

## **RBI governor D Subbarao to meet experts on July 25 in run-up to monetary policy**

In the run-up to the quarterly monetary policy review, the Reserve Bank has called a meeting of technical experts on Wednesday to firm up policy response to deal with decelerating growth and rising inflation.

The meeting assumes significance as RBI will have to take a view on the demand being made by industry as well as the Commerce Ministry to cut interest rates to boost growth, which fell to a nine-year low of 6.5 per cent in 2011-12.

The RBI Technical Advisory Committee (TAC) on Monetary Policy is chaired by Governor D Subbarao while four Deputy Governors act as members to the committee. Besides, it also has two members from the RBI Central Board and five external members.

The TAC, at its meeting in Mumbai, would advise the RBI in the light of the macroeconomic and monetary developments, and help RBI in strengthening the process of monetary policy formulation.

A day before the TAC meeting, RBI chief would be chairing the monetary policy strategy meeting to firm up the policy view in the light of prevailing macro-economic conditions.

The RBI is scheduled to come out with its first quarterly monetary policy on July 31 and it is widely anticipated that the central bank would cut policy rates by 25 basis points.

Although the factory output figures showed some improvement in May at 2.4 per cent, over a contraction of (-) 0.9 per cent in April, industry has been demanding a cut in interest rates for fuelling growth momentum.

"We will urge the RBI to revisit this issue (interest rates) to ensure that capital is available to the industry .. given the slowdown, there is every justification to ensure that Indian industry remains competitive and manufacturing grows," Commerce and Industry Minister Anand Sharma had said.

The TAC would give its view in the areas of monetary economics, central banking, financial markets and public finance.

However, experts also feel that a high inflation would make it difficult for the RBI to go in for a rate cut.

The overall inflation based on wholesale prices was at 7.25 per cent in June, much above the 5-6 per cent comfort zone of RBI.

The retail inflation stood at 10.02 per cent in June.

*(Economic Times)*