

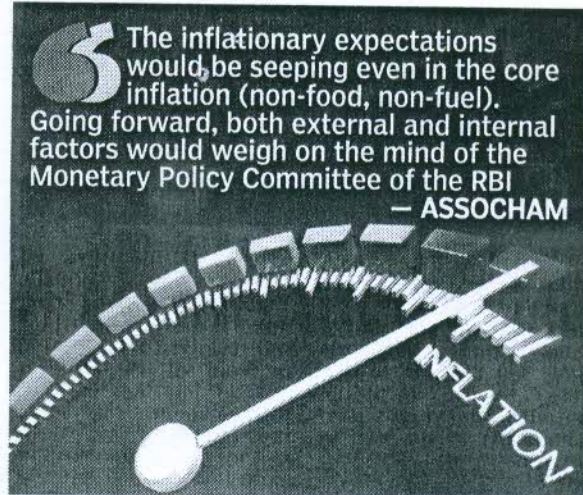
Interest rate cut unlikely: Assocham

AGE CORRESPONDENT
NEW DELHI, NOV. 26

As uncertainty looms over prices of crude oil and vegetables, inflation would remain a key concern both for the RBI and the government dimming any hope of a cut in interest rates, said Assocham on Sunday.

"However much over-leveraged India Inc may wish it, the macro indicators like inflation as also the inflationary expectations, point towards the opposite. So realistically speaking, we should keep our fingers crossed and hope that things do not become apt for taking interest upward, rather than downward," said Assocham.

"The RBI mandate and also the track record is that it has favoured hard stance against inflation rather than batting for growth, while the government's friendly advice for downward rates may not



be available this time around," it said.

The industry chamber said that RBI has a mandate to keep the retail inflation in the band of four per cent and the consumer price index growth for October at 5.38 per cent points towards the thresh-

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not like to breach. "While the October numbers show fuel and light inflation at 6.36 per cent annualised, and vegetables at above 7 per cent, onion and tomato may take the retail inflation further up in November. Firming up crude oil prices are adding to the

anxiety," Assocham said.

The chamber's secretary general D.S. Rawat said that "thankfully, Rupee remains stable due to robust foreign investment in stock market and through FDI route; or else the currency movement on the upside for the dollar could further make imports more expensive. The geo-political situation in the Middle East, especially the deteriorating equation between Iran and Saudi Arabia is causing further anxiety, leading to high crude prices."

While analysts are giving different takes on the upper level of crude, crossing the 70 dollar per barrel is not ruled out, he said. "Anything above this level could be a headache for India," cautioned Assocham.

Besides, rising prices of steel and other metals be it aluminium and copper among others are pushing the cost of manufacturing, it said.

Looming inflation to dash rate cut hopes: Assocham

PTI

NEW DELHI, 26 NOVEMBER

Inflation would remain a key concern for the Reserve Bank of India and the government, dimming hopes of a cut in interest rates, industry body Assocham said today.

The chamber observed that as uncertainty and apprehension loom over crude oil prices and vegetables, mainly on the back of rising retail prices of onion and tomatoes, it is disrupting household budgets. "However, much over-leveraged India Inc may wish it, the macro indicators like inflation as also the inflationary expectations, point towards the opposite.

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It said the RBI has a mandate to keep the retail inflation in the band of four per cent and the CPI growth for October at 5.38 per cent points towards the threshold, the central bank may not like to breach it. Going forward, both external and internal factors would weigh on the mind of the RBI, the chamber said.

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Going forward, both external and internal factors would weigh on the mind of the Monetary Policy Committee of the RBI, said the chamber.

To that extent, the macro picture may pose a challenge even as corporate India hopes for growth revival, which may now have to depend on factors other than cost of borrowing, it pointed out.

PTI

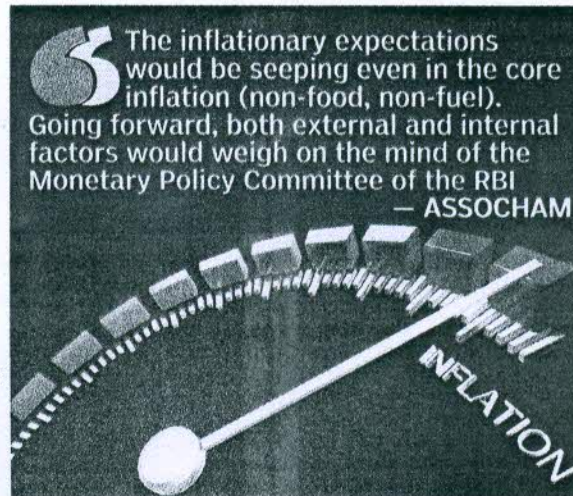
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