

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:63

ANSWERED ON:02.03.2007

INFLATION RATE

Aaron Rashid Shri J.M.;Verma Shri Ravi Prakash

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

- (a) whether there has been continuous rise in inflation rate augmenting the prices of essential commodities during the last one year;
- (b) if so, month-wise details alongwith the reasons/compulsions getting it beyond control;
- (c) whether the Government has reduced the duties on several commodities in order to bring down the inflation rate and check the price rise;
- (d) if so, the details thereof and the revenue losses to the Government as a result thereof;
- (e) whether the existing high powered committee for monitoring prices of essential commodities has given any recommendation to check the inflation rate and price rise;
- (f) if so, the details thereof;
- (g) the steps taken/being taken by the Government to bring down the inflation and to check rising trend of prices of essential commodities;
- (h) whether the Government proposes to invoke ESMA to curb inflation and price rise; and
- (i) if so, the details thereof?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (i): A statement is placed on the Table of the House.

STARRED QUESTION NO. 63 (POSITION NO. 3) STATEMENT REFERRED TO IN REPLY TO LOK SABHA QUESTION ON MARCH 2, 2007 BY SHRI RAVI PRAKASH VERMA and SHRI J.M. AARON RASHID

INFLATION RATE

(a) & (b) The WPI-based inflation trend for the period from January 2006 to January 2007 is indicated in the Table below.

Table: WPI based monthly rate of inflation (%)

Month	Inflation	Month	Inflation
January, 2006	4.1	August, 2006	5.1
February, 2006	4.0	September, 2006	5.4
March, 2006	3.9	October, 2006	5.5
April, 2006	3.9	November, 2006	5.5
May, 2006	4.7	December, 2006#	5.4
June, 2006	5.1	January, 2007#	6.2
July, 2006	4.8	# Provisional	

(c) & (d): To control inflation, Government has reduced duties on various commodities in the current financial year. The details are at Annexure I. The total revenue loss due to the mentioned exemptions is estimated to be about Rs.5000 crores in a full year.

(e) & (f): The High Powered Committee for monitoring prices of essential commodities has made several recommendations to check inflation.

(g) The recent steps taken by Government to control inflation include:

\$ Reduction in retail prices of petrol by Rs. 2 per litre and diesel by Rs. 1 per litre in November 2006 and again in February 2007.  
 \$ State Trading Corporation contracting for import of 55 lakh tonnes of wheat to supplement domestic availability, of which 49.4 lakh tonnes had arrived by February 13, 2007.  
 \$ As against normal applicable duty of 50 per cent, allowing private trade to import wheat at 5 per cent duty from June 28, 2006, and at zero duty from September 9, 2006.  
 \$ Decision to release up to 4 lakh tonnes of wheat under Open Market Sale Scheme in February and March 2007.  
 \$ Ban on export of wheat from February 9, 2007.  
 \$ Reduction in customs duty on import of pulses to zero on June 8, 2006.  
 \$ Ban on export of pulses with effect from June 22, 2006.  
 \$ NAFED importing 49,300 tonnes of pulses. Under a new contract executed by NAFED in December 2006 to import 30,000 tonnes of pulses, 10,675 tonnes had been shipped by February 13, 2007.  
 \$ To contain volatility in the futures prices of wheat, sugar and pulses, Forward Markets Commission (FMC) has imposed limits on open position, reduced limits on daily fluctuations and imposed additional/special margins.  
 \$ Ban on futures trading in tur and urad from January 24, 2007, wheat and rice from February 28, 2007  
 \$ Reduction in import duty on palm group of oils by 10 percentage in August 2006 and by a further 10-12.5 percentage points in January 2007. Maintaining tariff value for assessing import duty unchanged at July 2006 level.  
 \$ In the Budget 2007-08, crude as well as refined edible oils have been exempted from additional Countervailing duty of 4 per cent. Duty on sunflower oil, both crude and refined, has been reduced by 15 per cent .  
 \$ Ban on export of skimmed milk powder.  
 \$ Steps were taken by Reserve Bank of India to reduce liquidity in the system by increasing the cash reserve ratio and repo rates.

(h): No, Sir.

(i): Does not arise in view of (h) above.

#### Annex: 1 Reduction in customs duty to various specified commodities

S.No	Commodity	General rate of duty	Concessional duty which was applicable given	Concession	Date on which concession was given	Date till which concession was applicable
------	-----------	----------------------	--	------------	------------------------------------	---

1	Wheat	50%	Nil		9.9.2006	28.02.2007
2	Pulses	10%	Nil		8.6.2006	31.7.2007

#### Edible oils

3	Crude Palm oils	80%	70%		11.8.2006	Without time limit
4	Refined Palm oils	90%	80%		11.8.2006	Without time limit
5	Crude Sunflower oil	75%	65%		24.1.2007	Without time limit
6	Refined Sunflower oil	85%	75%		24.1.2007	Without time limit
7	Maize (TRQ of 5 lakh MT@ 15%)	50%	Nil		25/1/2007	31.12.2007
8	Sugar	60%	Nil		23.6.2006	30.9.2006#

#### Other Commodities (Changes made in January, 2007)

9	Portland cements	12.5%	Nil		22.1.2007	Without time limit
10	Inorganic chemicals (Oxygen, Chlorine, etc.)	10%	5%		22.1.2007	Without time limit
11	Ferro alloys, Stainless steel and other Alloy steel	7.5%	5%		22.1.2007	Without time limit
12	Copper	7.5%	5%		22.1.2007	Without time limit
13	Aluminium	7.5%	5%		22.1.2007	Without time limit
14	Zinc	7.5%	5%		22.1.2007	Without time limit
15	Other base metals (Tungsten, magnesium tin, cadmium etc.)	7.5%	5%		22.1.2007	Without time limit
16	Pipes, tubes, and	12.5%	7.5%		22.1.2007	Without time limit

pipe or tube fittings            limit  
of aluminum, copper  
and zinc  
17 Refractories    7.5%    5%    22.1.2007 Without time  
                  limit  
18 Raw materials of 10%/    5%    22.1.2007 Without time  
Refractories    7.5%            limit  
19 Capital goods and 12.5%/ 7.5%    22.1.2007 Without time  
their parts, winding 10%            limit  
wires of Chap 84,  
85 and 90  
20 Project imports 10%    7.5%    22.1.2007 Without time  
(Airport development            limit  
projects and Metro  
rail projects,  
notified under  
project imports)

**# This date has Not been extended**