

# Economy gaining a grip, price rise has peaked: RBI officials

'Time is nigh' for central bank digital currency, they write

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The economy is gaining traction with a gradual pickup in manufacturing activity and moderation in contraction of services, spurred by comfortable liquidity, RBI officials wrote in an article.

Observing that the retreat of the second wave of coronavirus pandemic had been slow, the officials writing on the 'State of Economy' in the August edition of the RBI Bulletin said, 'aggregate demand conditions are buoyed by the release of pent-up demand post unlock, while the supply situation is improving with the monsoon catching up to normal levels and sowing gaining pace'.

"Manufacturing is gra-



dually turning around."

On inflation, the officials said the headline CPI inflation for July 2021 came in at 5.6%, down 70 bps from 6.3% in June, "reinforcing the view that the recent upsurge has peaked and the worst would be behind us".

**On a central bank digital currency (CBDC), a fiat liability denominated in the na-**

tional unit of account that is digitally issued and accessible to all economic agents, the RBI officials wrote "there is a quiet confidence within that its time is nigh".

## 'Complement cash'

They said the CBDC may not directly replace demand deposits held in banks and would complement physical cash. It would compete with other online and offline payment methods and thereby support a more resilient and diverse payment system while shunning the risks associated with private digital currencies.

The RBI was conscious that the CBDC had to be meticulously planned, designed and tested, they wrote.