

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4117

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IMPACT OF INFLATION ON RURAL AREAS

Anuragi Shri Ghansyam ;Azad Shri Kirti (Jha);Hussain Shri Syed Shah Nawaz;Jaiswal Shri Gorakh Prasad ;Panda Shri Baijayant;Pradhan Shri Nityananda;Rama Devi Smt. ;Rao Shri Sambasiva Rayapati;Singh Rajkumari Ratna;Singh Shri Ilyaraj

Will the Minister of FINANCE be pleased to state:

(a)whether the impact of inflation on the rural areas differs from that on the urban areas;

(b)if so, the Government's assessment in this regard;

(c)whether the rural areas and weaker sections are worst hit by inflation;

(d)if so, the steps taken by the Government in this regard; and

(e)the achievement made as a result of the above steps so far?

Answer

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

(a) and (b) The impact of inflation on rural and urban areas differs because of the diverse consumption pattern and income distribution. To capture price movement in rural and urban areas, Labour bureau compiles and releases Consumer Price Index for Rural Labourer (AL/RL) which is pertaining to rural segment of population and Consumer Price Index for Industrial Workers (CPI-IW) which is pertaining to urban segment of population in the country. Based on these two indices, year-on-year inflation rates for two segments are given below in the table:

January-2010 April-2011 May-2011 June-2011 July-2011

CPI-RL	17.35	9.11	9.63	9.14	9.03
Inflation (%)					

CPI-IW	16.22	9.41	8.72	8.62	-
Inflation (%)					

(c) to (e) The Government is aware that inflation hurts the lower income group of society. Measures taken to contain prices of essential commodities include; import prices reduced to zero on rice, wheat, pulses, edible oils (crude) and onion, ban on export of non-basmati rice, edible oils (except coconut oil and forest based oil) and pulses (except Kabuli chana and organic pulses upto a maximum of 10000 tonnes per year), futures trading suspended in rice, urad and tur by the Forward Market Commission, stock limit orders extended in the case of pulses, paddy and rice up to 30 September 2011, duty under Tariff Rate Quota (TRQ) for Skimmed Milk Powder (SMP) reduced from 15 per cent to 5 per cent for import upto an aggregate of 10000 metric tonnes in a financial year, import of 30000 tonnes of Milk Powder and 15000 tonnes of Milk Fat at zero duty allowed to National Dairy Development Board (NDDB) during 2010-11 under TRQ, reduction in custom duty on crude oil and import duty on petrol and diesel.

As part of the monetary policy review stance, the RBI has taken suitable steps with 11 consecutive increases in policy rates and related measures to moderate demand to levels consistent with the capacity of the economy to maintain its growth without provoking price rise. As per the most recent announcement of the RBI on 26 July 2011, the repo rate and reverse repo rate have been revised to 8.0 per cent and 7.0 per cent respectively. In response of anti inflationary policies of Government, the CPI-RL based inflation has eased to 9.03 per cent in July 2011 from its peak of 17.35 per cent in January 2010.