Edited Transcript of Reserve Bank of India's Monetary Policy Press Conference: June 08, 2022

Participants From RBI:

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Shri Mahesh Kumar Jain – Deputy Governor, Reserve Bank of India
Dr. Michael D. Patra – Deputy Governor, Reserve Bank of India
Shri M. Rajeshwar Rao – Deputy Governor, Reserve Bank of India
Shri T. Rabi Sankar – Deputy Governor, Reserve Bank of India
Moderator: Shri Yogesh Dayal – Chief General Manager, Reserve Bank of India

Yogesh Dayal:
Hello and welcome to this post Policy Conference. With us today, we have Governor Shri Shaktikanta Das, Deputy Governors, Shri M K Jain, Dr. Michael D. Patra, Shri M. Rajeshwar Rao, and Shri T. Rabi Sankar. Before we go ahead; sir, I would request you for some opening remarks and then we will start with the question and answer.

Shaktikanta Das:
It's not an address, it is just a few opening remarks which I wish to make. I had made a similar set of remarks in the April Monetary Policy when we had met last. Now, I would like to just touch upon some of the main highlights of today's monetary policy.

First, we have retained the growth projection for the current year at 7.2 per cent. Second, on inflation, we have revised our projection and we are now projecting 6.7 per cent for the full year 2022-23. Within that, there are three or four points which need to be noticed.

i) The first is that 75 per cent of this increase in our inflation projection, compared to what we had made in April, is attributed to food inflation, this is something which I had said in my statement also. By and large, if you look at it accepting factors like the tomato prices slightly going up or some domestic electricity tariffs being revised by the states, primarily the food inflation spike is linked to external factors, namely, the war in Europe. That is the first point under inflation.
ii) Second is what we have given out is the baseline scenario, without factoring in the steps that we have taken today.
iii) Third, we believe that our actions will have an impact on bringing down inflation and inflation expectations. We remain committed to bring down inflation and inflation expectations.

iv) Fourth, our rate action and other actions are calibrated to the evolving inflation-growth dynamics. Inflation must come down. Economic recovery also must continue.

So, I talked about growth, I talked about inflation; these are two points.

The third point I would like to mention about the rate hike and the stance. The rate hike is obviously no brainer, it is 50 basis points. So, the repo rate now stands at 4.9 per cent. We have said that clearly. As regards the stance, as you would have noticed, we have dropped the word, 'we remain accommodative', that is mainly to give greater clarity to the market. We are now focusing on the withdrawal of accommodation. What does that mean? It means that we are now completely focused on the withdrawal of accommodation. But in terms of rates, we are still below the pre-pandemic level in terms of liquidity. The liquidity surplus in the market is still higher than the pre-pandemic level. In that sense, the stance remains accommodative. But we are now completely focused on the withdrawal of accommodation, and this gives greater clarity to the market and to all the stakeholders and to all of you who are analysing and writing about it.

The fourth point is with regard to liquidity. There was a lot of speculation around CRR. We have not increased the CRR. The liquidity withdrawal, going forward, will be calibrated and measured. We will ensure that adequate liquidity is available to meet the productive requirements; to meet the credit requirements of the economy, i.e., the bank credit requirements.

Fifth and final, as I have very clearly mentioned in my statement, the Reserve Bank is not bound by any stereotypes and conventions. The Reserve Bank will continue to be dynamic and pragmatic in its approach.

I'll stop here and we will now take the questions. Over to you, Yogesh.

Yogesh Dayal:
Thank you, sir, for the opening remarks. First, I will invite Mr. Hitesh Vyas from PTI to ask his question.

Hitesh Vyas, PTI:
Good afternoon. Given that your inflation projection is at 6.7 per cent for the full year, will RBI be aggressive in terms of hike and terms of quantum of rate hikes?

Shaktikanta Das:
As I just mentioned, and as I have said in my statement that our future action will depend on the evolving inflation growth dynamics. The situation is fast-changing and it will depend on how the situation evolves.

Hitesh Vyas, PTI:
On the CBDC front, is there a timeline in mind for its launch? What would be the likely channels, for instance, distributions?

Shaktikanta Das:
I would request the deputy governor Rabi Sankar to take that question.

T. Rabi Sankar:
On the timeline, it was announced in the budget that it will be introduced this year and it will be introduced this year. Various technologies will be used. The only thing I would like to emphasise is that the process of introduction would be gradual so that there is no disruption in the banking system or in the financial system.

