

Key Notes and Economic Outlook

RBI's MONETARY POLICY UPDATE



The Reserve Bank of India (RBI) recently revealed its latest monetary policy after a three-day meeting of the Monetary Policy Committee. On 9 October 2024, RBI Governor Shaktikanta Das presented important updates on the economy and the central bank's approach to managing inflation and fostering growth.

Policy Decisions:

In its latest review, the RBI decided to keep the benchmark repo rate steady at 6.5%. This marks the tenth consecutive time the central bank has chosen to maintain this rate, stabilizing impact on the Indian stock market. Additionally, the RBI shifted its policy stance to "**neutral**," moving away from the previous "**withdrawal of accommodation**" approach.

Other key interest rates remained unchanged:

- **Standing Deposit Facility (SDF) rate:** 6.25%
- **Marginal Standing Facility (MSF) rate:** 6.75%
- **Bank Rate:** 6.75%

The MPC, which consists of six members, reached its decisions with a 4:2 majority.

Economic Growth Projections:

The unchanged repo rate indicates that borrowing costs will remain stable, supporting sectors such as banking, real estate, and infrastructure that benefit from lower interest rates. It remains a focal point, with the RBI maintaining its full-year GDP growth estimate at 7.2% for FY25. This is an encouraging sign, reflecting confidence in the country's growth prospects despite global uncertainties.

However, quarterly adjustments were made:

Q2FY25

Slightly reduced to 7%
(previously 7.2%)

Q3FY25

Raised to 7.4%
(from 7.3%)

Q4FY25

Increased to 7.4%
(from 7.2%)

Inflation Outlook:

On the inflation front, the central bank maintained its CPI inflation forecast at 4.5% for FY25. Managing inflation remains a core objective of the RBI's policy, and the forecast reflects careful balancing between price stability and economic growth.

Quarterly inflation estimates were revised slightly:

Q2FY25

Reduced to 4.1%
(previously 4.4%)

Q3FY25

Raised to 4.8%
(from 4.7%)

Q4FY25

Reduced to 4.2%
(from 7.2%)

Additional Initiatives:

Apart from the policy rates and economic projections, the RBI introduced several new measures aimed at promoting financial stability and inclusiveness:

- **Foreign Investments:** A neutral policy stance could maintain India's appeal to foreign investors, who prefer a predictable monetary environment.
- **Responsible Lending Norms:** Extended to include Micro and Small Enterprises (MSEs), ensuring fair lending practices.
- **Capital Raising for Urban Cooperative Banks:** A discussion paper on avenues for primary (urban) cooperative banks to raise capital.
- **Climate Risk Information System:** The creation of a system to track climate risks in the financial sector, reflecting the growing importance of sustainability.
- **Enhanced UPI Transaction Limits:** Increased limits for UPI payments and wallets to facilitate more seamless digital transactions.
- **RTGS and NEFT Updates:** Introduction of a beneficiary account name look-up facility to improve transaction accuracy in real-time gross settlement (RTGS) and national electronic funds transfer (NEFT) systems.

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