

3. PRICES

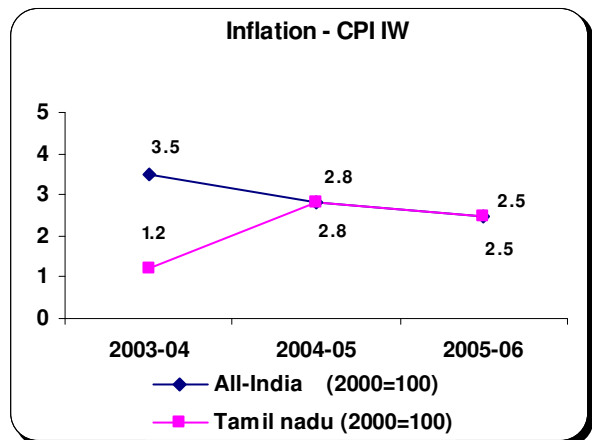
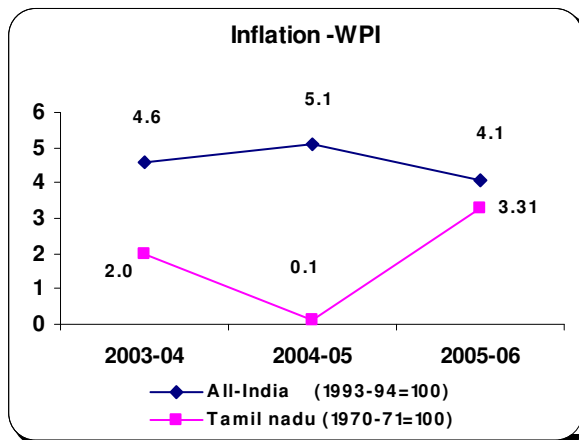
An Overview:

The price situation in general in the State during 2005-06 was fairly satisfactory. The price level as measured by the movement of Wholesale Price Index(WPI), on a point to point basis had recorded a modest increase of 3.31 per cent in 2005-06 over the negligible increase of 0.10 per cent recorded during the corresponding period of the previous year. The sharp increases witnessed in the international oil prices since late 2003 combined with volatility which posed challenges for the macro economic stability at the global level had in some measure influenced the Price Index of the State also. At the national level the WPI with 1993-94 as base year though showed signs of deceleration was marginally higher than in Tamil Nadu. The price behaviour at the State and National levels in the recent three year period with reference to various Indices are presented below:

Table – 1: Price Behaviour - Based on Wholesale and Consumer Price Indices (Point to Point basis)

	Base Year	2003-04		2004-05		2005-06	
		Index	% increase	Index	% increase	Index	% increase
All India							
WPI	1993-94=100	180.3	4.6	189.5	5.1	197.2	4.1
CPI-IW	2000=100	504	3.5	525	2.8	538	2.5
CPI-AL	1986-87=100	332	2.5	340	2.4	358	5.3
CPI-UNME	1984-85=100	424	3.4	441	4.0	463	5.0
Tamil Nadu							
WPI	1970-71=100	1350.8	2.0	1352.1	0.10	1396.9	3.31
CPI-IW	2000=100	108	1.2*	111	2.8	114	2.5
CPI-AL	1986-87=100	344	(-)-2.8	344	0	359	4.4
CPI-UNME	1984-85=100	482	2.0	499	3.6	521	4.5

Note: * Based on 1984 = 100 base year. Source: Directorate of Economics & Statistics, Chennai; Economic Survey, Government of India, 2005-06; Labour Bureau, Shimla.



When compared to the all-India level, the State had experienced a much lower rate of inflation both at the Wholesale level (measured by the WPI indices) and Retail levels (through Consumer Price Indices - IW, AL, UNME) on a point-to-point basis. In the following sections, the price situation of the State with reference to all the Indices during 2005-06 are dealt with in detail.