Yogesh Dayal:
Thank you, sirs. I'll move on to Mr. Bijoy Idicheriah from Informist Media.

T. Bijoy Idicheriah, Informist Media:
You have indicated that till December, you expect inflation to be above 6.0 per cent bound. That indicates that for the whole year, you will be in breach of the 2.0 - 6.0 per cent mandate. What does failure mean in the sense of meeting the mandate? What are the kinds of procedures that you will have to follow and will this mean that RBI will have to be pre-emptive maybe even in the liquidity withdrawal, maybe even in the pace of hikes and stuff that you'll have to do, to bring inflation back into the bound?

Shaktikanta Das:
In an extremely uncertain conditions that we have, and in the context of an extremely uncertain outlook, it is not possible to provide forward guidance on what you are mentioning, it will depend on how the situation evolves. With regard to what you are calling, it will be breaching the inflation target framework, etc., we will deal with it as and when the situation arises. The situation is very dynamic so, I would not like to speculate anything on that. The law is very clear, and we will do accordingly. As it stands today, I would not like to speculate that this will happen and then we will do this. Internally, we examine all possibilities in various directions under various scenarios. As I said, I'm repeating again that it will depend on the evolving situation.

T. Bijoy Idicheriah, Informist Media:
Is that why you have also dropped stance because Mr. Verma has also been talking about it for the last couple of policies that stance would be very difficult to give in a situation like this.

Shaktikanta Das:
There is a stance. I have said in my statement also and our stance is withdrawal of accommodation.

Yogesh Dayal:
Thank you, sir. I will move on to Ms. Latha Venkatesh from CNBC TV18.

Latha Venkatesh CNBC TV18:
In your speech, you said that you are committed to normal monetary conditions in a calibrated manner. Can you elaborate on what you mean by normal? Is it 5.15 which is pre-pandemic? Is it 6.0 per cent which was, when you shifted from a neutral to accommodation? Or is it even zero real rate which means 6.7 per cent for one year inflation. So, the repo rate will have to be a lot higher.

Shaktikanta Das:
The way I look at normal, I and my colleagues in RBI, and the way RBI looks at normal conditions, and so is the MPC, is that if you recall the February 2020 monetary policy framework which we announced, it is linked to the overnight rates. The critical factor will be not the quantum of liquidity or not any particular level. We have not speculated or we have not said that this is the normal rate; normal rate meaning the policy rate. All that we have said is that when the overnight rates are in alignment with the repo rate. Even currently the overnight rates are below the repo rate. They are closer to the SDF rate. So, normal condition would primarily mean, when the overnight call money market rates are more or less aligned with the policy repo rate.

Latha Venkatesh, CNBC TV18:
On real rate we would like to know what is the RBI's thinking? Do you calculate it with this exposed 6.7 per cent? How do you calculate real positive rate? And do you want to get there at all?

Dr. Michael D. Patra:
The real rate is always forward-looking, just like the rest of monetary policies. So, you should consider the forecast of the inflation rate sometime into the future, within which monetary policy works and then calculate the real rate.

Latha Venkatesh, CNBC TV18:
But you have not given us Q1 number, you have not given us a 12-month forward number, do you have any for FY24 first half, at least?

Dr. Michael D. Patra:
No, you have the Q4 number, and from the Monetary Policy Report, you have the 2023-24 numbers. As Governor mentioned you will have to feel your way, it's a very dynamic situation. We will have to see how the future evolves.

Yogesh Dayal:
Thank you, sirs. I will move on to Mr. Govardhana Rangan from Economic Times.

M. Govardhana Rangan, Economic Times:
Despite raising the rates, you mention that liquidity will be there, and extra liquidity will be withdrawn over a multiyear timeframe. So, there are some economists who are forecasting liquidity to turn neutral by the end of the year. So, does your statement mean that you will ensure that SDF is still used and then there will be funds flowing in the SDF over the next one or two years, even if you are focusing on withdrawal of accommodation.

Shaktikanta Das:
What multiyear time cycle basically means is that we started withdrawal of liquidity even last year. We stopped the G-SAPs. In other words, we did not announce new G-SAPs. We also introduced the VRRRs last year, the Variable Rate Reverse Repo auctions. This year we have taken steps. Again, the VRRRs are being continued. In the May policy statement, we increased the CRR also. A multiyear would basically mean, as I have said earlier, a 2–3 year cycle. So, when you say 2-3 year, again it is very flexible. The situation is very dynamic. It can be argued that we started last year, so last year is year 1, this year is year 2, next year is year 3; but in these extremely uncertain conditions, all that we are trying to convey is that it is not as if we are doing it suddenly, abruptly, in a compressed manner during the current financial year.

