

Finance Ministry sees room for easing of rate by RBI to push growth

Encouraged by the declining trend in inflation, the Finance Ministry today made a case for further rate cut by the Reserve Bank to boost sagging growth.

"I think we need to look at statement made by RBI Governor during the last policy review where he had stated that RBI is closely monitoring inflation figures and if there is dramatic change in inflation figures then RBI will take that in to consideration during its next review," Department of Economic Affairs Secretary Arvind Mayaram said here.

"So, we do believe that RBI would look at this figure (inflation coming below 5 per cent in April)," he said.

RBI is scheduled to announce mid-quarter review of monetary policy for 2013-14 on June 17.

Inflation fell to 41-month low of 4.89 per cent in April on account of decline in prices of food items, including fruits and vegetables. Based on the Wholesale Price Index (WPI), it stood at 5.96 per cent in March. In April, 2012, it was 7.50 per cent.

April recorded the lowest level of inflation since November, 2009 when it was 4.78 per cent.

In order to accelerate economic growth, RBI earlier this month cut key interest rates by 0.25 per cent.

The RBI lowered the short-term lending (repo) rate to 7.25 per cent from 7.50 per cent, lowest since May 2011 while retaining the Cash Reserve Ratio for banks unchanged at 4 per cent.

RBI Governor D Subbarao, while unveiling the annual monetary policy, pegged the growth rate for the current fiscal at a conservative level of 5.7 per cent saying, "economic activity during the current year is expected to show only a modest improvement over last year, with a pick-up likely only in the second half of the year".

For 2012-13, the Indian economy is expected to grow at 5 per cent, lowest in the decade.

(Economic Times)