

ORAL ANSWERS TO QUESTIONS

Comparison of Inflation Rate with International Trend

*201. SHRI N. K. SINGH: Will the PRIME MINISTER be pleased to state:

(a) how does the inflation rate for cereals, pulses and edible oils in India compare with the international trends; and

(b) what is the impact of international price behavior on national price trends in respect of aforesaid commodities?

THE MINISTER OF HOME AFFAIRS (SHRI P. CHIDAMBARAM): (a) and (b) A Statement is laid on the Table of the House.

Statement

Comparison of Inflation Rate with International Trend

(a) and (b) India uses the Wholesale Price Index (with base 1993-94=100) to calculate the rate of inflation. Domestic year-on-year inflation is calculated as the percentage change in the price index in the current month over the corresponding month in the previous year. For the global market, the international price indices (with base 2004=100) are being used for comparison.

Comparative inflation rates of select food items in domestic and international market are indicated in the table below:

Table - Month wise comparative inflation rates in 2008(%)

Year-on-Year inflation based on WPI in India (%)

Commodity	Jan- 2008	Feb- 2008	Mar- 2008	Apr- 2008	May- 2008	Jun- 2008	Jul- 2008	Aug- 2008	Sep- 2008	Oct- 2008	Nov- 2008
1	2	3	4	5	6	7	8	9	10	11	12
Rice	7.89	8.13	8.27	8.73	7.96	7.61	7.75	6.61	5.40	6.99	10.77
Wheat	-1.28	0.26	3.96	6.86	7.19	7.69	8.18	6.91	7.81	5.42	3.56
Maize	-2.46	-3.10	-1.93	1.12	0.98	4.95	4.90	7.03	9.18	13.32	14.44
Pulses	-11.07	-10.87	-2.24	-2.42	-2.93	-1.30	1.44	6.56	8.51	8.68	12.25
Gram	-14.59	-9.64	5.83	6.62	4.94	6.01	5.00	7.90	7.49	5.52	6.66
Arhar	18.00	10.75	15.24	11.60	9.21	10.26	9.18	6.99	11.01	9.13	8.60
Moong	-19.84	-19.94	-16.83	-17.09	-16.17	-13.22	-4.14	11.79	16.72	18.20	20.45
Masur	27.46	28.76	30.95	27.72	24.71	20.83	17.00	19.79	18.33	20.10	24.58
Urad	-26.70	-28.00	-19.42	-17.79	-17.22	-14.94	-9.54	-4.57	-2.48	0.46	11.59
Coconut Oil	-6.17	-3.74	5.87	9.01	8.76	16.04	25.11	28.66	31.42	24.91	24.40
Groundnut Oil	8.27	7.16	11.44	5.40	6.64	6.14	-0.33	-3.68	-4.21	-2.43	-0.76
Imported Oil	19.18	28.00	45.06	21.61	18.02	24.24	22.14	1.13	-9.08	-23.01	-36.01
Soybean Oil	3.89	3.11	9.86	14.29	7.99	10.09	13.12	13.19	11.28	10.73	7.54

1	2	3	4	5	6	7	8	9	10	11	12
<i>Year-on-Year inflation on prices in international market (%)</i>											
Rice	27.1	59.3	87.7	206.4	204.9	151.9	138.5	126.3	123.3	94.4	68.4
Wheat	89.0	112.5	120.9	82.7	68	56.3	37.7	26.8	-9.5	-29.2	-29.5
Maize	25.2	24.1	36.8	61.3	51.9	73.7	80.7	57	42.5	11.6	-4.4
Coconut Oil	75.8	81.1	90.8	74.4	68.0	58.4	54.6	31.1	19.4	-15.2	-36.3
Groundnut Oil	57.7	66.9	90.1	83.0	102.3	101.7	89	68.9	62	44.3	2.7
Palm Oil	76.8	91.7	100.6	65.4	56.4	50.7	39.1	7.8	-7.7	-38.1	-49.7
Soybean Oil	83.1	96.1	104.3	87.3	82.2	84.5	70.7	45.4	27.8	-8.3	-28.5