M. Govardhana Rangan, Economic Times:
So, more than half the multiyear is already over.

Shaktikanta Das:
All that we wanted to convey is that we don't want to take any sort of abrupt, rushed action which may sort of be detrimental to the system, to the market or to the credit offtake.

M. Govardhana Rangan, Economic Times:
On the inflation forecast, you have not mentioned some of the action that you have taken, including the rate increase today. So, if you factor in that and probably some of

the measures from the government as well, how does the inflation outlook for the next fiscal year, which you have not touched upon. How does that look if you are going to have these rate actions impact on that?

Shaktikanta Das:
You see each action takes its time to play out. Monetary policy actions would take ideally 6 to 8 months to fully play out. We will watch the evolving situation and next year's inflation numbers are given in Monetary Policy Report. The next report is due in October. So, we will give it at that time.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Anup Roy from Bloomberg.

Anup Roy, **Bloomberg**:
You mentioned about your aim to come back to the middle point of the inflation. Now given that you have increased the inflation projection so much, has the middle point shifted in your calculation and are you targeting more like 6.0 per cent? And as Dr. Patra recently wrote, has the threshold inflation increased in India after the pandemic?

Shaktikanta Das:
Since you are referring to Dr. Patra and what he wrote, let Dr. Patra take the question.

Dr. Michael D. Patra:
Actually, you are misquoting me. It's the case of leading the witness. I have my paper here and what I have written is, that all the parameters that monetary policy deals with like the target, the threshold, etc., need to be re-estimated with pandemic data, that's all.

Yogesh Dayal:
I will now invite Manojit Saha from Business Standard to ask his question.

Manojit Saha, Business Standard:
In a tightening cycle, monetary policy is most effective when the liquidity is in deficit mode. Do you foresee a liquidity deficit scenario going ahead, that is the first question. And the second question is that I don't see the 4.0 per cent inflation target in the resolution. So, is that something that is in your mind to go back to the 4.0 per cent inflation targeting or you are comfortable in the near term to be at 6.0 per cent?

Shri Shaktikanta Das:
That was exactly the question which Anup Roy just asked and we have said that our endeavor will be to move closer to the target. And the target is 4.0 per cent plus or minus 2.0 per cent on either side. So, that target of 4.0 per cent does remain.

Liquidity is impacted by so many other factors. The pace of government expenditure, frontloaded capital expenditure, for example by the government as it happened last year, if this year also the capital expenditure and other expenditure are frontloaded, it adds to the liquidity. Credit offtake which has now, we have mentioned it in the resolution, improved. The increase is by 12.0 per cent. If this increase is sustained, then obviously liquidity goes out of the system. There are other factors also relating to the foreign exchange market, which add or drain out liquidity. It is a constantly evolving situation. All that we are saying is that we will ensure the availability of adequate liquidity. If the liquidity runs into a very heavy deficit, that is your question, then the repo window is always available, that can be used by the system.

Latha Venkatesh, CNBC TV18:
Just to continue with what he said, you have not said anything specific; no specific liquidity measure has been announced, not CRR, not any other. So, should we understand that the normal process of withdrawal of cash and FX sales is enough hereafter to calibrate liquidity?

Shaktikanta Das:
In extremely volatile and uncertain conditions, we just cannot give any forward guidance. We are constantly watchful. In fact, on a real-time basis, the entire team in the Reserve Bank is watching and we will be taking action. If you recall while reading out my statement, I took a pause, when I was talking about implementing the government borrowing program, in the current year in a non-disruptive manner. I took a pause and I explained that I have not said what steps will be taken by the RBI, but as per the evolving situation, as per the requirement we will be using various instruments which are available to us.

Yogesh Dayal:
Thank you, Sir. I will move on to Swati Bhat Shetye from Reuters.

Swati Bhat Shetye, **Reuters:**
Governor, if you can give us a little more clarity on what is the most preferred step? Markets were clearly very comforted by that statement you made today. We have seen bond yields come down almost 10 to 12 basis points. What is the most preferred step at this point? Are there any preferred measures, in terms of managing the government borrowing program, considering that you are in a withdrawal of accommodation phase, you would not want to infuse more liquidity into the market? So, how do you plan to manage that?

