

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3418

ANSWERED ON:13.08.2010

INFLATION AND GROWTH

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Will the Minister of FINANCE be pleased to state:

- (a) the target set by the Union Government for combating inflation and increasing economic growth for the next three years;
- (b) whether reduction of inflation and increasing the rate of growth are the two main targets of the Reserve Bank of India (RBI);
- (c) if so, the facts in this regard;
- (d) whether the Government has any clear cut policy with regard to reducing inflation and increasing the growth of economy which reflects an improvement in the quality of life of the citizens of our country; and
- (e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) No, Sir.

(b) to (e) The Government and Reserve Bank of India monitor the inflation situation and macroeconomic conditions regularly, price stability without hurting the growth being high on its agenda. Initially, WPI headline inflation originated from supply shocks has now become generalized. Given the expected better kharif output than last year, food price pressures may moderate.

Government has initiated several fiscal, administrative and monetary measures in current financial year. As a result, inflation in food articles has declined to 9.53 per cent on July 24, 2010 from its peak of 21.04 per cent on November 28, 2009. Currently, non-food inflation, at 9.8 per cent, is due to industrial demand of non-food items and economic recovery.

Further, RBI has gradually raised its policy rates to reduce demand side inflation and anchor inflationary expectations, while not hurting the recovery process.