Edited Transcript of the Reserve Bank of India's Monetary Policy Press Conference: October 6, 2023

Participants from the RBI:

Shri Shaktikanta Das – 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
Shri Swaminathan J. – Deputy Governor, Reserve Bank of India
Dr. O. P. Mall – 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 everyone and welcome to the Reserve Bank of India for this post- Monetary policy press conference. As always, we have here our respected Governor Shri Shaktikanta Das and along with him, our Deputy Governors; Dr. M. D. Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J. and also with us today, our Executive Directors Dr. O. P. Mall and Dr. Rajiv Ranjan. With this, I welcome all of you to the RBI's press conference and before going ahead with the press conference, I will request the Governor to make a few opening remarks. Over to you Sir.

Shaktikanta Das:
Thank you. As I have done on previous occasions, I would like to summarise whatever I have said in my statement, and I have nine points very quickly.

1. Domestic economic activity continues to be resilient. India is poised to become the new growth engine of the world.

2. Declining core inflation is a silver line. But headline CPI inflation remains vulnerable to recurring and overlapping food price shocks.

3. The MPC remains highly alert and will not hesitate to take timely and appropriate action if the situation warrants.

4. It is emphatically reiterated that the inflation target is 4% and not 2% to 6%. Hence, monetary policy needs to remain actively disinflationary at the current juncture.

5. Liquidity will be actively managed consistent with the monetary policy stance. OMO sales will be undertaken, as necessary.

6. Banks with surplus funds are encouraged to lend in the interbank call market for better returns instead of passively parking them in the SDF.

7. The financial sector balance sheet remains robust, while the Reserve Bank is closely monitoring the emerging trends. Banks and NBFCs are expected to strengthen their internal surveillance mechanisms and institute suitable safeguards wherever necessary.

8. Financial stability is fundamental to price stability and growth. That is the core principle which we follow.

9. The external sector is eminently manageable.

Thank you.

Yogesh Dayal:
Thank you Sir for those opening remarks. I will begin the press conference by inviting Mr. Anup Roy from Bloomberg to ask his question.

Anup Roy, Bloomberg:
Sir, this is regarding the OMO announcement that you did. So, will there be a calendar for OMO and is this in preparation for the JP Morgan bond index inclusion?

Shaktikanta Das:
As I have said in my statement, the first thing I would like to say is that it has nothing to do with the bond index inclusion and let me reiterate that it is a part of our domestic liquidity management. With regard to the calendar, I have said that we will watch the evolving trends. There are several moving parts in the whole liquidity scenario. We will watch the evolving trends and we will notify as and when it becomes necessary. So, we do not, at the moment, propose to give a calendar.

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

Manojit Saha, Business Standard:
Good afternoon, Sir. You have said that the transmission is still not complete while saying that the stance is withdrawal of accommodation, that is maintained. Does the RBI expect banks to further adjust their rates so that transmission is complete? Are you worried that a change to a neutral stance will dilute your resolve or will signal a dilution of your resolve to act on inflation?

Shaktikanta Das:
A change of stance to neutral will be on the table when the situation becomes so. At the moment, the rate hike is still incomplete. I have given the numbers in my statement. We have increased the repo rate by 50 basis points, but it has not fully translated to either the deposit rates or the lending rates of the bank. There is still some distance to be covered. So, we would expect that to align with the increase in the repo rate and therefore, the stance remains withdrawal of accommodation.

Manojit Saha, Business Standard:
Why OMO sales when liquidity is already in deficit? Do you expect the deficit? Do you have a figure in mind what kind of deficit you want?

Shaktikanta Das:
I would request everyone to just stick to one question.

