

# RBI should refrain from hiking rates: Assocham

RBI is scheduled to announce its sixth bi-monthly policy statement on 7 Feb

PTI  
NEW DELHI, 4 FEBRUARY

**T**he Reserve Bank of India should not "over-react" to high yield pressures in the bond market and refrain from hiking interest rates in its next monetary policy review on 7 February, industry body Assocham said.

"Some of the macro indicators, including pegging of higher fiscal deficit of 3.3 per cent for 2018-2019 and 3.5 per cent of the GDP for the current fiscal, look difficult, but reaction of the bond market would ease out soon," Assocham said in a post-Budget paper.

It said the concerns over the minimum support price (MSP) leading to increase in retail inflation are "exaggerated" as there is no MSP for the vegetables at the ground level.

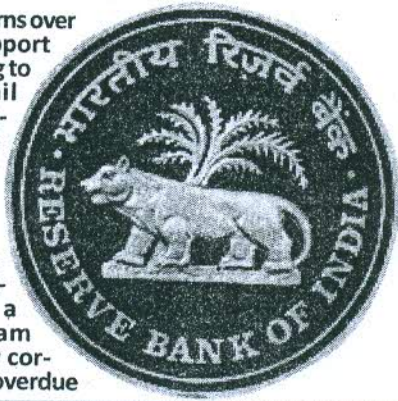
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## CHAMBER'S VIEW

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for farmers and refrain from going in for any hike in the benchmark policy lending rates when the Monetary Policy Committee meets on 7 February," it said.

The RBI is scheduled to announce its sixth bi-monthly monetary policy statement for 2017-18 on 7 February. In the last policy on 6 December 2017, the RBI had kept key

policy rates unchanged.

Assocham said for "Operation Greens" for onion and potato, announced in the Budget, entire institutional mechanism would have to be worked out by the NITI Aayog along with the states. So is the situation with regard to the MSP for several other agri commodities.

"While the NITI Aayog

and the states would bear in mind the farmers' interest, the institutional mechanism would surely strike a balance between remuneration to the growers as also the impact on the retail prices. So, the immediate fear may be an over-reaction and the RBI should not get influenced while fixing the repo (policy lending) rates in the coming week," it added.

With regard to stock market valuations seeing a decline, Assocham said it is a healthy correction which was overdue.

"A lot of froth and unnecessary exuberance had gathered around the stocks, particularly in the mid-cap space, and there was no justification while matched against the corporate earnings," Assocham secretary-general D S Rawat said.

It said while the government has realised this fact, it is time the RBI joined the initiative by ensuring that the growth which seems visible, should be encouraged by at least not revising the interest rates upward.



## Don't over-react, Assocham tells RBI

New Delhi: RBI should not "over-react" to high yield pressures in the bond market and refrain from hiking interest rates in its next monetary policy review on February 7, industry body Assocham said. "Some of the macro indicators, including pegging of higher fiscal deficit of 3.3 per cent for 2018-2019 and 3.5 per cent of the GDP for the current fiscal, look difficult, but reaction of the bond market would ease out soon,"

Assocham said in a post-Budget paper. It said the concerns over MSP leading to increase in retail inflation are "exaggerated". — PTI

## 'RBI should refrain from hiking rates on Feb 7 policy'

PTI ■ NEW DELHI

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"Some of the macro indicators, including pegging of higher fiscal deficit of 3.3 per cent for 2018-2019 and 3.5 per cent of the GDP for the current fiscal, look difficult, but reaction of the bond market would ease out soon," Assocham said in a post-Budget paper.

It said the concerns over the minimum support price (MSP) leading to increase in retail inflation are "exaggerated" as there is no MSP for the vegetables at the ground level.

"The Reserve Bank should not over-react to the high yield pressures of the bond market, along with the Government promising a substantial revision in the MSP for farmers and refrain from going in for any hike in the benchmark policy lending rates when the Monetary Policy Committee meets on February 7," it said.

The RBI is scheduled to announce its sixth bi-monthly monetary policy statement for 2017-18 on February 7. In the last policy on December 6, 2017, the RBI had kept key policy rates unchanged.