Shaktikanta Das:
Preferred step will depend on where we stand. Let me say that we are monitoring the G-sec markets, in fact we monitor all markets. G-sec market also, we are monitoring it very closely. Preferred step will again depend on the situation prevailing at that time. You know what instruments are available with us. With regard to Operation Twist, we have today greater leverage, greater flexibility because we have enough securities. Because of introduction of SDF, naturally the securities which are available to us, which in an otherwise, in previous context if there was a reverse repo, we have to give out securities. Today we have enough securities to undertake Operation Twist. This is just a factual information; I am not giving a forward guidance. But what I am saying is that we have greater leverage today with regard to Operation Twist and we have other instruments at our command. If our team in RBI comes out with any innovative steps to deal with the liquidity problem, then we will see. But, at the moment, there are no innovative steps, so don't jump into any conclusion that another G-SAP or something like that. All that I am wanting to say is that we are watchful and we will take necessary steps as maybe required.

Yogesh Dayal:
Thank you, sir, I will move on to Mr. Mayur Shetty from Times of India.

Mayur Shetty, **Times of India**:
Governor, as you pointed out the transmission on the lending side has been very effective since most of the loans are now linked to the repo rate external benchmarks. But on the deposit side, it is not being that effective. So, do you think that reduces the efficacy of the monetary policy, people might save less, and investments also might not have been because lending rates are going up?

Shaktikanta Das:
We have instituted this external benchmarking for two years now, in October 2019. We are monitoring it and normally the transmission does take time. We just announced the rate hike roughly one month ago. The transmission takes about 1-3 months, it will take time. But, going forward, we do expect the rate hikes to get transmitted also to the liability side, namely to the deposit rates. I have acknowledged that in my statement also that the bank deposit rates have started going up. In any case, when there is a credit offtake, banks need to mobilise more resources by way of offering higher deposit rates to the savers.

Mayur Shetty, **Times of India**:
On the recurring mandates you have allowed relaxation for domestic payment ₹15,000 increase in the limit. But people are also facing problems on international payments

because for a lot of these providers, India is too small a market to comply with RBI's guidelines.

Shaktikanta Das:
I got the question, the first part with regard to transmission if DG Michael Patra wants to add something you could add, but the other aspect of your question, let DG Rabi Sankar take it.

T. Rabi Sankar:
Since October 1, when we introduced this, so far about 5.9 crore mandates have been registered. The total mandates are about 6.5 crore, which basically means that about 0.6 crore existed before that and subsequently these many mandates have been registered. In fact, this surprised us because we thought the total mandates available were roughly around 5.0 crore. It's more than that. So, probably a large part is covered. In these mandates, about 3,450 international merchants have also registered. Some of them, for whom India business is not that significant, will take a little longer time to make the investments to adjust their systems. Some major ones have conveyed that to us that they will adjust, but it will take a little bit longer and until then there could be some issues. We have tried to address some of the things with the recent announcement of increasing the limit. We heard from many people that many international products, magazines, etc., are very expensive. So, every time doing it becomes a problem. So, we increased the limit from ₹5,000 to ₹15,000, this year. That will probably take care. But overall to answer your question, the number and the volume that is left out now is not significant and with time that will also get in. At the end of the day, the objective of that e-mandate is that the customer should have better control on his digital payment activities, that is our ultimate goal and that will be achieved.

Yogesh Dayal:
Thank you, sir. I will move on to Gopika Gopakumar from the Mint.

Gopika Gopakumar, Mint:
Good afternoon, Governor. This is with regards to a south-based private sector bank, Dhanlaxmi Bank. A minority group, a shareholders' group has raised an issue, they have called for an EGM saying that there is a financial crisis in the bank. The number of directors on the board has also reduced. Is there a cause for concern? Is RBI looking at this?

Shaktikanta Das:
We do not discuss individual banks and the conditions prevailing in individual banks, outside and particularly not in a press conference. So, I will not comment on any

individual bank. But as I have said in my statement, the Indian banking system remains resilient and strong in terms of various critical parameters like, capital adequacy, provisioning, profitability, and non-performing assets. Our supervision has been significantly deepened over the last three years. Each and every bank in our banking system is monitored very closely. We have the real-time data available with us, and we are monitoring it. Our supervisory officers are monitoring the situation in every bank very-very closely. Overall, the Indian banking system remains resilient and strong.

