Edited Transcript of the Governor's Interaction with Bloomberg at the World Economic Forum 2024 at Davos on January 18, 2024

Haslinda Amin:
Preoccupation right now in the markets and everywhere else is rate cuts. When can we expect the RBI to cut rates?

Shaktikanta Das:
That will depend on the incoming data. That will depend on the outlook. I find that financial markets all over the world have started talking about rate cuts, whereas the central banks are nowhere near it as per the statements which are coming out from various central banks. So far as India is concerned, inflation has moderated steadily from the peak of 7.8% which we saw immediately after the onset of the Ukraine war. It has come within our target range of 2% to 6%, but our target being 4%, we are still moving towards 4%. Till we reach 4% on a durable basis, it will be too premature to talk about rate cuts in the context of India.

Haslinda Amin:
But expectations are that you will get to 4% before 2025, which means you will get there this year. Could we possibly see rate cuts in the second half?

Shaktikanta Das:
I have said yesterday in another forum that our expectation of average headline inflation for the next year 2024-25 starting from the first of April, is 4.5% with several ups and downs. Unless we reach 4%, and unless we see clear evidence that it is going to sustain at that level, it will be really premature to talk about rate cuts and at the moment as I speak to you, the topic of rate cuts in that aspect is not on our table, it is not even under discussion. Our focus is now to remain actively disinflationary to bring inflation to 4%.

Haslinda Amin:
So, no cuts in 2024.

Shaktikanta Das:
As we stand today, as I sit here with you, depending on whatever forecast we have given, it will again depend on so many uncertainties happening both ways. There are new geopolitical flashpoints developing, climate change, and weather-related events are also affecting food prices, new bottlenecks and impediments to global supply value chains are also coming up. So, on the matter of rate cuts, whether it will happen during

2024 or 2025, whether it will not happen, I would not like to give any kind of forward guidance. I would just like to say that our policy currently is actively disinflationary and we will remain actively disinflationary till we reach the 4% target on a durable basis.

Haslinda Amin:
How closely are you watching the Fed?

Shaktikanta Das:
Definitely what the Fed does with regard to its rates is very important but let me also clarify and add that our decisions with regard to inflation, in terms of rates, and in terms of liquidity are dependent entirely on domestic factors. That is the domestic inflation growth dynamics and the outlook in particular.

Haslinda Amin:
Do you see the Fed cutting rates this year? Markets started talking about six rate cuts, but are now pulling back.

Shaktikanta Das:
The markets all over are running ahead of central banks and that should not happen. If they are not ahead of the central banks, what happens is they build up expectations and the behaviour of the market and the participants in the market, it goes in a particular direction. Almost every central bank repeatedly is saying that we are being very careful and all that, but the markets are running ahead. So far as India is concerned, the Reserve Bank and the markets, the thought process and the outlook as far as I can see, they are well aligned.

Haslinda Amin:
The RBI is expecting 7% growth this year. That is less than what the Government is expecting, which is 7.3%. Are you being too conservative? People are talking about India's moment.

Shaktikanta Das:
The projection that we had made for the current year, which will end on 31^{st} of March, that is the current Financial Year 2023-24, was 6.5%. The market consensus was also somewhere around 6.5%. In October, in one public event, I made a statement that I would not be surprised if the growth touches 7% and thereafter in the next Monetary Policy meeting, we said officially that we would reach 7% growth in the current financial year. The day I said that we would touch 7%, the entire market thought that we were probably being very optimistic. A large part of the market was unwilling to believe, but

a good part of the market adjusted their forecasts accordingly. So, when we said 7% it was seen not as conservative, it was seen as optimistic, but now the National Statistical Office (NSO), which has access to several other data and later data because we said it in October, whereas what the NSO said is very recently. So, they had subsequent period data also and they have said 7.3%. For the next financial year, *i.e.,* beginning from April 1, 2024-25, my sense is that the GDP growth will touch 7% and when that happens, India will have recorded GDP growth that is real GDP growth of 7% or above for four consecutive years.

Haslinda Amin:
Some say that it is not enough. Your predecessor, Raghuram Rajan said that you need growth in excess of 8% to address the unemployment problem, to create more jobs that are needed in the country. When might you get there and is he right in his assessment?

Shaktikanta Das:
I do not want to comment on whether somebody is right or wrong. But my answer would be as follows. The growth has picked up. In fact, when COVID happened, all naysayers said, India was finished, India would not be able to recover but India has shown tremendous recovery, the turnaround of the broader economy, the turnaround of the macroeconomy, the turnaround of the financial sector, in particular, the banking sector has been remarkable and it is recording a growth of 7% or above. The growth momentum continues and growth next year also will be 7% because the momentum of growth, the momentum of activity looks well maintained and is holding its ground.

With regard to unemployment, let's put the record straight. The official data released by the agencies which monitor all these data, the statistical organisations of the Government come out with the annual periodical Labor Force Survey (PLFS). According to the PLFS, the unemployment rate in India, which was 6% in 2017-18 has come down to 3.2% in 2022-23. Within that, the labor force participation has also gone up and the participation of women labor in particular has seen a very steep increase. What I would like to say is that growth has been good and is holding its momentum, and jobs are being created. We need to recognise and accept what the numbers are actually showing. Even in rural areas, as our experience has shown in recent months, particularly since the beginning of the current financial year, jobs are being created. Agriculture has recovered substantially in the current crop cycle. There was a shortfall in sewing, but now it has picked up and almost reached last year's levels. That is providing a lot of jobs. The demand for what is called the National Rural Employment Guarantee Programme, that pressure is also not so much now. So, jobs are getting created. Therefore, instead of looking at the numbers, whether 7, 8, 9, we have to see the broad momentum, the broad direction and whether the movement which we are making, the direction of our growth whether that is well sustained.