

Chidambaram calls rising inflation a global phenomenon

India's annual rate of inflation rose to a new high of 7.61 percent for the week ending April 26, it was announced Friday, but Finance Minister P. Chidambaram sought to tone down worries by assuring that the government was taking corrective measures to rein in prices.

Speaking to reporters after a cabinet meeting, Chidambaram maintained that the rise in inflation for the week under review was not statistically significant and added that no country in the world was witnessing a downward trend in prices.

'I have just returned from Madrid. Each one of the 67 finance ministers was concerned about inflation. Inflation is not coming down globally because there has been continuous rise in oil prices, which touched \$124 per barrel, and also because of continuous rise in food prices. Commodity prices have not yet started moderating in the international market.'

Chidambaram added: 'In the Indian market we have begun to see a moderation in some prices. This will reflect in the index only later. The index we are talking about is for week ended April 26, 2008.'

'It is a matter of relief,' the finance minister said, adding: 'More administrative measures will be taken if needed. We are also persuading cement companies to roll back prices.'

'We are as concerned as everyone else. That's why we are taking steps. Every week there is a rollout of some steps or the other. If necessary more steps will be taken,' he said.

The government, he said, has already taken various administrative steps to check inflation like banning futures trade in four commodities and persuading steel producers to voluntarily cut prices.

The government early this week extended ban on futures trading to four more agricultural commodities - chana (gram), soya oil, potato and rubber. It had already banned futures trading in wheat, rice, tur and urad.

The data on official wholesale price index (WPI) released Thursday revealed that there was an increase of 0.2 percent during the week on account of a 0.5 percent rise in the sub-group of food articles even as non-food items declined by 0.2 percent.

Referring to inflation inching up to 7.61 from 7.57 percent, Chidambaram said the movement 'in our assessment means that it is stable and not statistically significant'.

On the impact of the initiatives taken by the government and the Reserve Bank of India on prices, Chidambaram said: 'When the steps come together and take effect there will be moderation. That's what the prime minister suggested in Bangalore. One must have faith that these steps will yield results.'

He asked the people to be calm and assured that steps taken by the government will take effect, but with a time lag.

Commenting on the Forward Markets Commission (FMC) disagreeing with the government's decision to ban futures trading in four more items, Chidambaram said the FMC was an independent

regulator and the government had taken the decision after careful consideration.

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