Edited Transcript of Reserve Bank of India's Monetary Policy Press Conference: December 07, 2022

Participants from RBI:

Shri Shaktikanta Das – Governor, Reserve Bank of India
Shri M. K. Jain – Deputy Governor, Reserve Bank of India
Dr. Michael D. Patra – Deputy Governor, Reserve Bank of India
Shri T. Rabi Sankar – Deputy Governor, Reserve Bank of India
Dr. O. P. Mall – Executive Director, Reserve Bank of India
Shri Saurav Sinha – Executive Director, Reserve Bank of India
Shri R. Subramanian – Executive Director, Reserve Bank of India
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India
Moderator: Shri Yogesh Dayal – Chief General Manager, Reserve Bank of India

Yogesh Dayal:
Hello and welcome to the post policy conference. Today we are joined in this press conference by Governor Shri Shaktikanta Das; Deputy Governors Shri M. K. Jain; Dr. Michael D. Patra; Shri T. Rabi Sankar and Executive Directors Dr. O. P. Mall, Shri Saurav Sinha, Shri R. Subramanian and Dr. Rajiv Ranjan along with my colleague from the Monetary Policy Department. We have 21 colleagues from the media today. Before I invite them to ask questions, I would request Governor to kindly give some opening remarks so that we can start the press conference.

Shaktikanta Das:
Thank you. Good afternoon to everyone. Happy to have you here.

This time in the statement, there is a particular para 15 where I have tried to summarise the key takeaways. Nonetheless, I would like to highlight six points as the highlights of today's Monetary Policy.

First, India's GDP growth is resilient. It is holding on and it is doing well in a world of slowing growth and possibilities of recession across several countries.

Second, headline inflation is moderating. I would like to say that the worst of inflation is behind us. This point needs to be taken note of – the worst of inflation is behind us. Globally also the same trend is visible with the moderation in commodity prices, crude oil prices and several other prices.

Third, while inflation is moderating and while we recognise and state that the worst of inflation is behind us, nonetheless, there is no room for complacency. We have to be extremely watchful and we will have to be nimble in our actions, should it become necessary. Therefore, the battle against inflation is not over. But let me reiterate, the worst of inflation is behind us and it is moderating we have given the inflation path till the second quarter of next year.

Fourth, I would like to say about the liquidity. We are ready to undertake liquidity operations to inject liquidity, but we will look for durable signs of a turn in the liquidity cycle.

Fifth, the story of the Indian rupee is one of resilience and stability. We remain committed to act to prevent excessive volatility of our exchange rate. Our focus will continue to be on the orderly evolution of the exchange rate.

Sixth, the current account deficit is eminently manageable, and let there not be any doubt about it. To amplify further, the foreign exchange reserves have gone up from US$524.5 billion on October 21 to US$561.2 billion on December 2, 2022, that's an increase of US$36.7 billion. As I have stated, the external debt ratios of India are low by international standards.

I would say that the overall status of the Indian economy is resilient. I think India stands out as an island of resilience in an otherwise volatile and gloomy world. Thank you.

Yogesh Dayal:
Thank you, Sir, for the opening remarks. To start the press conference, I will invite Mr. Anand Adhikari from Business Today to ask his question.

Anand Adhikari, **Business Today:**
Good afternoon, Sir. I just want to know about the RBI's terminal rate in the current monetary tightening cycle, any estimate of the Fed terminal rate which RBI has, any estimate there?

Shaktikanta Das:
The first thing, I have to say, is that the Fed rate or the terminal rate is important for the whole world as also India because it impacts so many aspects, particularly with regard to the currency market. Our policies are primarily governed and determined by our domestic factors, the domestic scenario on growth and inflation. It is not a case that we look at the Fed

policy rate and take our decision. We take our decisions on monetary policy rate stance based on our domestic factors.

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

M. Govardhan Rangan, Economic Times:
Good afternoon Governor. You spoke about inflation, the worst is behind us at the same time that we cannot be complacent about that. In your speech in the morning interaction, it will be data-dependent. So, if one puts all these three together if the data does not deviate from the path that you have projected; will they mean that you are closer to the peak interest rate cycle?

