

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on Feb 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:

Global growth is likely to remain steady in 2024 after a surprisingly resilient performance in a turbulent year gone by. Inflation is edging down from multi-decade highs, with intermittent upticks. Financial market sentiments have been fluctuating with changing views about an early pivot by central banks in advanced economies (AEs). The likelihood of lower interest rates has spurred rallies in equity markets, although uncertainty about the timing of interest rate reduction is reflected in bidirectional movements in the US dollar and sovereign bond yields. Emerging market economies (EMEs) are facing currency fluctuations amidst volatile capital flows. Domestic economic activity is strengthening. As per the first advance estimates (FAE) released by the National Statistical Office (NSO), real gross domestic product (GDP) is expected to grow by 7.3 per cent, year-on-year (y-o-y) in 2023-24, underpinned by strong investment activity. On the supply side, gross value added (GVA) expanded by 6.9 per cent in 2023-24, with manufacturing and services sectors as the key drivers.

The MPC noted that domestic economic activity is holding up well and is expected to be backed by the momentum in investment demand, optimistic business sentiments and rising consumer confidence. On the inflation front, large and repetitive food price shocks are interrupting the pace of disinflation that is led by the moderation of core inflation. Geopolitical events and their impact on supply chains, and volatility in international financial markets and commodity prices are key sources of upside risks to inflation. The cumulative effect of policy repo rate increases is still working its way through the economy. The MPC will carefully monitor any signs of generalisation of food price pressures to non-food prices which can fritter away the gains in the easing of core inflation. As the path of disinflation needs to be sustained, 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.

Policy Rates								
Y-O-Y Growth (%)	Jul-23	Aug-23	Sept-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-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 (%)	May-23	June-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Inflation (WPI)	-3.61%	-4.18%	-1.23%	-0.46%	-0.07%	-0.26%	0.26%	0.73%
Inflation (CPI)	4.31%	4.87%	7.44%	6.83%	5.02%	4.87%	5.55%	5.69%
GDP Growth								
Y-O-Y Growth (%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GDP (% Growth)	5.20%	3.96%	13.08%	6.20%	4.46%	6.06%	7.82%	7.64%
GVA (% Growth)	4.74%	3.91%	11.95%	5.41%	4.73%	6.48%	7.83%	7.42%

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