As India's external trade in agricultural commodities is limited and varies from year to year, based on domestic supply variations, it is difficult to ascribe one-to-one correspondence between the international and national price trends. However, it is observed that for the commodities referred to, there has been a decline (as of November 2008) in inflation in the international market. In the domestic market (as of November 2008), the overall inflation rates for cereals (except wheat) and pulses have shown increase. In respect of edible oils, the prices have shown signs of moderation or decline.

SHRI N. K. SINGH: Mr. Chairman, considering the prognosis that inflationary expectations have been anchored in a downward direction, what additional steps, in view of the limited success achieved of a fiscal package announced outside the Parliament will be taken to reverse expectations and to imbibe confidence. What the Government is contemplating to sustain our growth momentum in the light of continuing global meltdown and what is widely perceived to be a prolonged recession in well developed countries?

SHRI P. CHIDAMBARAM: Sir, the word "recession" has to be understood and – I am sure, the hon. Member knows it – used in a very precise manner. "Recession" is a contraction of the economy for two quarters in succession.

SHRI N. K. SINGH: I meant the recession in the developed countries. That does not mean our recession.

SHRI P. CHIDAMBARAM: I know. As far as the world economy is concerned, many countries are indeed already in recession or facing recession. India is no where near a recession and the hon. Member has himself kindly stated that India is no where near a recession. We are affected by the slow-down in global growth. But since the main question deals with inflation, I want to deal with inflation in that context. For the last three or four months, the Government has consistently tried to explain to this House and to the people that this upward trend in inflation that we witnessed since the month of April was caused by a very sharp rise in international commodity prices, especially, crude and metals. The food prices also had increased. Today the trend is that all these prices are inching downward. There is a downward trend in crude prices and commodity prices, and in the case of most of the food products. That is reflected in the prices in India. We always try to balance growth

and inflation. Today, as the hon. Member has rightly pointed out, the Government's policy and, I believe, the RBI's policy is biased in favour of growth and that is why the Prime Minister had announced a stimulus package a few days ago, and the first supplementary of Rs.1,05,000 crores is part of the stimulus package. But I take note of the hon. Member's concern. This is an on-going concern. We will keep a careful watch over developments and, if necessary, further measures to stimulate the economy will be taken. But, I think, the hon. Member is absolutely correct, as he is really very well informed, that the bias today is towards growth.

SHRI N.K. SINGH: Mr. Chairman, Sir, from the information which the hon. Minister has given, it is evident that the decline in international prices in respect of these commodities has been sharper than the decline in India. To what extent has the beneficial pass through effect been substantially neutralised by the volatility in the exchange rate, particularly the continuing depreciation of the rupee?

SHRI P. CHIDAMBARAM: Mr. Chairman, Sir, the exchange rate in India is market determined. The Government does not take a view on the exchange rate. The policy of the RBI is to prevent excessive volatility in the movement of exchange rate. The RBI intervenes as appropriate. While indeed the rupee appreciated in the early part of the year, then depreciated in the last quarter, in the last two-three days, the rupee is appreciating again. Therefore, I cannot predict the direction in which the rupee will move. All I can assure the House is that the RBI will intervene when appropriate to reduce the volatility in the movement of exchange rate. While international prices decline, some of that decline has been offset by the depreciation. But that is a fact of life. We will have to live with it. Since the decline has been very sharp and the depreciation has not been so sharp, there have been very beneficial effects in the case of crude oil and in the case of commodities. These are internationally traded. But in the case of food products, since there is not much international trade in food products between India and the rest of the world, that decline in international prices in food products is not quite reflected in the Indian market. But we have had the benefit of decline in crude oil; we have had the benefit of decline in commodity prices.

