

‘Need more’: IMF economist backs rate hikes

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IMF senior representative to India Luis Breuer on Wednesday said the RBI was doing the right thing on rate hikes, and added that there was need for more.

“We believe that the tightening stance is appropriate for India in the medium-term, to promote sustainable and stable growth over many years, and not just focus on the next three months,” he said at the CII partnership summit.

Breuer also said the Budget’s focus on prudence and fiscal consolidation was a good step that will reduce and stabilise public debt, which is quite high in the country compared to other G20 countries.

“We think that a clearly spelled out medium-term fiscal plan that has ambitious fiscal targets, and a description of the policies to be followed to reach those targets can serve the country very well,” he said. “India is facing challenges, most of which come from the international economy, we feel that the country is in a strong economic position, and is very well poised to face these challenges,” he added.

Ashima Goyal, member, RBI Monetary Policy Committee, said the IMF was responsible for maintaining global financial stability and their job was to give technical advice not only to emerging markets, but also to the US. “I agree that we have a very large share of food in CPI headline inflation, which is the RBI’s target. The base year for this inflation is 2012. A lot of change has taken place since then and it needs to be



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IMF senior representative to India

revised,” she added.

Tom Orlik, chief economist, Bloomberg, US, said Silicon Valley Bank was unusually vulnerable due to some unique problems and also there were some broad stresses in the US banking system as a result of the rapid increase in rates. “SVB was the bank for the Silicon Valley tech entrepreneurs and what that means is that its liabilities and deposits are unusually large and unusually concentrated. SVB’s collapse is not likely to spill over into broader contagion or turn into a Lehman-style credit crunch,” he added.