Liquidity is not in deficit. The liquidity over the last 2 or 3 weeks went into a deficit mode mainly because of advance tax payments and GST payments. So, a part of liquidity went as payments for GST and advance tax last month in September. Advance tax payment was in the middle of September and the GST payment was around the 20th of September. So, the liquidity became very tight for those 2-3 weeks. But overall, the liquidity is in surplus. We have announced the withdrawal of ₹2,000 notes. So far, we have got back about ₹3,43,000 crore, of which 87% has come back as bank deposits and the rest is through the exchange of cash in other denominations across the counter. Now only about ₹12,000 crore are left. A substantial amount of liquidity has been built up because of the withdrawal of ₹2,000 notes. The taxes came around the 15th-20th of last month. Government spending has picked up and will pick up further which will also add a lot of liquidity in the system. I have also said that in the festival season, the demand for currency will go up, so, the currency in circulation will also go up and that will drain out some amount of liquidity. But overall, the liquidity is in surplus. That's why I have said that there will be active liquidity management. The whole liquidity matrix has several moving parts. We will remain watchful, and we will undertake whatever operations are required from time to time. OMO sales is one, which we thought would be required. So, we have made a mention of it in my statement. Thank you.

Yogesh Dayal:
Thank you Sir. I will request everyone to stick to one question. Maybe we can come back for a second question later if time permits. Now, I will move on to Ms. Latha Venkatesh from CNBC TV18.

Latha Venkatesh, CNBC TV18:
I have to stick to OMO again. When you say OMO intervention, as you say, you have not given us an idea whether you will do an OMO auction or screen-based buying and what is the purpose? Is it that you want to react to the global yields and therefore some kind of a bulwark? What is your trigger? Has it got anything to do with the way global yields are, one full percentage point higher? More generally, as the EM Central banker, what are your fears and what are your tools when you see such a rise in yields?

Shaktikanta Das:
The first point is that this will be done through an auction process and not through the NDS-OM platform. We will notify it and then we will undertake the operation, that is the first part. With regard to global bond yields, our liquidity management, what I have announced and let me reiterate, has nothing to do with the global bond yields. If you see the statement carefully, what we have said is that our liquidity management will be consistent with our monetary policy stance in the context of the overall liquidity situation. It has nothing to do with the bond yields going up in the advanced economies. What was the other part you asked?

Latha Venkatesh, CNBC TV18:
General observation, it is the international reserve currency for now and when yields go up there, as an EM central banker, what are your fears? What are your tools?

Shaktikanta Das:
You see our domestic bond yields are reacting to domestic factors and not to international factors like the bond yields in some advanced economies. Our bond yields are determined primarily by domestic factors as it stands today. The bond yields going up elsewhere, especially in the United States do normally lead to currency depreciation in the emerging market economies, but the difference in the context of India is that our forex reserves are sizable and very comfortable, which gives a lot of confidence to the market. Secondly, we do intervene in the market to maintain the stability of the currency and to prevent excessive volatility. So, primarily if I can put it differently, we use one stone to kill one bird. Of course, to kill a bird is not the right thing to say in the context of the safety of animals. But this is a manner of speaking. So, I am not saying that we will go and kill a bird. So, please do not take it any other way, especially the animal lovers and the bird lovers among you. But on a serious note, we use one instrument for one target for one objective. When you use an instrument, it may have some collateral impact elsewhere, so that is how it stands. So, basically, we will use one stone to kill one bird.

Latha Venkatesh, CNBC TV18:
Remittances are falling, one billion a quarter they are falling.

Shaktikanta Das:
Remittances have remained quite robust and steady. Temporarily, it may happen, but our data show that they are holding quite comparable to last year. Dr. Patra, would you like to supplement?

Michael D. Patra:
The balance of payments for Q1:2023-24 shows a very strong remittance. In fact, this year might be higher than the year gone by.

Yogesh Dayal:
Latha, we will move on from here. We will come back to you later on. Let us now go to Ms. Swati Bhat Shetye from Thomson Reuters.

Swati Bhat Shetye, Thomson Reuters:
Thank you Sir. I am going to stick to the liquidity theme. Do you think there is a need for the RBI to rework the liquidity framework? Under the existing framework, the 14-day VRRR is the primary option. There is no active participation seen or as much adequate participation as the RBI would like. Now that is happening, you had to use innovative tools like ICRR. Now that liquidity is going to remain the key theme, and under the current framework, the call rate needs to be aligned with the repo rate and you yourself said in today's statement that it is more towards the MSF. Is there a need to rethink this framework? Are you going to actively pursue anything to bring the call rates and overnight money market rates back to the repo rate?

