

**GOVERNMENT OF INDIA  
PLANNING  
LOK SABHA**

UNSTARRED QUESTION NO:6660  
ANSWERED ON:16.05.2012  
INFLATION AND PRODUCTION CAPACITY  
Singh Smt. Meena

**Will the Minister of PLANNING be pleased to state:**

(a) whether the Government is aware of the rising inflation, slump/ slow rate of foreign direct investments and the fall in industrial production in the country; and

(b) if so, the details of the concrete measures being taken to check inflation and augment the rate of production/ production capacity of domestic industries?

**Answer**

MINISTER OF STATE FOR PLANNING, SCIENCE & TECHNOLOGY AND EARTH SCIENCES (DR. ASHWANI KUMAR)

(a) :Yes, Sir.

(b) : Inflation during most part of 2010-11 and the first two quarters of 2011-12 has been on the higher side, due to a combination of supply and demand factors. A series of supply shocks, particularly global commodity prices, resulted in increase in input costs, exerting pressure on inflation.

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.

In addition, Government has constituted an Inter-Ministerial Group (IMG) under the Chief Economic Adviser to review trends in overall inflation and suggest corrective measures. The IMG has already 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, arrest inflation and encourage investment in supply chain. These are under different stages of consideration by the Government.

As a result of measures adopted by the Government and Reserve Bank of India (RBI), year- on-year headline inflation in terms of Wholesale Price Index (WPI), which was as high as 9.87% in October,2011 has started moderating and remained under 7% during the period January-March, 2012(source: Office of Eco. Adviser, DIPP).

The Union Budget for 2012-13 has also proposed certain specific supply side measures which could improve the inflationary situation. They inter alia include strengthening of National Mission for Protein Supplement; launching of National Mission on Oilseeds and Oil Palm, addition of 5 million tonnes storage capacity for food grains during 2012-13 and enhancement of allocation of the scheme Bringing Green Revolution to Eastern India (BGREI).

Various steps have been taken by the Government to boost domestic industrial production and capacity addition. These include promotion and facilitation of industrial investment, liberalization of norms of foreign direct investment; improvement in business environment; development of industrial and other infrastructure through public private initiatives; incentivizing research and development; and development of industry related skills.

Some of the major initiatives taken for augmenting domestic manufacturing capabilities are approval of National Manufacturing Policy including setting up of National Manufacturing & Investment Zones (NMIZ); Delhi-Mumbai Industrial Corridor Project, Petroleum Chemicals and Petrochemical Investment Regions (PCPIRs) etc. In addition, projects such as Indian Leather Development Programme (ILDPP), Industrial Infrastructure Upgradation Scheme (IIUS), Scheme for Integrated Textile Parks (SITP), Mega Food Park etc. are being implemented for promotion of investment in focus sectors like leather, textiles, food processing etc. In case of automobile sector, a National Council for Electric Mobility and National Board for Electric Mobility have been set up to propagate electric mobility and manufacture of electric & hybrid vehicles and National Automotive Testing and R&D Infrastructure (NATRIP) is already under implementation for providing world class facility for testing, homologation & certification in the country. For investment growth in IT and Electronics, IT Investment Regions (ITIR) has already been notified and Empowered Committee is already taking steps for setting up of semiconductors Fab units in India.

