

RBI HAD TO ENSURE RECOVERY TOOK HOLD BEFORE ACTING ON INFLATION: DAS

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Stress on stability: 'Today, growth momentum has sustained, inflation is expected to moderate, financial sector is stable'. PTISHASHANK PARADE

A day before writing to the government detailing reasons for the central bank's protracted failure to keep inflation below 6% as mandated by law, RBI Governor Shaktikanta Das on Wednesday asserted that while there had been slippage in the inflation trajectory, any premature policy tightening could have proved costly for the country.

"We did not want to upset the process of recovery, we wanted the economy to safely land, reach the shores" before trying to pull down inflation, Mr. Das told bankers at FIBAC 2022, an annual banking conclave. "But February 24 [the day Russia invaded Ukraine] changed the entire picture," he added.

Stating that the counterfactual also needed to be appreciated, he said, "In the process [of dealing with the challenges posed by the COVID-19 pandemic and war-induced imported inflation] there has been a slippage in our inflation trajectory to keep inflation below 6%, but it would have proved very costly for the economy, the citizens of this country. They would have paid a high cost," he asserted.

'Growth has sustained'

"Today, I can say with confidence that the whole debate about RBI [being] behind the curve has ended. Today, as we stand, the growth momentum has sustained, inflation is expected to moderate, the financial sector is stable and resilient, the balance sheets of banks are looking robust, corporate sector balance sheet is also strong, the MSME sector has withstood the crisis and there has been credit offtake." he added.

Underlining that domestic inflation remained elevated, he said the Reserve Bank of India (RBI) was closely monitoring the inflation trends as well as the effect of its past actions. "In our view, price stability, sustained growth and financial stability need not be mutually exclusive," Mr. Das emphasised.

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