. Most of the upward thrust on the price level in the past two years was generated by the government's policy moves with respect to the exchange rate, taxation, and controlled prices, as well as by the costlier imports and the larger wage bill due to the consequent adjustment of the cost-of-living allowance. After two years of "functional inflation" only limited gains were racked up in this sphere: the relative price of imports (compared with GNP) rose rather sharply (in 1974-75 it stood some 10 percent higher than in 1973), owing to both the global inflation and the government's economic policy.

The relative price of exports (compared with other uses) rose, but only fractionally. It is important to note that during a period of high inflation a small improvement in the relative price of exports may quickly vanish; it is therefore questionable if this slight change gave a real spur to overseas sales, especially considering that at the end of 1975 the relative price began to turn downward.

Whereas in 1971-73 the price inflation was mostly of the demand-pull variety, in

Table IX-1

RISE IN PRICES OF RESOURCES AND USES, 1961-75

(percentages)

	Average								
	1961-65	1966-67	1968-70	1971-75	1971	1972	1973	1974	1975
Gross national product	8.1	5.3	4.2	23.6	12.7	14.1	20.7	35.2	37.4
Imports, excl. ships and aircraft and direct defense imports	9.3	2.2	7.6	27.8	16.5	17.9	20.7	43.2	44.7
Private consumption	7.4	4.4	3.6	24.4	11.9	15.2	19.6	38.5	40.3
Public consumption, excl. direct defense imports	9.8	5.9	4.8	25.4	16.1	14.1	22.4	37.3	39.5
Gross domestic investment, excl. ships and aircraft	8.9	0.9	7.6	26.0	14.1	16.2	24.8	40.1	37.2
Total domestic uses, excl. ships and aircraft and direct defense imports	**8.0**	**4.5**	**4.4**	**25.0**	**11.3**	**17.4**	**21.9**	**38.7**	**39.3**
Exports	10.0	4.9	7.1	25.3	15.4	15.4	18.3	35.9	42.5
Total uses, excl. ships and aircraft and defense imports	**8.3**	**4.5**	**5.0**	**25.1**	**13.9**	**15.3**	**21.1**	**38.1**	**40.0**

1974-75 it was predominantly due to cost-push (dearer imports, tax hikes, and higher labor costs because of wage indexation). That most of the upward thrust on the price level came from the costs side is quite clear for 1975, but less so for 1974. In 1974 government action (devaluations, the stiffening of taxes, etc.) was a central factor in accelerating the price advance. In 1975 the government was again responsible for some of the escalation of prices, but less so than in the previous year. On the other hand, in 1975 the wage increments (which stemmed almost entirely from the adjustment of the c-o-l allowance) was a weightier factor in pushing up prices.

One argument cited to justify a steep jump in prices is the need to alter the relative price structure and real income. The changes that took place here prove that part of the price advance was warranted by the mounting cost of raw materials abroad. But it seems that this objective could have been achieved with a smaller price rise than actually took place if the government had pursued different policy measures, such as reducing or temporarily eliminating wage indexation. This probably would have produced the desired change in relative prices while preserving labor's share of national income, as in 1974. It would also have averted some of the negative developments that accompany inflation.

Prices of controlled commodities (whose weight in the consumer price index came to 20 percent in 1975) went up 12 percent during the year, and accounted for 2.5 percent of the total 23.5 percent rise. Uncontrolled services (10 percent of the basket) climbed at a faster-than-average rate, and accounted for 3 percent of the overall increase.

The wholesale price index of industrial output marketed locally and the index of construction input prices moved up 19 percent. In the latter there was a 24 percent increase in labor costs, while other inputs became only 14 percent dearer--further evidence of the wage-cost pressure this year.

Home prices rose more slowly in 1975 and trailed behind the advance in consumer and residential construction input prices.

2. PRICE DEVELOPMENTS

Prices of resources and uses moved up to about the same extent as in 1974--an annual average of 35-40 percent--but these figures do not faithfully reflect the path traced in the course of either of the last two years.

In the last quarter of 1974 the official rate of the IL was slashed by 43 percent (the effective devaluation came to only 22-25 percent), and controlled commodity prices and indirect taxes were hiked. The outcome was a very sharp 20 percent jump in the general price level within two months. This of course pushed up the annual average for 1975 quite steeply, and so it would be preferable to discuss developments during the year.

