

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 4827
TO BE ANSWERED ON MARCH 23, 2020

INFLATION

4827. SHRI DUSHYANT SINGH:

Will the Minister of FINANCE be pleased to state:

(a) the details of retail inflation with various components for December 2019 and upper tolerance limit for inflation notified by the Government on 05.08.2016 under Section 45ZA of the Reserve Bank of India (RBI) Act;

(b) whether the Monetary Policy Framework (MPF) has little control over vegetable inflation and if so, the manner in which MPF has control over inflation with more than 45 percent of CPI under little control of RBI;

(c) if not, whether the Government is aware about suggestions from experts to change the target for MPC from CPI to WPI or GDP deflator and if so, the reaction of the Government thereto;

(d) whether the Government is considering to review the Monetary Policy Framework and if so, the details thereof and if not, the reasons therefor;

(e) whether the Government will consider adding GDP growth target as well under MPF and if not, the reasons therefor; and

(f) the details of the report from RBI to the Government under section 45ZN on failure to maintain the inflation target in December 2019?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) The Consumer Price Index-Combined Inflation in the month of December 2019 was registered at 7.35 per cent. Details of inflation of major groups of CPI-C in December, 2019 are given in Table 1.

Table 1: Inflation for major groups of CPI-C (per cent)

Description	Weights	December, 2019
All Groups	100.0	7.35
Food & beverages	45.9	12.16
Pan, tobacco & intoxicants	2.4	3.37
Clothing & footwear	6.5	1.50
Housing	10.1	4.30
Fuel and light	6.8	0.70
Miscellaneous	28.3	4.17

Source: Ministry of Statistics and Programme Implementation

As per the Ministry of Finance, Government of India Notification dated 5th August, 2016 issued under Section 45ZA of the Reserve Bank of India Act, 1934, the upper tolerance level for inflation is 6 per cent.

(b) to (c): Price level and therefore inflation of any commodity is an outcome of the interplay of the demand and supply factors. The monetary policy of Reserve Bank of India predominantly affects the demand side of the economy.

(d) to (e): The inflation target under monetary policy framework was notified for the period 5th August, 2016 to 31st March, 2021.

(f): As per notification by Ministry of Finance dated 27th June, 2016, if the average inflation is more than or lower than the prescribed tolerance level for three consecutive quarters, only then would it mean a failure to achieve the inflation target. The CPI-C inflation during each of the months of the previous three quarters ending in December 2019 may be seen below in Table 2.

Table 2: Consumer Price Index-Combined (CPI-C) Inflation

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
CPI-C Inflation (per cent)	2.99	3.05	3.18	3.15	3.28	3.99	4.62	5.54	7.35

Source: Ministry of Statistics and Programme Implementation