Shaktikanta Das:
We are living in an uncertain world. The outlook is extremely uncertain. Therefore, what we will do, if it doesn't match our expectations is something on which, it's not possible for me to comment at this stage. What we are saying is that we will keep on monitoring the overall outlook and, as and when necessary, we will act. Throughout, almost the last three years now, we have acted, whenever it was necessary, proactively, effectively, in all respects; not just with regard to interest rates. When we reduced the interest rates, our effort was to be as nimble as possible. Now, when we have been increasing the rates since May, we have also been guided by the incoming data and the outlook.

From that, what conclusion you will derive and what it indicates is something which will be your interpretation. It is not possible for me to say whether it means this, or it means that. I hope, I have answered your question, but please understand that we will go by our domestic factors, and we will watch the incoming data because it cannot be backward-looking. We will also keep on assessing the future scenario and the emerging, evolving dynamics of inflation and growth and then act.

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

Latha Venkatesh, CNBC-TV18:
Governor, at the current repo rate of 6.25%, your one-year down forecast inflation is 5.2%. If you take the average of Q1 and Q2 for next year. So,

your real rate ex-ante is 100 basis points. When you shifted from neutral to accommodation, it was 2%.

Shaktikanta Das:
85 basis points, exact arithmetic will be 85 basis points.

Latha Venkatesh, CNBC-TV18:
Yes. So, do you want that kind of a real rate, what do you have in mind, since you quoted that in past also in the previous policy?

Shaktikanta Das:
We have been discussing this at length internally, I would request Deputy Governor Dr. Michael Patra to take this question.

Dr. Michael D. Patra:
As you heard Governor, the real rate is just 85 bps. That will be achieved only in the second quarter. At that time, what will be the inflation gap, will inflation be at target, is the question that we need to ask.

Latha Venkatesh, CNBC-TV18:
You have brought a new phrase core inflation when you explained your stance, saying that the MPC will look at the calibrated increases and break the persistence of core inflation. So, do you have a trajectory? Do you want that also to come to the fore?

Shaktikanta Das:
Core inflation is not the first time that we are talking about it. We have talked about it earlier also. Over the last six to seven months, it has remained sticky at around 6% and that is what I have said. All that I have done this time is that we have placed it on the table as this also needs to be specifically addressed and kept in mind when we are decomposing and breaking up our inflation analysis.

Yogesh Dayal:
Thank you. I would now invite Mr. Brajesh Kumar, Zee Business News.

Brajesh Kumar, Zee Business News:
My question pertains to KYC. If a customer wants to open an account, the bank says that they will open the account online. So, if you can open a bank account online, KYC verification is done without going to the bank branch then on renewal of KYC, why do we need to visit the branch? Further, if your KYC is done in one bank, is there any centralised system that you don’t have to do separate KYC for the different banks?

Shaktikanta Das:
Re-KYC you can do it online, it is not mandatory that you have to visit the branch for that. Executive Director Saurav Sinha will explain it to you.

Saurav Sinha:
Thank you, Governor. As the Governor mentioned, you don't have to go to the branch, if you are doing your Re-KYC. If there is no change in any of your KYC details then you can simply send one email or send a message from your registered mobile number to the bank and your Re-KYC will be done. If there is only a change in your address, with the same process you can send your new address to the bank and the bank will verify the new address. The verification will be done in two months. The bank will do that by sending a letter to the new address, etc.

Regarding your second question, if one bank has done KYC, do you need to do the KYC for a different bank all over again, absolutely not. There is a Central KYC Registry (CKYCR). In CKYCR, an identifier number is given to you. If you share your identifier number with other banks then there is no need to resubmit KYC documents to another bank again.

Brajesh Kumar:
Sir, there is the feedback that the bank calls us and says you need to come to the branch, we will do KYC in the bank only.

Saurav Sinha:
For that, there is Ombudsman Office. There are different channels also that you can use. Possibly, such issues stem from the lack of knowledge and lack of awareness. You can bring that to the notice of the bank. In case you still have any difficulty, you can go through our non-legal fast resolution route.

Shaktikanta Das:
Our regulations are very clear and transparent in this regard. As you said, this might happen at some branches. Awareness is needed for this. We receive complaints through the Ombudsman. The Ombudsman intervenes and sorts out those things. It might be a sheer lack of knowledge and more awareness is necessary for this. We reiterate internally these instructions to all banks and follow up with them where we receive more complaints.

Yogesh Dayal:
Thank you, Sir. I will move on to Mr. Manojit Saha from Business Standard.

