FICCI comments on RBI Monetary Policy

New Delhi, 2 June 2015: "RBI's decision to cut repo rate by 25 bps is a welcome move. However, given the current situation, the Central Bank could have considered a deeper cut in repo rate by 50 bps. As RBI's own prognosis shows, industrial growth has been recovering, albeit unevenly. The slowdown in consumption demand and the still weak investment cycle has taken a toll on the industrial sector. The same is also reflected in the low credit offtake and the sluggish quarterly corporate results announced recently" said **Dr. Jyotsna Suri, President, FICCI.**

"Capacity utilization levels across industry segments continue to remain at moderate levels and as reported in FICCI's several industry surveys, the outlook for the same is still muted. The need of the hour is to propel demand. With several projects being unclogged by government and public investment being stepped up, there is a case for crowding in private investment. However, the latter requires a simultaneous push in the form of lower lending rates. We urge the banks to reduce lending rates following RBI's announcement. RBI Governor has rightly pointed out and adviced banks to pass through the sequence of rate cuts into lending rates. In fact, the lowering of rates by banks should be in line with the cumulative policy rate cuts announced by RBI so far this year", added **Dr. Suri**.

"The Reserve Bank has also revised downwards the GDP growth projection for 2015-16 from 7.8% to 7.6% in the policy statement today. These indications clearly call for a more concerted effort to support growth. With inflation fairly settled for now, a more aggressive stance could have given a stronger positive signal to the industry", said **Dr. Suri**.

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