

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:112

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INFLATION .

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Will the Minister of FINANCE be pleased to state:

- (a)the rate of inflation and the rate of economic development during the last year and the current year in the country;
- (b)whether the rate of inflation in India is higher than that of other developed or developing countries of the world during 2008-12;
- (c)if so, the details thereof and the reasons therefor alongwith the steps taken/proposed to be taken by the Government to contain inflation in the country;
- (d)whether the Government has made any assessment of the effect/impact of inflation on demand and supply of various consumer goods in the market; and
- (e)if so, the outcome thereof and the efforts being made by the Government to check inflation and the rise in prices of various consumer goods in the country?

Answer

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

(a) The inflation in terms of Wholesale Price Index which had averaged 8.94 per cent for 2011-12 declined to 7.46 per cent during 2012-13 (Apr-Jan). The overall growth of India's Gross Domestic Product (GDP) at factor cost at constant (2004-05) prices is estimated at 5.0 per cent for 2012-13 as compared to 6.2 per cent achieved in 2011-12.

(b) & (c) Comparative inflation rates of India and the other advanced & developing countries from 2008 to 2012 are given in Table 1.

Comparative movement of inflation rates (per cent)

	2008	2009	2010	2011	2012
India	8.1	10.8	12.0	8.9	9.3
Advanced economies	3.4	0.1	1.5	2.7	2.0
Emerging market and developing economies	9.3	5.1	6.1	7.2	6.1

Note: The above inflation rates are based on annual averages of Consumer Price Index (CPI). In case of India Consumer Price Index for Industrial Workers (CPI-IW) has been used.

Source: International Monetary Fund, World Economic Outlook Database and Labour Bureau, Shimla.

Inflation rates in India during the last four years has been relatively higher than the inflation in advanced and developing economies because of higher food inflation and differential impact of global commodity prices. Apart from the administrative and fiscal measures that the Government has taken to control inflation, the Reserve Bank also had taken necessary monetary measures to moderate demand in the economy.

(d) & (e) Monetary policy to contain inflation, operating through the interest rates, usually leads to a moderation in growth of private final consumption expenditure (PFCE) in the economy. As per the estimates by Central Statistics Office, rate of growth of PFCE moderated from 8.0 per cent in 2011-12 to 4.1 per cent in 2012-13. Since October 2011, the stance of monetary policy, however, has shifted to addressing increasing growth risks as reflected in the slowing down of the economy. In addition, Government has also being taking appropriate fiscal and commodity specific measures to contain inflation.