Yogesh Dayal:
Thank you, sir. I will move on to Shritama Bose from the Financial Express.

Shritama Bose, Financial Express:
Good afternoon, sir. So, one question is on tokenisation. What do you think is the level of progress on that? Could there be a need to extend the June 30th deadline even further? Other question is on linking RuPay Credit Cards to UPI. Any sense on how the pricing structure for that will work because currently, UPI and credit cards work on polar opposite MDR structures?

Shaktikanta Das:
DG, Rabi Sankar can take that question.

T. Rabi Sankar:
First on the tokenization - with about three weeks to go, the progress has been satisfactory. Over the last several months our teams have been constantly discussing with all stakeholders to ensure that the process of tokenisation comes over smoothly and the system is by and large prepared. All the card networks are offering tokenisation. About 16 crore tokens by the last count had already been created and this number would pick up as we come to the deadline and even as we go beyond the deadline. It's not necessary that everyone should have a token before that, you can always do it even later. So, the system is prepared. I really don't think there is any need to speculate on whether or not the timeline will be extended. There are a few collateral issues that have come to our notice, which we will adjust as we go. These are new issues that crop up every time you shift a regime, these sorts of issues come up. We will address them as we go. So overall I would probably term it as satisfactory.

Shritama Bose, Financial Express:
The other question on credit cards linking to UPI.

T. Rabi Sankar:
Going to the pricing structure is like jumping the gun. We will see that how it will be priced. The basic objective of linking credit cards to UPI is to provide a customer, a wider choice of payments. Currently, UPI is linked through debit cards to savings bank

accounts or current accounts. Now, this can be linked to the credit card account that banks give you that improve the choice that the customer has. How the pricing of that will work out, we will have to see because pricing is something that the banks will have to do, that the system entities will have to do. At this point, we will introduce the arrangement. Pricing, we will see how it goes.

Yogesh Dayal:
Thank you, sir. I will move on to Surabhi Prasad from The Hindu Business Line.

Surabhi Prasad, The Hindu Business Line:
The RBI has taken a number of steps on inflation and so has the central government. But do you think that there's more need for supply side measures especially perhaps something on fuel taxes again? My second question is on cryptocurrencies because the government has said they are coming out with the consultation paper soon. So, has there been further dialogue on the issue? Thank you.

Shaktikanta Das:
On cryptocurrency, I can say that on all issues there is a constant engagement between the government and the RBI, including the cryptocurrency issues. We have given our views to the government. Let's wait for the discussion paper. With regard to the other aspect which you mentioned was about the supply side measures. Now it's for the government to take a call and I am sure government is mindful of the current inflation situation and it's for the government to decide on further supply side measures, which they consider as necessary. On that, I would not like to speculate, or I would not like to comment on that. It is for government to decide, and I am sure they will decide if and when there is a requirement, they will take the steps.

Yogesh Dayal:
Thank you, sir. I will move on to Vishwanath Nair from BQ Prime.

Vishwanath Nair, BQ Prime:
Good afternoon, Governor. The question is regarding the measures you announced on the cooperative bank side as part of your statement. It has two parts, firstly, how comfortable is the RBI using the cooperative sort of system to push demand further, because now you are allowing them to give out higher home loans. And the second part is in terms of allowing them to enter commercial real estate. How comfortable are you in terms of the regulation and supervision part of it because that has been a challenge in the past, especially with respect to commercial real estate? So, I just wanted to know that.

Shaktikanta Das:
DG, Rajeshwar Rao can take that question.

Rajeshwar Rao:
The customer demand is not really generated through the measure which we have announced. Actually, the customer demand is met through the measure which we have announced. The banks have the greater flexibility to meet the requirement of their customers for housing loans or higher amount of housing loans. So that is what is being enabled. And of course, these are subject to prudential safeguards in terms of ceilings, prescription of limits, etc. So, that will take care of a large amount of risk which could be enabled through this measure, if you perceive the risk is there. As Governor has already mentioned, we have a system of very close monitoring of all the banking entities and banking units. We are in a position to assess the vulnerability of banks very closely and monitor the situation. So, I don't think there would be much of a concern in terms of any risks arising from this kind of a measure.

Yogesh Dayal:
Thank you, sir. Now I invite Anurag Shah from Zee Business News.