Table IX-2

RISE IN VARIOUS PRICE INDEXES, 1964-75

(percentages)

	Average						
	1964-66	1967-69	1970-72	1972	1973	1974	1975
Consumer price index							
General	6.9	2.1	10.3	12.9	20.0	39.7	39.3
Excl. fruit and vegetables	7.1	1.9	10.5	13.1	19.3	40.6	38.5
Excl. fruit and vegetables and housing	5.8	1.9	9.5	11.5	16.5	40.0	40.5
Wholesale price index of industrial output	3.2	1.9	9.2	11.6	19.1	51.5	40.8
Index of input prices in agriculture	6.2	4.6	10.9	13.4	18.0	55.1	46.5
Index of residential construction input prices	6.8	2.3	12.4	16.0	28.5	47.2	30.6
Index of road construction input prices	—	2.9	11.4	14.1	20.1	49.8	49.1

SOURCE: Central Bureau of Statistics.

Israel's inflation retreated noticeably in 1975 but was still fairly high; in uses and resources it ran at 30 percent between the last quarter of 1974 and the last quarter of 1975, and 25 percent between the first and last quarters of 1975 (at annual rates).

The inflation did not proceed at a steady pace in 1975. In the last quarter it gathered momentum, after slowing perceptively in the second and third quarters. Prices climbed strongly as the year opened, but the uptrend gradually lost steam. The uneven path traced over the year is explained by the govenment's policy measures: the first-quarter rise stemmed from the steps taken in November 1974; in the middle of the year the creeping devaluation was instituted and indirect taxes were raised a bit. The devaluations were not big, and since the dollar strengthened during this period, the effective change in the IL rate was even smaller. Because demand was weakening, these mini-devaluations did not cause prices to rise.

At the end of September 1975 the IL was devalued by 10 percent, the upswing of the dollar was blunted, and electricity, fuel, and other commodities became dearer. These factors, together with those that appeared in the third quarter, drove prices up in the fourth quarter by 9 percent (over the previous quarter) for all uses, and by 4.4 and 16 percent respectively in GNP and imports.

Import prices soared 32.5 percent in 1975,[1] eclipsing the increases in GNP and final uses (28 and 30 percent respectively). An advance in the relative price of imports (compared with GNP) is not a unique feature of the Israeli economy, but in 1974-75 it was faster than in previous years, and was caused by the rampant world inflation and the government's devaluation policy.[2] The relative price of exports (compared with domestic uses) also rose in 1975, but unlike import prices, it did not exceed the average increase in 1968-74. This was undoubtedly one of the factors that slowed the export advance in 1975.

Changes in relative prices, accompanied by an appropriate policy on demands, help to

Table IX-3

QUARTERLY RISE IN VARIOUS PRICE INDEXES, 1972-75

(percentages)

	1972				1973				1974				1975			
	Jan.-March	April-June	July-Sept.	Oct.-Dec.	Jan.-March	April-June	July-Sept.	Oct.-Dec.	Jan.-March	April-June	July-Sept.	Oct.-Dec.	Jan.-March	April-June	July-Sept.	Oct.-Dec.
Consumer price index																
General	3.1	2.6	0.8	5.2	5.0	7.0	3.4	7.1	13.6	9.2	3.5	15.2	13.1	4.7	1.4	10.3
Excl. fruit and vegetables	2.3	3.3	2.2	3.6	3.8	8.1	3.6	6.5	13.5	9.7	4.6	14.8	12.2	4.1	2.7	9.1
Excl. fruit and vegetables and housing	1.7	2.7	1.5	3.4	3.2	7.3	2.6	6.3	13.7	9.9	4.0	15.9	12.8	4.8	2.5	9.2
Wholesale price index of industrial output	1.8	1.7	2.1	3.6	4.4	7.2	3.5	8.2	17.0	11.8	8.0	15.6	13.2	2.9	1.5	8.2
Index of input prices in agriculture	5.1	1.2	3.6	-2.1	10.0	4.6	5.3	1.7	21.4	15.5	9.1	15.4	16.6	2.9	3.7	4.4
Index of residential construction input prices	5.2	3.6	7.6	-0.5	7.5	9.9	11.9	3.0	13.1	11.9	14.4	3.2	8.9	3.4	6.8	3.5
Index of road construction input prices	4.6	1.8	4.9	-0.3	5.7	6.0	6.9	9.1	16.1	5.8	10.5	19.1	14.4	3.8	5.7	8.4

SOURCE: Central Bureau of Statistics.

