

Govt to intensify measures to control inflation: Fin secy

Decisions must be taken with a medium-term view, says Somanathan

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New Delhi, 16 August

The central government will take a medium-term view while intensifying efforts to reduce the inflationary burden, and will avoid any knee-jerk reaction to transitory price rises, Finance Secretary T V Somanathan told *Business Standard* in New Delhi.

“The government has taken a number of measures for inflation control. They are ongoing and will be intensified. But I would also say that these decisions have to be taken with a medium-term view, and not necessarily based on one-two weeks/months figures, as they may have an impact on trade policies and have consequences over a longer period. So they have to be taken carefully,” Somanathan said.

India’s retail inflation hit a 15-month

high of 7.44 per cent in July, breaching the Reserve Bank of India’s upper tolerance level of 6 per cent for the first time in five months.

Citing measures taken by the government to cool down inflation, the senior-most bureaucrat in the finance ministry said: “We are engaging in substantial open market sales of both wheat and rice to control food inflation; special measures of market intervention in vegetables, pulses and oil seeds were also taken to cushion the impact.”

“Some steps are beginning to take effect while some will continue to take effect,” Somanathan added.

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I WOULD NOT
ADVOCATE TAKING
POLICY ACTION
BASED ON THE ONE
ELEVATED FIGURE
OF THIS MONTH”

T V SOMANATHAN
FINANCE
SECRETARY



scheme will cover 18 traditional trades as of now, such as carpentry, boat making, armourer, blacksmith, hammer and toolkit maker, locksmith, goldsmith, and potter. Under the scheme, the beneficiary artisans and craftspeople will be provided a stipend of ₹500 per day for upskilling and ₹15,000 for procuring modern tools. As part of the working capital, they will be provided credit support in two tranches of ₹1 lakh and ₹2 lakh at a concessional interest rate of 5 per cent.

The Cabinet also approved the expansion of the Centre's flagship scheme Digital India, launched in 2015, with a financial outlay of ₹14,903 crore. This aims to scale up digital skilling, cybersecurity, e-governance services, and the development of Artificial Intelligence.

Ashwini Vaishnav, Union minister for communications, electronics and information technology, said Computer Emergency Response Team, the government's nodal agency for cyber forensics, emergency response and cyber diagnosis, would be massively expanded. The programme will also include the development of cybersecurity tools and the integration of more than 200 sites with the National Cyber Coordination Centre.

Finance secy...

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The high inflation rate in July was driven by a spurt in prices of vegetables, led by tomatoes. Vegetable prices shot up 37.3 per cent annually during the month, while pulses, cereals, and spices witnessed double-digit inflation rates.

The finance secretary said the surge in prices was a temporary seasonal phenomenon which would recede soon. "I think inflation will be reduced in the next three months. So I would not advocate taking policy action based on the one elevated figure of this month," he added. Somanathan said there were distinctly identifiable seasonal factors which had elevated the inflation rate, and those commodities which were undergoing a very rapid price increase and a big role to

play in inflation were bound to abate when crops came in.

Prime Minister Narendra Modi on Tuesday promised to take more measures to minimise the burden of inflation on households. "India has tried its best to control inflation. Compared to the previous period, we have also had some success, but we cannot be complacent with that. We should not be complacent that our things are better than that of the world. I have to take more steps in this direction to minimise the burden of inflation on my countrymen. And we will continue to take that step. My efforts will continue," Modi said from the ramparts of the Red Fort on the occasion of the 77th Independence Day.

On global slowdown and whether it poses risk to Indian exports, Somanathan said: "It will impart a certain downward push to our growth but I think we can overcome that through

sustained domestic economy."

Trade data released by the commerce ministry on Monday showed merchandise exports contracted for the sixth consecutive month in July, by 15.9 per cent Y-o-Y to \$32.25 billion amid tepid global demand.

"If major economies which are buyers of Indian imports undergo slowdown, it will have an impact on India exports, and that's inevitable. However, India is not a very export-dependent economy in comparison to many other nations. So the effect on Indian economies will be relatively less than other economies," Somanathan added. On the growth rate of industrial production easing to 3.7 per cent in June, the senior bureaucrat said it's transitory in nature and not worrisome. On overall revenue collection — both direct and indirect taxes — Somanathan said it looked okay so far.

BS SUDOKU

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