



INFRASTRUCTURE AND LOGISTICS FEDERATION OF INDIA

PRESS RELEASE

“Reserve Bank packs up punch in anti-inflationary fight should result in lower investment in infrastructure sector-ILFI”

New Delhi, 26th July, 2011: The Reserve Bank of India has raised its policy rate this time by 50 bps. This should particularly affect interest sensitive sectors like investment in infrastructure and automobile projects, according to Mr Sushil Jiwarajka, President, Infrastructure and Logistics Federation of India (ILFI).

While growth rate is moderating, it is likely to slip further. The difference this time is that the hike is double the earlier incremental hikes – that is, until now RBI raised rates by 25 bps. Although the market expected a hike of that amount, RBI wanted a stronger punch against persistent price hike and thus raised by 50 bps.

Taking this into account the policy rate has gone up by 4.75% in 15 months – by far the highest rate hike globally, pointed out President ILFI. This would surely affect investment which has already hit a low level. RBI’s review of monetary policy has pointed out that aggregate as well as corporate investment “intentions” have “dipped”. While maintaining its strong anti-inflationary policy stance, RBI has admitted that structural reforms were needed to enhance supply response to fight the continuous rise in prices. Growth expectations have also further dipped and overall growth rate will be lower in the current year.

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