1. The last quarter of 1975 compared with the last quarter of 1974. Because of the spurting of prices in the last quarter of 1974, the estimates are higher than what a comparison of December levels would show.

2. Table IX-1 lists the average price rises in various periods. It should not be inferred from these figures that the price of imports always rose relative to GNP: between 1960 and 1965 this occurred only in 1962; from 1966 onward it increased every year, except 1970.

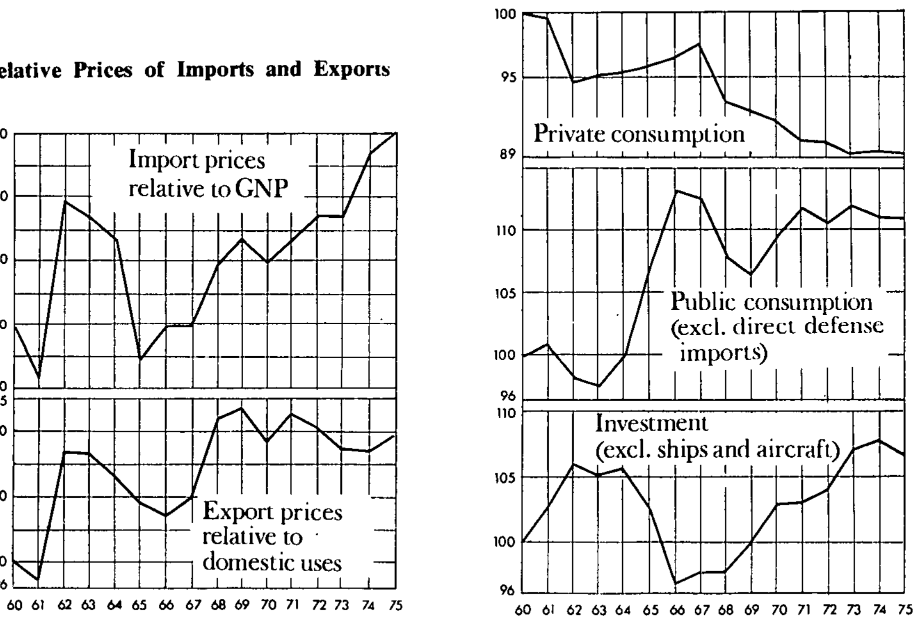
Figure IX-1

RELATIVE PRICES OF USES AND IMPORTS, 1960–75

(indexes: 1960=100)

Relative Prices of Imports and Exports

Prices of Domestic Uses Relative to Total Uses[a]



SOURCE: Central Bureau of Statistics.

[a] Excludes imports of ships and aircraft and direct defense imports.

alter the allocation of productive factors. In retrospect it is evident that the rapid spiraling of prices in 1974-75 only partially achieved this object: the relative prices of imports and exports veered in the right direction, but not enough in the case of exports.

Between the end of 1973 and the end of 1975 private consumption prices nearly doubled, but relative to other uses they stood still; therefore, in this respect inflation did not depress the private consumption share of total uses (although it did have an effect on real income). Prices of this final use averaged 40 percent higher in 1975, but the increase in December levels was only 23.5 percent. Among the main components of the consumer price index should be noted the resounding 50 percent jump in fruit and vegetables, and the mild 19.5 percent rise in construction and dwelling prices.

The movement of prices over the year followed the usual seasonal pattern, decelerating in the third quarter because of a greater supply of fruit and end-of-season sales of clothing and footwear. This pattern was most evident in private consumption, but also characterized the other uses. During the past two years inflation cooled somewhat in the second and third quarters because of the devaluation of the IL and the upping of controlled prices in the first and last quarters.

Gross investment prices (excluding ships and aircraft) were up 37 percent in 1975. The increase during the year (the last quarter of 1975 compared with the last quarter of 1974) came to only 25 percent, which was smaller than that of other uses. Trends were mixed: on the one hand, demand for investments in general and for homes in particular slackened; the market for motor vehicles also softened, with a consequent drop in the share of this item in total investment. Working in the other direction were the rise in the effective exchange rate in the last quarter of 1975 and the higher prices paid for construction inputs (see below). The dearer cost of imported items was most responsible for the rise in investment prices in 1975, whereas the year before the principal factor was the increased cost of locally produced capital goods.

