

### Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on August 8, 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 economic outlook remains resilient although with some moderation in pace. Inflation is retreating in major economies but services price inflation persists. International prices of food, energy and base metals have eased since the last policy meeting. With varying growth-inflation prospects, central banks are diverging in their policy paths. This is creating volatility in financial markets. Amidst recent global sell offs in equities, the dollar index has weakened, sovereign bond yields have eased sharply and gold prices have soared to record highs. The Indian Meteorological Department's (IMD) projection of above normal southwest monsoon and healthy kharif sowing will support improving rural demand. The sustained momentum in manufacturing and services suggests steady urban demand. Headwinds from geopolitical tensions, volatility in international commodity prices and geo-economic fragmentation, however, pose risks to the outlook. Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 7.2 per cent with Q1 at 7.1 per cent; Q2 at 7.2 per cent; Q3 at 7.3 per cent; and Q4 at 7.2 per cent. Real GDP growth for Q1:2025-26 is projected at 7.2 per cent.

The MPC expects domestic growth to hold up on the strength of investment demand, steady urban consumption and rising rural consumption. Risks from volatile and elevated food prices remain high, which may adversely impact inflation expectations and result in spillovers to core inflation. There are also indications of core inflation bottoming out. Accordingly, the MPC decided to remain watchful on how these forces play out, going forward. The MPC stays resolute in its commitment to aligning inflation to the 4 per cent target on a durable basis. In these circumstances, the MPC decided to keep the policy repo rate unchanged at 6.50 per cent in this meeting. The MPC reiterates the need to continue with the disinflationary stance, until a durable alignment of the headline CPI inflation with the target is achieved. Enduring price stability sets strong foundations for a sustained period of high growth. Hence the MPC also considers it appropriate to continue with the disinflationary stance of withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

Policy Rates								
Y-O-Y Growth (%)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	June-24	July-24	Aug-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 (%)	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	June-24
Inflation (WPI)	0.39%	0.86%	0.33%	0.20%	0.26%	1.19%	2.61%	3.36%
Inflation (CPI)	5.55%	5.69%	5.10%	5.09%	4.85%	4.83%	4.80%	5.08%
GDP Growth								
Y-O-Y Growth (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
GDP (% Growth)	12.81%	5.46%	4.26%	6.18%	8.24%	8.08%	8.57%	7.76%
GVA (% Growth)	11.34%	5.04%	4.83%	6.03%	8.26%	7.69%	6.79%	6.27%

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