

Prices And Food Management

Inflation

Inflation is an important indicator of macro economic stability, and this year, inflation rate was one of the lowest in recent years. The point to point annual inflation rate in the first six months of 2001-02 (April-September) remained close to the 5 percent level, somewhat lower than the 6 percent inflation rate recorded in the corresponding period last year. The inflation rate started declining after September 2001, to fall to a low of 2.2 percent by December 2001, which was the lowest rate recorded since December 1999. The latest available inflation rate for the

week ended January 19, 2002 has dipped further to a low of 1.3 percent which is the lowest in over two decades. (Table 5.1)

5.2 The effect of the rise in prices of the fuel group experienced last year, due to an increase in administered prices of fuel products evened out during 2001-02. The annual price rise in the manufactured sector remained negligible during 2001-02 and was only 0.1 percent at the week ended January 19, 2002. The price rise in the primary products group also remained moderate during the year, causing overall deceleration in the inflation rate in fiscal 2001-02.

5.3 Record public stocks of foodgrains with the Food Corporation of India (58 million tonnes in January 2002) together with active private trade accorded stability to prices of foodgrains. Prices of other essential commodities like sugar, salt, some pulses, tea, milk, coarse cereals, chillies and coconut oil also remained low for much of 2001-02 compared to last year. Besides, the large shortfall in domestic availability of commodities like edible oils and pulses was met through liberal imports of these commodities. Good agricultural performance of kharif 2001-02 is expected to generate subdued inflation in the next few months.

5.4 Box 5.1 highlights the trends in inflation rate since the mid 1950s.

TABLE 5.1 Annual Inflation Rate based on Wholesale Price Index (Base 1993-94=100) <i>(Per cent)</i>		
	End of Year (point-to-point)	52 week Average
1994-95	10.9	12.6
1995-96	4.4	8.0
1996-97	5.4	4.6
1997-98	4.5	4.4
1998-99	5.3	5.9
1999-00	6.5	3.3
2000-01	4.9	7.1
2001-02*	1.3	4.7
*Provisional as on January 19, 2002.		

BOX 5.1

Five Year Average Inflation Rate

Though on an average, inflation based on the WPI remained below the 7 percent level through the 1950s and 1960s, it accelerated during the first half of the 1970s to touch double digit figures but decelerated in the second half of 1970s as also through the 1980s. Four out of the first five years of the 1990s registered double digit inflation, with a 13.7 percent peak reached in 1992-93.

5 year average annual inflation rate (Per cent)

Period	52 week annual average	Point to point (March end)
1956-57 to 1960-61	6.3	5.2
1961-62 to 1965-66	5.8	5.9
1966-67 to 1970-71	6.7	5.7
1971-72 to 1975-76	12.0	10.8
1976-77 to 1980-81	8.5	11.0
1981-82 to 1985-86	6.5	5.5
1986-87 to 1990-91	7.8	8.5
1991-92 to 1995-96	10.6	9.3
1996-97 to 2000-01	5.0	5.3

From 1995-96 onwards, there has been a continuous deceleration and the average inflation for the period 1996-97 to 2000-01 is by far the lowest since the mid 1950s in terms of the 52 week average. The point to point average inflation rate for this period is the lowest since the early 1960s. Though inflation rates may still be higher than those witnessed in some developed economies, India's performance on inflation has improved significantly since the mid 1990s.