Behaviour of Wholesale Price Index in Tamil Nadu:

The movement of all-commodity Index on a point-to-point basis during 2005-06 reflect a fair degree of stability of prices in the State. The Index which stood at 1352.14 in March 2005 had moved up to 1396.89 in March 2006 by 3.31 per cent. The increase in price to this extent in 2005-06 is against a very low 0.1 per cent rate recorded in 2004-05. The increase in WPI during 2005-06 had come mainly from the primary group (5.22%) and 'fuel, power, light & lubricants' (6.8%) groups. The demand and supply position of agricultural commodities linked with the quantum and spread of rainfall influences the market prices of the agricultural product. The increase in the prices of primary articles in a near normal agricultural year is the cause for concern. World Price of Indian basket of crude petroleum which increased by 47.9 per cent from US\$ 36.3 / barrel in April - September 2004 to US \$ 53.7 / barrel in April - September, 2005 had an impact on the State price index also. The index of 'fuel, power, light & lubricant' group index had increased by 6.8 per cent between March 2005 and March 2006 as against a very modest 1.2 per cent increase in the corresponding period of the previous year. However, the relatively stable price of the manufactured products had helped to contain the overall price increase to 3.3 per cent

Table - 2 : Movement of WPI - Tamil Nadu

Group	2003-04	% increase	2004-05	% increase	2005-06	% increase
1. Primary Article	1321.24	0.64	1302.10	(-)1.45	1370.09	5.22
2. Fuel, Power, Light & Lubricants	2350.29	6.84	2377.45	1.16	2537.96	6.75
3. Manufactured	1312.14	3.13	1336.11	1.83	1344.51	0.63
All Commodities	1350.77	2.03	1352.14	0.10	1396.89	3.31

Source: Department of Economics & Statistics, Chennai.

All Commodity Index : Monthly Movement:

The all commodity Index opened the year 2003-04 with a highest rate of 7.4 per cent had gradually crawled to 2.0 per cent by the end of that year. In 2004-05 the rate was contained at lower levels through out. The maximum increases seen during July, August and September of 2004-05 were in the range of 2.5 - 2.8 per cent. The year 2005-06 could be termed as a better year with very little abrasions. Of the twelve months, the first seven months i.e. from April 2005 to October 2005 witnessed either a negligible increase or decline or no change in the all commodity index when compared to the corresponding months of 2004-05. Even in the remaining five months, the month-wise movement of WPI was kept under control during November and December. However, the modest increase in the WPI from January to March 2006 to the tune of 2.2 per cent to 3.3 per cent has to be taken note of in view of its likely influence during 2006-07.

Table - 3 : Month-wise Movement of WPI
(% change over the corresponding period of the previous year)

Month	2003-04	2004-05	2005-06
April	7.4	1.7	0.4
May	7.4	1.7	0
June	7.0	2.1	(-)0.5
July	6.4	2.5	(-)0.9
August	5.0	2.8	0
September	4.2	2.6	(-)0.3
October	4.2	2.2	0.5
November	4.0	2.2	1.6
December	4.0	2.0	1.6
January	4.0	0.8	2.8
February	3.2	1.0	2.2
March	2.0	0.1	3.3

Source: Department of Economics and Statistics, Chennai.

Wholesale Price Index : Quarterly Movement:

The quarterly movement of the Index help to identify the impact of seasonal variations on the price index. The percentage increase of the Index by the end of each quarter over the corresponding period of the previous year was taken for inter and intra-quarter comparisons. The results for all the four quarters in a year thus arrived at are as follows.

Table - 4 : Quarter-wise Movement of WPI

Group	2003-04				2004-05				2005-06			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Primary	3.6	-0.1	-0.2	-2.6	3.4	-0.2		-3.9	1.9	0.5	3.5	-0.7
Fuel etc.	5.3	-1.1	2.6	0	1.3	-0.4	0.3	0	4.0	2.6	0	0
Manu- factured	-0.3	-0.1	1.1	2.4	0.6	1.2	0.6	-0.5	0.8	0.3	0	-0.4
All commo- dities	2.0	-0.1	0.5	-0.1	2.4	0.4	-0.1	-2.2	1.5	0.5	1.8	-0.7

Source: Department of Economics and Statistics, Chennai.

