

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on April 5, 2024 announced that the central bank has decided to Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 per cent. The standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

Outlook:

The global economy exhibits resilience and is likely to maintain its steady growth in 2024. Inflation is trading down, supported by favourable base effects though stubborn services prices are keeping it elevated relative to targets. As the central banks navigate the last mile of disinflation, financial markets are responding to changing perceptions on the timing and pace of monetary policy trajectories. Equity markets are rallying, while sovereign bond yields and the US dollar are exhibiting bidirectional movements. Gold prices have surged on safe haven demand. The domestic economy is experiencing strong momentum. As per the second advance estimates (SAE), real gross domestic product (GDP) expanded at 7.6 per cent in 2023-24 on the back of buoyant domestic demand. Real GDP increased by 8.4 per cent in Q3, with strong investment activity and a lower drag from net external demand. On the supply side, gross value added recorded a growth of 6.9 per cent in 2023-24, driven by manufacturing and construction activity.

The MPC noted that domestic economic activity remains resilient, backed by strong investment demand and upbeat business and consumer sentiments. Headline inflation has come off the December peak; however, food price pressures have been interrupting the ongoing disinflation process, posing challenges for the final descent of inflation to the target. Unpredictable supply side shocks from adverse climate events and their impact on agricultural production as also geo-political tensions and spillovers to trade and commodity markets add uncertainties to the outlook. As the path of disinflation needs to be sustained till inflation reaches the 4 per cent target on a durable basis, the MPC decided to keep the policy repo rate unchanged at 6.50 per cent in this meeting. Monetary policy must continue to be actively disinflationary to ensure anchoring of inflation expectations and fuller transmission. The MPC will remain resolute in its commitment to aligning inflation to the target. The MPC believes that durable price stability would set strong foundations for a period of high growth. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

Policy Rates								
Y-O-Y Growth (%)	Sept-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Repo	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Reverse Repo	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
CRR	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Inflation								
Y-O-Y Growth (%)	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Inflation (WPI)	-1.23%	-0.46%	-0.07%	-0.26%	0.39%	0.86%	0.27%	0.20%
Inflation (CPI)	7.44%	6.83%	5.02%	4.87%	5.55%	5.69%	5.10%	5.09%
GDP Growth								
Y-O-Y Growth (%)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
GDP (% Growth)	4.50%	12.81%	5.46%	4.26%	6.18%	8.22%	8.08%	8.36%
GVA (% Growth)	4.34%	11.34%	5.04%	4.83%	6.03%	8.23%	7.67%	6.50%

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