

Stage set for easy money



UMANG VOHRA

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This is possibly the first time in several quarters, when people were mostly right regarding the outcomes expected from the credit policy. This means we are possibly returning to a phase of more predictability, and that things have improved on the inflation front.

While there was no change in the repo and reverse repo, the CRR reduction will come as a reprieve in helping infuse more liquidity – in the form of more than Rs 30,000 crore – into the system. Among other comments made in the policy statement, it appears that GDP growth is likely to be possibly higher than 7 per cent, and inflation is seen as moderating in the near term.

MONETARY EASING

Inflation could ease further with the recent movement of the rupee once again to the Rs 50-per-dollar level, and if it stays there one could assume that the stage is set for monetary easing.

This should be very helpful to most companies and investors, who are fairly leveraged and not yet through their investment cycles. It should also be ex-

tremely heartening to several others, for whom inflation changed their lifestyles and challenged their savings pool.

I am not a complete supporter of the pessimism that has recently been advocated by several people. India holds enormous economic opportunity and potential. I can't think of any other economy other than China that has averaged more than 7.5 per cent real GDP growth in the last decade, even in times such as these, and where private consumption (excluding food) growth has been consistently higher than nominal GDP growth.

We are bound to be more hopeful when looking at these statistics through the eyes of more than 300 million Indians in the 15-30 years age group, seventy five per cent of whom are likely to be literate, and capable of joining the workforce.

FACILITATIVE GOVERNANCE

Both, short-term performance and longer-term health are important for success. Due credit must be given to the RBI in restoring the inflation and liquidity balance in the economy.

Now, the focus should probably shift to economic health. Among the first issues we must now deal with is restoring confidence in the investment process. This means lower interest rates and providing a more facilitative governance environment through legislation like GST, DTC and some other corporate reform Bills.

The second is aiding growth through various legislations that facilitate reform in the form of several policies awaiting discussion and approval at the Lok Sabha.

(The author is CFO, Dr. Reddy's.)