SHRI M. VENKAIAH NAIDU: Mr. Chairman, Sir, as per the reply given by the hon. Minister, there is a decline in the international market. In the domestic market, as of November, 2008, the overall inflation rate for cereals and pulses has shown increase. What are the steps taken by the Government to help the common man, to contain the prices of these food products, particularly cereals? The Minister is not clear about it. So far we have been hearing from the Minister that it is because of international effects. Earlier, the hon. Prime Minister and the Finance Minister assured the nation that it would not have any effect and we have insulated ourselves from the international happenings. This is the statement which was made by the Government. If it is going back on that, that is a different matter. Now the Minister himself is admitting that there is a decline in the international market; there is a decline in crude oil prices and also transport charges. Here the prices are going up. They are not within the reach of the common man. What specific action has the Government taken or proposes to take in this regard?

SHRI P. CHIDAMBARAM: Sir, we have got to make a distinction between internationally traded commodities like crude oil, other metals and other commodities where the decline in international

prices immediately reflects in Indian prices. There is export and import in many of these commodities. In the case of food trade, we are not part of the international trade. We import significant amount of pulses. But in terms of wheat and rice, we are neither exporters nor importers in any significant amount. Therefore, for crude oil and commodities, the international price trend gets reflected and in the case of foodgrains the international price trend does not get reflected in India. So far as primary articles especially food is concerned, there is a demand-supply gap in pulses. This has been there for many years. This is not a phenomenon of this year. In the case of pulses, for example, domestic production of pulses in 2007-08, was 15.11 million tonnes. Domestic availability, after excluding wastage and for seed purposes, was 12.84 million tonnes. Domestic demand for pulses is 16.77 million tonnes. There is a demand-supply gap of about 3 to 4 million tonnes every year. This gap has been there for many years. We, therefore, have to import some quantity of pulses and many of the pulses that the Indian consumers consume are not grown in many parts of the world. Therefore, in pulses, there is a pressure. But, take edible oil; where we import large quantities of edible oil, international prices have reflected in the domestic prices of edible oil. Wheat has been more or less constant for a year now. The price of rice has increased. But that is a function of the MSP that we give to wheat and rice. Now what are we doing? In terms of overall price management, we have taken a number of steps. Excise duty has been cut. Customs duty has been cut. In the last two months, a number of measures have been taken. Petrol and diesel prices have been reduced, and we have said, "We will watch the situation. If the prices reduce further, then, further reduction is possible," I think these are reflected in the decline in WPI. But, as far as primary articles are concerned, especially, food, since this is essentially a function of demand and supply, unless we increase the production dramatically to meet the demand supply gap, I am afraid, there will be some pressure on prices.

SHRI D. RAJA: Sir, just a day before the Parliament Session, the Government announced a fiscal package of Rs.20,000 crores. I think it would have been better had the Government announced it in Parliament, so that we could have had an opportunity to discuss the entire gamut of issues. I say this because I think the Government's response, to the financial crisis, the international slowdown, and its impact on India, is quite inadequate. In this context, I would like to put one supplementary. The inflation is calculated on the basis of Wholesale Price Index in India. But it does not have any impact on our Consumer Price Index. The prices are not coming down. For instance, in relation with international factors, the Minister has admitted that there is a short decline in the price of crude oil in the international market, but whatever the Government has done by way of reducing the petrol price by Rs.5 and diesel price by Rs.2, I think, is too little as well as too late. It is time the Government reacted to the short decline in crude prices in the international market by way of reducing further the prices of diesel and petrol. I would like to know from the Government as to whether the Government is thinking of addressing this issue.

SHRI P. CHIDAMBARAM: Sir, the Prime Minister is in the House. The Minister of Petroleum and Natural Gas is in the House. We have all heard the hon. Member's suggestion very carefully. We will keep that suggestion in mind and take an appropriate decision.

