



Nepal Rastra Bank

Media Release

Governor of Reserve Bank of India (RBI) Dr. D Subbarao arrived Kathmandu today morning. Governor of Nepal Rastra Bank (NRB) Dr. Yuba Raj Khatiwada felicitated warm welcome to Dr. Subbarao at central bank's premises in the afternoon.

NRB organized a program on "Keynote Address by Dr. D Subbarao to the Eminent Bankers and Professionals of Nepalese Financial System" today at its conference hall. In the program, Governor Dr. Subbarao presented his keynote address on 'India and the Global Financial Crisis: What Have We Learnt ?'

In his address Dr. Subbarao mentioned that GDP growth rate decelerated, exports dropped sharply, capital flows fell short of current account deficit and INR depreciated steeply in India because of financial crisis. According to him India was hit by the crisis because Indian economy is closely integrated with the rest of the world, its trade integration is deep and financial integration is deeper. He further added that to cope up with the crisis, Government of India extended fiscal stimulus packages and RBI has formulated accommodative monetary policy.



During his presentation, he emphasized on the fact that 'the price stability and macroeconomic stability do not guarantee the financial stability.' So micro-prudential supervision is necessary for every central bank to maintain financial stability. However, micro-prudential supervision is necessary, but not sufficient. It needs to be supplemented by macro-prudential oversight.

Talking about the global financial crisis, he stated that the problem arises in a specific country should be regarded as the problem of the world so global problem requires global addressing. US Financial Crisis which started in 2008 has spread to many economies and as a part of this we are also suffering to some extent. He articulated that managing financial crisis is more simple than managing its recovery. He was very glad explaining that India recovered sooner than other countries.

In Dr. Subbarao's opinion, global imbalances should be redressed. Capital controls are not only unavoidable but advisable in some circumstances.

Responding the queries raised, upon the validity of Indian Currency outside its border by the media persons, he viewed that if the circumstances change, then RBI can review the policy regarding the INR 500 and 1000 denomination notes only if the Government of India and Nepal agreed for this.

In the program Governor Dr. Khatiwada made concluding remarks saying that Nepal is having symmetrical macroeconomic policy and keeps interest rate at par with India. He put forth the logical statement behind this that it is not possible to implement policy other than this to maintain pegged exchange rate as the border is porous and two third of the foreign trade is lying with India.



Senior Representative of IMF Mr. Sanjay Panth, First Secretary (Economic) of Embassy of India Mr. R. K Mishra, representatives from Nepalese banking sector and professionals from Nepalese financial system were delighted presenting in the most awaited program.

Dr. Subbarao with other two officials from RBI Mr. N K Mohan and Mr. S Sinha will set out for India tomorrow.

Date: August 12, 2011

Office of the Governor