



Finance Minister Nirmala Sitharaman and US Treasury Secretary Janet Yellen termed inflation as their biggest challenge

PHOTO: PTI

FM, Yellen call for cooperation amid global headwinds

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Union Finance Minister Nirmala Sitharaman and United States Treasury Secretary Janet Yellen on Friday said the biggest challenge facing their respective countries was inflation, caused by high prices of energy and food on account of the war in Europe.

Both said there was a need for increased cooperation between India and the US amid global headwinds caused by geopolitical uncertainties.

“I will have to say the global economic outlook at present is extremely challenging. In part because high inflation is a challenge that many advanced

and developing countries face in common and central banks are first and foremost trying to deal with these problems. In part this inflation reflects the spillover of Russia’s war in Ukraine,” said Yellen.

“As far as the US is concerned, the economy suffers from high inflation,” she said.

Yellen was in New Delhi for the ninth meeting of the Indo-US Economic and Financial Partnership forum. She and Sitharaman also interacted with Indian industry leaders.

“There are comparable challenges as mentioned by the secretary (Yellen). I think in India the inflation challenges are prompted more by external factor,” Sitharaman said.

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Higher US interest rates prompt global funds to flow to the world's largest economy, leading to a stronger dollar. This exerts pressure on emerging market currencies such as the rupee.

"October inflation downward surprise provides a long-overdue and welcome signal that price pressures could be starting to cool. With core CPI also finally showing downward momentum, the 'Powell pivot' is in play – the probability of a 50 bps (Fed) hike in December has shot up to 81 per cent from 57 per cent yesterday," Madhavi Arora, lead economist at Emkay Global Financial Services, said.

The US data caused the greenback to weaken sharply, with the dollar index at 107.32 at 3:30 pm IST. The index was 110.93 at the same time on Thursday.

"We had seen a peak of 114-115 on the dollar index and, in fact, the market was worried that it could even touch 119-120. That was the peak of bearishness. Now that the dollar index has materially come off, that means the pressure from the dollar side is over," Nitin Agarwal, head of trading at ANZ Bank, told Business Standard.

IFA Global CEO Abhishek Goenka sees the rupee heading to the 80-per-dollar mark in the coming days, while Finrex Treasury Advisors predicted a range of 80.20-81.50 per dollar.

The softening in the dollar index has provided relief to the rupee after a couple of months of heightened volatility. For the month starting September 21, the rupee had weakened 4 per cent against the dollar, touching a lifetime low of 83.29 on October 20.

"The next technical level that people are talking about for the dollar index is 105-106. The range that people are seeing is 105 to 109 for now. If that were to happen, then of course the dark clouds may have lifted for now," ANZ Bank's Agarwal said.

FM, Yellen

"So while the number today is in a manageable range, the

challenges are largely due to the import of crude oil; 85 per cent of all petro needs that we consume are imported. Volatility in the emerging markets is going to affect India and that is one thing we are keenly watching," she added.

The spectre of the war in Europe and its impact on commodity and food prices featured in a joint statement released by the two countries.

"In the context of the conflict in Ukraine, we discussed the current headwinds to the global macroeconomic outlook including increased commodity and energy prices as well as supply side disruptions, and we reemphasised our commitment to the central role of multilateral cooperation in addressing these global macroeconomic challenges," said the joint statement.

It said both sides had affirmed their commitment to debt sustainability, transparency in bilateral lending, coordinating closely on extending fair and equal debt treatment to countries facing debt distress, and reiterated their commitment to step up efforts to implement the G-20 Common Framework for Debt Treatment in a predictable, timely, orderly, and coordinated manner.

"(The war) generated an unwelcome shock to fuel and food prices and greatly exacerbated inflation pressures. But challenges like this help strengthen partnerships like the one that exists between the US and India by demonstrating the necessity of cooperation and clear and open communication," Yellen said.

When asked on cryptocurrency regulations during the industry interaction, Yellen said this was an area where international collaboration was important -- collaboration among public authorities, the private sector, and other stakeholders and where there was need for a high regulatory standard globally.

Yellen said ties between India and the US could be instrumental in supporting economic prosperity across the Indo-Pacific region, and the US was looking forward to dis-

cussing shared priorities with India as the latter assumed presidency of the G-20.

"Our strong ties are reinforced through significant and frequent interactions between our Prime Minister and the President of the United States and the commitment of both the leaders towards consolidating a strategic partnership. The Quad and Indo-Pacific Economic Framework have further expanded our cooperation," Sitharaman said.

She said India still offered an environment with a competitive cost of labour for American companies, and that the latter should transfer technology to their Indian partners.

The finance minister added these platforms served as important fora for stronger collaboration in developing sustainable economies and ensuring global health security, resilient supply chains, clean energy technologies, green infrastructure, and climate finance.

Also present in the discussion were Reserve Bank of India Governor Shaktikanta Das, Economic Affairs Secretary Ajay Seth, and Chief Economic Advisor V Anantha Nageswaran.

Earlier in the day, Yellen visited a Microsoft centre in Noida and said the US was pursuing an approach called "friendshoring" to move away from countries that presented geopolitical and security risks to "our" supply chains, and the approach included deepening partnership with India.

Hinduja...

Dheeraj is the son of Gopichand. The other brothers are Prakash and Ashok.

"Business has been going normally," Dheeraj said.

The family reportedly has net worth of around \$15 billion and ranks 110th on the Forbes list of the world's richest. According to the Bloomberg Billionaires Index, the family is one of the wealthiest in the UK.

"All our listed companies have an independent board. They are board-managed and so there is no difference," Dheeraj said.