

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on December 6, 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 continue with the neutral monetary policy stance and to remain unambiguously focused on a durable alignment of inflation 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 global economy remains stable with growth holding up amidst waning inflation, albeit at a slow pace. Geopolitical risks and policy uncertainty, especially with respect to trade policies, have imparted heightened volatility to global financial markets. On the domestic front, real gross domestic product (GDP) registered a lower than expected growth of 5.4 per cent in Q2:2024-25 as private consumption and investment decelerated even while government spending recovered from a contraction in the previous quarter. On the supply side, the growth in gross value added (GVA) during Q2 was aided by resilient services and improving agriculture sector, but weakness in industrial activity- manufacturing, electricity and mining- tempered overall growth. Looking ahead, robust kharif food grain production and good rabi prospects, coupled with an expected pickup in industrial activity and sustained buoyancy in services augur well for private consumption. Investment activity is expected to pick up. Headwinds from geo-political uncertainties, volatility in international commodity prices, and geo-economic fragmentation continue to pose risks to the outlook. Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 6.6 per cent with Q3 at 6.8 per cent and Q4 at 7.2 per cent. Real GDP growth for Q1:2025-26 is projected at 6.9 per cent and Q2 at 7.3 per cent.

The MPC noted that the near-term inflation and growth outcomes in India have turned somewhat adverse since the October policy. Going forward however, economic activity is set to improve along with rising business and consumer sentiments, as reflected in the Reserve Bank's surveys. The recent spike in inflation highlights the continuing risks of multiple and overlapping shocks to the inflation outlook and expectations. Heightened geo-political uncertainties and financial market volatility add further upside risks to inflation. High inflation reduces the purchasing power of both rural and urban consumers and may adversely impact private consumption. The MPC emphasises that strong foundations for high growth can be secured only with durable price stability. The MPC remains committed to restoring the balance between inflation and growth in the overall interest of the economy.

Policy Rates								
Y-O-Y Growth (%)	May-24	June-24	July-24	Aug-24	Sept-24	Oct-24	Nov-24	Dec-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%	4.00%
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Inflation								
Y-O-Y Growth (%)	Mar-24	Apr-24	May-24	June-24	July-24	Aug-24	Sept-24	Oct-24
Inflation (WPI)	0.26%	1.19%	2.74%	3.43%	2.10%	1.25%	1.84%	2.36%
Inflation (CPI)	4.85%	4.83%	4.80%	5.08%	3.60%	3.65%	5.49%	6.21%
GDP Growth								
Y-O-Y Growth (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
GDP (% Growth)	4.26%	6.18%	8.24%	8.08%	8.57%	7.76%	6.65%	5.36%
GVA (% Growth)	4.83%	6.03%	8.26%	7.69%	6.79%	6.27%	6.84%	5.60%

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