

Experts agree with PM on inflation but with riders

Prime Minister Manmohan Singh's assessment that inflation will ease in India by September has found favour with experts who also feel the government must monitor the situation and chip in with more steps as and when required.

'Prime Minister Singh has made an appropriate assessment, which is well integrated with ground realities. Inflation will certainly moderate if we have a good monsoon,' said Shriram Khanna, professor of economics at Delhi University, told IANS.

'But the situation will worsen if the monsoon turns out to be bad,' Khanna told IANS.

'Though the government cannot do much except to initiate certain measures, which it has already done, there is need to be more vigilant about market trends. It is good the government has done enough procurement of food grains for the public distribution system,' added Khanna.

According to Dalip Kumar, an economist with Delhi-based think tank National Council of Applied Economic Research (NCAER), a good monsoon will swell the supply of essential goods and result in the easing of prices.

'But Indian agriculture is a gamble in the hands of the monsoon. The projected growth rate for agriculture in the current fiscal is only three percent. A lot of reforms are required to make agriculture a profitable venture,' he said.

'Farmers still have to depend upon non-institutional creditors. Agriculture needs to be diversified, and agro-based industry encouraged.'

Prime Minister Singh has said if the monsoons were to be normal, people would see inflation rate moderating after Sep 15.

India's annual inflation rate rose to a 42-month high of 7.83 percent for the week ended May 3, up from 7.61 percent in the week before, while industrial production grew by a mere three percent in February - a six-year low.

'As 60 percent cropped area in India is rain fed, food inflation will certainly moderate if we have a normal monsoon. But the government should monitor the crop situation at the block level,' said G. Srivastava, director, Confederation of Indian Industry (CII).

Agreeing with the prime minister's assessment, noted economist and former secretary general of the Federation of Indian Chambers of Commerce and Industry (Ficci) D.H. Pai Panandikar said some effective monetary measures were needed to check inflation.

'Money supply is growing at more than 20 percent in the past two years, leading to price rise. The Reserve Bank increased the primary lending rate (PLR) to 11 percent, which had a negative impact. The demand of durable commodities went down,' he said.

'To have nine percent growth of the gross domestic product and inflation at five percent, the money supply should not increase more than 14 percent,' added Panandikar, who is also president of the

RPG Foundation, a Delhi-based policy and economy think-tank.

For over a month, the government has been unveiling a slew of measures like banning the export of pulses and imposing the minimum export price of basmati rice at \$1,200 per tonne from \$1,100 to rein in inflation.

The cabinet committee on prices (CCP) March 31 decided to cut import duty on all edible oils in crude form to zero as against 20 percent (barring soya), while the duty on oils in the refined form and vanaspati was fixed at 7.5 percent against 27.5 percent and 20 percent respectively.

Rajeev Ranjan Roy (© IANS / India eNews)