FICCI Welcomes MONETARY POLICY ANNOUNCEMENT

May 3, 2013, New Delhi: FICCI Welcomes RBI's decision to continue its stance of accommodating monetary policy, giving the much desired support to the industrial growth and the hope of spurring investment activity. "FICCI feels that the 75 basis points decline in the repo rate so far this year will be instrumental in reviving the confidence of the industry", said **Ms. Naina Lal Kidwai, President FICCI**. FICCI hopes that this will result in a commensurate decline in lending rates. While the repo rate have been brought down by 125 bps between April 2012 and May 2013, the lending rates have not come down. The base rate as on April 19, 2013 was 9.70/10.25 vis-à-vis 10.00/10.75 last year.

The headline inflation numbers at this stage show clear signs of softening and a sharp dip has been reported in core inflation numbers as well. So at least on this front there is some respite. Further, according to RBI's Macroeconomic and Monetary Developments Report announced yesterday, headline inflation is likely to remain range-bound in 2013-14, with some further moderation in H1 due to subdued producers' pricing power and falling global commodity prices. This decision is therefore very timely.

The industrial growth is really slowing down and has not yet bottomed out. There has also not been much improvement in the credit disbursal to the industrial sector. "The cut in the repo rate will give the right signal to the members of India Inc. Going ahead, it will be important to continue with this stance at least over the next quarter", said Ms. Kidwai.

FICCI has been reiterating that kick starting investments would be the key to give an impetus to growth. The recent progress in giving clearances to the number of stalled projects is encouraging and this momentum needs to be continued going ahead. The ICOR has to be brought down to 4 from the current level of 5, to achieve a growth rate of 6.1 to 6.7 per cent in the year 2013-14, as projected by Economic Survey or even the 6 per cent growth rate as projected by RBI's survey of professional forecasters lowered the growth forecast for the year 2013 -14 to 6 per cent.

RBI in its Monetary policy stance has promised to keep a close watch on the liquidity scenario and FICCI hopes that Industry will be able to raise credit at the right time and at the appropriate cost going forward which is critical for reviving growth sentiment.

FICCI MEDIA DIVISION