

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1839

ANSWERED ON:19.11.2010

PRICE RISE

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Will the Minister of FINANCE be pleased to state:

(a) whether the Government expects high rate of economic growth despite sky rocketing prices of food articles and other essential commodities; and

(b) if so, the details thereof and steps taken or proposed to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) and (b) The professional forecasters' survey of the Reserve Bank registered a marginal upward revision in the GDP growth rate for 2010-11, on the back of higher growth forecasts for agriculture and services sector. The recovery which spans all three sectors, viz., agriculture, industry and services is estimated at 8.8 per cent in the first quarter of current financial year 2010-11; it is in line with growth projection of 8.5 \pm 0/25% in 2010-11.

The Government has taken a number of anti-inflationary measures to bring down the rate of inflation which has moderated to 8.58 per cent in October, 2010 from the headline inflation of 11 per cent at the beginning of the current financial year. The food inflation (weight 24.31 %) reached its peak of 20.22 per cent in the month of February, 2010, thereafter, declined to 18.50 per cent in March 2010 and further to 9.97 per cent in October, 2010.

Government monitors the price situation regularly as price stability remains high on its agenda. Measures taken to contain prices of essential commodities include selective ban on exports and futures trading in food grains, zero import duty on select food items, permitting import of pulses and sugar by public sector undertakings, distribution of imported pulses and edible oils through PDS and release of higher quota of non-levy sugar. RBI has taken suitable measures to moderate demand levels consistent with capacity of the economy to maintain its growth without provoking price rise. Accordingly, the Repo rate and Reverse Repo rate increased to 6 per cent and 5 per cent respectively on September 16, 2010 from a level of 5.75 per cent and 4.50 per cent respectively. Further during their Second Quarter Policy Review on November 2, 2010 RBI raised the Repo rate and Reverse Repo rate to 6.25 per cent and 5.25 per cent respectively.