

Easing of inflation gives RBI another chance to cut interest rates: FICCI

NEW DELHI, August 14, 2012. Mr. R. V. Kanoria, President, FICCI, has underlined the need for easing the monetary policy regime in view of the decline in the rate of inflation to 6.9 per cent in July 2012 (7.3 per cent in June 2012), a 31-month low. More importantly, the imported WPI inflation Index reveals a significant decline to 6.8 per cent in the current month (8.8 per cent in June 2012).

It may be noted that food prices have also declined to 10.1% in the current month (10.8 per cent in June 2012). *“The RBI should immediately look at bringing down interest rates as inflation has been declining in the last two months. The time now is to pep up investments and simultaneously address supply side constraints,”* Mr. Kanoria said.

Interestingly, a complete measure of inflation that includes the price of services (the implicit deflators used in the measurement of GDP) had actually been declining steadily through FY12.

With the inflation numbers showing a decline and the global economic environment continuing to be challenging, continued hawkish monetary policy will not serve either the objective of reducing inflation or stimulating growth, noted Dr. Rajiv Kumar, Secretary General, FICCI.

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