

RBI monitoring impact on economy

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The Reserve Bank of India on Tuesday said it is monitoring global and domestic developments closely and continuously and stands ready to take appropriate actions to ensure orderly functioning of financial markets, maintain market confidence and preserve financial stability.

This central bank statement comes in the wake of the global financial markets experiencing considerable volatility, with the spread of the coronavirus triggering risk-off sentiments and flights to safe haven. The breakout of the coronavirus is seen impacting global trade.

"Spillovers to financial markets in India have largely been contained. Growing hopes of coordinated policy action to mitigate a broader fallout to economic activity has boosted market senti-

ment today," the RBI said in a statement. In his statement on the sixth bi-monthly monetary policy review on February 6, 2020, RBI Governor Shaktikanta Das, observed that the downside risks to global growth have increased in the context of the outbreak of the coronavirus, the full effects of which were still uncertain and unfolding. A well executed contingency plan may, however, minimise the negative impact of this headwind, he added.

At the Monetary Policy Committee (MPC) meeting, which took place from February 4 to 6, MD Patra, Deputy Governor, RBI, said: "The coronavirus outbreak has imparted new and

uncertain risks in response to which the world is grappling to fashion a credible response. The implications for India are yet to unravel."

At the same meeting, Janak Raj, Executive Director, RBI, said though global uncertainties relating to trade tensions and Brexit have abated, a new uncertainty from coronavirus has arisen.

"It is expected that epidemic of coronavirus will be overcome soon. However, should it prolong and spread, it will have ramifications for the global economy and its net impact on the Indian

economy might be negative even if oil and other global commodity prices decline," Raj had said.

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