

Inflation surges to 7.83 percent, Chidambaram urges patience

India's annual inflation rate rose to a three-and-a-half-year high of 7.83 percent for the week ended May 3, up from 7.61 percent in the week before. Finance Minister P. Chidambaram admitted the development was 'worrying' but counselled patience.

The index for food products under the manufactured products list rose by 0.7 percent due to higher prices of khandsari, oil cakes, coconut oil and flour. However, prices of jaggery, rice bran oil, rape and mustard oil, cottonseed oil and others declined.

The index comprising fuel, power, light and lubricants also rose by 0.8 percent, with the maximum rise in lignite, which surged by 16 percent, data released by Ministry of Commerce and Industry showed Friday.

"These are difficult times. The movement from 7.61 percent to 7.83 percent is indeed worrying but amidst dark clouds there is a silver lining," Finance Minister P. Chidambaram said shortly after the data was released.

"We reserve the rights to take administrative measures .. for the moment we simply have to be patient .. overall I am concerned but I think we should just continue to be patient," the minister said, adding that the impact of the reduction in steel and cement prices would gradually come into force and bring inflation down.

He said the rise in overall inflation had been due to the rise in prices of lubricants and manufactured products that are linked to the rise in the price of crude oil.

V. Raghuraman, principal adviser, Confederation of Indian Industry, told IANS: "We expect this (inflation) to moderate within the range of seven to six percent as the steps taken by the government to curtail prices come into effect."

According to K.J. Joseph, a senior economist at the Centre for Development Studies in Thiruvananthapuram: "This situation has arisen because of the lower food stock at the global level. The centre has to go beyond economic measures and should focus on administrative measures and should tackle hoarding and other such activities. Here the state has a role to play and they should see that such things do not take place."

The rise in inflation, which has led to steep rises in prices of essential food items and commodities, has sent the government into a tizzy as it faces a chain of state elections this year and a national election by May 2009.

India's industrial production growth in March also dropped to a six-year low of three percent.

However, the rise in the wholesale price index had little effect on the financial markets that ended in the green Friday owing to a depreciating rupee.

Six core sectors - crude oil, cement, electricity, coal, petroleum refinery products and finished steel - also showed a healthy growth of 9.6 percent in March, according to data released Thursday.

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