

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1910
ANSWERED ON:02.12.2011
ASSESSMENT OF INFLATION RATE
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has projected/assessed to bring down the rates of inflation between 6 to 7 per cent by March, 2012;
- (b) if so, the basis of this assessment/ projection; and
- (c) the measures taken/proposed to be taken by the Government to bring down Inflation to more acceptable levels?

Answer

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

(a)and(b) With demand side pressures moderating, as a consequence of the calibrated withdrawal of the fiscal stimulus and the tightening of credit by Reserve Bank of India (RBI), along with record food grain production this year, overall WPI inflation is likely to decline from December onwards and the current fiscal is likely to end with headline inflation of around 7 per cent.

(c) Measures taken to contain prices of essential commodities include; import prices reduced to zero on pulses, edible oils (crude), ban on export of 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% to 5% 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 13 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 25 Oct 2011, the repo rate and reverse repo rate have been revised to 8.5 per cent and 7.5 per cent respectively.