

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1242
ANSWERED ON:18.07.2014
INFLATION AND GROWTH RATE
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Will the Minister of FINANCE be pleased to state:

- (a) whether the rate of inflation is higher than the growth rate in the country;
- (b) if so, the details thereof for the last three years and the current year; and
- (c) the steps proposed to be taken by the Government in this regard?

Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) & (b) The growth rate of the Indian economy is measured by the growth in Gross Domestic Product (GDP) at factor cost at constant prices (real GDP). As such, the growth in real GDP is after adjusting for inflation. Inflation is normally measured by the Wholesale Price Index (WPI) and Consumer Price Index (CPI). For the purpose of comparison with GDP growth rate, the measure of implicit GDP deflator is the most appropriate indicator as the baskets of WPI and CPI cover only a portion of the GDP. The details of the growth rate of GDP at factor cost at current and constant (2004-05) prices together with the inflation as measured by the implicit GDP deflator for the last three years is detailed below (Table 1). Data on real GDP for 2014-15 is not available.

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Table 1: GDP growth rate (in per cent) (Base 2004-05)

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	2011-12	2012-13	2013-14
GDP at factor cost (current prices)	15.8	11.9	11.5
GDP at factor cost (constant prices)	6.7	4.5	4.7
Implicit GDP deflator	8.5	7.1	6.5

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Figures for 2011-12 are Second Revised Estimates, 2012-13: First Revised Estimates and 2013-14 is Provisional.

(c) While inflation has exhibited a decline in 2013-14, it continues to be at elevated levels and containing inflation is a priority agenda of the Government. Union Budget 2014-15 outlines the measures to bring down inflation on a sustainable basis that inter alia include: laying emphasis on bringing technology driven second green revolution with focus on higher productivity and "Protein revolution"; establishing a Price Stabilization Fund to mitigate the risk of price volatility in the agriculture produce; accelerating the setting up of a National Market with the Central Government working closely with State Governments to re-orient their respective APMC Acts., so as to provide for the establishment of private market yards/ private markets; encouraging the state governments to develop farmers' markets in towns to enable the farmers to sell their produce directly; restructuring FCI on priority basis and reducing transportation and distribution losses and improving efficacy of the public distribution system; developing indigenous cattle breeds and initiating a blue revolution in inland fisheries through allocations of Rs. 50 crore each for 2014-15.

In addition to above several measures have been outlined in the Union Budget 2014-15 to kick-start growth in the economy that has slowed down in the last two years inter alia include: fiscal consolidation with an emphasis on expenditure reforms through an 'Expenditure Management Commission'; initiatives for skill development in rural areas in the public private partnership mode to improve productivity and for creating employment opportunities and the proposal to launch a national multi-skill programme; proposals to boost agriculture via emphasis on irrigation and long-term credit; impetus to rural infrastructure especially rural roads; emphasis on development of smart cities to promote urban development.