

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:39

ANSWERED ON:06.12.2013

INFLATION RATE

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

- (a) whether the rate of inflation in India is higher than the other neighbouring countries and if so, the details thereof and the reasons therefor;
- (b) the average rate of inflation during each month of the last year and the current year till date in the country along with the reasons for its continuous increase and the reaction of the Government thereto;
- (c) the efforts made and the results achieved therefrom with regard to stabilising/reducing the prices of essential commodities;
- (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 details thereof and the action plan chalked out by the Government to provide relief to the common man from the ever increasing inflation?

**Answer**

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 39 BY SHRI ARVIND KUMAR CHAUDHARY AND SHRI GANESH SINGH DUE FOR ANSWER ON 6TH DECEMBER, 2013

(a) to (e) Cross country comparisons of levels of inflation needs to be made with caution as the nature, scope and methodology of the indices used as well as the structure of domestic markets differ. For instance, Central Statistics Office, Ministry of Statistics and Programme Implementation has been publishing the comprehensive consumer price index of inflation (new series) only since January 2011. There are other consumer price indices available for sections of the populace like Industrial Workers, Agricultural Labourers and Rural Labourers. It is in this context the wholesale price index measure of inflation has been important in any analysis of overall inflation. The World Economic Outlook of the International Monetary Fund (IMF) gives details of consumer prices for various countries. As per the IMF, inflation as measured by consumer price index (CPI) in India was lower than Bhutan and Pakistan, while it was higher than other neighbouring countries (Bangladesh, Nepal, Sri Lanka and China) in 2012 (Table 1). CPI inflation remained high in India in 2012 due to elevated food inflation especially food grains, edible oils, egg, meat & fish, milk and vegetables and non-food items like pan, supari, fuel & light and services.

Table 1: Consumer Price Inflation (Per cent)

Country	2009	2010	2011	2012
Pakistan	17.6	10.1	13.7	11.0
Bhutan	4.4	7.0	8.9	10.9
India	12.4	10.4	8.4	10.4
Bangladesh	5.4	8.1	10.7	8.7
Nepal	12.6	9.5	9.6	8.3
Sri Lanka	3.5	6.2	6.7	7.5
China	-0.7	3.3	5.4	2.6

Source: International Monetary Fund, World Economic Outlook, October 2013

Headline wholesale price index (WPI) inflation declined to a 42 month low of 4.6 per cent in May 2013 and averaged 5.8 per cent in 2013-14 (Apr-Oct) which is lower than 7.4 per cent in 2012-13. However, CPI-IW inflation increased from 9.1 per cent in September 2012 to 11.1 per cent in October 2013 (Table 2), primarily driven by food inflation especially meat, fish & eggs, vegetables & fruits and non-food items like fuel, medical care and transportation. CPIs assign higher weight to the food group and, hence, show higher aggregate inflation on account of high food inflation.

Table 2: Year-on-year inflation based on WPI and CPI-IW (Per cent)

	WPI inflation		CPI-IW inflation	
	2012-13	2013-14	2012-13	2013-14
April	7.5	4.8	10.2	10.2
May	7.5	4.6	10.2	10.7
June	7.6	5.2	10.1	11.1
July	7.5	5.9	9.8	10.8
August	8.0	7.0	10.3	10.7
September	8.1	6.5 P	9.1	10.7
October	7.3	7.0 P	9.6	11.1
November	7.2		9.5	
December	7.3		11.2	
January	7.3		11.6	
February	7.3		12.1	
March	5.7		11.4	
Average	7.4	5.8 P	10.4	10.8

Source: Office of Economic Adviser and Labour Bureau. P: Provisional

Government and Reserve Bank of India (RBI) monitor the price situation regularly, as price stability remains high on their policy agenda. Various fiscal, monetary and administrative measures have been taken to reduce inflation. As a result, the composite inflation of 31 essential commodities in terms of WPI which averaged 10.65 per cent in 2012-13 declined to 9.48 per cent in 2013-14 (Apr-Oct).

Some of the specific measures already in place include: reducing import duties for wheat, onion, pulses and refined edible oils; banning export of edible oils and pulses; imposing stock limits from time to time in the case of select essential commodities; maintaining the Central Issue Price (CIP) for rice (at Rs 5.65 per kg for BPL and Rs.3 per kg for AAY) and wheat (at Rs 4.15 per kg for BPL and Rs 2 per kg for AAY) since 2002; suspending futures trading in rice, urad and tur; fixing the Minimum Export Price (MEP) of onion at USD 1150 per MT and allocating 195000 tonnes of rice and 327000 tonnes of wheat for distribution to retail consumers under Open Market Sales Scheme Domestic [OMSS(D)] for the period upto March, 2014. As per Second Quarter Review (October 29, 2013) of the RBI, the policy stance and measures are intended to curb mounting inflationary pressures and manage inflation.

An analysis of the drivers of inflation indicate that different items of consumption has been driving it at different points of time. No specific/ comprehensive study has been conducted on the impact of price rise on demand of various consumer goods. Detailed data on consumption pattern is available quinquennially through the National Sample Survey Office's (NSSO's) consumer expenditure surveys. However, Government closely monitors the production and availability of essential commodities and calibrates appropriate corrective measures.