Edited Transcript of Governor's Interview with CNBC TV18 on May 23, 2022

In this interview, Shri Shaktikanta Das spoke about coordinated action between the fiscal and monetary authorities to check inflation and indicated that there will be some increase in the repo rates. He highlighted that during the extremely stressful times of the COVID pandemic, there was a convergence of thoughts on many aspects between RBI and the financial markets which enabled the recovery of economic activity to become steady and gained further traction. It was also emphasized that RBI intervened in the NDS-OM market intermittently due to complex developments taking place in the market to avoid a liquidity trap. The swap market and the overall market are expected to be guided by RBI's statements and actions.

The Governor stated that the inflation mandate target given to RBI was a dual target. The mandate indicated the objective of maintaining price stability, keeping in mind the objective of growth. RBI's primary target has been to focus on growth and inflation. He highlighted the revival in the economy to pre-pandemic levels with private consumption improving into positive territory. The momentum of inflation and food price inflation, month on month, from October onwards, was moderating. It is expected that once the supply chain bottlenecks start easing with the easing of COVID, the supply side factors will ease themselves. Stress tests and scenario analysis indicated a fairly comfortable roadmap for the future. The Governor also highlighted that there were significant changes post the commencement of the Russia-Ukraine war. RBI took several decisive actions and changed the sequence of priorities, and put inflation first and growth next. RBI changed its stance stating that it was focusing on withdrawal of accommodation, and there was a rate action with normalization of the LAF corridor. RBI wanted to ensure an orderly evolution of the yield curve when the world over the yields had gone up.

Domestic demand is reviving despite high prices. The PMI numbers, both services, and manufacturing are in expansion territory. Therefore, India is comfortably placed to deal with the current scenario. India's external sector is expected to remain strong. The domestic fundamentals of the economy are good. The FDI inflows are steady despite some moderation. Exports are expected to be very strong, while on the Government is expected to maintain the fiscal deficit. The current account deficit, which is RBI's domain, will be comfortably managed this year. The credit off-take will depend on how well the economy is doing, and how the private consumption and private demand are picking up.

On cryptocurrencies, the Governor informed that the RBI's position continues to remain very clear which is that it will seriously undermine the monetary, financial, and macroeconomic stability of India, and RBI will stick to that position. This was conveyed to the Government and the Government will take a considered call based on it.

Source:
https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1307