

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:77

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INFLATION

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Will the Minister of FINANCE be pleased to state:

- (a) the details of inflation rate during the last six months alongwith its effect on the growth rate of the economy;
- (b) the effect of inflation on demand and prices in the market;
- (c) whether retail prices of food items are increasing at a higher rate than inflation rate as a whole; and
- (d) if so, the reasons therefor and the efforts being made by the Government to check this rise in prices?

Answer

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

(a) & (b) The headline rate of inflation in terms of Wholesale Price Index (WPI) and the all India Consumer Price Index- New Series (CPI-NS) is given in Table 1.

Table 1. Headline inflation in WPI and CPI-New Series (%)

WPI All commodities All India CPI-New Series

Jan-12	7.23	7.65
Feb-12	7.56	8.83
Mar-12	7.69	9.38
Apr-12	7.50	10.26
May-12	7.55	10.36
Jun-12	7.25	10.02

The rate of growth of Gross Domestic Product (GDP) witnessed a sequential slow- down from 9.2 per cent in Q4 (Jan-Mar) of 2010-11 to 5.3 per cent in Q4 (Jan-Mar) of 2011-12. The sharp slowdown in growth is largely attributable to the contraction in value added in the manufacturing sub-sector and deceleration in most services sub-sectors. The downturn reflects the continued high inflation as well as the impact of other adverse global and domestic macro-economic factors.

(c) The year-on-year headline inflation and food inflation as per the CPI-New series, which reflects the inflation at retail price level, is given below:

Table 2. All India Headline and Food Inflation in CPI-New Series (%)

Year-on-Year Year-on-Year
Headline inflation Food Inflation

Jan-12	7.65	4.06
Feb-12	8.83	6.65
Mar-12	9.38	8.10
Apr-12	10.26	10.11
May-12	10.36	10.52
Jun-12	10.02	10.78

During January 2012, food inflation was lower than the overall CPI inflation. However, since May 2012, the food inflation is higher than the overall CPI inflation.

(d) Significant increase in food inflation in recent months was driven largely by the increase in vegetable prices following the seasonal decline. Apart from vegetables, inflation was also high in pulses and edible oils. While cereals inflation remained moderate in the recent past it increased in Q1 of 2012-13 despite record foodgrains production in the previous year. Also, inflation in protein-rich items like milk, eggs, fish and meat continued to be high, reflecting both structural demand-supply imbalances and input cost pressures. Supply side measures as well as sector/commodity specific interventions were initiated by the Government to address the concerns on food inflation. Apart from several fiscal and administrative measures taken earlier, the Government of India announced

the following measures in the Union Budget 2012-13.

National Mission for Protein Supplement: To improve productivity in the dairy sector, a Rs.2,242 crore project is being launched with World Bank assistance. To broaden the scope of production of fish to coastal aquaculture, apart from fresh water aquaculture, the outlay in 2012-13 is being stepped up to Rs.500 crore. Suitable allocations are also being made for poultry, piggery and goat rearing.

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

The allocations for the scheme Bringing Green Revolution to Eastern India (BGREI) has been increased from Rs.400 crore in 2011-12 to Rs.1000 crore in 2012-13 as the scheme has resulted in additional paddy production of seven million tonnes in Kharif 2011.

A 18 per cent higher budgetary allocation for agriculture, besides an increase in targeted credit for agriculture credit by Rs.100,000 crore should help from the supply side.