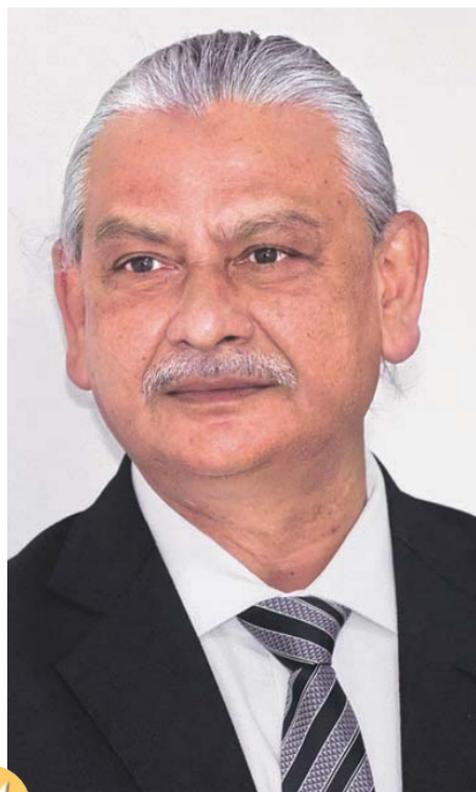
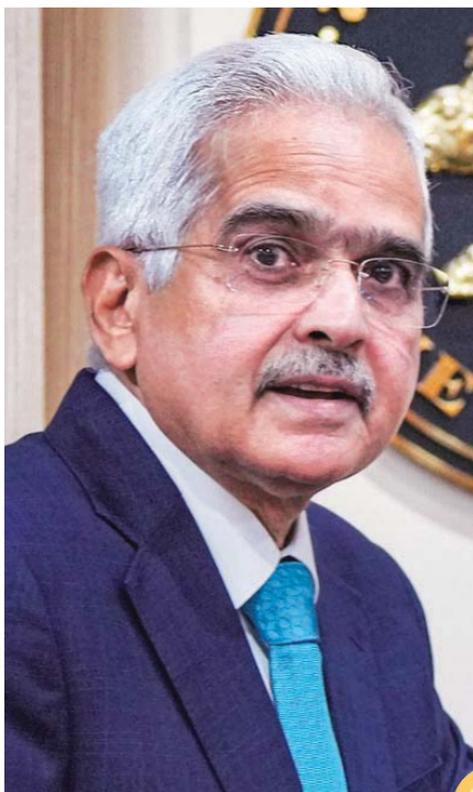


'Last mile journey to 4% inflation target is sticky'

Reserve Bank of India (RBI) Governor **SHAKTIKANTA DAS**, along with Deputy Governors **Michael Patra**, **M RAJESHWAR RAO**, **SWAMINATHAN J**, and **T RABI SANKAR**, addressed a range of issues during the post-policy interaction with the media. Edited excerpts:



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SHAKTIKANTA DAS, RBI Governor

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MICHAEL PATRA, RBI Deputy Governor

Are you seeing any signs of overheating in the economy? Are rate hikes off the table?

Michael Patra: We are not seeing any signs of overheating ... because, remember, the level of output had fallen very low during the pandemic. Even the high rates of growth are enabling us to catch up with that level. So, no, signs of overheating. On rate hikes being off the table, nothing is off the table.

Last time you termed inflation was the elephant in the room which is now returning to the forest. Where are we in the disinflationary process?

Shaktikanta Das: The elephant is walking very slowly. We are watchful, and would like the elephant to enter the forest and be the reason. In the sense, we would like inflation to align itself with the target and be there on a durable basis. The last mile of the journey towards 4 per cent is pretty sticky and that is the case the world over.

What is the impact of the election outcome on monetary policy? Do you expect fiscal consolidation to be impacted by populist policies?

Das: The question is in the realm of speculation. It pertains to the government and I am in no position to comment on fiscal consolidation at the moment.

What is the reason in your view for growth in FY25 to be 100 basis points to be lower than in FY24?

Patra: It is a year-on-year growth rate and it will be influenced by the high base of FY24. But the momentum is high.

What are the risks associated with 7.2 per cent growth?

Patra: Mainly we are seeing global risks, including volatility in crude oil prices, geopolitical conflicts, etc. Domestically, we hope, there will be a normal monsoon and there will not be any extreme weather events

Is there a change in policy, and is it because of geopolitical tensions that we are trying to keep more gold in India now?

Das: The amount of gold we hold outside the country for a long time was static. But in recent years, the data shows the RBI is buying gold as part of its reserves and the amount is going up there. We have the domestic capacity. So, therefore, part of it should be stored within the country. That's it. Nothing more should be read into it.

As you said, monetary-policy decisions are based on domestic factors. It is taken as a dovish sign where you might ease rates when the domestic conditions permit, even when the US Federal Reserve does not ease the rates. Is it the right interpretation?

Das: The converse can also be true. In other words, even if the US Fed eases, we may not. Therefore, I have explained our overall approach. I have explained it in the past. I would reiterate it again for clarity.