Manojit Saha, Business Standard:
Good afternoon, Sir. I have two questions if you kindly allow them. Firstly, when do you see core inflation coming down? You mentioned about core inflation many times in the statement today and markets have reacted to that. The second is some of the MPC members have given their views. I would like to know your view. Do you think MPC should consider the exchange rate movement while deciding on the interest rate?

Shaktikanta Das:
What the MPC considers and what aspects go into the MPC's discussion, you will have to wait for the minutes. It will be published exactly two weeks from today. So, you will have to wait for that.

Manojit Saha, Business Standard:
I am asking do you think MPC should consider exchange rate movement while deciding on the interest rate, is that a consideration?

Shaktikanta Das:
Let me mention that the consideration is the growth and inflation and what is provided in the law. Monetary policy is for a different purpose. It's not for capital flows. It is not for exchange rate management.

In exchange rate management, our focus is to prevent volatility and attract capital flows. If that is what you are implying, there are other instruments which have to be used. We used some of it. We made some announcements on 6th July of this year. So, the focus of monetary policy has to remain on domestic inflation growth dynamics.

Manojit Saha, Business Standard:
Can you use core inflation?

Shaktikanta Das:
Our target is headline inflation. We analyse the headline inflation and of course, as a part of that other aspects like food inflation, non-food inflation, non-oil inflation, and fuel inflation; all these things are analysed. We do not give what will be the future number for core, for fuel for food, separately. Our target is defined in terms of CPI headline, and that is why we give that projection, other projections we do not give.

Yogesh Dayal:
Thank you, Sir. I will move on to Mr. Shashank Didmishe from Financial Express.

Shashank Didmishe, Financial Express:
Sir, what steps is the RBI taking to resolve the differences between the foreign regulators on the settlement of trades? And what is the impact on the domestic operations of foreign banks in India?

Shaktikanta Das:
Deputy Governor T. Rabi Sankar will take that question.

T. Rabi Sankar:
I presume you are referring to the ESMA issue that is making the rounds. The discussions are continuing. We hope to achieve some sort of understanding by that. There is no disturbance as of now. We will see when it comes to that. We would prepare, should there be any possibility of a disturbance. We will be well prepared to handle those.

Yogesh Dayal:
Thank you, Sir. I will move on to Mr. Benn Jose from PTI.

Benn Jose, PTI:
The policy document is speaking about India being a bright spot, and India has decoupled from the rest of the global economy. For MPC, how bright is that spot and how long we can remain bright? Decoupling, many analysts say that we are mostly decoupled, most of our markets are decoupled from the rest of the world. Where does RBI see that?

Shaktikanta Das:
The phrase bright spot is not an RBI invention. It is IMF, which said that India is a bright spot. I was drawing from what the IMF said, that is with regard to the phrase. As I said, India is an island of stability in a very turbulent world. In this statement, if you go through it carefully, I have said at one point that in an interconnected world, we cannot be entirely decoupled from what is happening in the rest of the world.

In certain aspects, yes, India appears to have decoupled, but when the world is so interconnected, we cannot be entirely decoupled. Therefore, it is not a question of black and white. There are lot of interconnectedness between what is happening globally, when we talk of spillovers. The spillovers affect all emerging market economies, including India. So, we have not entirely decoupled.

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

Anup Roy, The Bloomberg:
Sir, Finance Minister has said that growth is our top priority now. As per your assessment growth is dipping a little bit. Your commentary on inflation, the market interpreted it as very hawkish and they were expecting that you will give a good signal and there will be a pause after this or there will be a slowdown, but you said that the battle against inflation is not yet over. So, what kind of impact that will have on growth and is growth not a top priority for you now?

Shaktikanta Das:
No, I did not say that. What does the policy say? What does the legal provision say? The RBI is expected to maintain price stability keeping in mind the objective of growth. For the government, growth naturally has to be the top priority. In fact, in my statement in one paragraph, I have said that we have to also focus on growth. I have referred to the opportunities for investment coming out of the innovations in new technology. I have talked of climate change opportunities for investment. PLI also being an area, which will attract a lot of investment. These are the opportunities available for India to attract and undertake more investments. Why inflation management is so important? Inflation management is not important just for its own sake, the aspect of price stability is essential because that is needed for medium-term growth. If inflation goes very high, investors will stop investing. So, you have to manage inflation, price stability has to be maintained in the interest of growth. There is no contradiction between the two.

Anup Roy, The Bloomberg:
What would be your expectation from G20 meets, and what will RBI try to achieve?

