



EAC backs rate hike to fight price rise

Our Bureau

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JUST a few days ahead of the monetary policy review by RBI, a key policy advisory body has said the strong rebound in growth has strengthened the case for further hike in interest rates to contain double-digit inflation, which it flagged as a big challenge to sustaining 9% growth.

The Prime Minister's Economic Advisory Council, or EAC, has revised its growth outlook for the current fiscal to 8.5% from 8.2% earlier but has called for a tighter monetary policy to check inflation that was 'more than twice the comfort level'.

"Our feeling is that the policy must continue with its bias towards tightening, particularly as the demand situation needs some control, and to tame the high level of inflation," C Rangarajan, chairman of the EAC, said on Friday while releasing its Economic Outlook for 2010-11.

Ahead of the review, RBI governor D Subbarao met finance minister Pranab Mukherjee on Friday to discuss the country's macro-economic situation and inflation.