

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2486  
ANSWERED ON:18.03.2005  
RATE OF INFLATION IN INDIA  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether as per consumer price index the rate of inflation in India during the year 2004 has been quite higher as compared to America, Japan and other developed countries of the world;
- (b) if so, the reasons therefor;
- (c) the position in regard to this rate of inflation in these countries during the above period; and
- (d) the likely impact of the said higher rate of inflation on the economy of the country?

**Answer**

MINISTER OF STAE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a), (b) & (c): The rate of inflation based on the Consumer Price Index for Industrial Workers (CPI-IW) in the case of India and inflation rate in terms of Consumer Price Index of certain selected developed countries during 2004 are indicated below:

Annual Inflation (Per cent)

Year/ Month	India	USA	Japan	France	Germany	U.K.
2004 Jan	4.3	1.9	-0.3	2.0	1.2	2.6
Feb	4.1	1.7	-	1.8	0.9	2.5
Mar	3.5	1.7	-0.1	1.7	1.1	2.6
Apr	2.2	2.3	-0.4	2.1	1.6	2.5
May	2.8	3.1	-0.5	2.6	2.0	2.8
Jun	3.0	3.3	-	2.4	1.7	3.0
Jul	3.2	3.0	-0.1	2.3	1.8	3.0
Aug	4.6	2.7	-	2.4	2.0	3.2
Sep	4.8	2.5	-	2.1	1.8	3.1
Oct	4.6	3.2	0.5	2.1	2.0	3.3
Nov	4.2	3.5	0.8	2.0	1.8	3.5
Dec#	3.8	3.3	0.2	2.1	2.1	3.5
2005 Jan#	4.4	3.0	-0.1	1.6	1.6	3.2

# Provisional

The inflation rates calculated for India and other selected developed countries as mentioned above are not strictly comparable due to differences in methodology, concepts, coverage and weighting diagrammes.

(d): Although the rate of inflation in India has remained consistently moderate in the last few years, containment of inflation remains high on the agenda of the government, because high inflation rates hurt everybody particularly the poor whose incomes are not indexed to prices. High inflation puts pressure on interest rates leading to a rise in project costs and investment. It also tends to reduce real interest rates thereby adversely affecting the savings rate. Anti inflationary policies of the Government include strict fiscal and monetary discipline, rationalisation of excise and import duties of essential commodities so that there is no undue burden on the poor, effective supply-demand management of sensitive items through liberal tariff and trade policies and strengthening the public distribution system.