Shaktikanta Das:
I would request DG Michael Patra to reply to that.

Michael D. Patra:
The liquidity management framework is robust. The ICRR was not a reaction to low subscriptions in the regular auctions. It was an instrument intended to deal with the special specific occurrence that is the ₹2,000 notes. The regular operations are essentially intended to enable banks to maintain their reserve requirement cycles.

Swati Bhat Shetye, Thomson Reuters:
Getting the overnight rates back to repo is something that you are going to actively pursue because that is required as per the current framework, right? It needs to be anchored to the repo and we are already close to MSF or you have done an effective rate hike. So, what?

Michael D. Patra:
On a daily basis, the call money rate is around 6.75%, but if you average it for the month it is 6.56% which is at the repo.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. Govardhan Rangan from The Economic Times to ask his question.

M. Govardhan Rangan, The Economic Times:
Good afternoon Governor. You actually managed liquidity as and when required. You intervened in the currency markets as well and now you spoke about OMO as well. So, it is a kind of active management of many moving parts since your announcement on OMO and the financial conditions are not as tight as it is in the rest of the world. If one looks at the 10-year yield gap between the US 10-year and 10-year G-sec, it used to be 500 basis points on average, but now it is 222 to 225 bps. Is it an impossible trinity kind of a situation, the RBI is facing in the sense of trying to manage all three, monetary policy, exchange rate and capital flows, everything?

Shaktikanta Das:
As I just replied, we use one instrument for one objective, one stone for one bird. There may be some fallouts. There may be some collateral effect elsewhere, but primarily we use one instrument for one objective. Whatever we are doing for liquidity, it is because of the domestic liquidity situation. The pressure on the exchange rate, due to the dollar index going up etc., is managed through market intervention to prevent volatility and as I have said we have enough reserves to manage through. That is how it stands. Have I answered your question or is there something else?

M. Govardhan Rangan, The Economic Times:
Yes. So, in terms of the tightness of the financial conditions, there is a kind of a difference that used to be there in terms of the advanced markets and the emerging markets and especially in India, now it has narrowed quite a bit. Is that probably a reason for you to think of OMO at this point in time to tighten the financial conditions and push up the yield rather than just manage the liquidity?

Shaktikanta Das:
No, it is not yield management. The OMO, which we have announced, is not a yield control or a yield management instrument, it is entirely to manage liquidity.

Yogesh Dayal:
Thank you Sir. I will move on to Ryosuke Hanada from Nikkei Asia.

Ryosuke Hanada, Nikkei Asia:
Good afternoon. Actually, last month G20 summit decided to welcome the African Union as a permanent member of the G20, and my question is what do you think of the impact of this decision on the global framework for the discussion, especially regarding international discussion of the financial sector? Thank you.

Shaktikanta Das:
The inclusion of the African Union in the G20 is a very welcome development. It goes in line with India's objective of placing the Voice of Global South on the global table. G20 is a multilateral forum, and you cannot have a situation where the whole continent is left out of it, except South Africa. So, to that extent, the inclusion of the African Union is a very welcome development and now the financial sector issues and other factors relating to Africa will be discussed in G20. Africa now gets a voice in the G20 forum to express the situation in various African countries and to express their priorities and their expectations from a multilateral forum like the G20. This is very much in line with not only India's priority but it is the international priority to have to listen to the voice of a large continent like Africa.

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

Ankur Mishra, ET NOW:
Good afternoon Governor. You have raised red flags about the personal loans, and some of the pockets of personal loans, but it is only a warning and no action. Is there any action also which is planned, meaning in terms of regulations? Is there something which the RBI is thinking and where is the problem? Is it more of fintech or it is even there in banks and NBFCs as well?

