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GAP between WPI and CPI; Government and RBI takes Several Measures to Contain Inflation

Year-on-year inflation in October, 2012 measured in terms of Wholesale Price Index (WPI) and the Consumer Price Index (CPI) (New series) was 7.45 per cent and 9.75 per cent, respectively. The details of the level of WPI and CPI (NS) and the rate of inflation are indicated below.

Table: Comparative weights, base, indices and inflation of WPI and CPI				
Composition of Indices		Index		Inflation (%)
Wholesale Price Index (Base: 2004-05=100)				
General and group	Weight	Oct. 11	Oct. 12	Y-o-Y
Headline WPI	100.00	157.0	168.7	7.45
Food	24.31	179.8	193.7	7.73
Non-food	75.69	149.7	160.7	7.35
Consumer Price Index for new series (base: 2010=100)				
CPI-NS General (all India)	100.00	113.8	124.9	9.75
Food	47.58	113.7	126.7	11.45
Non-food	52.42	113.9	123.3	8.22
Note: the figures are provisional for October 2012 in case of WPI and CPI-NS				

Variation in the level of index and inflation in these two indices is due to difference in base year, commodity composition and weights.

Inflation measured in terms of both these indices currently is above the comfort level of Government and Reserve Bank of India. Government and Reserve Bank of India have been conscious of the need to contain inflation. Measures taken in this regard are given at **Annexure-I**.

Annexure-I

Measures taken to contain inflation

1. Fiscal and Administrative measures

- Reduced import duties to zero-for wheat, onion, pulses, crude palmolein and to 7.5% for refined and hydrogenated oils and vegetable oils.
- Duty-free import of white and raw sugar was extended upto 30/6/2012; presently the import duty has been kept at 10%.
- Ban on export of onion was imposed for short period of time whenever required. Exports of onion were calibrated through the mechanism of Minimum Export Prices (MEP).
- Maintained the Central Issue Price (CIP) for rice (at Rs. 5.65/kg for BPL and Rs. 3/kg for AAY) and wheat (at Rs. 4.15/kg for BPL and Rs. 2/kg for AAY) since 2002. Effective prices for BPL families in

2012-13 are 23.4% and 22.8% of the economic cost of rice and wheat respectively.

- Suspended futures trading in rice, urad, tur, guar gum and guar seed.
- Banned export of edible oils (except coconut oil and forest based oil) and edible oils in blended consumer packs upto 5 kg with a capacity of 20,000 tonnes per annum and pulses (except Kabuli chana and organic pulses and lentils upto a maximum of 10,000 tonnes per annum)
- Imposed stock limits from time to time in the case of select essential commodities such as pulses, edible oil, and edible oilseed and in the case of paddy and rice for specific seven states upto 30.11.2012.
- To ensure adequate availability of sugar for the households covered under TPDS, the levy obligation on sugar factories was resorted to 10% for sugar season 2011-12.
- Government allocated rice and wheat under OMSS scheme.
- Off take of wheat and rice continued to be maintained to ensure adequate availability of food grains. Overall off-take of wheat and rice was 53.0 million tonnes in 2010-11 and 56.4 million tonnes in 2011-12. In first five months of the current fiscal year 24.0 million tonnes has already been distributed.
- Resumed the scheme for subsidized imported pulses through PDS in a varied form with the nomenclature "Scheme for Supply of Imported Pulses at Subsidized rates to States/UTs for Distribution under PDS to BPL card holders" with a subsidy element of Rs. 20/- per kg to be paid to the designated importing agencies upto a maximum number of BPL card holders for the residual part of the current year and extended the scheme for subsidized imported edible oils w.e.f. 1.10.2012 to 30.9.2013 with subsidy of Rs. 15/- per kg for import of upto 10 lakh tonnes of edible oils for this period.

2. Budgetary and other measures

A number of measures have been announced in Union Budget 2012-13 to augment supply and improve storage and warehousing facilities. Government had launched a National Mission for Protein supplements in 2011-12 with allocation of Rs. 300 crore. To broaden the scope of production of fish to coastal aquaculture, apart from fresh water aquaculture, the outlay 2012-13 is being stepped up to Rs. 500 crore. Recently, Government has permitted Foreign Direct Investment (FDI) in multi-brand retail trading. This will help consumers and farmers by improving the sell and purchase facilities.

3. Monetary measures

- The Reserve Bank of India (RBI) had also taken suitable steps to contain inflation with 13 consecutive increase by 375 bps in policy rates from March 2010 to October 2011.
- However, to increase liquidity, it reduced CRR (from 6% to 4.25%) and SLR (from 25% to 23%). With moderation in inflation, repo rate was also reduced by 50 basis points in April 2012 to bring it to 8.00 per cent.

This was stated by the Minister of State for Finance Shri Namo Narain Meena in a written reply to a question in the Rajya Sabha today.

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