

Monetary policy must remain disinflationary, GDP to touch 7pc next fiscal: RBI Governor

STATESMAN NEWS SERVICE
NEW DELHI, 13 JANUARY

Monetary policy in India must remain actively disinflationary despite the recent sharp fall in core inflation, Reserve Bank of India Governor Shaktikanta Das said at the World Economic Forum in Davos.

Headline inflation has substantially eased from its highly elevated level of the summer of 2022 underpinned by steady moderation in CPI core inflation. There is easing of price momentum across core goods and services.

"This would show that our monetary policy action of increasing the repo rate by 250 basis points between May 2022 and February 2023, together with rebalancing of liquidity, is working," the governor said.

Even as the cost-push pressures induced by high commodity prices and supply-side shocks have eased, adverse transitory food price shocks with their increasing

incidence and intensity, are imparting considerable volatility to headline inflation, he added.

Mr Das added that going forward, the inflation outlook would be considerably influenced by food prices, which remain uncertain. Recurring food price shocks could lead to de-anchoring of inflation expectations and generalisation of price pressures.

Monetary policy, amidst these uncertainties, needs to be alert and remain actively disinflationary to steer inflation towards the target rate of 4 per cent on a durable basis. Needless to add that a stable inflation will

provide the bedrock to India's growth ambitions, he said.

Shaktikanta Das further said that amidst an uncertain and challenging global macroeconomic environment, the Indian economy presented a picture of confidence, positivity and optimism. "Turning to the outlook on inflation and growth for the next financial year, our research teams are in the process of making a comprehensive assessment for our forthcoming February 2024 monetary policy.

"At this stage, our expectation is that the CPI inflation will average around 4.5 per cent in FY 2024-25," he added.