The rise in public consumption prices can be mainly ascribed to higher labor costs, especially in the defense establishment, where payrolls went up steeply in 1975 (after a relative decline in 1974). The smaller sum paid to reservists in 1975 goes some way to explain the faster growth of the wage bill. The price advance of public sector purchases--defense and civilian alike--did not deviate from the general average.

3. CAUSES OF THE INFLATION

The year reviewed was the fifth consecutive one of price inflation, which appeared at the end of 1970 and accelerated steadily until reaching its crest in 1974. The underlying causes, however, varied during this period. In 1971-73 most of the upward pressure was generated by private and public sector demand, some of it pent up from previous years. This period also witnessed a healthy expansion of GNP and a very low unemployment rate.

In 1974-75 the picture changed. The GNP growth curve began to tail off, incomes sagged, and the overdemand for labor disappeared. Nevertheless, prices continued to escalate. It seems that in 1974 the inflation was predominantly due to cost-push, even though in some areas (especially during the first half of 1974) there were still vestiges of excess demand from earlier years.[3]

Cost-inflation can be identified with the help of several indicators. One is an advance of prices accompanied by the contraction of employment.[4] Labor input in the business sector declined in 1974-75 (see the discussion in the chapter on employment and wages), and this supports the contention that the inflation was basically due to cost factors.

Another indicator of cost-inflation is the distribution of private sector income between capital and labor. When there is demand-inflation the distribution will correspond

3. Bank of Israel, *Annual Report 1974*, pp. 224-32.
4. Although excess demand for labor was evident in individual plants and for specific types of labor, demand for labor in the private sector as a whole sagged in 1975.

to the capital and labor shares of production, and changes in income distribution will be small. If employees do not anticipate an inflation of the demand variety, there will be a temporary rise in capital's share of income. When pressure on the price level arises from the costs side and demand does not increase, the extra costs will be absorbed by at least one of the factors of production, greatly altering the income distribution.[5] If import prices or taxes rise, wage indexation will push payrolls upward: if this is not accompanied by a livelier demand, labor's share will increase at the expense of the return to capital.

Table IX-4 shows the redistributive effect of inflation. In 1975 labor's share moved 6-7 percent above its average for the previous seven years. This dramatic change was due to the inability of manufacturers to boost their return to capital because of the slackening of private consumption demand and the reluctance to dismiss redundant workers. On the other hand, much of the gain in labor's share stemmed from the c-o-l allowance increments, which under the existing institutional arrangements are paid even when the price rises are caused by deliberate government policy measures. This development is strong proof that in 1975 the inflation was due to cost-push.

Table IX-4

LABOR AND CAPITAL SHARES OF PRIVATE SECTOR INCOME FROM CONSUMER GOODS PRODUCTION, 1968-75

(percentages)

	1968	1969	1970	1971	1972	1973	1974	1975
Labor	55	55	53	55	55	56	57	62
Capital	45	46	47	45	45	44	43	38

NOTE: The calculation is based on a decomposition of private consumption into the primary factors of production — labor, capital, imports, and taxes. Private consumption prices have been estimated here according to the rise in the prices of these factors. The income distribution relates to that earned by the private sector from the production of goods for private consumption; hence the payroll outlay of nonprofit institutions has been excluded from the return to labor and the dwelling stock has been excluded from the return to capital.
SOURCE: Bank of Israel.

Cost Components

The dominant factor stoking the cost-inflation was dearer imports: prices here soared 49 percent on an annual average, driving up the general level by 16.5 percent and accounting for 40 percent of the price advance. This hefty annual average rise in imports is largely explained by the devaluation of November 1974, the hiking of import taxes, and

5. It is also possible for both factors of production--capital and labor--to absorb the extra costs in equal measure. In this case there will be no change in income distribution, and this indicator will fail to substantiate or disprove the claim of cost-inflation.

mounting costs abroad. A comparison of December levels reveals that in the course of 1975 import prices moved up at a provisionally estimated 20 percent rate, and its contribution to the general price rise fell short of the annual average--about one-quarter.[6]

The rise in the price of net taxes on domestic consumer goods production[7] added 5.5 percent to private consumption prices. Indirect taxes were hiked much more steeply than in 1974, and there was also a larger subsidization of domestic production. Subsidies were pruned on most controlled commodities, but the bus companies, poultry farmers, and bakeries were supported much more heavily this year. This whittled about one point off the total price rise, so that the net effect of the changes in tax rates and subsidies was about 4 percent.

