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India Capital Fund's Jon Thorn Comments on Monetary Policy

By Sara Webb

Oct. 26 (Bloomberg) — **Jon Thorn, who helps manage \$140 million at India Capital Fund Ltd. based in Hong Kong,** comments on the Reserve Bank of India's monetary policy announcements today.

The Reserve Bank of India today raised the repurchase rate it pays commercial banks for loans to 4.75 percent from 4.5 percent. It held its benchmark bank rate, at which it lends to commercial banks, at 6 percent, the lowest since May 1973.

The central bank also lowered its economic growth forecast for the year 2004-2005 to a range of 6 percent to 6.5 percent, compared with 6.5 percent to 7 percent in the annual policy statement on May 18.

On interest rates:

“There's no evidence that the central bank needs to be more muscular” by raising interest rates further. “There aren't massive inflation problems. The thing to worry about with inflation, whether it's in the U.S. or in India, is wage inflation, and that's not a problem in the economy. “The underlying reason (for higher inflation) is the higher oil price and ultimately that can be passed on in an economy with GDP growth.”