

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3880

ANSWERED ON:27.04.2012

INFLATION RATE

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Will the Minister of FINANCE be pleased to state:

- (a) the general and sector-wise inflation registered since October, 2011, till date alongwith the reasons for increase in inflation, if any;
- (b) whether there are supply chain constraints and constant rise in prices of essential commodities despite fall in inflation rate in recent past, several monetary and other measures taken by the Reserve Bank of India and the Government;
- (c) if so, the reaction of the Government thereto alongwith monetary measures taken by the RBI to check inflation during the last two years, till date;
- (d) whether the Government has set up an Inter-Ministerial Group (IMG) to review the overall inflation situation;
- (e) if so, the details and composition thereof alongwith the recommendations made by the Group and the follow-up action taken by the Government thereon; and
- (f) the other remedial measures taken/proposed to be taken to check further rise in inflation and improve the supply position?

Answer

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

(a) The general and sector-wise inflation in terms of Wholesale Price Index (WPI) since October 2011 is given below:

Wholesale Price Inflation (Year-on-Year in per cent)

AH Primary Fuel and Manufactured
Commodities Articles Power Products

October-2011	9.87	10.96	14.79	8.05
November-2011	9.46	8.90	15.48	8.17
December-2011	7.74	3.59	14.98	7.64
January-2012	6.89	2.76	14.61	6.71
February-2012 (P)	6.95	6.28	12.83	5.75
March-2012 (P)	6.89	9.62	10.41	4.87

P- Provisional

Overall inflation in March, 2012 for all major groups was lower compared to the rate of inflation in October, 2011. In case of primary articles, however, inflation after declining to 2.76 per cent in January, 2012 increased to 9.62 per cent in March, 2012. Apart from the base effect, increase in the inflation of primary articles was largely on account of persistently high inflation for protein rich items like milk and `egg, meat and fish`.

(b) Inflation for 31 essential commodities has declined from 18.5 per cent in March around 5 per cent in January 2012 before inching upward to 8.9 per cent in March 2012 due to high inflation in protein rich items on account of structural demand supply imbalances.

(c) The Reserve Bank took necessary monetary measures to contain inflation. The repo rate under the Liquidity adjustment facility (LAF) was cumulatively increased by 375 basis points between March 2010 and October 2011 to 8.5 per cent. With moderation of inflation beginning December, 2011 and in view of decelerating growth, the policy rates were reduced by 50 basis points. The policy action is intended to: (i) Adjust policy rates to levels consistent with the current growth moderation, (ii) guard against re-emergence of the risks of demand-led inflationary pressures re-emerging and (iii) provide a greater liquidity cushion to the financial system.

(d) Yes, Sir.

(e) Composition of members of IMG is at Annex-1. Based upon its deliberations, the IMG has recommended reforms in the APMC Acts and foreign direct investment (FDI) in multi-brand retail. These initiatives are expected to reduce the spread between prices paid

by consumers and the ones received by producers and encourage investment in supply chain. While the reform in the APMC Act is under consideration of the Department of Agriculture and Cooperation, on FDI in multi-brand retail, the Government is in the process of creating consensus among various stakeholders.

(f) The union budget for 2012-13 has proposed certain specific supply side measures which could improve the inflation situation, particularly in case of protein rich items.

National Mission for Protein Supplement; To increase the supply of the protein supplements, government had launched a National Mission for Protein supplements in 2011-12 with allocation of 300 crore. The Mission has taken up activities to promote animal based protein production through livestock development, dairy farming and fisheries in selected blocks. Union budget 2012-13 has attempted to further strengthen the mission.

National Mission on Oilseeds and Oil Palm aims to increase production and productivity of oil seeds and oil palm.

5 million tonnes storage capacity for food grains is proposed to be added during 2012-13.

The allocations for the scheme Bringing Green Revolution to Eastern India (BGREI) has also been increased from Rs. 400 crore in 2011-12 to Rs. 1000 crore in 2012-13 in view of its potential for increasing availability of agricultural produce.

Annex 1

(Referred to an answer to part (e) of the question) Composition of the Inter Ministerial Group (IMG)

1. Dr. Kaushik Basu, Chief Economic Adviser, M/o Finance Chairman

2. Secretary, D/o Consumer Affairs, or, in his absence, Member
a senior officer nominated by the Secretary

3. Secretary, D/o Food & Public Distribution, or, in Member
his absence, a senior officer nominated by the Secretary

4. Secretary, D/o Agriculture & Cooperation, or, in Member
his absence, a senior officer nominated by the Secretary

5. Secretary, D/o Animal Husbandry, Dairying & Fisheries, Member
or, in his absence, a senior officer nominated by the Secretary

6. Representative of Planning Commission Member

7. Economic Adviser, D/o Economic Affairs Member-Secretary

IMG may co-opt representative(s) from any other Ministry/Department, and may engage consultants as may be required.