Labor costs in consumer goods production jumped 40 percent in 1975, pulling up the general level by 12.5 percent (out of a total rise of 40 percent). The larger wage bill in the year reviewed resulted overwhelmingly from the adjustment of the c-o-l allowance, with the increment attributable to the labor pacts, wage drift, etc. being marginal. The cost-inflation prevailing in 1975 leads to the conclusion that wages constituted an inflationary factor. This is reinforced by the fact that the increase in this item stemmed entirely from wage indexation and that no agreements were signed this year providing for increases in excess of the c-o-l allowance adjustment. Any substantial modification of wage indexation, not to speak of its scrapping, involves the revision of a long-standing agreement between the Histadrut (General Federation of Labor) and employers.

The price index of rental services of capital goods used in private consumption production (excluding housing) rose 20 percent in 1975, contributing 3 percent to the total advance.

The cost-pressure picture emerging from the annual average data is also mirrored by developments in the course of the year. The first half was influenced by the devaluation of November 1974, and in the second half the system of creeping devaluation was instituted. C-o-l allowance increments were paid at the beginning of the year and during the second half.[8] Partial data point to some rebounding of real activity, but it must be stressed that it began from a low first-half level and that the growth of demand did not result in the full utilization of the spare capacity built up over the last few years.

6. Devaluation is treated here as an exogenous increase in costs. This is valid for a period of one year, but in the longer run, if there are demand pressures at work, it should be regarded as an endogenous factor.

7. Defined here as the change in taxes collected, adjusted for the real growth of private consumption.

8. The July increment was paid in instalments: 7.5 percent in July, 1.5 percent in August, 1 percent in October, and 2.9 percent in November.

This description of the inflationary trend in private consumption applies to the other domestic uses as well. It should also be noted that GNP failed to make any strides in 1975, real private incomes shrank, and the government's real demand surplus plateaued at its 1974 level. As to unemployment, demand for workers let up, especially in the private sector.

4. MOVEMENT OF VARIOUS PRICE INDEXES

(a) *Controlled and Uncontrolled Commodities*[9]

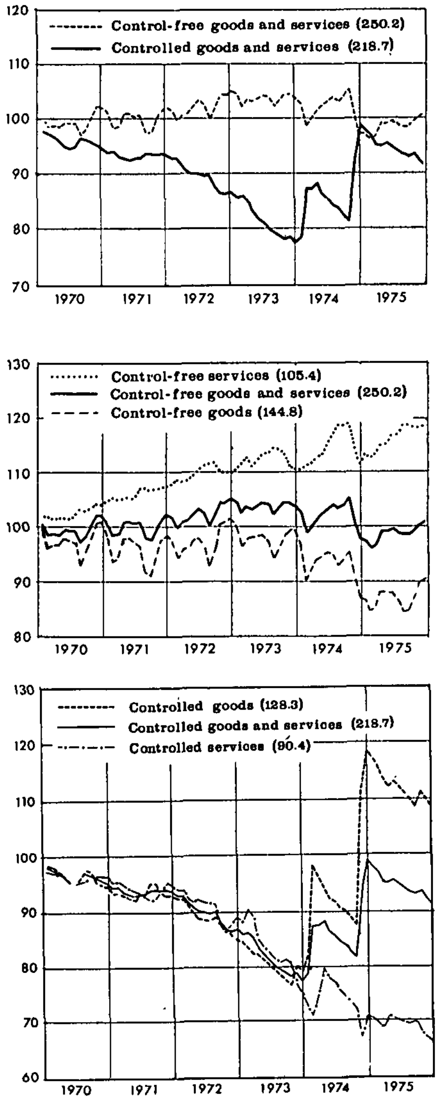
Controlled commodity prices spurted at a 51 percent annual average rate in 1975, accounting for 10 of the 39.5 percent rise in the consumer price index. During the year they moved up at a slack pace, the increase during the first nine months being only 4.5 percent. Upon the devaluation of the IL in September the prices of fuel, electricity, cigarettes and tobacco, and high school tuition fees were jacked up. This made controlled commodities 7.5 percent more expensive in the fourth quarter. The total increase during the year came to 12.5 percent, contributing 2.5 to the 23.5 percent December-December rise in the general price level.