Shaktikanta Das:
We are a part of the finance track of the G20 meeting. As you know in the G20 meetings, there are several tracks, but broadly there are two tracks, one is the Finance Ministers and Central Bank Governors' Track, which is known as the Finance Track. Another one is the Sherpa Track, which takes into account a lot of the other aspects, like Climate Change, Health, Nutrition, Vaccination, etc. Finally, they all converge when the Leaders Summit takes place, and the Communique is issued.

It is not possible for me to say, what will be the outcome at this stage, but as I said in my statement, it is a great opportunity for India to play a bigger role in the international arena. There is a lot of expectation from many countries. They are looking up to India to play a larger role in many aspects, whether it is with regard to innovations in Fintech, Digital Payments or in several other areas. Therefore, this is a big opportunity for India. We will participate in the discussions in the Finance Track. The government has already set out the agenda for the Finance Track separately. So, we will be participating in those discussions.

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

Mayur Shetty, **The Times of India:**
Governor, the policy rate is now pretty close to where the inflation is. Do you see the rate being a neutral one right now, and also the inflation forecast for the next year within the tolerance band? So, if it remains within the tolerance band, would you say that the goal has been achieved of the monetary policy?

Shaktikanta Das:
Dr. Patra can take that question.

Dr. Michael D. Patra:
The Governor said that the battle against inflation is far from over, so we remain on guard, until we see a durable decline in inflation and it is staying within the tolerance band, but the good thing is what you are pricing in. We have lowered the size of the policy rate change. That is the most important thing, which unfortunately is getting priced in. This has come after a lot of deliberation. After a continuous 50 basis points increase, it has now moderated. It tells you of a shift in a way. As the Governor pointed out, we are open to the correction that the worst of inflation is over, but the moderation of inflation will be very grudging and uneven, so we must shepherd inflation first firmly into the tolerance band and then to the target.

Yogesh Dayal:
Thank you, Sirs. I will move on to Mr. Shayan Ghosh from Mint.

Shayan Ghosh, Mint:
Sir, I wanted to understand a bit about how are we factoring CBDC you have talked about that as you mentioned in one of your earlier speeches as well, also if you can give us an update on what kind of transaction has happened?

Shaktikanta Das:
I will address a different question on CBDC because a lot of people have been raising this question, so I will clarify that and then I will pass it on to Deputy Governor, Rabi Sankar to specifically address your question. A number of people have been asking RBI, to me and also questions have been raised in the newspapers, and in the electronic media as to what essentially is the difference between UPI and this CBDC. Any UPI transaction involves the intermediation of the bank. So, when I use a UPI app, the message goes to my bank, my bank account gets debited, money gets transferred to the recipients, to the receiver's bank, his account gets credited and he gets a message in his mobile phone. So, there is an intermediation of the bank in that process. In CBDC, just as paper currency, you go to a bank, let us say, you are drawing some ₹1,000 currency notes, you draw ₹1,000, keep it in your purse, you go to a shop, you have to pay ₹500, you take out ₹500 and pay. Here also, you will draw the digital currency and keep it in your wallet which will be basically your mobile phone and when you go and make a payment in a shop or to another individual, it will move from your wallet to his wallet. There is no routing or there is no intermediation of the bank. I thought this is necessary to clarify this point because a lot of people have this question about what is different between UPI and CBDC. With regard to your question, DG Rabi Sankar can answer.

T. Rabi Sankar:
Just to expand a little bit, what the Governor said, e-Rupee is money and UPI is their payment method. So, you can use any payment method to move money, so once that conceptual understanding is there, you will understand the difference. The key point is that UPI is the movement of money from one bank account to another bank account that is what the Governor has said. This is the payment of cash. It is possible that two private entities can provide wallets and the money can move between them. That is not possible. The UPI has to be necessarily between the bank and another bank. The fact that e-Rupee is money, its use cases can be many more as money has various functions. It can do any of those functions. Given that, it all depends on how much our startup ecosystem or fintech system innovates on this, and what kind of payment channel opens up using e-Rupee as the base. What actually will happen, we will have to wait and see. We will set up the base system, then the private sector can innovate. Coming to your question on anonymity – a fundamental feature of currency. One of the reasons cash is still being used in many developed countries to a large extent is that people love

privacy, and people love their anonymity. So, for anonymity purposes, currency can be used. How anonymity is to be ensured in the case of a digital currency because the normal understanding is anything digital leaves a footprint can have various solutions. We are looking at the largely first technological solution. We understand there are technologies possible to do that. So, we can use any one of those. It is also possible to get a legal provision to ensure anonymity. So, what exactly will happen will depend on how things evolve, but anonymity is a basic feature of currency and we will have to do that and to that extent, it is again different from UPI. Thank you.

