

AUM - 5th Bi-Monthly MPC Meeting Simplified

December 11, 2023

5th Bi-monthly MPC Meeting Simplified – December 8, 2023

Policy Rates	Latest Rate – December 8, 2023	Reserve Ratios	Latest Ratio – December 8, 2023
Policy Repo Rate	6.50%		
Standing Deposit Facility Rate	6.25%	CRR	4.50%
Marginal Standing Facility Rate	6.75%	SLR	18.00%
Bank Rate	6.75%		
Fixed Reverse Repo Rate	3.35%		

- The MPC unanimously decided to maintain status quo on policy rates.
- The Repo Rate unchanged at 6.50%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- The objective is of achieving the medium-term target for consumer price index inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- The policy stance has been unchanged - it indicates that inflation remains the top priority for the RBI.
- The positive - there has been a broad-based easing in core inflation which is indicative of successful disinflation through monetary policy actions.
- Core Inflation has also trended lower and household inflation expectations have become better anchored reinforcing RBI's confidence and conviction that monetary policy is doing its job.
- The very important point in this decision is the forward trajectory of inflation which is projected to be below the 6% level for the current year as well as the next financial year.

- Our Economy is resilient - its macroeconomic fundamentals are strong with robust and stable financial system.
- RBI has retained the inflation projection for FY24 at 5.4% - the risks are evenly balanced.
- Going ahead, inflation outlook would be considerably influenced by uncertain food prices.
- RBI has revised upwards the projections for real growth for FY24 to 7 % - with risks evenly balanced.
- Foreign exchange reserves at US\$ 604 billion provide a strong buffer against global spillovers.
- The stability of the Indian Rupee reflects the improving macroeconomic fundamentals of the Indian economy and its resilience in the face of formidable global tsunamis.
- RBI will remain nimble footed in the liquidity management.
- Liquidity will be actively managed consistent with monetary policy.
- Headline inflation continues to be volatile due to multiple supply side shocks which have become more frequent and intense.
- Intermittent vegetable price shocks could once again push up headline inflation in November and December.
- MPC would look-through such one-off shocks, it will stay alert to the risk of such shocks becoming generalised and derailing the ongoing disinflationary process.
- In such uncertainties, monetary policy has to remain actively disinflationary to ensure a durable alignment of headline inflation to the target rate of 4.0 per cent, while supporting growth.
- MPC will continue to maintain a strong vigilant and be ready to deal with all the future challenges with a firm commitment to price and financial stability.
- *The GDP is robust and in case inflation follows the RBI's expected trajectory, then we may expect that the RBI has reached the end of this Rate hike cycle.*
- *The likelihood of a rate cut is anticipated after the first quarter of the next fiscal year.*
- *Then: Expect the 10 year G Sec bond yield to trade in the range of 7.20 to 7.40% till the next MPC Meeting.*

The Positives

- ▶ Supportive domestic demand conditions
- ▶ Improving investment activity
- ▶ Buoyancy in public sector Capex cycle
- ▶ Healthy growth in investments in fixed assets by listed private manufacturing companies
- ▶ Capacity utilisation in the manufacturing sector continues to remain above the long period average
- ▶ PMI for Manufacturing is in sustained expansion
- ▶ PMI for Services maintained strong expansion
- ▶ Healthy twin Balance Sheets of banks & corporates

The Risks

- ▶ Uncertainty of food prices
- ▶ Protracted geopolitical turmoil
- ▶ Volatility in the global financial markets
- ▶ Growing geo-economic fragmentations
- ▶ Long-awaited normality still eludes the global economy
- ▶ Global economy is showing signs of slowdown, though unevenly across geographies and sectors
- ▶ Financial markets remain volatile in their quest for definitive signals about the future path of interest rates

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