

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:85

ANSWERED ON:30.07.2010

INFLATION

Tarai Shri Bibhu Prasad;Yaskhi Shri Madhu Goud

Will the Minister of FINANCE be pleased to state:

(a)whether the prices of commodities in various sectors of the economy are showing a rising trend;

(b)if so, the details thereof, sector-wise;

(c)whether the increase in price of essential commodities continued unabated during the last three years and the wholesale inflation reached double digit in May 2010;

(d)if so, the facts and details thereof; and

(e)the steps taken or proposed to be taken to bring down inflation during the remainder of the Eleventh Five Year Plan?

Answer

FINANCE MINISTER(SHRI PRANAB MUKHERJEE)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 85 BY SHRI BIBHU PRASAD TARAI AND SHRI MADHU GOUD YASKHI DUE FOR ANSWER ON 30th JULY, 2010

Different commodities show varying movements- upward or downward -in prices at different points in time. The sector wise average inflation for last 3 years is indicated in Table below (Table 1).

Table 1 Sector wise average inflation in WPI for last three years (%)

Weight 2007- 2008- 2009- Apr- May- Jun-
(%) 08 09 10 10 10 10

All commodities 100.00 4.61 8.44 3.85 11.23 10.16 10.55

Primary articles 22.03 7.52 10.20 11.00 17.06 16.60 16.28

Fuel,power,light & lubricants 14.23 0.96 7.46 -2.36 12.89 13.05 14.32

Manufactured products 63.75 4.92 8.15 32.69 8.18 6.41 6.66

Composite food items 25.43 3.57 7.59 8.72 15.16 14.56 12.73

Composite non-food items 74.57 4.94 8.71 2.30 9.88 8.65 9.79

Some of the important measures taken by the Government to contain inflation are: selective ban on exports and futures trading in rice, urad and tur; zero import duty on select food items; removal of restrictions on licensing, stock limits and movement of food articles under the Essential Commodities Act of 1955; permitting imports of pulses and sugar by public sector undertakings; distribution of imported pulses and edible oils through the Public Distribution System (PDS) and release of higher quota of non-levy sugar.

In addition a Standing Core Group of Chief Ministers and concerned Central Ministers has been constituted on 15th March, 2010 to discuss issues related to prices of essential commodities with Ministry of Agriculture as nodal agency. The first meeting of the core group was held on 08.04.2010.

Further as part of the monetary policy review, the Reserve Bank of India (RBI) has gradually raised the policy rates to contain inflation and anchor inflationary expectations, while not hurting the recovery process (Table 2).

Table 2.Changes in Policy Rates

Effective Since	Reverse Repo	Repo Rate	Cash Reserve Ratio
February 13,2010	3.25	4.75	5.50
February 27,2010	3.25	4.75	5.75
March 19,2010	3.50	5.00	5.75
April 24,2010	3.75	5.25	6.00
July 2,2010	4.00	5.50	6.00
July 27,2010	4.50	5.75	6.00