

Outlook

32. In the last year's Economic Survey it was stated that in a growing economy, inflation rate of 4 to 6 per cent could be regarded as acceptable. In fiscal 1998-99, despite the flare up in primary product prices, the inflationary forces remained subdued and annual inflation rate settled down towards the end of the year at around 4.5 to 5 per cent level. This year's lesson was, that the primary products which include wage goods and some items of common man's consumption need careful watch and occasionally vigorous market

intervention. This is possible only if there is an advance warning system in place that signals likely supply shortfalls. The National Crop Forecasting Centre established by the Government only recently is a significant step in this direction. Monitoring of essential commodity prices by the newly constituted High Powered Price Monitoring Board for anticipating the need and scope for the market intervention is the second important step. At the macro level the Government will have to exercise restraint in limiting the growth in money supply as also the fiscal deficit.