Anurag Shah, Zee Business News:
My question is related to digital lending apps. Is Reserve Bank working with other agencies also on that because we are seeing recently, there have been a lot of cases like extortion, etc.? In Mumbai itself, there have been a number of suicides because of people getting fed up with the harassment by digital lending apps. The common people have this impression that the regulation of digital lending apps is done by the Reserve Bank. So, which agencies are you working with? And what is the progress on the draft notification which had come last year?

Shaktikanta Das:
What you mentioned about lending being done through digital lending apps and different kinds of problems occurring there; majority of them are unregistered lending apps, that means they are doing it on their own and they are not registered with the RBI. So, whatever is happening there, the law enforcement agencies or the State Police or the other law enforcement agencies, they should do the proceedings and they are doing it. Complaints are getting registered, and they are doing the proceedings. When we get a complaint, we immediately advise the customer or person complaining to place a complaint in the police and in many cases the State Police has taken effective action. You have mentioned about a report, that report has reached us, which is regarding the difficulties and challenges faced with these digital lending platforms. That report is in a very advanced stage of examination. Numerous

comments have come on it. There have been many new developments since the report has come. It is in advanced stage of examination. We will examine it and we will issue the directions and guidelines. With reference to the unregulated and unregistered ones, the customers should first see whether they are registered or unregistered. So, whoever use these lending apps, I earnestly request them to first check whether they are RBI registered or not. If it is RBI registered and if there are any irregularities, then RBI will take immediate action. I give you this assurance. What's happening nowadays is that many messages are coming in banks' names also and they are telling you that if you click then you will get this loan/ facility immediately. So, the advice to the customers which banks are again and again telling through messages, SMS, WhatsApp, that the banks don't ask such information from its customers, customer information like OTP number or the CVV number. If any such message comes, do not click it immediately on mobile phone, whatever message comes, make a note of it. I wish to tell all the customers, to note down and call your bank's branch and enquire, that this message has come, is it okay, then you can go ahead on the basis of that if bank confirms.

Anurag Shah, Zee Business News:
In recent days, you have cancelled licenses of five NBFCs having more than a dozen mobile apps. Were there similar discrepancies because of which the licenses were cancelled for these five NBFCs?

Shaktikanta Das:
There were many problems and errors, that's why we have sanctioned the license. For individual entities, for what reason we cancelled the license it may not be correct to say anything here.

Yogesh Dayal:
Thank you, sir, I will move on to Mr. Ankur Mishra from ET Now.

Ankur Mishra, ET Now:
Good afternoon, Governor. In a condition where the inflation expectations remain within your boundaries where you have projected 7.5 per cent in Q1 and gradual decline after that. Will your rate hikes, if at all, will be in that proportion or will be front-loaded? How should one read into that with 90 bps already done within one month?

Shaktikanta Das:
Let DG Michael Patra take that question.

Dr. Michael D. Patra:
Actually, to correct you 130 basis points have been done during this year while inflation has moved up by only 80 basis points. I just answered the question in facts.

Ankur Mishra, ET Now:
So, how should one read into it, sir?

Dr. Michael D. Patra:
Actually, I forgot to tell you, you should also take 20 basis points done last year by rebalancing from fixed to reverse repo too and we will continue working till inflation is at target or aligned to it.

Ankur Mishra, ET Now:
But if I talk about the proportion which I am saying in a condition where it remains within your expectations, so will it be in the similar proportions? I mean, will it be front loaded?

Dr. Michael D. Patra:
Never ask a Central Bank about the course of future interest rates.

Ankur Mishra, ET Now:
I stand corrected. Sir, that is our job to ask questions. Second thing I wanted to ask about the NBFCs provisioning guidelines, which has been released recently. You have released guidelines for upper layer of NBFCs. Should there be an expectation that for other categories, a similar kind of guidelines will be there?

Shaktikanta Das:
Today everybody's asking multiple questions. In the interest of time and to allow everyone, I would request to stick to one question. DG, Rajeshwar Rao may take that question.

Rajeshwar Rao:
The announcement for increase in provision for standard assets is actually a sequel to the announcement made last year under the scale-based regulation and it is consistent with the measures which we have announced there. For the other entities, we will take a measure at the appropriate time. So, we will keep it at that. Thank you.

Yogesh Dayal:
Thank you, sirs. I'll move on to Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:
Thank you, sir. In your April monetary policy meeting, you spoke about the tectonic shift that is happening post the COVID. Recently we heard JP Morgan CEO talking about the hurricane coming on our way. Even Elon Musk spoke about his super bad feeling. So, what is your assessment of the global and Indian economy and how better or badly placed we are? Thank you, sir.

