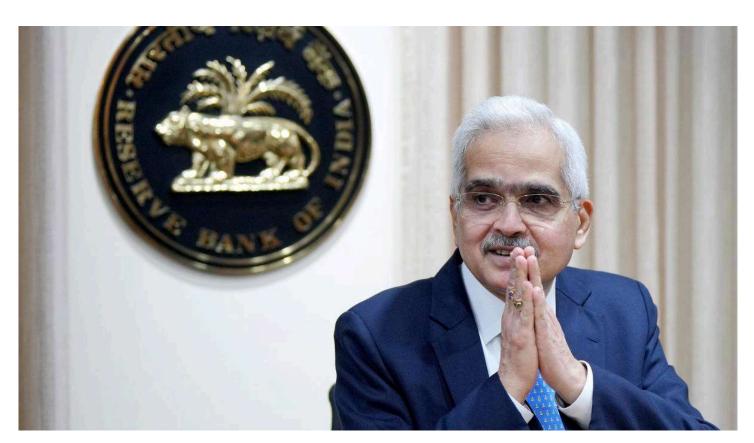
RBI Monetary Policy Meeting: RBI keeps repo rate unchanged at 6.5%

Core inflation remained moderate and fuel deflated, but stubborn food prices pushed inflation up, spurring RBI to keep rates unchanged; MPC continuing with disinflationary stance, while supporting growth

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THE HINDU BUREAU



Reserve Bank of India Governor Shaktikanta Das during a press conference on monetary policy statement at the RBI headquarters in Mumbai on August 8, 2024. | Photo Credit: PTI

In its first meeting after the Union Budget, the Reserve Bank of India's Monetary Policy Committee (MPC) decided to keep the policy repo rate unchanged at 6.50% for the ninth consecutive time. Of the six members of the MPC, four voted in favour of the decision, which is aimed at taming inflation.

Consequently, the standing deposit facility rate remains at 6.25%, while the marginal standing facility rate and the bank rate stand at 6.75%.

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The MPC also decided by a 4-2 majority to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

Food prices drive inflation

Explaining the rationale behind these decisions, RBI governor Shaktikanta Das said that headline inflation, after remaining steady at 4.8% during April and May, had increased to 5.1% in June, primarily driven by food inflation, which remains stubborn.

***** A Flourish chart

"Core inflation (CPI excluding food and fuel) moderated, while the fuel group remained in deflation. The expected moderation in headline inflation during the second quarter of 2024-25 on account of favourable base effects is likely to reverse in the third quarter," he said.

Mr. Das added that the MPC had judged it important for monetary policy to stay the course while maintaining a close vigil on the inflation trajectory and its risks. "Inflation is

moderating but the pace of disinflation is uneven and slow. Still there is distance to cover to align inflation with target," he emphasised.

Taming inflation, supporting growth

Hence, the MPC has reiterated the need to continue with the disinflationary stance of withdrawal of accommodation, to ensure that inflation progressively aligns to the target, while supporting growth, he said.

Taking various factors into consideration, real GDP growth for 2024-25 has been projected at 7.2%, with the first quarter (Q1) projection at 7.1%; Q2 at 7.2%; Q3 at 7.3%; and Q4 at 7.2%. Real GDP growth for the first quarter of 2025-26 is projected at 7.2%. The risks are evenly balanced.

Also read | Policy repo rate unchanged at 6.5%; real GDP growth for FY25 projected at 7%

Assuming a normal monsoon, and taking into account the 4.9% inflation in Q1, CPI inflation for 2024-25 is projected at 4.5%, with Q2 projected at 4.4%; Q3 at 4.7%; and Q4 at 4.3%. CPI inflation for the first quarter of next year is projected at 4.4%. The risks are evenly balanced.