

'Recent spike in retail inflation could be short-lived'

Reserve Bank of India (RBI) Governor **SHAKTIKANTA DAS** and Deputy Governors **MICHAEL DEBABRATA PATRA** and **T RABI SANKAR** spoke on a range of issues at a post-monetary policy committee (MPC) media interaction. Edited excerpts:

Exactly how much more cash reserve ratio will have to be maintained after banks are mandated to maintain 10 per cent incremental CRR of Net Demand and Time Liabilities (NDTL)?

Das: We have done our internal calculations. We have done bank-wise calculations as well. And it will be little above ₹1 trillion. The incremental CRR is applicable for a scheduled time that will include all scheduled banks. I cannot say whether a specific bank is included or not. But it is applicable to all scheduled banks.

What is your comfort figure for liquidity (surplus)? What will you consider when you tweak it on September 8?

Das: September 8 will depend on the situation prevailing at that time. In which, so many things, including GST payment and government expenditure, will happen. We will have to watch the credit offtake from the banking sector. I can't prejudge what

will happen on September 8. Liquidity is a very dynamic number. You can't say, this is the level of liquidity we are going to take out. It will depend on so many factors, such as inflation numbers. It is not possible and desirable to give a specific number.

We have always been nimble in our liquidity actions. In the past, we have undertaken the main operation of a 14-day variable rate reverse repo (VRRR). As and when required, we have undertaken fine-tuning VRRR auctions and repo operations. We monitor these situations constantly.

Despite your repeated assertions, actual inflation is far from the 4 per cent target. Are you anxious about it? How long are you going to wait before taking action?

Patra: In May, the inflation rate actually aligned with the target. And 4.3 per cent is a comfortable level. But then these food shocks came that are unpredictable. And their period of stay

OPENING REMARKS BY DAS:

India is emerging as the new growth engine of the world. In a highly volatile and uncertain world, India is standing out because of its resilience and stability

Monetary policy has made significant progress towards price stability; the recent spike in CPI inflation is expected to be short-lived, going by past trends. In such a situation, we need to remain watchful and not resort to any knee-jerk reaction

is also unpredictable. We hope that these are transitory phenomena, and they will come off when the supply will improve, and they are improving already. There were food shocks that were unanticipated and we will see them off.

Is Russia investing in Indian



RBI Governor Shaktikanta Das (centre) flanked by Deputy Governors M Rajeshwar Rao (far left), Michael Debabrata Patra, Swaminathan Janakiraman, and T Rabi Shankar at the RBI headquarters in Mumbai, on Thursday

PHOTO: PTI

government bonds and T bills and how much that could be? How much the investment could have been by now and is there a liquidity

implication for that?

Sankar: We can't say anything about a specific entity investing in the government securities. It is allowed

through the FPI route and special vostro account route. About how much someone has invested, we can't say anything about it.

The balance is within the system, buying the instruments within the system should not have an impact on the liquidity.

You said 14-day VRRR remains the primary mode, but the market has been reluctant to park long-term funds. Are you actually considering moving back to a shorter framework, that is, the daily operations?

Das: The response could have been better to the 14-day VRRR auction, which is the main auction. It will continue. The 14-day VRRR being the main operation will continue. There is no proposal or thinking of going back to doing it on a daily basis. We have undertaken fine-tuning operations on the VRRR side, we have done four-day operations at one point of time. One-day, two-day, three-day, and four-day operations we have done. But, these are done in exceptional situations, and cannot become the rule. It is incorrect to expect that fine-tuning will be a regular feature. Fine-tuning will only be for exceptional situations.