Shaktikanta Das:
I have said in my statement that the balance sheet of the financial sector, especially the banks and the NBFCs, continues to be robust. All parameters, with regard to banking and NBFCs, are better. In fact, the GNPA figures of the banking sector, the unaudited figures which we have now got for the end of June, look even better. NBFC also are experiencing a similar situation. We have to be mindful of what can going forward pose a challenge, and what can become a future risk. So, in certain segments of retail credit, we saw high credit growth. So, it is only to caution the banks to strengthen their internal surveillance systems, watch the trends and take whatever measures are required. So far as the Reserve Bank is concerned, the Reserve Bank's Supervision Department monitors it very intensively, but the first line of defence is the

bank and the NBFCs themselves. So, it is to sensitise them about the credit growth which is happening and not lull them into any kind of complacency. This is in line with what I have been saying over the past few months.

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

Benn Jose, PTI:
Sir, this is again on the personal loans which you have flagged. If you look at the marketing messages that we get are mostly from the private sector banks and NBFCs, your worry is about the banking system as a whole or the private sector and the NBFCs.

Shaktikanta Das:
As the regulator for the entire banking system, whatever we say is meant for the entire banking system, which includes public sector and private sector banks as well as small finance banks. It includes various categories of NBFCs also, the upper layer, the middle layer, and the base layer. So, it is for everyone. We do not differentiate between our messaging among which sector the banks belong to. Wherever individual bank-related issues are involved, our supervisors normally engage with them directly.

Benn Jose, PTI:
The problem is more among the private sector banks, internally what is the rationale for the warning, so public warning during the policy?

Shaktikanta Das:
We are only sensitising them that you have to be careful. It is not because some problem is already there. You have to keep your eyes and ears open and your nose also open. You have to smell where the crisis is likely to come up. At the moment, the banking and the NBFC sector are stable. Mr. Swaminathan, is there anything you would like to add?

Shri Swaminathan J.:
Just to supplement that, if you look at the last couple of years, the year-on-year average growth on retail credit has been close to 30% in most institutions and secured retail credit has grown at 23%. If you see that in the context of the rest of the credit growth, which is in the range of 12-14%, it looks to be an outlier. So, as a supervisor, it is our intention to inform the banks that this is an outlier level of growth. So, strengthen your internal surveillance mechanisms so that any risk that may likely be building up is handled upfront rather than coming to grief at a later time, also because of the ability to learn through digital modes, this particular segment is showing a far greater growth compared to others. So, we are mindful of that in terms of the opportunity and the ability to the ease and convenience that have been brought through the digital mediums. As the Governor said, when we see any outliers, they are reached out separately. This is a general system-level advisory so that the banks and NBFCs and all the players strengthen their internal measures, put internal prudential

framework, have their risk appetite framework and grow their portfolio sensibly. So, that is the intention at this point in time.

Benn Jose, PTI:
No need for provisions or risk weights?

Shri Swaminathan J.:
We have not announced any regulatory measures or macroprudential measures at this point in time. We would expect, as a first line of defence, the banks and NBFCs and the fintechs to take appropriate internal controls. In case we do not see internal controls playing out, then we will examine, but at this point in time, it is only an advisory.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. Jeevan Bhavsar from All India Radio.

Jeevan Bhavsar, All India Radio
Due to different irregularities by some banks, RBI cancels the licenses of those banks and it creates havoc within the account holders of the banks. Though, in many cases, we have seen that more than 95% of the account holders get all their money back from DICGC this sudden cancelling of the license creates a panic and havoc in the minds of account holders. Do we have any such system or are we going to propose any such systems through which we can inform our bank's account holders in advance?

Shaktikanta Das:
DG Rajeshwar Rao can take that question.

M. Rajeshwar Rao:
This decision is not taken suddenly. As we have said the cancellation of the UCB license is not a sudden event. Banks are placed under a supervisory action framework for corrective action if they fail to meet certain prudential thresholds or financial thresholds. If that does not fail, they are placed under an all-inclusive direction and the bank is monitored closely to ensure that they are able to come out of the financial problems that they are facing. It is only when these measures do not take place; that a decision is taken to cancel their license. So, it is not an event but there is sufficient time given in the entire process for the banks to rehabilitate themselves through various measures.

Jeevan Bhavsar, All India Radio:
But Sir, the thing is that the common account holders get to know these things very late when the RBI cancels the license. So, if we have any such system or any such proposals so that we can send some alerts to the common bank account holders?