On top of a moderate increase of 1.5 per cent in the first quarter of 2005-06 (April-June), the WPI had increased by 1.8 per cent in the third quarter (October - December) after facing a dip (0.5%) in the second quarter (July - September). The prices at the Wholesale level had experienced a fall during the harvest season or the fourth quarter (-0.7%).

This trend is in contrast to that of the previous year wherein a steady decline in the rate from 2.4 per cent in the first quarter to (-)2.2 per cent in the last quarter through 0.4 per cent and (-)0.1 per cent in the second and third quarters was seen.

Influence of Group / Sub-Groups on WPI:

The analysis on behaviour of Wholesale Price Index at the Group and sub-group levels will help us to identify the most influential group / sub-group. The all-commodity index comprises of three groups viz. 'primary articles', 'fuel, power, light and lubricants' and manufactured products, with varying degree of weights assigned. The WPI with 1970-71 base assigned a weight of 52.69 percentage points to primary articles followed by 44.05 per cent to manufactured products and 3.26 per cent to 'fuel, power, light and lubricants' which meant that smaller abrasions in price behaviour of 'primary articles' and 'manufactured products' could have greater impacts on the overall index.

**Table - 5 Wholesale Price Index: By Major Groups
(End of March)**

(Point to point basis)

Group	Weight	2003-04			2005-06		
		Index	% change	Weighted contribution	Index	% change	Weighted contribution
1. Primary Articles	52.69	1321.2	0.64	16.51	1370.1	5.22+	80.05
2. Fuel, power, light & lubricants	3.26	2350.3	6.84	18.24	2538.0	6.75	11.68
3. Manufactured products	44.05	1312.1	3.13	65.26	1344.5	0.63	8.27
All commodity	100.0	1350.8	2.03	100.0	1396.9	3.31	100.0

Source: Department of Economics and Statistics, Chennai.

Since the WPI had a very low order of increase (0.1%) in 2004-05, the moderate inflationary rate of 3.31 per cent experienced in 2005-06 was compared with a more or less similar situation experienced in 2003-04 to understand the group / sub-group level changes.

The all commodity index which stood at 1350.8 by the end of March 2004 landed at 1396.9 by March 2006, registering an increase of 3.31 per cent over 2004-05. The escalation is apparently due to the influence of primary articles. However, an increase of 6.75 per cent in the low weighted 'energy group' index and its impact on the overall index to the tune of 11.68 per cent has to be noted.

Primary Articles:

The 'Primary Articles' group which is a major group sharing about 53 per cent of the all commodity index comprises of 'food articles', 'non-food articles' and 'minerals' as sub-groups having descending weights in the same order.

Among the sub-groups coming under Primary Articles, the prices of 'food articles' had increased by 2.36 per cent during 2005-06. While the minerals remained at the same level, the prices of 'non-food articles' had slid by (-)4.41 per cent. So the overall 'primary articles' had inflated by 1.66 per cent pushing up the Index from 1302.1 in 2004-05 to 1370.1 in 2005-06.

Table - 6 : Behaviour of Primary Articles in WPI

Sub-group	Weight	Index		% Change Point-to-point basis		% Change Average basis	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
		Food Articles	32.26	1444.9	1567.32	0.01	8.48
Non-food Articles	19.61	1072.3	1053.51	4.77	(-)1.75	2.9	(-)4.41
Minerals	0.82	1181.7	1181.71	0	0	0	0
Primary Articles	52.69	1302.1	1370.1	1.47	5.22	1.47	1.66

Source: Department of Economics and Statistics, Chennai.

Fuel, power, light and lubricants:

The energy group index comprising of petroleum products and electricity has the least weight of 3.26 per cent in the all commodity index. The downward trend observed in this group during 2004-05 had gained momentum once again in 2005-06. The rate of increase at 1.2 per cent on a point to point basis in 2004-05 had risen to 6.8 per cent in 2005-06 (on average basis it rose from 2.4% to 5.2%). Average headline world price of Indian basket of crude petroleum increased by 47.9 per cent from US\$ 36.3 per barrel in April - September 2004 to US\$ 53.7 per barrel during the corresponding period of 2005, was the pushing factor. But for the least weightage assigned, the impact of this group would have been much higher on the all commodity index.