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along with the states. So is the situation with regard to the MSP for several other agri commodities.

"While the NITI Aayog and the states would bear in mind the farmers' interest, the institutional mechanism would surely strike a balance between remuneration to the growers as also the impact on the retail prices. So, the immediate fear may be an over-reaction and the RBI should not get influenced while fixing the Repo (policy lending) rates in the coming week," it added.

With regard to stock market valuations seeing a decline, Assocham said it is a healthy correction which was overdue.

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It said, while the Government has realised this fact, it is time RBI joined the initiative by ensuring that the growth which seems visible, should be encouraged by at least not revising the interest rates upward.

# Assocham wants RBI to refrain from hiking rates

AGENCIES  
NEW DELHI

The RBI should refrain from raising interest rates owing to concerns about inflation being stoked by the pro-farm sector proposals of the Budget 2018-19, industry chamber Assocham said on Sunday ahead of the central bank's final bi-monthly monetary policy review slated for this week. Presenting the Union Budget for the next fiscal year, Finance Minister Arun Jaitley announced that the Minimum Support Price (MSP) for notified kharif crops will be 1.5 times the input cost, and also stepped up total budgetary allocation for the sector for the next fiscal by about five per cent.

"The Reserve Bank of India (RBI) should not over-react to the high yield pressures of the bond market, along with the government promising a substantial revision in the MSP for farmers, and refrain from going in for any hike in the benchmark policy lending rates when the Monetary Policy Committee meets on February 7," Assocham said. Jaitley also made a significant announcement of fiscal slippage with implications for pushing inflation, revising upwards the government's fiscal deficit target for 2017-18 to 3.5 per cent of GDP, or the equivalent of Rs 5.95

lakh crore. The higher target came in place of the 3.2%, or Rs 5.46 lakh crore, for the current fiscal announced earlier. "Yes, some of the macro indicators, including pegging of higher fiscal deficit of 3.3% for FY2019 and 3.5% of the GDP for the current financial year, look difficult, but reaction of the bond market to the budget-related would ease out soon," Assocham stated.

With the RBI maintaining status quo on its key lending rate at six per cent over three previous policy reviews, citing concerns on the rising trajectory of inflation, Assocham said the concerns over MSP leading to increase in retail inflation were exaggerated for various reasons. "In the first place, effectively, there is no MSP for the vegetables at the ground level. As for the Operation Green for onion and potato, the entire institutional mechanism would have to be worked out by the NITI Aayog along with the states, Same is the situation with regard to the MSP for several other agri commodities where the NITI Aayog and the states would bear in mind the farmers' interest, while the institutional mechanism would surely strike a balance between remuneration to growers as also the impact on the retail prices," it added.

सुझाव...

## बांड यील्ड्स, एमएसपी पर न दे ध्यान: एसोचैम

पत्रिका न्यूज़ नेटवर्क

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नई दिल्ली. भारतीय रिजर्व बैंक को बांड बाजार के उच्च-प्रतिफल दबाव पर उच्च प्रतिक्रिया व्यक्त नहीं करनी चाहिए। साथ ही सरकार ने किसानों के लिए न्यूनतम समर्थन मूल्य में पर्याप्त संशोधन का वादा किया है। इसलिए 7 फरवरी को होनेवाली मौद्रिक नीति समिति की बैठक में प्रमुख व्याज दरों में किसी भी प्रकार की बढ़ोतरी करने से बचना चाहिए। चेंबर में बजट के बाद



वित्त बाजारों की स्थिति पर जारी एक पत्र में कहा, हां, कुछ सूक्ष्म संकेतक कठिन दिख रहे हैं, जिसमें वित्त वर्ष 2019 के दौरान 3.3% और चालू वित्त वर्ष के दौरान जीडीपी का 3.5% रहनेवाला राजकोषीय घाटा शामिल है। लेकिन बजट को लेकर बांड बाजार की प्रतिक्रिया जल्द ही कम हो जाएगी।

