Naina Lal Kidwai on RBI Monetary Policy Review

New Delhi, 20 September 2013: Reacting to the monetary policy review, **Ms. Naina Lal Kidwai, President, FICCI said** "The increase in the repo rate by 25 basis points has come as a surprise to us. The RBI has admitted that industrial activity continues to remain sluggish and even consumption demand is now starting to weaken in the economy. In such a scenario, a positive signal by way of a cut in the repo rate, which FICCI has been advocating for long, would have helped perk up sentiments. Perhaps, we will have to wait for some more time to see such action from the central bank. High interest rate has been identified as a major barrier to boosting growth by various FICCI studies and surveys. Entrepreneurs are holding on to their investment plans pending any relaxation in monetary policy by the RBI".

"There has been an upward pressure on inflation, but this is largely due to the spikes seen in prices of food articles. Dealing with such inflation calls for structural changes in the supply chain of food products as well as improving productivity through higher agri-investments. Further, with Rupee on the mend, we could see the pressure from imported inflation coming down in the days ahead. Given this situation and the concerns over inflation, RBI could have maintained the repo rate at the current level even if the case for a downward revision was not acceptable as per its own analysis", she added.

"Moves that improve liquidity can help industry and begin to drive interest rates down. After all the effect for industry is more about rates the banks charge and we have not seen transmission of repo rate reductions to lower rates for industry in the past. In short while industry is disappointed, reduction of interest rates charged and availability of credit remain a plea and we are confident RBI will keep this in their sights going forward", **said Ms. Kidwai.**

We have seen how vulnerable the Indian economy has been to announcements relating to QE tapering, albeit as also felt by a handful of other economies like South Africa, Turkey and Indonesia etc. The reprieve we have been granted by a delayed QE tapering is temporary and we must therefore work urgently on our current account deficit by increasing long term foreign exchange flows through FDI, lowering our import bill and increasing exports. This will require attention be given to pro industry and manufacturing policies in our country", **Ms Naina Lal Kidwai added further to her comments.**

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