SHRI RAHUL BAJAJ: Sir, it is difficult to speak on the subject when people like Shri. N.K. Singh and the former Finance Minister speak. I am not an expert. But the former Finance Minister has been

mentioning for a couple of months about the Reserve Bank and the Government maintaining a balance between growth and inflation. Some of us in the industry believe that it is not correct. And the balance, for whatever reasons, – we do want to control inflation – was much more on inflation, but not as much on growth. And the result is there for all to see, where, technically, there is a recession. I have heard the hon. Finance Minister say that there were more than one occasion where, definitely, we were not into recession. But I am not able to sell my vehicles. And, that is, to me, a recession. It is not lower growth, but it is a substantial negative growth for the auto industry, technically and academically, Sir, and I didn't have to go to Harvard for this. ...*(Interruptions)*...

SHRI AMAR SINGH: Sir, can he talk about his business in the House?

SHRI RAHUL BAJAJ: I withdraw that, if Amar Singhji objects to it. But I do represent the auto industry...

MR. CHAIRMAN: Let us have your supplementary, please.

SHRI RAHUL BAJAJ: My supplementary is this. When will more attention be paid? I know the Reserve Bank talking about further CRR, reverse Repo rate, etc. And, this morning too, we have seen reports of public sector banks offering rate of interest at 8 1/2 per cent and 9 1/2 per cent on home loans up to Rs.5 lakhs and Rs.20 lakhs respectively. But there is no such reduction in respect of two-wheelers, cars and commercial vehicles by even public sector banks; of course, you have said, "I cannot talk about the private sector." I hope they would still listen to our Home Minister. And, loans are provided not to me, Mr. Amar Singh, but to the customer who belongs to the middle-class. And, of course, no need for a knee jerk reaction to the exchange rate. I cannot sell here, but the industry, I mean, is selling abroad. Depreciated rupee helps us for exports.

SHRI P. CHIDAMBARAM: Sir, the balance between inflation and growth is not an academic issue. Millions of people are affected by inflation. Therefore, it is important to contain inflation and contain inflationary expectations. We cannot wish away the well being of millions of people. Therefore, in the early part of 2008, the bias was indeed in favour of controlling inflation. In this House, on more than one occasion, Members have pointed out that inflation is high and inflation must be contained. Today, because of the downward trend of the inflation, especially WPI, and, perhaps, decline in inflationary expectations, the bias has shifted in favour of growth. A number of steps have been taken to stimulate growth, and I have already outlined the steps that appeared in the media. Now, as far as the auto industry is concerned; yes, there is a problem. The Government is addressing that issue. We have cut Excise Duties 4 per cent across the board. The banks have been advised to lend to borrowers to purchase automobiles and two-wheelers. Therefore, on the demand side, we have done as much as was possible and we are willing to look into any further requests from the industry to stimulate demand. Equally, on the supply side, I believe, there is an obligation on the part of the automobile industry to cut prices.

MR. CHAIRMAN: Now, Question No. 202. ...*(Interruptions)*...

SHRI SITARAM YECHURY: Sir, I have an important supplementary to ask. ...*(Interruptions)*...

SHRI V. HANUMANTHA RAO: Sir, Question No. 202.

SHRIMATI BRINDA KARAT: Sir, I only have one request.

...(Interruptions)...

MR. CHAIRMAN: We have had three supplementaries. ...(Interruptions)...

SHRIMATI BRINDA KARAT: Sir, I have only one request to make. ...(Interruptions)... There are many industrialists. ...(Interruptions)... There are many respected industrialists in the House. But, we would really like a code established here that please don't use the floor of the House to ask questions about your own business. ...(Interruptions)...

MR. CHAIRMAN: I think, that is a valid point. ...(Interruptions)...

SHRI SITARAM YECHURY: Sir, please let me put a supplementary.

MR. CHAIRMAN: We have had three supplementaries. ...(Interruptions)...

SHRI SITARAM YECHURY: Sir, we won't get another chance. ...(Interruptions)...

SHRI V. HANUMANTHA RAO: Sir, Question No. 202. ...(Interruptions)...

