RBI Monetary Policy : April 3 - 6, 2023

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on April 06, 2023 announced that the central bank has decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 percent. 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 with 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 inflation trajectory for 2023-24 would be shaped by both domestic and global factors. Milk prices could remain firm due to high input costs and seasonal factors. Crude oil prices outlook is subject to high uncertainty. Global financial market volatility has surged, with potential upsides for imported inflation risks. Easing cost conditions are leading to some moderation in the pace of output price increases in manufacturing and services, as indicated by the Reserve Bank's enterprise surveys. The lagged pass-through of input costs could, however, keep core inflation elevated. Taking into account these factors and assuming an annual average crude oil price (Indian basket) of US$ 85 per barrel and a normal monsoon, CPI inflation is projected at 5.2 per cent for 2023-24, with Q1 at 5.1 per cent, Q2 at 5.4 per cent, Q3 at 5.4 percent and Q4 at 5.2 percent and risks evenly balanced.

External demand drag could accentuate, given slowing global trade and output. Protracted geopolitical tensions, tight global financial conditions and global financial market volatility pose risks to the outlook. Taking all these factors into consideration, real GDP growth for 2023-24 is projected at 6.5 per cent with Q1:2023-24 at 7.8 per cent; Q2 at 6.2 per cent; Q3 at 6.1 per cent; and Q4 at 5.9 per cent, with risks evenly balanced. With CPI headline inflation ruling persistently above the tolerance band, the MPC decided to remain resolutely focused on aligning inflation with the target. It is essential to rein in the generalisation of price pressures and anchor inflation expectations. An environment of low and stable prices is necessary for the resilience in domestic economic activity to be sustained. While the policy rate has been increased by a cumulative 250 basis points since May 2022, which is still working through the system, there can be no room for letting down the guard on price stability. Taking these factors into account, the MPC decided to keep the policy repo rate unchanged at 6.50 per cent in this meeting, with readiness to act, should the situation so warrant. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.

Policy Rates								
Y-O-Y Growth (%)	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**Jan-23**	**Feb-23**	**Mar-23**	**Apr-23**
Repo	5.90%	5.90%	5.90%	6.25%	6.25%	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-22**	**Aug-22**	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**Jan-23**	**Feb-23**
Inflation (WPI)	14.07%	12.48%	10.55%	8.67%	5.85%	4.95%	4.73%	3.85%
Inflation (CPI)	6.71%	7.00%	7.41%	6.77%	5.88%	5.72%	6.52%	6.44%
GDP Growth								
Y-O-Y Growth (%)	**Q4FY21**	**Q1FY22**	**Q2FY22**	**Q3FY22**	**Q4FY22**	**Q1FY23**	**Q2FY23**	**Q3FY23**
GDP (% Growth)	2.53%	20.08%	8.40%	5.40%	4.09%	13.51%	6.28%	4.36%
GVA (% Growth)	5.70%	18.15%	8.30%	4.71%	3.89%	12.75%	5.48%	4.60%