

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on June 7, 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:

Global economic activity is rebalancing and is expected to grow at a stable pace in 2024. Inflation has been moderating unevenly, with services inflation staying elevated and slowing progress towards targets. Uncertainty on the pace and timing of policy pivots by central banks is keeping financial markets volatile. Equity markets have touched new highs in both advanced and emerging market economies. Non-energy commodity prices have firmed up, while the US dollar and bond yields are exhibiting two-way movement with spillovers to emerging market currencies. Gold prices have surged to record highs on safe haven demand. According to the provisional estimates released by the National Statistical Office (NSO) on May 31, 2024, real gross domestic product (GDP) growth in Q4:2023-24 stood at 7.8 per cent as against 8.6 per cent in Q3. Real GDP growth for 2023-24 was placed at 8.2 per cent. On the supply side, real gross value added (GVA) rose by 6.3 per cent in Q4:2023-24. Real GVA recorded a growth of 7.2 per cent in 2023-24.

The MPC noted that the domestic growth-inflation balance has moved favourably since its last meeting in April 2024. Economic activity remains resilient supported by domestic demand. Although headline inflation is gradually easing, driven by softening in its core component, the path of disinflation is interrupted by volatile and elevated food inflation due to adverse weather events. Inflation is expected to temporarily fall below the target during Q2:2024-25 due to favourable base effect, before reversing subsequently. For the final descent of inflation to the target and its anchoring, monetary policy has to be watchful of spillovers from food price pressures to core inflation and inflation expectations. The MPC will remain resolute in its commitment to aligning inflation to the 4 per cent target on a durable basis. Accordingly, 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 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 (%)	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	June-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 (%)	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Inflation (WPI)	-0.07%	-0.26%	0.39%	0.86%	0.33%	0.20%	0.53%	1.26%
Inflation (CPI)	5.02%	4.87%	5.55%	5.69%	5.10%	5.09%	4.85%	4.83%
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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