Govt keeping watch on inflation: FM

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Finance Minister Nirmala Sitharaman on Wednesday said that the government is keeping an eye on price rise, which, she said, currently is "extraneous" due to prices of fuel and fertiliser.

Responding to a discussion on Supplementary Demands for Grants in the Rajya Sabha, she said that wholesale price index (WPI) based inflation has slid to a 21-month low.

Retail inflation also fell to a 10-month low of 5.88 per cent in November 2022, after remaining beyond the RBI's supper tolerance level of 6 per cent. Sitharaman further said that due to various PLI schemes initiated by the Centre, private investment capex is rising in the country.

She further said that the supplementary demand for grants is essentially for food security, fertiliser requirements and for providing support to the economy.

Sitharaman further informed the upper House that the gross NPAs of banks fell to a six year low of 5.9 per cent in March 2022.

She also said the government's strategy to deal with Coronavirus pandemic helped in reviving economic growth, thus avoiding recessionary trends.

Later, the Rajya Sabha returned the Supplementary Demands for Grants to Lok Sabha, thus completing the process of authorising the government to spend an additional Rs 3.25 lakh crore in the current fiscal.

To keep inflationary expectations anchored, repo rate hiked: RBI's MPC

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The Reserve Bank of India (RBI) had raised the repo rate by 35 basis points on December 7, bringing the rate up to 6.25 per cent.

While taking the decision, the central bank's Monetary Policy Committee (MPC) had noted that the inflation trajectory going ahead would be shaped by both global and domestic factors.

According to minutes of the MPC released on Wednesday, it noted during its meeting held between December 5 to 7, that in case of food, while vegetable prices are likely to see seasonal winter correction, prices of cereals and spices may stay elevated in the near-term on supply concerns.

"High feed costs could also keep inflation elevated in respect of milk," it noted.

"Adverse climate events - both domestic and global - are increasingly becoming a significant source of upside risk to food prices. Global demand is weakening. Unabating geopolitical tensions continue to impart uncertainty to the food and energy prices outlook," the committee noted.

The MPC noted in the meeting that the correction in industrial input prices and supply chain pressures, if sustained, could help ease pressures on output prices. But the pending pass-through of input costs could keep core inflation firm.

Imported inflation risks from the US dollar movements need to be watched closely, they added.

On growth, the agricultural outlook has brightened, with the prospects of a good rabi harvest. The sustained rebound in contact-intensive sectors is supporting urban consumption. Robust and broad-based credit growth and government's thrust on capital spending and infrastructure should bolster investment activity.

According to the RBI's survey, consumer confidence is improving. The economy, however, faces accentuated headwinds from protracted geopolitical tensions, tightening global financial conditions and slowing external demand.

Taking all these factors into consideration, the real GDP growth for 2022-23 is projected at 6.8 per cent with Q3 at 4.4 per cent and Q4 at 4.2 per cent, with risks evenly balanced, the MPC noted.

Inflation has ruled at or above the upper tolerance band since January 2022 and core inflation is persisting around 6 per cent.

"Headline inflation is expected to remain above or close to the upper threshold in Q3 and Q4 of 2022-23. It is likely to moderate in first half of 2023-24 but will still remain well above the target. Meanwhile, economic activity has held up well and is expected to be resilient, supported by domestic demand," the panel said.

Net exports would remain subdued due to the drag from evolving external demand conditions.

Further, the impact of monetary policy measures undertaken needs to be watched.

Accordingly, the MPC decided to increase the policy repo rate by 35 basis points to 6.25 per cent.

The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.