# RBI Policy – June 2024 – Key Takeaways

## RBI Monetary Policy

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|---|---|
| **Repo Rate** Now at 6.50% v/s 6.50% | **Unchanged** |
| **Standing Deposit Facility** Now at 6.25% v/s 6.25% | **Unchanged** |
| **MSF Bank Rate** Now at 6.75% v/s 6.75% | **Unchanged** |
| **Policy Stance** Withdrawal | **Continues** |

## RBI on Growth, Inflation

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| **FY25 GDP Growth** | **Projected at 7.2% from 7%** |
| **FY25 Inflation Outlook** | **Projected at 4.5%** |

- **Pause continues –** RBI keeps rates unchanged for 8th consecutive meet, opted to maintain the repo rate at 6.5% as expected, focusing on the **withdrawal of accommodation** to make sure that inflation continues to be within the goal going forward while supporting growth. These actions are consistent with the goal of attaining the medium-term **CPI inflation target of 4%** within a +/- 2% range.

- **Global factors –** The global economy is adjusting and is poised for steady growth in 2024. Inflation is decreasing inconsistently, with persistent high services inflation. Uncertainty on the pace and timing of policy pivots by central banks is keeping financial markets volatile. Equity markets are reaching new peaks globally. Prices for non-energy commodities are strengthening, and fluctuations in the US dollar and bond yields are impacting emerging market currencies. Meanwhile, gold prices have reached unprecedented levels due to increased demand for safe investments.

- **Domestic Demand –** The National Statistical Office's preliminary data, released on May 31, 2024, indicates that the real GDP growth rate for Q4FY24 was 7.8%, a decline from 8.6% in Q3. The overall real GDP growth for FY24 was 8.2%. In terms of supply, the real GVA experienced a 6.3% increase in Q4FY24, with the annual real GVA growth reaching 7.2% for the same fiscal year. Looking ahead, indicators suggest that domestic activities will remain robust in FY25. An expected above-normal south-west monsoon bodes well for the agricultural sector and rural demand. This, along with the continued growth in manufacturing and services, is likely to rejuvenate private consumption. Investment is predicted to stay strong, supported by high-capacity utilization, solid bank and corporate finances, government infrastructure investments, and positive business outlooks. Better global trade conditions may bolster external demand. Nonetheless, geopolitical strife, commodity price fluctuations, and global economic divisions could present challenges. Considering these elements, the **projected real GDP growth for FY25 stands at 7.2%, with 7.3% in Q1, 7.2% in Q2, 7.3% in Q3, and 7.2% in Q4.**

- **Inflation –** Inflation has moderated from 5.1% in Feb24 to 4.8% in Apr24, with food prices remaining high due to ongoing cost pressures. Fuel price deflation has intensified during Mar24-Apr24, mirroring LPG price reductions. **Core inflation dropped to 3.2% in April, a record low for the CPI series.** Future food inflation is uncertain due to climate impacts and price spikes in key crops. A normal monsoon may ease food price pressures. Input costs are rising, and businesses anticipate stable selling prices. Crude oil and commodity price volatility could increase inflation risks. Considering these, **CPI inflation for FY25 is estimated at 4.5% for FY25, with quarterly projections for Q1at 4.9%, Q2 at 3.8%, Q3 at 4.6%, and Q4 at 4.5%.**

- **Liquidity and Financial Market Conditions –** So far in the current fiscal year, liquidity conditions have fluctuated, moving from a surplus to a deficit and then returning to a surplus by early Jun. Aligning with the Apr policy statement's pledge to maintain agility and flexibility in managing liquidity, the Reserve Bank absorbed excess liquidity via variable rate reverse repo (VRRR) auctions in early Apr. Conversely, it provided liquidity through variable rate repo (VRR) operations towards the end of Apr and in May. VRRR auctions resumed in the first week of June, while banks' utilization of the marginal standing facility (MSF) within the liquidity adjustment facility (LAF) has been low during FY25 so far.

- **Forex stability –** INR has exhibited minimal volatility and maintained a tight trading range throughout FY25 up to 5th Jun, despite experiencing downward pressure due to FPI outflows. The INR's relative steadiness is indicative of India's robust economic foundation, macroeconomic and financial stability, as well as a positive shift in the external economic environment.

- **Reserves at record high –** India's **foreign exchange reserves** have achieved a **historical high, hitting US$ 651.5 bn** as of May 31, 2024. The nation's external sector demonstrates robustness, with crucial indicators of external vulnerability showing ongoing enhancement. This fortifies the confidence in India's ability to fulfill its external financial obligations with ease.

- **Other Key Measures:**
  - Review of Limit of Bulk Deposits in Banks ('Single Rupee term deposit of ₹3crs and above).
  - Rationalisation of Guidelines for Export and Import of Goods and Services under FEMA, 1999.
  - Digital Payments Intelligence Platform for network level intelligence and real-time data sharing across the payment ecosystem.
  - Inclusion of Recurring Payments with Auto-Replenishment Facility under the e-mandate Framework.
  - Introduction of Auto-Replenishment of UPI Lite Wallet – Inclusion under the e-mandate Framework.
  - HARBINGER 2024 – Hackathon initiative for Zero Financial Fraud & being Divyang friendly.

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