



Publication: Business Standard

Page no:

Date: December, 16,2011

## A benign view



**AJAY SRINIVASAN**  
CEO, financial services,  
Aditya Birla Group

RBI has indicated a change in stand towards a more benign view, stating that "further rate hikes might not be warranted". It has also hinted that a turn in stance might be forthcoming, mentioning that "monetary policy actions are likely to reverse due to risks to growth. While RBI has not changed its growth forecast for FY12 of 7.6 per cent, the underlying tone on growth

suggests there is downside risk to this estimate. Clearly the second quarter FY12 growth numbers have increased RBI's concerns on growth. While the slowdown in investment (weighing 30 per cent in GDP) is well known, even consumption is slowing down with Y-o-Y Private final consumption expenditure growth of 5.9 per cent in the September 2011 quarter versus 6.3 per cent for the June 2011 quarter (relative to CAGR of 8.2 per cent since June 2004). Our base case scenario remains that India is entering a growth slowdown to 7 per cent levels over the next 6-8 quarters and expect RBI to announce further OMOs in December, followed by a possible CRR cut in January and finally rate cuts in Q1 FY13.