

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on Apr 8, 2022 announced that the central bank has decided to keep key rates unchanged - repo rate remains at 4% and the reverse repo rate at 3.35%. Further, the marginal standing facility and the Bank Rate has also been left unchanged at 4.25%. The standing deposit facility (SDF) rate, which will now be the floor of the LAF corridor, will be at 3.75%. The MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

Key Announcements:

RBI introduced the Standing Deposit Facility (SDF) – an additional tool for absorbing liquidity – at an interest rate of 3.75%. The Standing Deposit Facility will be an additional tool for absorbing liquidity without any collateral. The SDF, with an interest rate of 3.75%, will replace the fixed rate reverse repo (FRRR) as the floor of the LAF corridor. Both the standing facilities – the MSF and the SDF – will be available on all days of the week, throughout the year. Escalating geopolitical tensions have cast a shadow on our economic outlook. The war could potentially impede the economic recovery through elevated commodity prices and global spillover channels

Outlook:

Looking ahead, the inflation trajectory will depend critically upon the evolving geopolitical situation and its impact on global commodity prices and logistics. On food prices, domestic prices of cereals have registered increases in sympathy with international prices, though record food grains production and buffer stock levels should prevent a major flare up in domestic prices.

In this scenario, pro-active supply management is critical to contain inflation. International crude oil prices remain volatile and elevated, with considerable uncertainties surrounding global supplies. With the broad-based surge in prices of key industrial inputs and global supply chain disruptions, input cost push pressures appear likely to persist for longer than expected earlier. Taking into account these factors and on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of US\$ 100 per barrel, inflation is now projected at 5.7 per cent in 2022-23, with Q1 at 6.3 per cent; Q2 at 5.8 per cent; Q3 at 5.4 per cent; and Q4 at 5.1 per cent.

The future course of the pandemic and the uncertainties about the pace of monetary policy normalization in major advanced economies also weigh on the outlook. Taking all these factors into consideration, the real GDP growth for 2022-23 is now projected at 7.2 per cent, with Q1 at 16.2 per cent; Q2 at 6.2 per cent; Q3 at 4.1 per cent; and Q4 at 4.0 per cent, with risks broadly balanced.

Policy Rates								
Y-O-Y Growth (%)	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Repo	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Reverse Repo	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
CRR	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Inflation								
Y-O-Y Growth (%)	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Inflation (WPI)	11.57%	11.64%	11.80%	13.83%	14.87%	14.27%	12.96%	13.11%
Inflation (CPI)	5.59%	5.30%	4.35%	4.48%	4.91%	5.59%	6.01%	6.07%
GDP Growth								
Y-O-Y Growth (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
GDP (% Growth)	3.01%	-23.82%	-6.64%	0.74%	1.64%	20.33%	8.48%	5.40%
GVA (% Growth)	3.67%	-21.41%	-5.88%	2.09%	3.72%	18.40%	8.38%	4.74%

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