Latha Venkatesh, CNBC-TV18:
Is there legal cover coming, that is the crux. Technology cover can always be pierced by better technology. We have to look for a legal cover, otherwise, why would I use it?

Shaktikanta Das:
The amendment in the RBI Act with regard to the CBDC says that currency will also include digital currency. That is the amendment which has been brought. Therefore, in all respects, there is no difference in the eyes of law, and there is no difference in treatment between paper currency and digital currency. The income tax department has got certain limits for cash withdrawal, for cash payment. Beyond the certain limit, you have to give your PAN card number. The same rules will apply in the case of the CBDC also. Because both are currency. So, that is how.

Latha Venkatesh, CNBC-TV18:
There is a fear that the ED will one day come and tell the bank, to give me to whom it was transferred to.

Shaktikanta Das:
Let us be clear. When you pay in currency notes to another person, your identity is anonymous. Incidentally here also, you cannot find out because the information is not available to the bank, so therefore the bank doesn’t know. It goes from my mobile to somebody else's mobile. So, why should we create this kind of fear psychosis? There is a law of the land and these are early days. The pilot on retail has just started. The experience of the wholesale CBDC pilot has been very satisfactory. It has been very satisfactory outcomes, we have noticed. The technology has by and large worked. The processes have by and large worked, and market participants and others are very happy that there is no need for collateral while doing G-sec transactions. There is no need for collateral and it is

an instant settlement. So, the feedback from the first pilot on wholesale CBDC has been very satisfactory, but there are some learnings and we are working on that. Coming to retail, it has just started from 1st of December, today just about one week. As we go ahead, there will be several learnings and we will try to fine-tune but let there not be any sort of fear psychosis that somebody is going to chase and all. I think that would be unfair to the whole exercise. Thank you.

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

Ankur Mishra, ET NOW:
Sir, you have mentioned that the worst of inflation is behind us and speaking completely on data like crude you have assumed it to be over 100 which is around 80 now, so if the worst of inflation is behind us, is the rate hikes which have been done till now, most of the rate hikes are also behind us?

Shaktikanta Das:
That is for you to assess. Dr. Patra can take that question.

Dr. Michael D. Patra:
As I pointed out, we have moderated the size of the policy rate increase. That is the very fundamental guidance that we are giving to the market. If things pan out as we have projected then the rates of 50 basis points consecutive increases are over but, we cannot take a shoe off the brake because inflation is still averaging 5% to 5.4% next year. So, we must guide it to a place where it remains stable at those ranges and then move on to 4. Till then, we must be on our toes that is the thing.

Ankur Mishra, ET NOW:
Another question on the widening gap between credit growth and deposit growth is something which has been a concerning factor for banks. Has there been any communication with banks so far, is there any direction which RBI has given?

Shaktikanta Das:
No, RBI doesn’t give any direction to the banks with regard to their interest rates on either side, whether credit or deposit side. The credit growth and the deposit growth have to be seen from the proper perspective. The credit growth is on a low base. The deposit growth is on a high base. That is why it appears the divergence between the two, they look to be so divergent. During the whole period of the pandemic or even

last year, there was hardly any credit growth which was about 5%, 6% or so, low base, but deposit growth had picked up in the first two years of the pandemic. Whatever is now happening based on the deposit side, the growth has to be seen in the context of the base effect. The banks do their asset liability management and depending on their funds' requirements, depending on their own asset liability assessment, they will take necessary action, both on the credit side as well as on the deposit side. We keep meeting banks. I had a recent meeting with bank executives. That is nothing to do with the interest rates because that is deregulated. That meeting is to take stock of the overall banking sector, where it stands, what are the challenges, and what are the possible risks. It is broadly an assessment of the overall banking sector and what is the outlook and we need to hear from the banks also. While we keep on making our assessment we would also like to hear what is the assessment of the banks.

Yogesh Dayal:
Thank you, Sirs. I will move on to Ms. Chloe Cornish from the Financial Times.