In view of sharp and continuous increases in prices of crude and petroleum products in the international market, the Government of India constituted a High Powered Inter Ministerial Committee in October 2005 to formulate a fuel pricing policy including taxation regime for petroleum products. The Committee headed by Dr.C.Rangarajan, Chairman, Economic Advisory Council to the Prime Minister has submitted its report to the Government. The task of calibrating the administered prices of fuel products is essentially a problem of political economy wherein the imperatives of a realistic price level has to be reconciled with a pricing strategy that contains inflationary pressures. Informed assessment of the impact of the hike in fuel prices is that these have yet to pass through the economy.

Manufactured Products:

During 2005-06 (on an average basis) all the sub-groups coming under this group excepting 'food products', 'textiles' and 'rubber and rubber products' had witnessed increases. Among the remaining sub-groups the average increase was notable among leather & leather products (8.11%), basic metals and alloys (8.0%) and paper and paper products (5.7%).

Table - 7 : Movement of Manufactured Products

Sub-group	Weight	% change Point-to-point basis		% Change Average basis	
		2004-05	2005-06	2004-05	2005-06
		Food Products	6.76	(-)2.5	4.4
Beverages & Tobacco	0.25	0.0	0.0	0.0	0.0
Textiles	8.95	0.1	(-)0.3	1.4	(-)0.1
Paper & Paper Products	1.05	8.0	3.7	4.3	5.7
Leather & Leather products	2.43	3.4	4.5	0.2	8.1
Rubber & Rubber Products	1.52	8.9	(-)10.8	3.6	(-)2.0
Chemical & Chemical Products	3.39	1.6	3.1	4.5	3.9
Non-metallic minerals	1.46	7.6	(-)5.3	0.8	2.7
Basic Metals & Alloys	2.34	9.2	4.0	33.0	8.0
Machinery & Transport	10.98	2.7	(-)0.5	2.6	2.1
Miscellaneous	4.92	2.2	(-)0.9	7.8	0.3
Manufactured products	44.05	0.1	3.3	1.8	0.9

Source: Department of Economics and Statistics, Chennai.

Wholesale Price Index - Commodity level:

The basket of Wholesale Price Index (1970-71 = 100) covers 147 commodities having different weights. The movement of these commodities are studied and presented below.

Type of change	Commodity
Declined in both years	Wheat, Milk, Raw cotton & Wool, Gingelly Oil Seeds, Electricity, Groundnut oil, Gingelly oil, Cotton textiles.
Increased in both years	Bengalgram, Potatoes, Onions, Egg, Fish & Meat, Coffee, Sugarcane, Petrol, Diesel.
Increased in 2004-05 and decreased in 2005-06	Jowar, Condiments & Spices, Tea, Groundnut Oilseed
Decreased in 2004-05 and increased in 2005-06	Rice & Maida
Without change	Raw wool, Kerosene, Bakery Products, Paints & Varnishes.

The Wholesale price of rice, the staple food of Tamil Nadu, having an assigned weight of 6.59 per cent in the basket which declined in 2004-05 had risen during 2005-06. Many commonly used commodities such as wheat, milk, groundnut oil, gingelly oil and electricity became cheaper than the preceding year, 2004-05

Wholesale Prices and Retail Prices of Select Commodities:

Comparison of the actual prices of select commodities of every day use, both at wholesale and retail levels during 2005-06 against 2004-05 indicated perceptible increase in the price of commodities such as Bengalgram, Sugar Garlic (ground) Pototote and Onion (Bellery). The increase in the price of Coriander is much pronounced at the wholesale level and that of Tomato at the retail level.

