

## No magic formula for inflation, be patient: PM

Prime Minister Manmohan Singh Saturday held out the hope that there would be moderation in inflation in the coming few weeks if this year's monsoons are normal and added that the situation would be better after Sep 15.

'I am confident that with the excellent procurement of food grains - both wheat and rice - and if we have a normal monsoon we will see a moderation in the price behaviour. But one has to be patient,' Manmohan Singh told reporters at the end of his two-day visit to Bhutan.

'One cannot say every week that the government must take some measures to bring down the prices or have some solution. You must recognise that even in a normal year prices do rise seasonally between May and September.'

India's annual rate of inflation touched 7.83 percent in the week ended May 3, a 42-week high. The rising prices of food grains and other essential commodities have put the government on the defensive.

In the last one year, the prime minister said, events around the world which were beyond anyone's control had influenced sentiments of prices in India.

'There has been an investment boom all over the world and the prices of metals, steel and cement have all shot up. As a result, the wholesale price index in our country is now verging close to 8 percent per annum.

'If inflation alone is the only problem we could have had a drastic monetary policy - sharply reducing the money supply by raising interest rates, but that will land us in a serious industrial recession and unemployment,' he said.

'We want to control inflation without hurting the rhythm of the growth process which is moving forward at 8 to 9 percent in the last four years.'

'Now it is because this delicate balance is not easy and it takes time that transition problems arise - my request to every one concerned is to have patience.'

Manmohan Singh pointed out that his government had adopted significant measures to insulate the poor and the underprivileged sections of society from the effects of inflation.

'In the last four years prices of food grains through the Public Distribution System (PDS) to both the above poverty line and below poverty line people have not been increased at all.

'This has happened at a time when we have to give our farmers hefty increases by way of procurement prices to give them an added incentive to produce more wheat and rice.'

He also pointed out that the price of kerosene had not changed and there had only been a marginal increase in prices of diesel, petrol and LPG.

'Our government has a two-fold strategy to increase production - ultimately that is the only way to

bring about a balance between supply and demand without hurting the growth process.'

On the other hand, Manmohan Singh said imports needed to be liberalised so that any attempt at cartelisation by domestic producers could be discouraged.

The real test, he said, would be on the immediate measures taken. The prime minister referred to 'the RBI (Reserve Bank of India) measures to raise the cash reserve ratio and other measures taken by the government to liberalise the import regime and restrict the exports'.

'I request the public at large and political parties: give these measures a chance to succeed. My feeling is that if the monsoons are normal in the next few weeks you will see a moderation in inflation after Sep 15.'

*Murali Krishnan ( © IANS / India eNews)*