

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:173

ANSWERED ON:22.02.2013

IMPACT OF HIKE IN DIESEL PRICE ON INFLATION

Choudhary Shri Bhudeo;Karunakaran Shri P.;Mahajan Smt. Sumitra;Meghwal Shri Arjun Ram ;Owaisi Shri Asaduddin;Ram Shri Purnmasi;Reddy Shri Modugula Venugopala ;Shekhar Shri Neeraj;Singh Shri Radha Mohan;Singh Shri Yashvir;Upadhyay Seema;Yadav Shri Ranjan Prasad

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

- (a)whether the Government has made any assessment of impact of hike in price of diesel on various sectors of the economy and the overall inflation in the country;
- (b)if so, the details thereof and if not, the reasons therefor;
- (c)whether the Planning Commission has given any suggestions in this regard;
- (d)if so, the details thereof along with the response of the Government thereon; and
- (e)the steps being taken or proposed to be taken by the Government to mitigate the impact of hike in price of diesel on inflation?

**Answer**

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

(a) & (b) Direct impact of increase in diesel prices on overall inflation is indicated below. No assessment has, however, been made of the impact of diesel price increase on different sectors of economy.

Headline WPI High Speed Diesel

	Inflation	Inflation	Contribution
Weight (%)	100.00	4.67	4.67
Apr-12	7.50	9.24	5.82
May-12	7.55	9.24	5.77
Jun-12	7.58	6.81	4.31
Jul-12	7.52	0.00	0.00
Aug-12	8.01	0.48	0.30
Sep-12	8.07	8.94	5.56
Oct-12	7.32	14.60	9.95
Nov-12	7.24	14.60	10.04
Dec-12	7.18	14.60	10.13
Jan-13	6.62	15.02	11.21

(C) & (d) The 12th Five Year Plan Document recently finalised by the NDC indicates the suggestions with respect to the diesel prices as under:

i. Although important steps have been taken in the first year of the Twelfth Plan to adjust diesel prices and to cap the subsidy on LPG, this has not eliminated the under-recovery of oil companies. The increase in under-recoveries of OMCs is adversely affecting the financial position of OMCs and may affect mobilisation of funds for new projects during the Twelfth Plan period. Currently, the under-recoveries of OMCs are compensated by the Government from fiscal budget, discount on crude and products by upstream oil companies and part absorption by OMCs.

ii. One of the reforms required in the sector is to operationalize a road map to move petroleum product prices received by marketing companies to prices aligned with global prices. This may not be possible immediately, but it can be achieved by the end of the Twelfth Plan for diesel and petrol.

(e) There was a partial deregulation of diesel prices. By a decision taken on January 17, 2013, the Oil Marketing Companies (OMCs) have been allowed to raise diesel prices for retail consumers by a small quantum periodically until they are able to cover the under-recoveries. Since the increase would be small, its impact on retail consumers and inflation would remain small and muted.