

Outlook

5.60 Despite the anticipated decline in foodgrains production by about 10 million tonnes, there is little scope for speculative uptrend in wage goods prices since the country is fortunately perched on an unprecedentedly large public stocks of nearly 45 million tonnes of foodgrains. Large volume of sugar stocks should ensure steady prices of sweeteners. The only area of concern could be edible oils since inadequate winter rainfall had adversely affected the outcome of of rabi oilseeds, particularly mustard. However, subdued international edible oil prices and comfortable foreign exchange reserves position would have a moderating influence on domestic edible oil prices.

5.61 Petroleum products are critical to the economy and India cannot afford to ignore the impact of the global rise in prices of crude oil.

Global price increase in crude oil therefore had to be translated into increases in administered prices of petroleum products three times since October 1999. This caused fuel group annual inflation to rise by nearly 30 per cent leading to the doubling of inflation rate to 8 per cent level during 2000-01. Though it is difficult to predict the future trend in international prices of crude oil, it is hoped that the moderation exercised by major oil producers would help stabilise the domestic oil prices during 2001-02.

5.62 The manufactured products group, which has over two third weight in the wholesale price index, has shown remarkable stability reflecting the impact of competitive forces and liberalised trade regime. If this group continues to conform to the past two years trend of three per cent growth in prices, the overall inflation in fiscal 2001-02 should be fairly moderate.