

Outlook

29. In a growing economy, 4 to 6 per cent inflation rate could be regarded as acceptable. In 1997-98 the annual rate of increase in prices was confined to this range. Inflationary pressures often tend to build up first on account of supply side shortfalls in primary products which later get reflected in the manufacturing sector and secondly due to pressures on the demand side. Whereas the former is dealt

with through timely and judicious supply management policies often involving government market intervention through liberal trade policy, the latter is dealt with through appropriate macro-economic policies involving control of money supply and fiscal deficit. The year 1998-99 would particularly require special efforts at supply management in order to offset the possible shortfall in foodgrains, sugar and cotton production.