Table - 8 : Wholesale and Retail Price Variations

(Rs. per unit)

Commodity	Wholesale Prices			Retail Prices		
	2004-05	2005-06	% change	2004-05	2005-06	% change
Rice fine	11.06	11.15	0.81	12.01	12.07	0.50
Rice common	10.47	10.52	0.48	11.43	11.40	(-)0.26
Wheat	11.45	11.08	(-)3.23	12.92	12.83	(-)0.70
Ragi	7.25	6.87	(-)5.24	8.53	8.37	(-)1.88
Bengalgram	21.57	23.52	9.04	24.37	26.66	9.40
Redgram dhall II	28.29	27.85	(-)1.56	30.78	30.31	(-)1.53
Groundnut oil	51.38	38.77	(-)24.54	54.57	52.35	(-)4.07
Gingelly oil	61.42	56.62	7.82	64.58	59.70	(-)7.56
Coconut oil	71.94	59.39	(-)17.45	74.08	61.55	(-)16.91
Gur I Sort	18.17	17.42	(-)4.13	21.10	19.93	(-)5.55
Sugar	16.33	17.74	8.63	16.89	18.51	9.59
Chillies	27.34	23.10	(-)15.51	31.21	26.33	(-)15.64
Coriander	24.51	26.29	7.26	28.97	29.55	2.00
Turmeric	35.05	31.87	(-)9.07	44.67	43.50	(-)2.62
Garlic ground	20.91	23.11	10.52	24.48	26.60	8.66
Tamarind I Sort	43.16	38.57	(-)10.63	46.61	42.42	(-)8.99
Potato	7.71	9.11	18.16	9.83	11.35	15.46
Onion Bellary	6.52	8.68	33.13	8.06	10.51	30.40
Tomato	4.96	5.17	4.23	8.03	8.81	9.71
Banana Poovan (per dozen)	8.11	7.33	(-)9.62	12.35	12.29	(-)0.49
Milk (per litre)	12.50	12.50	0	13.00	12.94	(-)0.46

Source: Department of Economics and Statistics, Chennai.

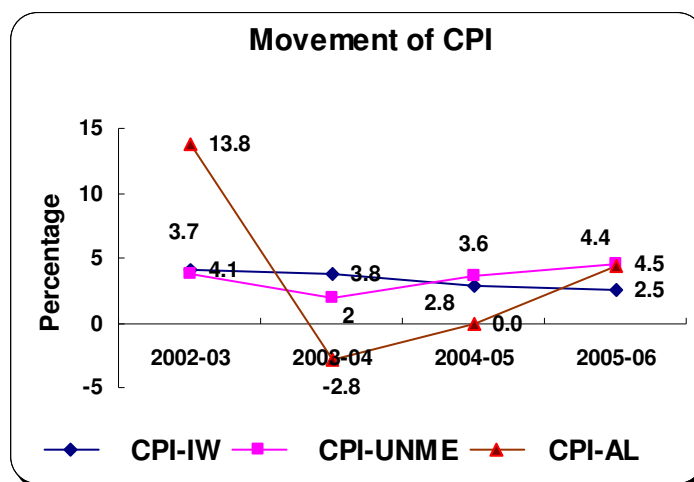
Consumer Price Index:

The inflation at the retail level is reflected by the movement of Consumer Price Index. The Index as a single measure of inflation should cover entire gamut of goods and services purchased by an average consumer in the domestic market. There is no single index to cover all the population groups. However, separate diverged consumer price indices covering different baskets of goods and services and geographical areas with varied base years are computed to reflect the changes in the price of commodities used by different set of consumers. A snap-shot of the behaviour of various Consumer Price Indices is presented in the following statement

**Table: 9 : Consumer Price Index :Tamil Nadu
(Point-to-point basis)**

Indices	Percentage change over the previous year			
	March, 2003	March, 2004	March, 2005	March, 2006
Consumer Price Index-				
-Industrial Workers	4.1	3.8	2.8	2.5
-Urban Non-Manual Employees	3.7	2.0	3.6	4.5
-Agricultural Labourers	13.8	(-)2.8	0	4.4
Wholesale Price Index	7.2	2.0	0.1	3.3

Consumer Price Indices, which reflect inflation, edged up during 2005-06 largely reflecting higher food and fuel prices. The consumer Price Index for Agricultural Labourers and Urban Non-Manual Employees recorded relatively higher order of increases in 2005-06 as these Indices have higher weights for food group.



