

Monetary Policy Tightening Will Hit Growth: FICCI

NEW DELHI, January 29, 2010. Responding to the RBI move to raise CRR rates, FICCI feels that it signals a further tightening of the monetary policy regime. FICCI feels that the tipping point has not yet arrived for tightening of the monetary policy and if one proceeds in that direction hastily, economic growth is bound to take a hit. This, in turn, will effect employment generation that is critical at this juncture, **said Mr. Harsh Pati Singhanian, President, FICCI.**

Further, FICCI states that SMEs are still borrowing at around 13%, exports have contracted by nearly 20% during October 2008 and October 2009 and imports are down by 21% during the same period. Also, and several segments of the economy have still not come on stream and will need continued support to fend for themselves.

Therefore, FICCI feels that it is still premature to signal a tightening of the monetary policy and has cautioned that if this is complemented with fiscal tightening, the results would be disastrous.

FICCI has stated that it is in the last quarter of the year which sees maximum increase in Non-Food Credit. Further, with the improvement in the investment scenario and demand, the non-food credit requirement may actually accelerate. FICCI hopes that lack of liquidity in such a scenario should not impact the availability of credit at right cost.

The third quarter review of the monetary policy reflects the central bank's confidence in the state of the economy, as it raises the GDP projection to 7.5% for 2009-10 with an upward bias from 6% projected in the last quarter, FICCI has pointed out.