

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2040
ANSWERED ON:08.03.2013
STAGFLATION
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Will the Minister of FINANCE be pleased to state:

- (a) whether the economy of the country is facing stagflation and pathetic fiscal conditions;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the remedial measures taken/being taken by the Government for the recovery of the economy from this situation?

Answer

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

(a) & (b) Trends in macroeconomic indicators suggest that the economy is neither facing stagflation nor pathetic fiscal conditions. As per the Advance Estimates released by the Central Statistics Office (CSO), the growth rate of Gross Domestic Product (at factor cost at constant 2004-05 prices) is estimated to be 5.0 per cent in 2012-13. Headline Wholesale Price Index (WPI) inflation has declined to 6.6 per cent in January 2013. The fiscal situation has shown improvement in line with the road map for fiscal consolidation. The gross fiscal deficit to GDP ratio is budgeted to decline to 4.8 per cent in 2013-14 from 5.2 per cent in 2012-13 (Revised Estimate).

(c) Several steps have been undertaken for the recovery of growth including the setting up of the Cabinet Committee on Investment (CCI) to fast track large investment projects; strengthening of financial and banking sector; disinvestment in certain Public Sector Undertakings; permitting FDI in areas including multi- brand retail, power exchanges and aviation; fiscal consolidation, etc. The Union Budget 2013-14 has outlined several initiatives to boost investment in infrastructure and industry, that inter alia include encouraging Infrastructure Debt Funds, credit enhancement to infrastructure companies, raising the corpus of Rural Infrastructure Development Fund, introduction of investment allowance for new high value investments, etc. These measures would help revive market confidence. In addition, measures including reduction in import duties and suspension of futures trading in certain commodities, tightening of monetary policy have been undertaken to control inflation.