

Publication: The Times Of India Lucknow; Date: Dec 15, 2009; Section: Front Page; Page: 1



Inflation hits 10-month high

TIMES NEWS NETWORK

New Delhi: The rate of inflation shot up to a 10-month high of 4.78% during November, against just 1.34% in October, largely on account of rising food prices. This may prompt the Reserve Bank of India to change its monetary policy to tighten money supply, leading to a rise in interest rates.

Such a steep rise in the annual rate of inflation, based on whole sale price index, is mainly due to sharp rise in the prices of primary articles, including food items. While the index of primary articles rose by 11.8%, that of food items went up by a whopping 16.7%, according to the latest data released by the government on Monday for November. In fact, the weekly data released by the government on food items last Thursday shows that food inflation had shot up by 19.04% in the last week of November as against the same period last year.

The monthly data shows that potato prices have surged by a whopping 101% during the last one year, arhar by 64%, moong and urad by around 50%, and onion by 32%. On the other hand, minerals, edible oils and leather products have become cheaper since March 2009.

Finance minister Pranab Mukherjee attributed the 4.78% spurt in inflation in November to rising prices of food articles. "Inflation has risen high mainly because of the food article prices have gone up," Mukherjee said.

However, finance secretary Ashok Chawla said the rising price of commodities has always been a matter of concern for the government, and the government has been taking administrative steps to contain inflation.

Chawla added that the latest inflation numbers are not surprising and does not call for any immediate emergency measures at this stage. "The fact that food inflation was high and that could reflect in the WPI was also known," Chawla said, adding the government would see whether the rise in inflation was on account of the base effect or is a trend that is likely to continue.

The latest figures, economists feel will force RBI to take harsh measures like making money costly by increasing the interest rates to dampen the demands in the market. Suresh Tendulkar, former chairman of the Prime Minister's Economic Advisory Council (PMEAC), said that the Reserve Bank could take steps to withdraw liquidity to tame rising prices. The apex bank is slated to announce review of its annual credit policy next month. The RBI in its monetary policy review in October revised the inflation forecast to 6.5% by March-end from 5% earlier.

PRICE PUSH

Inflation up largely due to rocketing food prices

Cost of food items rose 16.7% year-on-year in Nov, 19.04% in last week of Nov

Potato prices led surge with 101% rise in last one year

Case building for higher interest rates, say economists