Aim to bring down inflation to 4% within two years: Das

Central bank hopes to achieve its objectives without 'growth sacrifice', he says

BHASKAR DUTTA & SUBRATA PANDA
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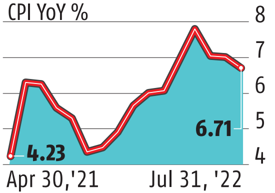
RBI Governor Shaktikanta Das said India's current account deficit would be within manageable levels

INFLATION TRAJECTORY



Note: Retail inflation surged to an 8-year high of 7.79% in April
Source: Bloomberg/Mospi
Compiled by BS Research Bureau

The Reserve Bank of India (RBI) aims to reduce inflation to its medium-term target of 4 per cent in the next two years and its rate actions will be data-dependent, said Governor Shaktikanta Das on Tuesday.

Consumer Price Index (CPI)-based inflation — the central bank's monetary policy anchor — was at 6.71 per cent in July, marking the first time in four months that the price gauge dropped below 7 per cent.

"We would like to bring down inflation over a time cycle of about two years or so... By and large, I think we are moving closer to 4 per cent in a steady manner without much growth sacrifice," Das said in an interview to a television (TV) channel.

The RBI's Monetary Policy Committee (MPC) is mandated to keep CPI inflation at 4 per cent, with a variation of 2 per cent on either side.

Turn to Page 6

Experts said the company might issue a public notice asking shareholders not to participate in the open offer.

"Prannoy and Radhika Roy may not tender their shares in the open offer since there was no consent or conversation with them on the matter," Subramanian said.

Inflation...

The MPC has raised the policy repo rate by a total of 140 basis points (bps) since May 4 and it is currently at 5.4 per cent.

According to the RBI's assessments, inflation has peaked and is expected to moderate, said Das.

In the minutes of the MPC's August 3-5 meeting released last week, external members Ashima Goyal and Jayanth Varma said that the rate-setting panel's actions should be driven by incoming data.

Tuesday's TV interview marked the first time in several months that Das himself said that the future trajectory of interest rates would be data-driven.

Since the first rate hike on May 4, the MPC has tweaked the phrasing of its stance. It was accommodative while focusing on the withdrawal of accommodation. The stance was changed to one that is focused on the withdrawal of accommodation.

"I will not be able to give forward guidance about our future rate actions. In May, we increased the rates by 40 bps, then 50 (bps) and then 50 (bps) — in three instalments we have done it," said Das.

"The incoming data and the way the situation unfolds, as I described, the inflation-growth dynamic, how it plays out, that will determine our future action," he said.

Das said the government bond yield curve indicated that inflation was coming down. After touching an over-three-year high of 7.62 per cent on June 16, yield on the 10-year benchmark government bond has eased significantly, settling at 7.28 per cent on Tuesday.

"If you look at the 10-year government security (G-sec), the 10-year G-sec before we started the May meeting of the MPC when we started the current rate hike cycle by 40 bps, just before that it was around 7.1-7.12 per cent. Today, it's around 7.28 per cent," said Das.

Apart from anchoring inflation expectations, bond yields were driven by easing prices of crude oil and other commodities, as well as fluctuations in the US currency.

Current account deficit

The RBI governor said that India's current account deficit (CAD) would be within manageable levels and financed in a "reasonably comfortable" manner.

Economists expect India's CAD to rise to around 3 per cent of gross domestic product (GDP) this fiscal year, from 1.2 per cent of GDP in the previous fiscal year.

Das cited the recent decline in crude oil factors as a key factor that would help contain CAD.

Banks, fintech, crypto

Speaking on the gap between credit and deposit growth, Das said, "If banks have to achieve a credit growth of 13-15 per cent, they have resources by way of increasing deposit rates."

According to the latest RBI data, credit growth was 14.5 per cent as of July 29. However, deposits grew at 9.1 per cent during the same period.

Commenting on greater scrutiny by the RBI on the financial technology (fintech) sector, Das said, "We are supportive of innovation in fintech, but at the same time we have to evaluate what kind of risk build-up is happening and whether they are getting addressed."

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