GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 211
TO BE ANSWERED ON 19.07.2021

RISK TO ECONOMIC RECOVERY

211. SHRI S. JAGATHRAKSHAKAN:

Will the Minister of FINANCE be pleased to state:

(a) whether it is true that there are still a number of risks to durable economic recovery in India;
(b) if so, the details thereof, along with the steps taken by the Government keeping in view the fact that wholesale price inflation is setting recent records, and core inflation is also at a significantly higher level now;
(c) whether it is also a fact that while the RBI's Monetary Policy Committee had projected 5.1 per cent inflation for the current fiscal year, this estimate may have to be reconsidered and does not seem to entirely gel with the macro-economic picture provided by the RBI bulletin; and
(d) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) Provisional GDP estimates now available for January-March quarter (Q4) of FY 2020-21 confirm a steady recovery in India's economic prospects in the second half of the year after an unprecedented COVID-19 induced contraction. India's real GDP is estimated to grow at 0.5 per cent in Q3 and 1.6 per cent in Q4 of FY 2020-21 leading to an upward revision in annual real GDP growth from (-)8.0 per cent (2nd Advance Estimates) to (-)7.3 per cent in FY 2020-21. This momentum of economic recovery was, however, moderated by the onset of the second wave of COVID-19. The Indian economy is showing signs of revival since the peaking of second wave in first half of May 2021 on the back of targeted fiscal relief, strong push for capital expenditure, RBI's monetary policy measures, and a rapid vaccination drive. This is reflected in movement of several high frequency indicators like E-way bills, power consumption, rail freight, UPI transactions, vehicle registrations, etc.

(b) Government of India has formulated a multi-pronged strategy to ensure that the prices of essential commodities like pulses and oil seeds remain controlled which, *inter-alia*, include issuance of order imposing stock limits on pulses applicable to wholesalers, retailers, millers and importers w.e.f 2nd July 2021, increasing number of price monitoring centres under Price Monitoring Scheme, setting up web portal for real time monitoring of pulse prices and for declaration of stocks held by different stockholders, monitoring speedy clearance of food commodities like Crude Palm Oil at ports, mechanism for pulses retail intervention, increased procurement and increased buffer stock targets and changes in pulses and palm oil import policy.

(c) and (d) As per RBI's Monetary Policy Committee's (MPC) June 4, 2021 resolution, the rising trajectory of international commodity prices, especially of crude, together with logistics costs, pose upside risks to the inflation outlook. However, these cost pressures are expected to be mitigated by a normal south-west monsoon, comfortable buffer stocks, recent supply side interventions in pulses market, declining caseload of COVID-19 and gradual easing of movement restriction across states. Taking into consideration all these factors, the MPC has projected CPI inflation at 5.1 per cent during FY 2021-22 with risks broadly balanced. The MPC continuously reviews the inflation outlook in its bi-monthly meetings.

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