

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4066

ANSWERED ON:20.03.2015

BENEFITS OF FALL IN PRICES

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

(a) whether the prices of crude oil, petrol, cotton, yarn, iron-ore, steel and foodgrains etc. have fallen in India and International market during the period July, 2014 to January, 2015;

(b) if so, the details thereof, item-wise;

(c) whether the benefits of reduction in prices have been passed on to the consumers;

(d) if so, the details thereof and if not, the reasons therefor; and

(e) the steps taken by the Government to give relief to the people?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b) The trend in prices is better reflected by the price indices. The item-wise price indices (Wholesale Price Index- Base 2004-05) of crude oil, petrol, cotton yarn, iron-ore, steel and foodgrains and the corresponding global price indices (World Bank Commodity Price Index- Base 2010) available during July, 2014 to January 2015 are given in table 1 and table 2 respectively.

Table 1: Wholesale Price Index (WPI) of selected commodities (2004-05=100)

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15 (P)
Mineral oils	237.6	236.5	235.6	231.4	214.4	205.6	197.8
Petrol	201.1	194.6	187.4	183.9	175.3	170.8	164.1
Cotton Yarn	186.5	184.6	181.3	178.0	174.2	172.1	170.4
Iron-Ore	524.4	527.9	537.4	542.8	540.0	562.3	540.0
Steel	130.5	130.9	130.9	130.9	130.9	128.3	130.9
Foodgrains	235.3	237.3	237.0	235.9	236.0	235.0	237.4

Source: Office of the Economic Adviser, DIPP. P: Provisional

Table 2: World Bank commodity price indices (2010=100)

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Energy	126.9	121.2	116.6	106.2	96.4	78.6	63.0
Other Raw Materials (cotton, rubber & tobacco)	78.8	73.8	71.0	70.1	69.5	69.3	70.1
Metals & Minerals	88.2	88.0	85.1	82.6	82.9	78.8	73.8
Grains	101.0	99.1	92.9	92.9	98.0	99.6	96.8

Source: World Bank Pink Sheet

The prices of crude oil, petrol and cotton yarn have fallen both in India and International market during the period July, 2014 to January, 2015. However, the prices of iron-ore, steel and foodgrains have declined in the international market but increased/ remained stagnant in India.

(c) & (d) Broadly, the reduction in global prices had moderating impact on domestic prices. The divergence in the domestic and international prices stem from the extent of openness of international trade and depreciation of rupee. Various restrictions in the food and trade policy imposed to protect either farmers or consumers, particularly tariff barriers affect the transmission of lower international prices to domestic prices.

(e) As mentioned above, the domestic prices of major commodities / commodity- groups have moderated. With a view to providing relief to the people from high food inflation this government has taken the following steps:

Higher allocation of rice to BPL and APL families in states and, higher allocation of wheat under Open Market Sales Scheme (Domestic) for 2014-15;

Moderation in increases in the Minimum Support Prices during the last and current season;

Advisory to the states to allow free movement of fruits and vegetables by delisting them from the APMC Act;

Restrictions on hoarding and exports of onions and potatoes.

Government has also signed with the RBI an agreement on flexible inflation targeting framework thereby mandating the RBI powers to administer monetary policy to keep CPI inflation within a range of +/-2 percentage points of 4 percent.