Consumer Price Index for Industrial Workers (CPI-IW):

Labour Bureau, GOI which is entrusted with the responsibility of compilation and maintenance of the CPI numbers for IW has updated the base year of the existing (1984=100) index to 2001=100 with effect from 2005. The Index purport to measure the temporal change in the retail prices of fixed basket of goods and services being consumed by the target group (i.e.) an average working class family and hence it is an important indicator of the retail price situation in the country. The Index is also used for calculating the DA of Central / State Government employees and in fixing and revising minimum wages in scheduled employments. Hence, the Index is crucial in shielding the employees against inflationary pressures.

**Box -1 : CPI-IW Revised Base Year
(Base 2001=100)**

The Labour Bureau is entrusted with the duty of compilation of Consumer Price Index for Industrial Workers. The Centre specific weighing diagrams, the retail price data and house rent data are the three most important constituents of CPI-IW. The NSSO collected the income and expenditure data in order to reflect the change in consumption pattern of the working class population at all the 78 selected centres across the country during 1999-2000 under the guidance of Labour Bureau. The base year was selected following the criteria of normal years synchronising with Income and Expenditure Survey, having reliable data and uniform through out. Like-wise the prices data of all the 78 centres were collected and dispatched to Labour Bureau in 2001 and so the calendar year 2001 was fixed as the base year. The revised weights assigned are as follows:

	<u>1982=100</u>	<u>2001=100</u>
Food	57.00	46.19
Pan, Supari, Tobacco & Intoxicants	3.15	2.27
Fuel & Light	6.28	6.43
Housing	8.67	15.27
Clothing, bedding & footwear	8.54	6.58
Miscellaneous*	16.36	23.26

*includes medical care, education, transport, communication, recreation and amusement, personal care and effects, laundry, domestic services etc.

Source: www.goidirectory.com.

Since the Index in the revised base year is available only from 2005-06 ,for comparison purposes the indices with the old base year were revised to the latest base using the `Linking factors' for each centre.

Table – 10 CPI - IW : Centre-wise Movement

Centre	Chennai	Coimbatore	Coonoor	Salem	Trichy	Madurai	Tamil Nadu	All-India
Weight	3.47	1.89	1.54	1.16	1.35	1.51	10.92	100.0
Linking factor	4.95	4.49	4.58	4.45	5.01	4.51	-	4.63
2004-05	4.6	0.9	(-)1.8	2.9	8.6	2.8	2.8	3.7
2005-06	2.7	0	0.9	10.3	(-)0.9	2.7	2.5	0

Source: Labour Bureau, Shimla.

Tamil Nadu Index (weighted average of all the six centres) shows a fall from 2.8 per cent in 2004-05 to 2.5 per cent in 2005-06. Among the six centres, Salem had a faster rate of price increase (10.3%) and Tiruchirappalli which used to be the costliest centre had a negative rate of (-)0.9 per cent during 2005-06.

Consumer Price Index for Agricultural Labour (CPI-AL):

The Consumer Price Index for Agricultural Labourers based on the consumption pattern of rural households has 1986-87 as the base year. The point to point increase witnessed in 2005-06 at 4.4 per cent was significantly higher than that of 2004-05, however, it was much lower than that registered at the all India level (5.3%) .

**Table - 11 : Consumer Price Index – Agricultural Labourers
(Point-to-point basis)**

	Tamil Nadu		All India	
	Index	% Change	Index	% Change
2003-04	344	-2.8	332	2.5
2004-05	344	Nil	340	2.4
2005-06	359	4.4	358	5.3

Source: Central Statistical Organisation, Government of India

Consumer Price Index for Urban Non-Manual Employees (CPI-UNME):

The price of CPI-UNME (1984-85 base year) which had an increase of 2.0 per cent during 2003-04 had accelerated to 3.6 per cent in 2004-05 and further to 4.5 per cent in 2005-06. The situation was similar at the national level also wherein the 3.4 per cent increase during 2003-04 rose to 4.0 per cent and 5.0 per cent in the successive years.

**Table - 12 : Consumer Price Index for Urban Non-Manual Employees : Centre-wise
(Point to point basis)**

	Chennai	Coim- batore	Salem	Trichy	Madurai	Tamil Nadu	All India
Weight	3.86	1.61	1.43	1.83	1.80	10.53	100.00
2004-05	4.2	2.8	2.6	2.8	4.4	3.6	4.0
2005-06	4.0	6.7	3.3	3.6	5.3	4.5	5.0

Source: Central Statistical Organisation, GOI.