M. Rajeshwar Rao:
When we put the bank in an all-inclusive direction then we issue a press note so whatever important warnings the accounts holders get from that.

Yogesh Dayal:
Thank you Sir. I will move on to Mr. Lalatendu Mishra from the Hindu.

Lalatendu Mishra, The Hindu:
Good afternoon, Governor. You have said the Government is stepping up spending and is also likely to step up further. In the last two or three years, the Government has been spending heavily that is supporting the growth. I would like to know the state of the financial health of the Government, as a banker to the Government are you satisfied, are you comfortable?

Shaktikanta Das:
The first thing is it is not for me to comment on that, but since you have asked our perception as a banker to the Government, let me say that the Government has a fiscal consolidation path which they have announced in the budget. There was fiscal expansion because of the COVID time requirement, but the overall expansion that India did under the fiscal was well-calibrated and targeted. After the pandemic, the Government announced a fiscal consolidation roadmap and by and large, they are sticking to that. Even recently, so far as the current year's fiscal deficit is concerned, a statement has been made by the Finance Ministry that the Government will stick to the fiscal deficit and they are targeting this fiscal consolidation roadmap. So far as the Central Government finances are concerned, I do not see any major problem or anything that worries the Central Bank.

Yogesh Dayal:
Thank you Sir. I will now move on to Zee Business, Ms. Swati Khandelwal.

Swati Khandelwal, Zee Business:
Thank you Governor. My question is that you recently commented on corporate governance, about the gaps in the banks. From that point of view, the banks were given a statement, in that have you seen some improvement. Any specific measures you are taking against those who are not following, what is your view on that?

Shaktikanta Das:
At any point of time, there is a scope for improvement in any institution. I would like to tell you that the Reserve Bank has taken a series of measures for banks and NBFCs in the last few years after the review of asset quality like guidelines on bank governance in 2021, new regulatory framework for NBFC and for microfinance. All these have raised awareness in the institutions about the importance of risk management, governance etc. As of now, the banks are far more sensitive with regard to risk management and other areas which form part of governance, namely risk management, compliance and even internal audit. There are a lot of improvements in that and in future, we have to fine-tune it and also improve it. Wherever we see deficiencies, the Reserve Bank points out to the institutions through supervisors that in this area you need improvement. Otherwise, overall the governance standards consisting of the risk management, the compliance culture, the internal audit and the sensitivity to maintain a robust balance sheet have improved. But you have to improve further and that applies to everyone in every situation.

Yogesh Dayal:
Sir, we will now move on to Mr. Anand Adhikari from Business Today.

Anand Adhikari, Business Today:
Good afternoon Sir. I was looking at some of the external data points since the last policy in August. So, now if you look at the 10-year US yield, it is almost 20% to 25% up, I mean almost 100 basis points like Latha said. The US dollar index is strengthening and is almost 6% to 7% up since the August policy. Crude, we all have seen the high volatility though yesterday it was down. If I look at the impact on the Indian parameters like the Rupee, It has depreciated around 50 paise since the last August policy; foreign exchange reserves are down by US$13-14 billion since the last policy. The FII has witnessed an outflow in September and October. Now, in the context of liquidity, you said that it is a turning pitch, and you want to play your shots very carefully. How would you describe this external side, or maybe in cricketing parlance if I say?

Michael D. Patra:
As the Governor has mentioned, we have very strong buffers in the foreign exchange reserves which insulate our economy from global spillovers that you mentioned. As you can see our bond markets react to local, specific phenomena in India and seem to be reasonably insulated from the yields in the advanced economies. If you look at our external indicators, the current account deficit is extremely modest at 1% of GDP in Q1:2023-24 and within 2% of GDP in FY 2022-23. The fact is that the whole current account deficit is more than comfortably financed and that is why we build reserves. If you see the movements in the reserves, they are more or less due to valuation changes rather than durable decline. If you knock out the valuation changes as we do in the balance of payments, you will see there is an increase of US$24 billion in a quarter. You look at the BOP, there you can see the improvement.

Shaktikanta Das:
It is also in my statement that on a BOP basis, the net accretion to our reserves is US$24.4 billion in Q1:2023-24.

