

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2680

ANSWERED ON:09.12.2011

EFFECT OF DIESEL/PETROL PRICE ON PRICES OF ESSENTIAL COMMODITIES

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Will the Minister of FINANCE be pleased to state:

- (a) whether the hike in the price of diesel and petrol lead to increase in the prices of essential commodities like vegetables, food etc.;
- (b) if so, the details thereof;
- (c) whether the Government proposes to delink/neutralise the effect of diesel and petrol prices on the prices of essential commodities; and
- (d) if so, the details thereof?

Answer

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

(a) to (b) Yes Sir. Increase in the prices of diesel and petrol leads to increase in the transportation cost and hence increase in the prices of essential commodities like vegetables, food etc. The following table gives overall wholesale price index based inflation and point contribution of some essential commodities to the overall inflation from April 2011 to October 2011.

Year-on-year headline WPI inflation and point contribution for select commodities

	Inflation Point Contribution										
	All commo -dities	Food grains (cereals +pulses)	Vege -tables	Milk & fish	Eggs, meat	Petrol	High speed diesel	Food com -bined	Essential commo -dities	31	14.60
Weight (%)	100.00	4.09	1.74	3.24	2.41	1.09	4.67	24.31	14.60		
Apr-11	9.74	0.11	0.04	0.11	0.34	0.22	0.27	2.45	1.01		
May-11	9.56	0.13	-0.01	0.24	0.21	0.28	0.27	2.24	1.25		
Jun-11	9.51	0.11	-0.14	0.46	0.31	0.31	0.32	2.23	1.53		
Jul-11	9.36	0.13	0.16	0.43	0.31	0.25	0.47	2.28	1.46		
Aug-11	9.78	0.17	0.29	0.38	0.34	0.25	0.47	2.55	1.65		
Sep-11	9.72	0.21	0.33	0.42	0.32	0.28	0.47	2.47	1.60		
Oct-11	9.73	0.28	0.51	0.45	0.41	0.30	0.47	2.77	1.72		

(c) to (d) India imports 70-80 per cent of its crude oil requirement; hence international oil prices play a decisive role in the domestic pricing of petroleum products. There is no proposal to delink/neutralise the effect of diesel and petrol prices on the prices of essential commodities. However, Government provides subsidy on Kerosene, LPG and Diesel to neutralise the impact of price rise on common man. In addition, Government has also reduced the custom duty on crude oil and import duty on petrol and diesel.