

FICCI's Comments on RBI monetary policy review

NEW DELHI, December 18, 2012. : Commenting on the RBI decision to maintain status quo on CRR and policy rates today, *Ms. Naina Lal Kidwai, President of FICCI, said "While disappointing, the status quo is as was widely expected. The recent moderation in inflation numbers, particularly non-food manufacturing at 4.5% in November 2012, a 32-month low, should provide the central bank comfort to begin to consider a rate cut early in the year 2013, as also imported inflation which reveals a decline to 6.5% in November 2012 (13.8% in November 2011)".*

Clearly inflation still remains high for comfort and easing of supply side restrictions and policy are imperative to bring this down. The wide current account deficit also remains a constraint on monetary policy easing. There is some scope for monetary policy easing next year assuming that inflation risks recede and that there is sufficient progress on fiscal consolidation and structural reforms.

The President FICCI added *"There has been a visible slowdown in bank credit to industry (15.2% in October 2012, a decline from 20% in the beginning of the current fiscal). The government has begun to take steps to reverse the present decline by announcing some key policy reforms . With the inflation numbers showing a decline and the global economy still in a difficult situation, industry is crying out for an impetus for investment and growth and lower interest rates would be oxygen to the sentiment which is beginning to turn positive. "*

FICCI Media Division