Yogesh Dayal:
Thank you Sir. I will move on to Mr. Sachin Kumar from the Financial Express.

Sachin Kumar, The Financial Express:
Good afternoon Sir. You mentioned about skewed liquidity situation where some banks are parking, some banks are borrowing. So, do you see a need to take some steps to bring more uniformity to the banks' response?

Shaktikanta Das:
We would not like to do micromanagement of liquidity in Individual banks. It is for the banks to assess their liquidity requirements and manage them in the most efficient manner possible. We have observed this and just sensitised the banks. We have

voiced our view to the banks. Now it is for the banks to take a cue and act upon that. I do expect the banks will take the signal and act appropriately.

Sachin Kumar, The Financial Express:
Some banks are asking for an extension of call market hours exactly for this.

Shaktikanta Das:
We will come to that later.

Yogesh Dayal:
Thank you Sir. We will move on to Ms. Gopika Gopakumar from Mint.

Gopika Gopakumar, Mint:
Just one extension to his question, are there fewer banks which are parking funds under SDF, is there a monopoly? is there a need for looking at a general policy because fewer banks are now parking funds under SDF, that is a question largely in the market. The second is that recently we saw a Fintech Slice has been merged with a small finance bank. Whether the Reserve Bank's outlook on giving banking licenses to fintechs now undergone a change?

Shaktikanta Das:
On the Fintech and the license part, I would request DG Rajeshwar Rao to reply. But there is no monopoly that it is only one or two banks who are doing. Today's position is that all banks put together have borrowed ₹80,000 crore under MSF; and in the SDF, the deposit is ₹56,000 crore. It is spread across banks linked to their size. A large bank will obviously have a greater share in both these numbers. With regard to Fintech, that small finance bank issue, DG. Rajeshwar Rao can reply.

M. Rajeshwar Rao:
What is envisaged is not a merger, which has been approved. We have given a 'No Objection Certificate' for a proposal by one of the NBFCs to merge with a SFB, which is a long-drawn process and happens under the aegis of the NCLT. We have not taken any change in our approach as far as the fintechs are concerned. As far as approval for a banking license or a proposal for voluntary amalgamation is concerned, we do carry out a fit and proper assessment of the thing, the financials involved and the future setup of the bank or the merged entities and take a call accordingly. So, there has been no change in the approach.

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

Hitesh Vyas, The Indian Express:
You have extended the timeline to deposit or exchange ₹2,000 notes till October 7. Do you expect the 4% or ₹14,000 crore to come back in the system by tomorrow?

Shaktikanta Das:
No, it can be deposited or exchanged thereafter in Issue Offices of the Reserve Bank which is there in almost in every State capital. There is also the facility of sending these ₹2,000 notes through the Postal Department to the Reserve Bank because

supposing you are away from the State headquarters and you cannot travel, you can send them. So, the facility continues with the Reserve Bank. The bulk of it as you have seen has come back and it has largely met our original objective of the withdrawal of ₹2,000 notes. The process now is with the banks till tomorrow and then thereafter with the Issue Offices. Rabi, do you want to add anything?

T. Rabi Sankar:
A large part has already been received as you have said. Some portions will be stuck in legal cases or with enforcement agencies and so on. That will take its own course. To the extent that a large part has already been done and as the Governor said, as we have given time even after October 7, for withdrawal through the RBI Issue Offices, we expect that most of it will be withdrawn when the process is complete.

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

Vishwanath Nair, BQ Prime:
Good afternoon, Governor, two parts again. First on the Rupee, it seems that RBI is very keen on defending it every time it reaches that record low. I do not understand because it is a global issue, the global conditions have changed and that is probably why the Rupee is weakening against the US dollar. But then why does the RBI keep defending that record low? The other part is on the household financial savings numbers that came out, FY 2022-23 has seen about a 50-year low number. Considering your comments on retail loans, are you seeing excessive leverage building up within the household sector?

