Anti-Inflationary Measures

5.31 High inflation hurts the poor, and by putting pressure on interest rates, adversely affects both savings and investment. Thus, containment of inflation is high on the Government's agenda. The anti-inflationary policies of Government include strict fiscal and monetary discipline; rationalization of excise and import duties of essential commodities to lighten the burden on the poor; effective supply-demand management of sensitive items through liberal tariff and trade policies; and strengthening the public distribution system.

5.32 During 2006-07, the Government initiated a slew of measures to contain the price rise of primary commodities:

- State Trading Corporation tendered overseas for import of 55 lakh tonnes of wheat to supplement domestic availability.
- Permission was given to private trade to import wheat first at 5 per cent duty from June 27, 2006 and then at zero duty from September 9, 2006 as against the normal applicable duty of 50 per cent.
- Import of pulses was permitted at zero duty from June 8, 2006 and a ban on export of pulses was made with effect from June 22, 2006.
- Close monitoring of prices of each and every essential item on a weekly basis was put in place.
- Regulatory measures were initiated by the Forward Markets Commission (FMC) to contain volatility in the futures prices of wheat, sugar and pulses and ban on futures trading in some pulses was imposed to reduce speculative pressures.
- Reduction in duty on palm group of oils by 20-22.5 percentage points was effected in two phases, first in August 2006 and later in January 2007. Further, tariff values of these oils were frozen at levels prevailing in July 2006, thus reducing to that extent the impact of increase in international prices.
- On January 22, 2007, further duty cuts were announced for portland cement, various metals and machinery items.