DR. KARAN SINGH: Sir, I have a suggestion. ...(Interruptions)...

MR. CHAIRMAN: We have had three supplementaries. ...(Interruptions)... I can't hear. ...(Interruptions)... If everyone talks at the same time, I can't hear. ...(Interruptions)...

DR. KARAN SINGH: Sir, I am sorry. ...(Interruptions)... As Chairman of the Ethics Committee of the Rajya Sabha, we went through this matter of a clash of interest, and what we have said is that if any Member has a personal interest in a question, he should declare that interest before he asks the question. We have not banned him from saying that. Sir, he should get up and say, "I declare that I have a personal interest in this." Then, he should ask the question. That is the code of conduct that we have adopted.

MR. CHAIRMAN: I think, this should be noted. ...(Interruptions)... Question No. 202. ...(Interruptions)...

SHRI SITARAM YECHURY: Sir, I want to put this supplementary because it is important. ...(Interruptions)...

MR. CHAIRMAN: Please don't interrupt. ...(Interruptions)...

SHRI V. HANUMANTHA RAO: Sir, Question No. 202.

SHRI AMAR SINGH: I support comrade Yechury on that. ...(Interruptions)...

SHRI SITARAM YECHURY: Sir, it will be a short one. ...(Interruptions)...

MR. CHAIRMAN: The hon. Minister is always available. But, please let us stick to our procedure. ...(Interruptions)... Please don't do it. It will open the Pandora's Box. ...(Interruptions)...

SHRI P. CHIDAMBARAM: Mr. Sitaram, Question No. 202 has been called. ...(Interruptions)...

SHRI SITARAM YECHURY: Sir, please. *...(Interruptions)...* Sir, this is very important. *...(Interruptions)...*

MR. CHAIRMAN: Please don't. *...(Interruptions)...* No.

SHRI V. HANUMANTHA RAO: Sir, Question No. 202.

SHRI SITARAM YECHURY: Sir, since he has just relinquished being the Finance Minister and taken over an important portfolio of the Home Minister. *...(Interruptions)...* Sir, the hon. Prime Minister is here.

MR. CHAIRMAN: Yechuryji, please. *...(Interruptions)...*

SHRI SITARAM YECHURY: Sir, please permit me to ask this supplementary. *...(Interruptions)...* Sir, all I am asking is this. He said in his reply that the prices of cereals, the inflation rate is rising, except for wheat. Pulses, yes, we know, we understand, but the answer for that is the production of pulses will have to come from incentives to be given for production of pulses.

MR. CHAIRMAN: What is your point? *...(Interruptions)...*

SHRI SITARAM YECHURY: Sir, my question is, *...(Interruptions)...*

MR. CHAIRMAN: No, this is not a question. *...(Interruptions)...* This is not a question.

SHRI SITARAM YECHURY: Sir, I am asking the question. Sir, the inflation rate is rising for all cereals, except wheat. We have said that the reason for this rise, one of the important reasons is speculative trading in these commodities. Under pressure, Sir, they have banned eight of them. We are saying you increase it to 25 that the Parliamentary Standing Committee has asked. *...(Interruptions)...*

MR. CHAIRMAN: That is the point of view which can be discussed separately.

SHRI SITARAM YECHURY: Will that be done?

MR. CHAIRMAN: Thank you. Now, Question No. 202.

Incentives to Aviation Industry

*202. SHRI V. HANUMANTHA RAO:

DR. T. SUBBARAMI REDDY:

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether after handing out a slew of incentives to the aviation industry, over the past two months, a Committee of Secretaries led by Cabinet Secretary considered in a schedule of meetings to assess the impact of the measures on the sector and the need for additional measures to be taken; and

(b) if so, what are the main subjects discussed and what are the proposals prepared and to what extent they have agreed to improve the aviation industry?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL): (a) and (b) A Statement is laid on the Table of the House.