Shaktikanta Das:
With regard to the household savings, there are several nuances and I would request DG Michael Patra to take that question. On the other part of your question about the Rupee, let me reiterate what we have been saying that we do not have any specific level of the exchange rate. Our objective and market intervention is to prevent excessive volatility and to see that there is orderly appreciation or orderly depreciation. We do not have any specific level. It is not a question of defending a particular level of Rupee. That policy of the Reserve Bank is a time-tested established policy which we are adhering to. Regarding household financial savings, I want to say that there are several nuances of this whole thing so please take note of the points that the DG Dr Patra is going to explain.

Michael D. Patra:
As I mentioned the historical average is about 7.5% of GDP. Now we saw in the pandemic that because people could not go out to spend, there were movement restrictions and also there was stimulus into the economy; the people built up what I called precautionary saving, so they rose up to 11%. Now as these movement restrictions were removed people went out to spend and they started to draw down those precautionary savings. That is some of the phenomena that we have seen now.

But if you see the absolute level of savings it has gone up by 14% in 2022-23. Further, within the quarterly numbers, there is an increase from 4.2% in the first quarter to 7% in the last quarter. So, it is already going towards the trend. The other important thing is that there has been an increase in the financial liabilities of households. If you see where these liabilities are going, they are mostly going to housing. So, what are houses doing, they are shifting from financial savings to physical savings. When they do that, they actually add to their investment. The physical part of savings goes straight into investment. So, in the next year, you will see investment picking up.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. Manish Suvarna from Moneycontrol.

Manish Suvarna, Moneycontrol:
Thank you, Yogesh sir, good afternoon, Governor Sir. In the Monetary Policy Report, you said the inflation forecast for FY 2024-25 is 4.5% and inflation is seen averaging 4.3% in the last quarter of that year. So, is a sub-4 % quarterly forecast necessary for the MPC to lower the repo rate?

Michael D. Patra:
The MPC has said that they are focused on aligning the inflation outcomes with a target. So, a tendency of the inflation numbers to move towards 4% is what we are looking for. If it goes below 4% on a durable basis, then we will shift to accommodation. We are trying to keep inflation at the target or around it.

Shaktikanta Das:
That is why, we have used the word align the inflation to the 4% target. If there is a sudden spike or if there is a sudden fall, we have to see how durable is that decline. Only when we are convinced that there is durability in what do you call the inflation is at 4% or below 4% that may call for a rethink, but not at the moment.

Swati Bhat Shetye, Thomson Reuters:
Sir the question was: you gave us the next four quarters, so do you mean a 4% figure to appear in that forecast for you to consider it?

Shaktikanta Das:
That was replied to, isn’t it? I cannot tell you what is the specific point, if it reaches 4.25% or 4.26% then we will take a call. People have asked this question to withdraw of accommodation neutral and all that. The question of neutrality will arise when you see inflation at around 4% on a durable basis. Neutral would mean that you can act in both directions. When it goes below 4% again on a sustainable level when we are convinced that it has come below 4% and is likely to be sustained at that level, then that could be a ground for a rethink. I am saying ground for a rethink. I am not going to say that we will cut 12 months down the road or so many months down the road because let us also accept that there have been multiple and overlapping shocks and the global scenario also remains highly uncertain. For the whole of the last week or two weeks, the crude prices were US$90-95 per barrel but since yesterday it has come

down. There are big surprises coming from food price shocks, there are weather events. So, given that kind of a highly uncertain environment, it will not be desirable for the central bank to say that I will do this at this particular time, because it will unnecessarily confuse the market and it may not actually play out that way, because of the uncertainties involved.

Yogesh Dayal:
Thank you Sirs. I will take the last two questions; one is from Mr. Pankaj Aher from Informist Media.

Pankaj Aher, Informist Media:
Governor sir, actually the RBI has done a very commendable job of controlling inflation without affecting growth. This is more pronounced when one looks at the global scenario for both advanced countries as well as developing countries. When do you expect inflation will come down to a 4% target that RBI has on a durable basis?

