

# Das: Inflation expected to moderate from Sept

RBI governor says India's policy framework has evolved with changing nature of the economy

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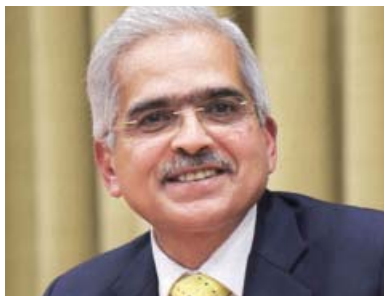
New Delhi, 5 September

Reserve Bank of India (RBI) Governor Shaktikanta Das on Tuesday said inflation was expected to start moderating from September citing the recent fall in food prices.

His remarks, during a lecture at the Delhi School of Economics, come as the headline retail inflation number breached the upper tolerance of 6 per cent in July and stood at 7.4 per cent, the highest in 15 months. "Seasonality in food prices is one thing and this year it was tomatoes. Though vegetable prices are not expected to remain inflated for long, [we] expect the inflation to start moderating from this month forward," Das said.

Besides, in his address on the 'Art of Monetary Policy Making: The Indian Context', Das mentioned that, given the likely short-term nature of the vegetable price shocks, policy can await the dissipation of the first-round effects of such shocks, which may produce short-lived spikes in headline inflation. "(We) remain on guard to ensure that second-order effects in the form of generalisation and persistence are not allowed to take hold."

"The frequent incidences of recurring food price shocks pose a risk to the



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anchoring of inflation expectations, which has been underway since September 2022. We will remain watchful of this as well.”

The governor lauded the role of continued and timely supply-side interventions, as being undertaken by the government, which assumes criticality in limiting the severity and duration of food price shocks.

During the lecture, the governor said the monetary policy framework in India had evolved in line with developments in theory and country practices, the changing nature of the economy, and developments in financial markets.

“Our experience during the inflation-

## RBI may bring CBDC in call money market

The Reserve Bank of India (RBI) aims to increase the number of central bank digital currency (CBDC) transactions in the retail segment from 20,000-25,000 per day in July to 1 million by the end of December, according to official RBI sources. “The RBI is looking to expand the use of CBDC or e-rupee for a broader range of wholesale transactions. We are planning to use CBDC tokens for the call money market,” the official said.

**NIKESH SINGH**

targeting regime provides some useful lessons for the conduct of monetary policy. First, being proactive and nimble-footed during a crisis gives one the ability to respond speedily to fast-paced and overwhelming developments. Second, policy measures should be prudent, targeted, and calibrated to the needs of the hour without being tied down by any existing dogma or orthodoxy.

Third, monetary policy actions—when needed—should be backed up by appropriate regulatory and supervisory measures, including macro-prudential instruments, to reinforce the policy impact and its credibility,” he said.