FICCI President comments on RBI Monetary Policy

New Delhi, 18 March 2013: “The RBI’s decision to go in for another round of policy rate cuts was very aptly timed and was almost indispensable to revive the confidence of industry. We believe this would certainly lend some support to the flagging industrial growth. Banks credit to industry has witnessed moderation. Credit to the industry increased by 15.2 percent in January, slower than the 20.2 percent increase a year ago”, said Ms. Naina Lal Kidwai, President, FICCI. "We do hope that RBI will follow this up with further rate cuts even though they have indicated that headroom for further cuts is limited " added Mrs Kidwai.

The key for industry is for lending rates by banks to come down but this would happen only when banks are comfortable with deposits and deposit rates come down . Bank deposits grew at around 12.5 percent while credit growth was 15-17 percent with credit deposit ratios at a high of 78 leading me to believe that banks will not cut interest rates in a hurry.

FICCI's surveys in the recent past have indicated the expectation for rate cuts upto 100 basis points over a 6 month horizon. With two sequential cuts beginning January 2012 and now, FICCI hopes to see similar action over the next few months.

With the non-food manufacturing inflation contained, we cannot afford to ignore growth any more, mentioned Mrs Kidwai.

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