Shaktikanta Das:
In the monetary policy report, we have given our current projections which is how we see the situation playing out in next year; for this year, we have given it in my statement and in the MPCs resolution. So, that is how we expect it to play out, but there can be developments that can result in uncertainties on both sides. We have seen it in the past when certain prices – especially with regard to vegetables and all – have suddenly crashed, nobody had expected it at that time. So, there are uncertainties, and such uncertainties can work both ways. So, given that uncertainty at the moment our position is that the path which we have given in the MPR we expect it to play out accordingly.

Pankaj Aher, Informist Media:
You also spoke in the policy about the core inflation declining, is there a number you have in mind to which core inflation should further go down for inflation expectation to be anchored around the target of 4%?

Michael D. Patra:
No, our target is headline inflation.

Yogesh Dayal:
Thank you Sir. With this we will come to the last question, I will request Ms. Shyama Mishra from Doordarshan to ask her question.

Shyama Mishra, Doordarshan:
Sir you have been highlighting sudden food shocks these words a lot. Amidst the festive season when a common man is ready to spend, how do you see this policy be translated for him, for a common person?

Shaktikanta Das:
The first thing is that we have not increased the rates. The second thing is that our focus is to bring down inflation. When we control and bring down inflation, we are actually increasing the purchasing power in the hands of the people. The third point, I

would like to mention is that when we make policy, we are very sensitive to 140 crore people in the country. Monetary policy is not just for some segments of the financial market. We are very sensitive and mindful of the requirements of around 140 crore people who are in this country. A mention was made about RBI supporting growth when it was required, even now the growth continues to be resilient. So, our policy is not just for the financial markets alone, our policy is for 140 crore people, and I have explained how it is likely to benefit. When inflation comes down naturally the common man benefits the most, so that is how I would like to put it.

Hamsini Karthik, The Hindu Business Line:
My question was on the pricing of bank loans. On the new loans front, banks are not aggressively passing on the rate cuts that have happened so far. Much of the transmission is still on the existing pool. On the deposit side, we are seeing that the pricing is very aggressive, especially in the lower end of the basket, which is 1-to-3-year deposits. The deployment again on the lending is largely towards all pockets of personal loans. This sort of difference in pricing has your stress test so far revealed that there could be a possibility in some sort of a pricing mismatch or a problem in aligning rates, possibly in the medium term. Is that a risk that you are looking at right now?

Shaktikanta Das:
DG Swaminathan can take that question.

Swaminathan J:
As the Governor also alluded to, the transmission has not fully played out as we see from the numbers that come to us. The weighted average lending rate on the existing loans, on a portfolio basis, as well as new loans, and the weighted average deposit rates for new deposits are periodically published. So, we keep monitoring this. What we will have to understand is that this will be bank-specific in terms of their own business appetite and their ability to attract deposits to the extent that they command a retail franchise. So, the expectation that all banks will have a similar movement in terms of lending rates or deposit rates in a free-market situation is not realistic. As a central bank, we are only watching to what extent they are getting transmitted so that the desired effect in terms of our inflation targeting and the tightening of the regulatory framework is at play. We do not want to individually prescribe in terms of what should be the lending or deposit rate.

Shaktikanta Das:
It is for the bank management to deal with these issues. RBI would not and should not get into those areas. We highlight at the sectoral level, what is desirable.

Now having said that there was a point made about remittances that they are declining, DG Michael Patra has the numbers, you can mention that.

Michael D. Patra:
Latha, you are making the error of comparing Q1 to Q4, that is not the way. You should compare Q1 to Q1 because there is a seasonality in remittances and there is an increase.

Latha Venkatesh, CNBC TV:
There was a question on the timing of the call money market and NEFT.

Shaktikanta Das:
That request has come from various quarters. NEFT and RTGS are round the clock now, 24x7, and the reporting time is 23:59. We have also instituted an ASISO (auto sweep-in and swipe-out) facility. Some institutions and some banks have expressed certain operational difficulties, we are looking into that. If something is decided, we will announce it.

Yogesh Dayal:
Latha, please allow me to thank all of you for being here. So with this, I thank the top management of the Reserve Bank led by the respected Governor, Deputy Governors and Executive Directors. Thank you, all friends, for a very cordial press conference. And thanks to top management for patiently answering even the extended questions as well. So, all the best. Thank you and Seasons Greetings to all of you. Thank you.