

1/22 Centre and RBI will have to work in tandem to control
5-3 prices without destabilising growth. Analyse.

The 7% inflation rate in the August '22' calls for a tighter ~~as~~ monetary policy and suitable fiscal policy. RBI's inflation targeting will be put to test.

Ballooning Inflation

The food inflation reached 7.6% in this August due to high cereal prices. This was the reason due to low acreage in the Kharif season.

The cereal price such as wheat also increased due to heat wave this year. The irregular monsoon also resulted in high cereal, pulses and dairy prices.

Centre and RBI in tandem

① To ease out the food price inflation, state governments must ensure to prevent stockholding and enforce Essential Commodities Act and take

strict measures to prevent black marketing.

② PSF Price-stabilisation fund scheme to be implemented to control the price of vegetables.

③ The centre can reduce the excise duty on petrol from current ₹32.9/litre and states can also reduce the value added tax.

④ As the inflation is above 7% RBI is likely to further increase the repo rate to 50 to 100 basis points from present 5.4%.

⑤ Enhancement of buffer stocks from 1.5 lakh MT to 20 lakh MT ~~can~~ helped reduce the retail price.

The recent SCO summit has been seen to revive oil deals from Iran which can cool off domestic prices. Effective fiscal and monetary policy is central for growth of MSMEs, startups among others.