

RBI maintains status quo, holds repo rate at 6 pc

Lowers inflation target in H1, pegs GDP growth at 7.4% in FY19

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The RBI on Thursday stuck to the widely expected status quo in key rates citing uncertainties over inflation, which may be fuelled by rising crude oil prices, fiscal slippages and higher prices of foodgrain.

The Monetary Policy Committee (MPC) headed by RBI Governor Urjit Patel expects the growth rate to accelerate to 7.4% in 2018-19, up from 6.6% last fiscal, ended March 31, mainly on account of revival of investment activity.

With regard to prices, the MPC lowered retail inflation target for the first half of current fiscal to 4.7-5.1% on sharp moderation in food price rise.

The status quo policy of RBI will be neutral to the EMIs for housing and vehicle loan borrowers, but banks are free to tinker with both deposit and lending rate depending on their asset liability position.

The decision of MPC is consistent with the neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth. The MPC maintained status quo for the fourth consecutive time since August last year.

Following the decision, the repo rate, at which the central bank lends short-term money to other banks, will continue to stay at 6%. The reverse repo, rate at which it borrows from banks and absorbs excess liquidity, will

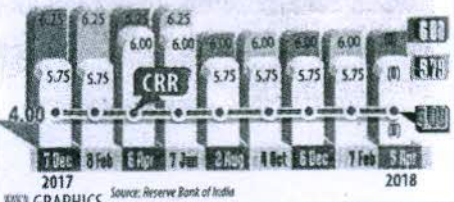
SWITCHES BACK TO GDP MODEL TO MEASURE ECONOMY

- The RBI on Thursday switched back to the GDP-based measure to offer its growth estimates from the gross value added (GVA) methodology, citing global best practices
- The government had started analysing growth estimates using GVA methodology from January 2015 and had also changed the base year to 2018 from January
- While GVA gives a picture of the state of economic activity from the producers' side or supply side, the GDP model gives the picture from the consumers' side or demand perspective

Reserve Bank of India

Bimonthly Monetary Policy Review

Repo Rate Reverse Repo Rate



CRACKS DOWN ON DIGITAL CURRENCIES, PLANS OWN CRYPTOCURRENCY

- The RBI on Thursday tightened the rules to discourage use of virtual currencies like bitcoins and also announced a study to explore introduction of 'fiat' digital currencies which can be issued by it
- An inter-departmental group has been formed to study and provide guidance on the "desirability and feasibility" to introduce a "central bank digital currency" and will submit its report by June, it said

INDUSTRY HOPES TO SEE RATE CUT SOON

While the RBI has maintained status quo in current monetary policy statement, we hope it will soon consider a cut in policy rate and give a further boost to demand and investments



— Rashesh Shah, FICCI PRESIDENT

The RBI has rightly flagged certain issues like the impact of MSP revision on the prices and possible fiscal slippages at both the Centre and the states



— Sandeep Jajodia, ASSOCHAM PRESIDENT

Though we welcome the status quo by the central bank, there is possibility for a 25 basis points cut in repo rate as inflation is hovering in the comfortable trajectory



— Anil Khaitan, PRESIDENT, PHDCCI

remain at 5.75%.

This is the first bi-monthly monetary policy for 2018-19 and the next would be announced on June 6.

Meanwhile, the RBI announced that all entities under its regulation will not provide services on cryptocurrencies or virtual currencies like bitcoins.

This would mean that no bank or financial services entity would provide services to individuals to deal

in these virtual currencies.

The RBI said in view of the associated risks, it has been decided that, with immediate effect, entities regulated by RBI shall not deal with or provide services to any individual or business entities dealing with or settling VCs.

It said technological innovations, including those underlying virtual currencies, have the potential to improve the efficiency and inclusiveness

of the financial system.

Rajnish Kumar, Chairman, SBI said more than the RBI decision to keep rates unchanged, the tone of the policy is a pleasant surprise for the market. The decision to revise downwards the inflation projections and upwards the growth numbers is the best one could have asked for. He said the mooted idea of a Central Bank digital currency is a futuristic idea.

