

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:245  
ANSWERED ON:09.12.2005  
`WHOLESALE PRICE INDEX QUESTION`  
Singh Shri Rajiv Ranjan (Lalan)

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India has recently expressed its deep concern on the rising trend of the wholesale price index;
- (b) if so, the facts in this regard;
- (c) whether the Government has taken any steps to contain the rising rate of wholesale price index;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

**Answer**

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (e): A statement is laid on the Table of the House.

STARRED QUESTION NO. +245 (POSITION NO. 4)

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. + 245 ON DECEMBER 9, 2005 BY SHRI RAJIV RANJAN SINGH `LALAN` REGARDING `WHOLESALE PRICE INDEX`.

(a) & (b): In the Mid-Term Review of Annual Policy Statement for the year 2005-06 announced on October 25, 2005, the Reserve Bank of India has indicated that `the full effects of the pass-through of the increase in international oil prices have so far been dulled and the underlying inflationary pressures have been contained. Crude price continues to remain the most critical factor in the outlook on domestic inflation. In the remaining part of the year, inflation conditions will warrant continuous vigil in view of the heightened uncertainties surrounding international crude prices and the eventual pressures for fuller pass-through into domestic inflation`. The RBI has further indicated that `given the outlook for inflation primarily in the context of the oil economy in India, however, it may be difficult to contain the inflation in the range of 5.0-5.5 per cent projected earlier without an appropriate policy response`.

(c), (d) & (e): Anti-inflationary policies of the government include strict fiscal and monetary discipline, rationalization 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 of the public distribution system. In the Mid-Term Review of the Annual Policy Statement, in order to keep the inflationary expectations under check, RBI hiked the reverse repo rate by 25 basis points to 5.25 per cent and the repo rate to 6.25 per cent while keeping the bank rate unchanged at 6 per cent.