

FICCI Comments on RBI Monetary Policy Review

NEW DELHI, December 18, 2013: “RBI’s decision to keep the repo rate unchanged after two successive increases comes as a welcome breather. FICCI has been urging RBI as well as the Government to bring the focus back on growth which has taken a serious beating. This is clearly reflected in the negative industrial growth witnessed in the recent past. Not only that, a discernible slowdown has been witnessed in the services sector as well. At this juncture we certainly need to push all buttons to safeguard growth and revive investor sentiment”, **said Ms Naina Lal Kidwai, President, FICCI.**

“Several of FICCI’s recent studies and surveys have pointed out that high interest rates are a dampener and have been a major impediment to new investments and overall growth. We are happy that RBI has taken cognisance of the weak state of the industrial economy and hope that the next move will be in the direction of lowering of policy rates,” added **Ms. Kidwai.** Keeping interest rates in check will also support the equity markets at a time when we need disinvestments to accelerate to help achieve a fiscal deficit of 4.8percent.

“While inflation understandably is a huge concern, the pressure is largely on account of stubbornly high food prices which cannot be dealt with by monetary policy alone. We hope that with the new crop cycle reaching markets high onion and potato prices are likely to ease further. If the government can use the buffer stocks to bring down food grain prices, overall inflationary expectations could be reined in. This would give more space to the central bank to move ahead to loosen the monetary policy and incentivize banks to take a relook at their interest rate structure,” added **Ms Kidwai.**

As governor Rajan has warned he will remain vigilant regarding inflation. FICCI's view is the government needs to address food prices on a war footing reviewing procurement, warehousing and logistics strategies. The time has come to review our entire food chain policies from price support, to what we grow and how this produce moves across the country. We need to remove impediments to movement of food, to ensure government stockpiling is not contributing to food inflation and to act strongly against hoarding.

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