India Inc hopes to see rate cut soon

PTI ■ NEW DELHI

India Inc today said the RBI's decision to keep policy rates unchanged was on expected lines, even as it hoped the central bank would soon cut interest to boost demand and spur investments in the country.

"While the Reserve Bank of India has maintained status quo in current monetary policy statement, we hope that it will soon consider a cut in policy rate and give a further boost to demand and investments," Ficci President Rashes Shah said.

He said while the economy is seeing signs of recovery, support is needed from all quarters to translate this into a firm recovery, adding that this was critical for pushing investments, growth and job creation.

Shah said the inflation and growth projections for 2018-19 do provide optimism for a rate cut in forthcoming monetary policy decisions.

Assocham President Sandeep

Jajodia said, "The RBI has rightly flagged certain issues like the impact of MSP (minimum support price) revision on the prices and possible fiscal slippages at both the Centre and the states."

The RBI's macro numbers like inflation forecasts as also the GDP look real and variables like Monsoon, crude oil prices in an election year would be the factors to watch for, he added.

The Assocham chief said RBI Governor Urjit Patel has highlighted the unfolding risks from trade protectionism.

"Those who thought the threat of a trade war was not real may be in for a surprise as is evident from the retaliatory measures by China on imposing tariff on imports from the US, though there are



talks of negotiations," he said.

Engineering exporters' body EEPC India Chairman Ravi Sehgal said, "While RBI's decision to keep the interest rates

unchanged was largely expected, given the concerns on inflation, exporters are finding it tough to compete in the global market, faced with high cost of borrowing along with increasing prices of raw material like steel."

The Reserve Bank stuck to the widely expected status quo in key rates citing uncertainties over inflation, which may be fuelled by rising crude oil prices, fiscal slippages and higher prices of foodgrain.

"Though we welcome the status quo, there is possibility for a 25 basis points cut in repo rate as inflation is hovering in the comfortable tra-

jectory," PHD Chamber of Commerce President Anil Khaitan said.

Going ahead, we look forward to the softer stance of monetary policy by RBI keeping in view the present comfortable inflationary scenario, he added.

The Monetary Policy Committee (MPC) headed by RBI Governor Urjit Patel expects the growth rate to accelerate to 7.4 per cent in 2018-19, up from 6.6 per cent last fiscal, ended March 31, mainly on account of revival of investment activity.

With regard to prices, the MPC lowered retail inflation target for the first half of current fiscal to 4.7-5.1 per cent on sharp moderation in food price rise. Five members of the panel, including the RBI Governor, voted for a status quo while executive director Michael Patra was the lone member who wanted the key rate to be hiked by 25 basis points.

Casual, social smoking increasing in working women: Assocham Survey

Many working women said that they smoke when they take liquor.

BS RAWAT
@drugtodayonline.com

Casual and social smoking is on the rise among working women across metros in India, with many of them considering it to be a stress buster, says a survey conducted by ASSOCHAM to mark the International Women's Day.

ASSOCHAM has analysed a sample of about 2,000 women between ages 22 and 30 years in 10 urban centres viz., Ahmedabad, Bengaluru, Chennai, Delhi-NCR, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai and Pune during the course of past four weeks to ascertain the smoking behaviour/pattern in young working women.

Secretary general ASSO-

CHAM, D.S. Rawat said, "A growing number of young working women (mostly with high paying jobs and an active life) are indulging in social smoking but they must realize it is 'uncool' and that they are placing their heart health at risk by occasionally indulging in cigarettes."

He stated, "More and more number of young women can be seen all around commercial hubs in metros enjoying a smoke comfortably with their colleagues, this is certainly a disturbing trend."

Only two per cent of the women surveyed said they were heavy smokers. A majority of them said that peer pressure and work related stress pushed them to increase the number of cigarettes

they smoked, the survey said. Some women even said they smoked for weight loss, it added.

The survey revealed that about 40 per cent women identified themselves as very light smokers with a habit of smoking 1-2 cigarettes either daily or occasionally.

But many of them said they mostly smoked when they took liquor and that too socially.

About 12 per cent said they were light smokers (2-3 cigarettes a day), added the survey.

It further said that some of them even said that they smoked casually owing to the 'cool' factor and even associated with feelings of attractiveness, independence and sophistication.