Chloe Cornish, Financial Times:
With regards to the confusion or the difficulties with ESMA, I was wondering what the remaining points of contention are and if RBI decided to concede anything at this point.

Shaktikanta Das:
Deputy Governor Rabi Sankar may answer that question.

T. Rabi Sankar:
Apart from what I responded to an earlier question, I do not think there are any further details that we have to give. The discussion is going on. This is the fundamental point of divergence remains the fact that an Indian entity that does not operate in European Union and operates entirely in India is being subjected to regulation by a European Union regulator, European union because you have cited this case, but this all suits a few others as well, like Japan, for example. We have an agreement with them, they simply went ahead, and they said they made an assessment, and it is good enough. It is equivalent, so similar things can be done. We are working towards that. The details are for the teams

to discuss, but once this fundamental point of divergence, we reach some sort of an agreement, I think we will be able to sort out the details.

Chloe Cornish, Financial Times:
The fundamental point of divergence remains. They are not accepting your position on this.

T. Rabi Sankar:
We are discussing at this point in time.

Shaktikanta Das:
Let me just supplement. That is under discussion and we are quite hopeful that some resolution will be found. Let me also say that India today is different from what it was. I don't want to mention when, 10 years ago, 20 years ago, 30 years ago. Our regulations today are very robust. In fact, we are fully compliant with the CPMI guidelines under the aegis of the Basel framework. We comply with all the CPMI standards. We comply with all international standards. Our market infrastructure is very robust. It is also necessary for regulators on the other side to appreciate and trust the credibility and strength of the Indian regulations. That is what we are trying to impress upon them. It is under discussion and we are hopeful for resolutions.

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

Swati Bhat Shetye, Reuters:
Sir, you mentioned core inflation remaining sticky, can you please explain what are the factors which are keeping the core inflation sticky and is that also suggesting that there is a lot of demand-led inflation that is cropping up? Is that a reason why we are continuing with rate hikes? Secondly, just wanted to understand, forward premiums have crashed to a decade low, how long do you see premiums staying there and how will it impact the spot rate?

Dr. Michael D. Patra:
Just on core, there are many factors in the play out, one is for instance the passthrough of input cost, you saw the corporate results of the second quarter and you see that expenditure growth has been outpacing revenue growth mainly because of the passthrough of input cost. There is also an exchange rate pass-through that is going on, so imported inflation pressures get in. We are noticing that non-tradable, that is services, where inflation tends to stay and is very stubborn. Those prices are now

started rising. Initially, it was the goods part of the core which was rising, now it is services. So, these three things warn us that we need to be on our toes about second-round effects because they can generalise. They can spread into other categories that are what we are trying. We are also trying to assure people that we are on the job and we will bring down the core and which has already been visible in the expectation survey, which is released today and shows that there is a perceptible decline in expectations.

Swati Bhat Shetye, Reuters:
What about the spot rate?

Shaktikanta Das:
What would be the spot rate, obviously, I cannot comment.

Swati Bhat Shetye, Reuters:
Sir, but the forward premia had earlier fallen to a decade low, how long will it stay there, it also complicates the exchange rate management for the RBI.

Dr. Michael D. Patra:
What it is telling us is that there is a cash shortage in the spot market, but that is now getting alleviated as the forward premium has started to correct today, so flows are coming back. There was a downward dip in the exchange rate to which people responded by holding back the proceeds coming in. Governor has given specific assurances on the exchange rate and on the external sector, we see the premiums rising.

Yogesh Dayal:
Thank you, Sirs. As I was mentioning, we will take the last few questions. So, I will invite Mr. Vishwanath Nair from BQ Prime to ask his question.

Vishwanath Nair, BQ Prime:
Governor, two questions, firstly, on one side, you are extending the date for these enhanced HTM limits, letting banks manage their investment portfolios better, but similarly, in your statement, you said that you should be off liquidity surpluses, this is also a time when credit growth is sort of picking up, it is at decadal highs, I am trying to understand how do you make sense of these two statements?

Shaktikanta Das:
ED, Saurav Sinha, you would like to take this question.

Saurav Sinha:
The two are a bit unrelated. The reason why this extension in date has been provided is to enable banks to better manage their investment portfolios. Because from the 1st of April 2023, they would then require to wind down their positions, so now that date has been extended by one more year to enable a smooth process for the banks.