The modest advance of controlled commodity prices in 1975 caused a wasteful use of some items and a big increase in the government's subsidy budget. This was because such prices are adjusted for a rise in costs only once or twice a year. At a time when IL costs are mounting rapidly, this system has negative repercussions (on top of an inefficient resource allocation and the government budget hikes): it causes the public to anticipate a rise in control-free items as well. It would therefore be preferable to revise the method of pricing controlled commodities so that the adjustments are more frequent and smaller.

Figure IX-2

CONTROLLED COMMODITY AND SERVICE PRICES RELATIVE TO CONTROL-FREE PRICES, 1970–75

NOTE: Figures in parentheses are the weights in the consumer price index.



9. For a list of the items and their respective weights see Bank of Israel, *Annual Report 1974*, p. 233.

Table IX-5

RISE IN CONTROLLED AND UNCONTROLLED COMMODITY PRICES, 1973–75

(percentages)

	Weight in index (in thousands)	December levels			1973				1974				1975			
		1973	1974	1975	Jan.–March	April–June	July–Sept.	Oct.–Dec.	Jan.–March	April–June	July–Sept.	Oct.–Dec.	Jan.–March	April–June	July–Sept.	Oct.–Dec.
Controlled items	218.7	13.0	102.6	12.4	2.6	3.7	0.4	4.7	22.8	12.6	0.8	25.8	18.5	2.5	0.8	7.8
Uncontrolled items	250.2	25.5	48.2	27.2	2.6	8.5	3.1	7.4	9.5	11.7	6.0	11.5	7.7	6.8	2.1	11.5
Services	105.4	27.5	59.6	29.1	5.2	8.9	5.4	4.3	12.9	12.2	8.7	11.5	10.7	6.4	4.9	9.1
Goods	144.8	23.9	39.6	25.5	0.8	8.2	1.3	9.9	6.9	11.3	3.8	11.4	5.2	7.2	–0.3	13.7
Fruit and vegetables	75.4	24.2	31.5	48.6	19.5	–5.6	–0.1	15.4	15.5	3.2	–11.0	21.7	25.2	12.3	–13.7	27.8
Other goods	455.7	32.5	48.3	23.3	4.9	9.6	5.2	6.6	12.4	7.5	5.4	12.3	12.0	3.5	3.8	8.6
Total	**1,000.0**	**26.4**	**56.2**	**23.5**	**4.9**	**7.0**	**3.4**	**7.1**	**13.7**	**9.2**	**3.5**	**15.2**	**13.1**	**4.7**	**1.4**	**10.4**

SOURCE: Central Bureau of Statistics.

Uncontrolled service prices rose 29 percent during the year, outpacing the general index; as a result, by the end of the third quarter the relative price of such services was back to its pre-November 1974 level. Examination of the monthly movement of these prices shows that they climbed almost in step with controlled commodity prices; a rise in the latter accelerates uncontrolled services prices, but with some lag of course.

Government intervention in the pricing of uncontrolled services is negligible. The import content is small, as is that of hired labor (particularly organized). It therefore seems that in 1975 no significant cost pressures were at work here, and demand for such services was also not very ebullient (the consumption of "other services" edged up only 1 percent). At a time of high inflation suppliers of these services up their prices in line with the general price level.

(b) *Wholesale Prices of Industrial Output for the Domestic Market*

Wholesale prices of industrial production for domestic use rose 19 percent in 1975, after a resounding 72 percent increase in 1974. Here too the curve ascended mildly in the first nine months and much more precipitately in the final quarter (9.6 percent), as a result of the 10 percent devaluation in September and the preceding mini-devaluations.

Trends in the various industries were mixed, probably reflecting the differential pace at which they adjusted to the November 1974 measures. The food, beverages, and tobacco item moved up at a leisurely 11 percent rate during the year, with the advance gathering speed in the last quarter. Basic metals and metal products reveal a similar picture--modest increases of 11 and 13 percent respectively. In other industries, however, the rises were steep, amounting to 32 percent in wood and minerals, for example.

