

# Managing inflation can't just be left to RBI: Sitharaman

'Monetary and fiscal policies have to work in tandem; importing Russian oil part of inflation management'

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**F**inance Minister Nirmala Sitharaman on Thursday said inflation management can't be singularly left to monetary policy, "which has proved totally ineffective in many countries", and noted that both fiscal and monetary policies have to work in lockstep to contain the rise in prices. She also said importing Russian oil was part of India's inflation-management strategy.

"India's inflation management is an exercise of so many different activities, a majority of which are outside of monetary policy even in today's circumstances," Sitharaman said at an event organised by the Indian Council for Research on International Economic Relations.

The finance minister said the Reserve Bank of India (RBI) will have to "somewhat" synchronise its monetary tightening actions with other central banks, but not as much as other western developed countries would do.

"I am not prescribing anything to the Reserve Bank. I am not giving any forward direction to the central bank. But it is the truth — India's solution to handling the economy, part of which is handling inflation, is an exercise where fiscal policy together with monetary policy has been at work," she said.

"The central bank, its instruments and its interest rate management form a very critical part of it, but it cannot be the one and only one," she added.

India's Consumer Price Index (CPI)-based inflation in July was the lowest in five months, aided by cooling global com-



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**NIRMALA SITHARAMAN,**  
Finance minister



modity prices and lower food prices domestically, but was still above the Monetary Policy Committee's medium-term target.

Sitharaman said India's decision to buy discounted crude oil from Russia was part of its inflation management. "I give credit to the statesmanship of the prime minister to make sure globally that we did keep up the relationship with all countries but yet managed to get the Russian fuel, which is what Japan is doing today, which is what some other countries are doing," she said. "Our entire import from Russia was probably 2 per cent or even lesser, it was ramped up to almost 12-13 per cent within a couple of months."

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# Sitharaman



The finance minister said states will also have to do their bit to reduce prices at the local level, noting that states which did not cut their duties and taxes on petrol and diesel have inflation higher than the national average. "If the states' inflation is also to be attributed to the government of India, we need to have a way in which we work together to handle inflationary matters," Sitharaman said.

"It cannot be that inflation is handled only by the Centre. And when states don't take enough steps, that part of India suffers from want of relief from the stress of inflation. Exogenous factors affect both the Centre and states," she said.

Speaking at the event, former RBI deputy governor Rakesh Mohan said inflation management is much more complicated than inflation targeting. "We really have to use all tools and not just 'one instrument-one target' approach, ranging from forex intervention, exchange rate management, active liquidity management and regulation of the financial system," he said.