Vishwanath Nair, BQ Prime:
The other question is on CBDC. Since you have expanded so much on it, I wanted to bring this up. Currently, no shop owner can refuse if you pay in rupees in hard cash, no shop owner can say I am not going to accept that money. Will that be extended to CBDCs? Can a shop owner say I do not want to accept payments in CBDCs or will they be legally required to accept that payment, if it is given?

Shaktikanta Das:
Currently, it is only a trial and it is a closed user group of a large number of merchants and customers. The trial is restricted to them as a closed user group. Going forward, there will be several challenges. We will deal with all those challenges. These kinds of questions and issues will come up before us and as we move forward, we will deal with them.

Yogesh Dayal:
I will move on to Mr. Hitesh Vyas from The Indian Express.

Hitesh Vyas, The Indian Express:
Sir, World Bank recently upgraded India's GDP forecast to 6.9% from 6.5%, while RBI has slashed the rate to 6.8% from 7.0%. I want to understand why there is a difference of opinion between the two entities in terms of the revision of GDP forecast.

Shaktikanta Das:
It is only a 10 basis points difference. I don't know on what basis they have arrived at 6.9%, I don't have their internal assessment. In our assessment, we have done this slightly mild adjustment mainly because there are certain developments in the external sector of the exports and taking the latest trends into account. It is a mild adjustment with risks evenly balanced and there are several possibilities. When we say risks are evenly balanced, that means 6.8% will also go up to 6.9% or 7.0%. In our current assessment, we have said that it is 6.8%. With regard to the external sector challenges, one point, which I have mentioned in the statement is very important, is that while merchandise exports have

contracted in the last month, the services exports have picked up very strongly – 29.1% growth in services exports. So, it is a mild adjustment of 10 basis points that we have done.

Yogesh Dayal:
Thank you, Sir. I think the last person I will invite to ask the question is Ms. Pratigya Vajpayee from Informist Media.

Pratigya Vajpayee, Informist Media:
If one goes by the bond market reaction, your 35 basis points rate hike feels like a 50 bps. I would like to ask if a 50 basis points hike was even a consideration this time. Secondly, considering that India's growth is resilient and in a weak global environment this is going to aggravate India's external trade balances, so in this context, is demand curtailment a consideration for RBI?

Shaktikanta Das:
I explained in my statement that the current account deficit (CAD) is eminently manageable. The remittance growth rate for the first quarter was 22.6%. The World Bank says that we will get US$100 billion during the year. Going by the first quarter data, the World Bank is projecting a 12% growth, but our first quarter growth is 22%. The remittances are picking up. Services exports have also fundamentally picked up. There are data to show that global IT expenditure is also rising, therefore it will all depend on how the situation evolves. but what was your fundamental question?

Pratigya Vajpayee, Informist Media:
For external trade balances, is demand curtailment a consideration?

Shaktikanta Das:
We have given the numbers. We always keep in mind the objective of growth. The aspect of growth is always kept in mind. Dr. Patra, do you supplement anything on this?

Dr. Michael D. Patra:
Are you referring to the slowing down of imports?

Pratigya Vajpayee, Informist Media:
I am talking about the direction of net exports.

Dr. Michael D. Patra:
When monetary policy is withdrawing accommodation, it obviously wants to modulate aggregate demand to align with supply and that affects all categories including imports. But India's imports have a structural character. There are many parts of imports which are essential by nature, like crude petroleum, we don't produce that. So, there are intermediates and machinery, which we have to import, just to grow. Also keep in mind the fact that if you want to grow faster than today's rate, you have to run a little higher CAD than in 2021-22. CAD in 2021-22 was 1.0 per cent of GDP. Now, if you want to step up the growth, you have to run a little higher CAD. There are aspects of demand which cannot be reduced by monetary policy in respect of imports, but as the Governor pointed out, we are not to be worried because we have buffers and as the growth rate changes the size of the current account, which is viable, also changes.

Pratigya Vajpayee, Informist Media:
Also, did you consider the 50 basis points constraint?

Dr. Michael D. Patra:
We consider every part of that, 50, 25, not acting at all, acting more than that and finally after much deliberation, choose that.

Yogesh Dayal:
Thank you, Sirs. With this, we come to the end of the press conference of this calendar year, the last one this year. I would want to thank the top management of RBI for being here and patiently answering all your questions and of course all the media friends having made it. Thank you so much and wish you a Happy New Year in advance. Thank you.