(c) *Construction Inputs and Housing*

The index of residential construction input prices went up by a sluggish 19 percent in 1975. The 53 percent increase the year before also trailed behind that of the other indexes. The steepest rise was in labor costs, which mounted 24 percent because of the c-o-l allowance increments, payroll tax, and higher national insurance contributions. Excluding labor, the index rose only 14 percent--further evidence of wage-cost pressure.

The relative price of dwellings (compared with the consumer and construction price indexes) slumped conspicuously in 1975, after having moved up steadily in 1968-73 and flattening in 1974. Between October 1974 and October 1975 dwelling prices rose 23 percent,[10] while the consumer price index climbed 35 percent and the construction input price index by 24 percent. The downturn is explained by the noticeable flagging of demand for homes.

10. According to a survey of home prices. Since the data are published after some time-lag, they are not given here for the entire calendar year.

Table IX-6

DWELLING, CONSTRUCTION INPUT, AND CONSUMER PRICES, 1970-75

(percent increase over previous period)

Middle of survey period	Rise in private dwelling prices	Rise in construction input prices	Rise in consumer prices	Index of dwelling prices	Index of construction input prices	Consumer price index	Dwelling prices relative to:	
							Input prices	Consumer prices
April 1, 1970	5.6	0.7	-0.1	105.6	104.8	101.6	100.8	103.9
July 1, 1970	3.5	6.4	1.9	109.3	111.5	103.6	98.0	105.5
October 1, 1970	3.2	1.3	3.3	112.8	113.0	107.0	99.8	105.4
January 1, 1971	4.8	-0.1	3.9	118.2	112.9	111.2	104.7	106.3
April 1, 1971	7.3	2.5	2.3	126.8	115.7	113.8	109.6	111.4
July 1, 1971	6.8	4.6	1.6	135.5	121.1	115.6	111.8	117.2
October 1, 1971	10.8	3.2	3.6	150.1	125.0	119.8	120.1	125.3
January 1, 1972	8.7	2.3	4.5	163.1	127.9	125.2	127.6	130.3
April 1, 1972	6.4	4.3	2.8	173.6	133.4	128.8	130.1	134.8
July 1, 1972	5.2	5.7	1.7	182.6	141.0	131.0	129.5	139.4
October 1, 1972	7.6	3.4	3.0	196.5	145.7	134.9	134.9	145.7
January 1, 1973	6.0	3.5	5.1	208.3	150.8	141.8	138.1	146.9
April 1, 1973	6.1	8.8	5.9	221.0	164.0	150.2	134.7	147.1
July 1, 1973	6.0	10.9	5.1	234.2	181.9	157.9	128.8	148.3
October 1, 1973	5.3	7.2	5.3	246.7	195.0	166.3	126.5	148.3
January 1, 1974	10.5	8.2	10.5	272.6	210.9	183.7	129.2	148.4
April 1, 1974	10.9	12.5	11.3	302.3	237.2	204.4	127.4	147.9
July 1, 1974	8.9	13.3	6.2	329.2	268.7	217.2	122.5	151.6
October 1, 1974	8.2	8.4	9.4	356.2	291.3	237.7	122.3	149.8
January 1, 1975	5.4	6.1	14.1	375.4	309.1	271.1	121.4	138.5
April 1, 1975	7.9	6.1	8.6	405.1	327.9	294.6	123.5	137.5
July 1, 1975	4.0	5.2	3.0	421.3	344.9	303.4	122.1	138.8
October 1, 1975	3.8	5.1	5.9	437.3	362.6	321.4	120.6	136.0

SOURCE: Central Bureau of Statistics.

(d) *Price Rises in Various Population Groups*

The consumer price index shows how much the consumption basket of the average urban family became dearer. Since this population is not homogeneous and the component items do not all move in unison in a given year, it can happen that the price increases in certain population groups will diverge from the average. A survey[11] has revealed that in the past two years (1974-75) the prices of the consumption baskets of the lowest groups (in terms of family expenditure) rose at an above-average rate, while in the two highest groups the increases were below average. This was probably due to the surge of controlled commodity prices, which have a bigger weight in the baskets of the low-income brackets. But it should not be inferred from this that these groups were worse off in 1975, since along with the dearer cost of living they enjoyed a rise in wages and welfare allotments.

11. The survey population was classified into seven family expenditure groups, with the consumption basket broken down into 35 items.