

Inflation outlook

5.23 The economic environment remained stable during 2002-03 though the country witnessed one of the worst droughts in nearly one and a half decades and uncertainty regarding the likely war in the Gulf region kept crude oil prices high. One can expect this stability to continue through most of 2003-04.

5.24 Price rise in primary products-which hurts the poor most - is likely to be subdued during 2003-04, thanks to the surplus availability of essential commodities like foodgrains and sugar.

5.25 Schemes like the Antyodaya supplying foodgrains at highly subsidised rates to the poorest of the poor 1 crore families also helps dampen the prices in the market.

5.26 Low inflation in the manufactured sector so far has helped to create a conducive environment for Indian consumers. The opening up of the economy and increased competition is compelling producers to cut down on costs and reduce profit margins thus offering the Indian consumer a greater choice of products at reasonable prices.

5.27 One cause for concern during the coming months could be domestic energy prices which with the dismantling of the APM are linked to the international movement of crude oil prices. In case of war in the Gulf region, crude oil prices may harden. This may cause domestic energy prices to rise in the short run due to disruption of supplies. However, stability in the primary and manufactured products group would help keep inflation under control.