FICCI COMMENTS ON MONETARY POLICY

New Delhi, 30 July 2013: “The decision of the Central Bank to hold back cut in the repo rate was anticipated as the entire focus at present seems centered on supporting the Rupee. However, we cannot loose sight of the fact that industrial growth remains worrisome”, said Dr. A Didar Singh, Secretary General, FICCI.

“Investors it seems have parked themselves on the fence and remain wary of undertaking fresh investments primarily due to high interest costs. In fact, in a recently conducted FICCI PWC survey on major speed breakers to growth over the next twelve months, some 56% respondents reported that high interest rates were a major barrier. Moreover, in the recently released FICCI’s Economic Outlook Survey a majority of the respondents anticipated a 50-75 bps cut in repo rate by end of this year. It was indicated that the repo rate could be about 6.50-6.75% by Q4 of FY14. Also the survey results indicated that a cut in rates would be crucial for getting growth back on track”, he added.

The non-food credit growth in June 2013 was 14.0%, much lower than about 18.0% growth in June 2012 and also remained below the indicative trajectory of 15.0%. Latest IIP numbers indicated a growth of (-) 1.6% in the month of May 2013, which is very disappointing. With the Central bank curbing liquidity and interest rates remaining high, the present situation is extremely difficult for India Inc.

While the steps announced by government recently on FDI caps have been encouraging, it is important that the capex cycle is first strengthened in the domestic economy. With ICOR slipping to 5 and fresh investments not moving, it is becoming increasingly difficult to revive investors’ sentiment”, said Dr. Didar Singh.

Further, though a slew of reform measures have been rolled out, we feel that the implementation process has to be strengthened. Adopting a piecemeal approach to execution will not really help. FICCI hopes that more such bold steps are on the anvil.

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