

India's central bank signals 'long period' of low rates

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India's central bank governor expects the country's interest rates to remain low for a "long period" as it enjoys robust economic growth.

In his first interview with an international news organisation since being appointed governor of the Reserve Bank of India one year ago, Sanjay Malhotra said rate cuts made during his tenure had helped engineer a "Goldilocks" phase of brisk growth with low inflation.

The bank's projections suggested rates "should remain low for a long period of time", Malhotra told the Financial Times.

India's headline consumer price inflation rate was 0.71 per cent in November, well below the 2 per cent lower limit of the RBI's target range, but the central bank has forecast it will rise to 2.9 per cent in the January to March quarter.

The RBI expects year-on-year GDP

growth to moderate to 6.7 per cent in three months starting next April from a blistering 8.2 per cent in the July-September quarter.

Malhotra said the economic forecast had not taken into account the potential effect of trade agreements under negotiation, which if sealed would raise the GDP growth rate. "The impact of the US trade deal could be as much as about half a percentage point," he said.

The central bank had not looked at the possible impact of an EU trade deal as deeply, but it would also increase growth, he said, declining to comment on when the deals might be finalised.

After months of negotiations, Indian officials have signalled that an agreement with Washington that will reduce tariffs will probably be signed before the year's end. India and the EU also hope to seal a trade deal in weeks.

India's economic outlook appeared to darken in August when the US raised tariffs on many exports to 50 per cent.