Among the five representative centres Coimbatore had a much higher rate of increase by 6.7 per cent in 2005-06 followed by Madurai (5.3%). Salem was the least costly among the centres in terms of CPI-UNME.

Methodological Issues:

The Price Index indicates the average price movement over a fixed basket of goods and services. At present, separate series of Indices are compiled to capture the price movements at retail and wholesale levels in India and Tamil Nadu. At the National level WPI and CPIs for IW, AL, UNME are being compiled with varying base years and baskets of commodities

Box -2
Status Of Base Year Revisions: Various All India Indices

Wholesale Price Index (WPI) Working group under the Chairmanship of Prof. Abhijit Sen, Member, Planning Commission is currently engaged in updating the current base year of WPI (1993-94) to a much recent year is expected to submit its report by June 2006.

Consumer Price Index - Industrial Workers (CPI - IW) Based on the recommendations made by the International Labour Organisation, the Second Commission on Labour and the National Statistical Commission, for early up date of the base year from 1982 to 2001. Labour Bureau has completed and finalised the procedural, methodology and conceptual issue and released the index since 2005.

Consumer Price Index - Urban Non-Manual Employees (CPI - UNME) Having a limited use and is used for determining DA of employees of some foreign companies working in India such as airlines, communication, banking, insurance and other finance services. It is also used under the Income Tax Act to determine capital gains and by CSO to deflate selected services sectors at current prices. Presently, on the advice of the governing Council, the NSSO is conducting a Family Living Survey (FLS) to obtain the present consumption pattern of UNME for shifting the base year. It is also going through the possibilities of constructing a Consumer Price Index for urban employees.

Consumer Price Index - Agricultural Labourers (CPI-AL) Used for revising the minimum wages for agricultural labour in different States. The consumer pattern of agricultural labourers has changed over the years and so like all other price indices it has also to be changed. With this intention the NSSO is conducting a family expenditure survey for agricultural labourers. The CSO is also examining the feasibility for constructing a separate index for the rural sector as a whole.

Source: Economic Survey, 2005-06, Government of India

As the consumption expenditure pattern in both rural and urban areas have undergone significant changes over the years, there is a need to revise and update the existing base years of these indices to a more recent year.

The base year of WPI for All-India was revised from 1970-71 to 1980-81 and later on to 1993-94. Steps are being taken to update it further to 2000-01. On the other hand, the State Index compiled by the Department of Economics and Statistics still follows the 1970-71 base which lacks substitutions and replacements of goods and services. In this context, the recommendation of the National Statistical Commission to revise the base year for every five year and not later than ten-years may require to be considered. The priorities and necessities of the consumption basket that decides the weighting diagram of the Index gets shifted often due to change in base year. The table below highlights the variation in weighting pattern of certain commodities under two different base years of

Government of India Index. As for the Consumer Price Index, there is no separate State Index which, however, was represented by selected State centers

Table - 13 : Varying Weights of Select Items in WPI: All-India

Item	1970-71=100	1993-94=100
1. Food Articles	32.3	15.40
2. Fruits & Vegetables	5.4	2.92
3. Milk	4.2	4.37
Tea	0.16	1.0
Coffee	0.60	0.08
4. Kerosene	0.50	0.69
5. Petrol	0.1	0.89
6. Electricity	1.6	5.48
7. Food Products	6.8	11.54
8. Sugar	2.1	3.62
Edible Oil	3.5	2.76
Fertiliser	0.9	3.69
9. Transport Equipments & Parts	6.1	4.30

Source: Economic Survey, GOI.

High inflation hurts the poor if their incomes are not indexed to prices. It also puts pressure on interest rates and adversely affects both savings and investment. So, the containment of inflation is high on the Government's agenda. The measures taken by the Government since February 2005 are: anti-inflationary policies which include strict fiscal and monetary discipline, effective supply-demand management of sensitive items through appropriate policies and tariffs and trade policies and strengthening of PDS.