Shaktikanta Das:
In that sense, RBI is ahead of all others. In the April Monetary Policy, I had used the word 'tectonic shifts', thereafter, the IMF used the word earthquake. Now you are referring to somebody referring to hurricane, somebody referring to other, super bad feeling. But Indian economy has remained resilient. Indian economy is well-placed to deal with the challenges emanating from the geopolitical developments. The banking sector remains resilient and strong. Overall macroeconomic numbers also broadly look all right. Regarding the exchange rates depreciation so far, Indian rupee is among the better performing currencies among the comparable EME peers and others. The fiscal deficit number which was there in the budget for the last year, that also has been achieved. Whatever was the target, it has improved, in fact. They had projected 6.9 per cent and the fiscal deficit number is 6.7 per cent. So, overall Indian economy continues to be in a resilient position. The recovery is gaining traction and it is reflected in the fact that capacity utilisation has improved as I have mentioned in my statement. Disbursal of bank credit is also picking up; rural demand and urban demand are also showing signs of further improvement. So that is how we stand.

Yogesh Dayal:
Thank you, sir. With your permission, we will take last two questions. I will invite Siddhi Nayak from Moneycontrol.

Siddhi Nayak, Moneycontrol:
Thank you, sir. Firstly, I wanted to ask you if there is any banking system liquidity threshold that you are targeting and if there is a withdrawal of liquidity going forward so would that mean that the call rate would be aligned to the repo rate than the SDF going forward?

Shaktikanta Das:
Let DG Michael Patra take that question.

Dr. Michael D. Patra:
If you recall, in February 2020, before the pandemic started, we had announced a revised liquidity management framework and one difference to answer your question was that we removed all quantitative indicators. Like we used to have 1.0 per cent of NDTL and all, that was removed. The way you judge liquidity is by the rate. If the call rate is, as Governor pointed out, at or below the floor, we are accommodative, if it is closer to the repo rate, we are neutral. When it's above it, it is tightened. At the current time, the call money rate is at the corridor's floor, so we are accommodative. The liquidity that is absorbed every day that is the surplus that markets give to the RBI is in excess of ₹5 lakh crore in total. So, there's abundant liquidity there. At the same

time credit growth is picking up. Credit growth really is a function of demand. It is already into double digits and liquidity is not a hindrance or impediment to that credit growth so far.

Yogesh Dayal:
Thank you, sir. I will invite Mr. Jigar Pathak from NewsRise for the last question.

Jigar Pathak, NewsRise:
Thank you for the opportunity. Governor, you mentioned about the economy, the resilience of economy. We wanted you to view about trade deficit, which is at record high right now.

Shaktikanta Das:
Trade deficit?

Jigar Pathak, News Rise:
Which is at around US$23 billion right now. So, what is the overall view of the Reserve Bank of India regarding trade deficit?

Shaktikanta Das:
I touched upon it in my statement, there's a section on external sector. We expect the current account deficit to remain at a sustainable level and the normal flows will enable us to meet the financing of the current account deficit. Exports on the whole are rising, imports are also rising. Higher exports is a good sign for the economy, higher imports also to the extent that there is import of capital goods, which have incidentally gone up that also augurs well, that means that there is capital expenditure. There is investment, which is taking place or is going to take place. Overall, the current account deficit is expected to remain at sustainable levels. The normal flows will enable us to finance that.

Jigar Pathak, News Rise:
It has been staying above US$20 billion levels for quite some time now. So, is it a matter of concern?

Shaktikanta Das:
We are constantly watching it. At the moment, please factor in the huge reserves that we have. It's US$601.1 billion. That is the latest number I have. That was last Friday, 3rd of June that I gave out in my statement today also. So, we have built up strong buffers, which will help us in situations like this, if what you are saying materialises. But as far as I'm concerned, as far as RBI is concerned, we do not foresee that kind of a crisis situation. Our capital buffers and the normal inflows will ensure that we are in a position to finance the current account deficit.

Has everybody asked or is there anybody still wanting? Okay. I think you can conclude.

Yogesh Dayal:
There were requests for a second question, but we're out of time right now. So, we will wind up now. With this, we come to a close of the press conference. I would thank the top management of Reserve Bank for being here and our media colleagues for a very orderly press conference. Till the next time stay safe, all the best. Thank you very much.

Shaktikanta Das:
Thank you everyone.