

Policy Highlights:

Reserve Bank of India (RBI) Governor Shaktikanta Das on October 9, 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 change the monetary policy stance to 'neutral' 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 has remained resilient and is expected to maintain stable momentum over the rest of the year, amidst downside risks from intensifying geopolitical conflicts. In India, real gross domestic product (GDP) registered a growth of 6.7 per cent in Q1 2024-25, driven by private consumption and investment. Looking ahead, the agriculture sector is expected to perform well on the back of above normal rainfall and robust reservoir levels, while manufacturing and services activities remain steady. On the demand side, healthy kharif sowing, coupled with sustained momentum in consumer spending in the festival season, augur well for private consumption. External demand is expected to get support from improving global trade volumes. Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 7.2 per cent with Q2 at 7.0 per cent; Q3 at 7.4 percent; and Q4 at 7.4 per cent. Real GDP growth for Q1:2025-26 is projected at 7.3 percent.

The MPC noted that the domestic growth outlook remains resilient supported by domestic drivers – private consumption and investment. This provides headroom for monetary policy to focus on the goal of attaining a durable alignment of inflation with the target. The MPC reiterates that enduring price stability strengthens the foundations of a sustained period of high growth. After a transient spike in the near term, headline inflation is expected to moderate as projected above. With better prospects for both kharif and rabi crops and ample buffer stocks of food grains, there is now greater confidence on the disinflation path later in the financial year. Keeping in view the prevailing and expected inflation-growth dynamics, which are well balanced, the MPC decided to change the monetary policy stance from withdrawal of accommodation to 'neutral' and remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth. The change in stance provides flexibility to the MPC while enabling it to monitor the progress on disinflation which is still incomplete. Risks stem from uncertainties relating to heightened global geo-political risks, financial market volatility, adverse weather events and the recent uptick in global food and metal prices. Hence, the MPC has to remain vigilant of the evolving inflation outlook.

Policy Rates								
Y-O-Y Growth (%)	Mar-24	Apr-24	May-24	June-24	July-24	Aug-24	Sept-24	Oct-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 (%)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	June-24	July-24	Aug-24
Inflation (WPI)	0.33%	0.20%	0.26%	1.19%	2.74%	3.43%	2.04%	1.31%
Inflation (CPI)	5.10%	5.09%	4.85%	4.83%	4.80%	5.08%	3.60%	3.65%
GDP Growth								
Y-O-Y Growth (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
GDP (% Growth)	5.46%	4.26%	6.18%	8.24%	8.08%	8.57%	7.76%	6.65%
GVA (% Growth)	5.04%	4.83%	6.03%	8.26%	7.69%	6.79%	6.27%	6.84%

Disclaimer: The information contained in this report has been obtained from sources considered to be authentic and reliable. However, RNB Corporate Services Pvt. Ltd. is not responsible for any error or inaccuracy or for any losses suffered on account of this information. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.