

# SWARAJYA

(Founded by KHASA SUBBA RAU)

Vol. XXI. No. 4

MADRAS, JULY 24, 1976

Price 40 p.

## DISTURBING PRICE TRENDS

R. VENKATARAMAN

THE GHOST of inflation is rearing its ugly head again. The upward trend in the prices of essential commodities during the past four months causes concern that the inflationary pressure has returned, in spite of various regulations and controls instituted by the Government. The Index Number of wholesale prices of all commodities, which stood at 282.9 in March, 1976, has risen to 290.5 by April, 24, and to 301.7 during the week ended June 26, 1976, recording an increase of over 6% in three months. Though compared to the level in the corresponding week a year ago the index is lower by 3 per cent, the continuous rise at an average rate of 2 per cent per month is deeply disturbing. Prices which started receding since October, 1974, kept their downward trend until March last but have showed a tendency to look up since April. In spite of the bumper crop and an all-time high production of over 116 million tonnes, even the foodgrains index has risen from 200.4 at the end of May to 303 in the last week of June. The prices of items of mass consumption and of industrial raw materials have also gone up. Fortunately, the Central and the State Governments and the Reserve Bank of India are now alert and are evolving a plan of action to tame the price shrew. The nation cannot afford to neglect the price situation, as any continued rise in the index would wash away most of the achievements of the Govern-

ment's anti-inflationary drive which had yielded so many benefits during the past one year. The country's economy, which is in good shape and poised for rapid growth, will be spoiled by a resurgence of inflation. The basic causes for the up-swing should be identified if appropriate measures are to be framed and enforced.

The disappointing progress of the monsoon has affected the prospects of the kharif crops, which account for nearly two-thirds of the foodgrains output in several States. Anticipating shortages due to failure of rains, speculators appear to have become active in their operations. It is also reported that farmers in several areas have started holding back the produce

and arrivals in the main commodity markets have dwindled. Besides, some State Governments have directed the wholesalers and others to cut their margin of profit on foodgrains and other commodities, which, in turn, has led to a slowing down of the market arrivals. Some State Governments, presumably to protect their regional interests, have discouraged their traders from despatching stocks of coarse grain to other areas, accentuating the problem. In the non-food group of commodities—oil seeds, edible oils, vegetable and fruits and several industrial raw materials like jute, cotton—there has been a shortfall in production. The restriction imposed by the Government of Gujarat on the export of ground-



GROWLING AGAIN?

nut outside the State has resulted in a spurt in retail prices in recent weeks. In the case of cotton, while the position was easy till January this year, there has been a sharp turn for the worse. Faulty crop estimates had to be revised downward, from 80 lakhs bales to 66 lakhs bales (of 170 kg. each), adding fuel to the fire of sensitive cotton prices. This has happened at a time when the consumption of cotton was running at high levels. Cotton supply position has so deteriorated that the Government of India has sent a delegation abroad to explore the possibilities of buying 3 lakhs bales of suitable varieties of cotton for early deliveries. Measures are also being taken to curb stockpiling of the commodity by the mills.

Apart from the vagaries of weather conditions, monetary factors appear to have contributed to the higher price trends. During the first quarter of 1976-77, there was an increase in money supply with the public, estimated by the Reserve Bank at 7.4 per cent, as against 5.5 per cent during the corresponding period last year. It was mainly due to the higher procurement to build up foodgrains stocks and to facilitate the stabilisation of the public distribution system. The growing export surpluses have also contributed their share to the quantum of money supply. It is now known that there was an increase in foreign balances of the Reserve Bank by Rs. 1,078 crores in 14 months ending with June 18, 1976, against only Rs. 103 crores in the 12 months ended March, 1975. Greater inflow of foreign remittances have also increased domestic money supply, intensifying the inflationary pressure.

The annual plan for 1976-77 was deliberately reflationary in character. It was framed to meet the stultifying recessionary trends in the economy. It was also stepped up by 31 per cent with a view to accelerating the growth of the economy. The combination of new fiscal policies and the threatened shortage of supplies due to unfavourable monsoon have encouraged a speculative price hike.

The initial rigours of the emer-

gency are wearing off. No longer does the trader dread the consequences of adulteration, profiteering and blackmarketing, nor the petty officials of making extras on the side. The taximan does not respect the meter, nor the policeman the rules. A reversion to former chaos spells disaster to the country and the people. A fresh package of anti-inflationary measures, is, therefore, called for. Fortunately, the Government is now well-equipped to deal with the situation. The foodgrains stocks are comfortable around 15 million tonnes and a fairly good network of public distribution system has been organised. Since foreign exchange is no longer a constraint import of edible oils, cotton yarn and raw cotton should be arranged

without delay. The Reserve Bank should revamp the credit controls so that hoarding and profiteering of scarce commodities are penalised. The encouraging growth of 7 per cent in industrial production during 1975-76, a much higher rate during the following three months and the comfortable food situation give us confidence that the economy is sound but it requires firm measures to discipline the erring traders and farmers. Firm action against anti-social elements and a further strengthening of the public distribution system will definitely help to ease the situation. Further, better coordination between the States and the Centre can prevent regional frictions from creating local scarcities and inflationary pressures.

## GROWTH AND DIVERSIFICATION OF INDIA'S EXPORTS OF ENGINEERING GOODS

ZIA UDDIN

(Dept. of Commerce, Aligarh Muslim University, Aligarh, U.P.)

DURING the last 15 years, the engineering goods industry has been the most rapidly growing sector of the Indian economy. It has emerged as an important element of earning foreign exchange in the non-traditional exports of India. The purpose of the present paper is to highlight the importance of engineering goods as a dynamic element in the Indian exports. It also examines the changing pattern and diversification of such exports.

### Impressive Expansion in 20 years

India's exports of engineering goods recorded an impressive rate of growth during the last 20 years. The value of exports of engineering goods in 1956-57 was Rs. 5 crores; it shot up to Rs. 349 crores in 1974-75. In the first half of 1975-76 (April-September 1975), the export value of India's engineering goods totalled an estimated Rs. 159.35 crores, as compared to Rs. 106.5 crores in the corresponding period of 1974-75 (April-September, 1974). This reveals an approximate improvement of 50 per cent. In 1974-75, the engineering goods exports stood at Rs. 349.1 crores.

Table No. 1 shows the percentage rate of growth

Table No. 1

India's Exports of Engineering Goods 1956-57 to 1974-75

Year	Rs. lakhs	
	Value of exports	Percentage growth over previous year
1956-57	537.6	—
1957-58	619.3	15.2
1958-59	614.8	-0.7
1959-60	792.7	28.9
1960-61	1055.0	33.2
1961-62	1231.2	16.7
1962-63	1484.3	20.6
1963-64	2113.5	43.7
1964-65	2647.4	24.1
1965-66	2978.7	12.4
1966-67	3113.7	4.6
1967-68	4147.7	33.2
1968-69	8497.3	104.9
1969-70	10636.6	25.2
1970-71	11658.6	9.6
1971-72	12604.3	8.6
1972-73	14100.0	11.5
1973-74	18000.0	29.7
1974-75	34901.0	94.6

Source: *Mainstream*, Nov. 1, 1975.

F-24, Bhagat Singh Market, Delhi-1 and *Economic Times*, Jan 20, 1976, p. 4.