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Inflation at 7%. Can US recession help?

Prices Of Food Products, Manufactured Goods Rise **Fall In Global Demand May Ease Pressure**

TIMES NEWS NETWORK

New Delhi: As prices of vegetables, cereals and various manufactured goods continue to rise, inflation further rose to a 39-month high of 7% during the week ended March 22, up from 6.68% in the previous week. Inflation had touched 7.02% for the week ended December 4, 2004.

According to data released by government, prices of gram (chana) rose by 2.7% to Rs 38 per kg on April 1 as against Rs 37 a month-earlier. Sugar now costs nearly 6% more at Rs 18 per kg, mustard oil by 2.6% at Rs 77 per kg, vanaspati by 10.14% at Rs 76 per kg and onion by 11.11% at Rs 10 per kg in the said period.

However, prices of commodities like rice, wheat, atta, tur, groundnut oil, milk, potato and salt remained stable. And, after taking steps like duty cuts to boost supply, government is now thinking of some tough measures.

Commerce and industry minister Kamal Nath said the government will not hesitate to take the harshest measures, including using legal provisions against hoarding and profiteering in any items like food, cement or steel.

Nath said the country is facing the biggest challenge of providing food to poor people. On March 31, just after the inflation had crossed 6.5% mark, government had asked state governments to initiate steps to discourage hoarding of food stocks by individual traders under Essential Commodities Act.

The government on the same day also announced the scrapping of import duties on crude edible oils to nil and refined edible oils to 7.5%, along with banning exports of non-basmati rice and increasing export price of basmati rice to check inflation at home.

The prices of many of the food items have declined since the government has taken measures. But, it will reflect in the inflation figure for the week ended April 4, 2008, whose will come after a 15 days.

During the week under review, which ended on March 22, prices of fruits and vegetable went up by 1%, gram went up by 3%, masur by 2%, while urad and moong, eggs, meat and fish got dearer by 1%. Prices of oil seeds also rose by around 5%.

In the mineral category, the prices rose very sharply. Price of iron ore increased 46% and price index for mineral went up by 38.2%. Inflation in the primary articles stood at 8.96% as against 5.6% in the food articles.

The government hopes that inflation could be arrested soon as the demand for commodities in the international market will come down because of the feared recession in the developed countries, particularly the US. Meanwhile, it is keeping a close watch on the price front.

If needed, a senior government official said, RBI will take measures to tighten the liquidity condition, even though it might affect the economic growth in the country.

SUPPLY WOES			
	22-MAR-08	15-MAR-08	24-MAR-07
Inflation	7.00	6.68	6.54
Primary Articles	8.96	7.76	11.38
Food Articles	5.60	5.61	9.40
Non-food Articles	12.58	14.58	16.03
Petroleum Products	6.69	6.56	1.17
Mfd Products	6.31	6.27	6.92
Source: Bloomberg, Office of economic adviser (Figures in %)			