

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
QUESTION NO 09.11.2010
ANSWERED ON
ECLINE IN INFLATION RATE

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Will the Minister of COALCOALCOALCOALFINANCE be pleased to state :-

(a) whether it is a fact that as per the survey conducted by the Reserve Bank of India; it is the assumption of a common household in the country that there is no possibility of decline in inflation rate till next year;

(b) if so, the details thereof;

(c) whether the financial advisors to the Prime Minister had opined that the inflation rate will come down in next few months itself; and

(d) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI NAMO NARAIN MEENA)

(a) and (b) The Reserve Bank of India (RBI) has conducted an Inflation Expectations sample Survey in June 2010. This survey covered around 4000 urban households from various professions and age groups across 12 cities. Its findings provide only three months (quarterly) and one-year (yearly) time horizon for expectations. These are based on the respondents' own consumption basket and are not linked to any of the official price indices.

As per the survey's findings, the inflation for the quarter of July-Sep, 2010 is expected to be 11.4 per cent and 11.9 per cent for the period July-10-Jun-11. While, actual WPI inflation for the 2nd quarter (Jul-Sep, 2010) is reported to be 9 per cent which is significantly lower than above expectations.

(c) and (d) The Prime Minister's Economic Advisory Council (PMEAC) has given their views on inflation in Economic Outlook for 2010-11. Overall WPI headline inflation rate is expected to remain high (7-8 %) at the end of December 2010, dropping to around 6.5 per cent by March 2011. The CPI inflation rate is expected to drop faster, in line with food price inflation and fall to single digit level in the third quarter of the current fiscal and easing further in the last quarter of 2010-11.

The year-on-year headline inflation based on WPI (2004-05=100) has come down to single digit 8.5 and 8.6 per cent in August and September, 2010. It has remained in double digit in the range of 10-11 per cent from March to July 2010. Consumer price inflation has also come down to single digit from August, 2010 due to decline in food inflation. Second Quarter Policy Review of RBI has projected 5.5 per cent WPI inflation for March 2011.