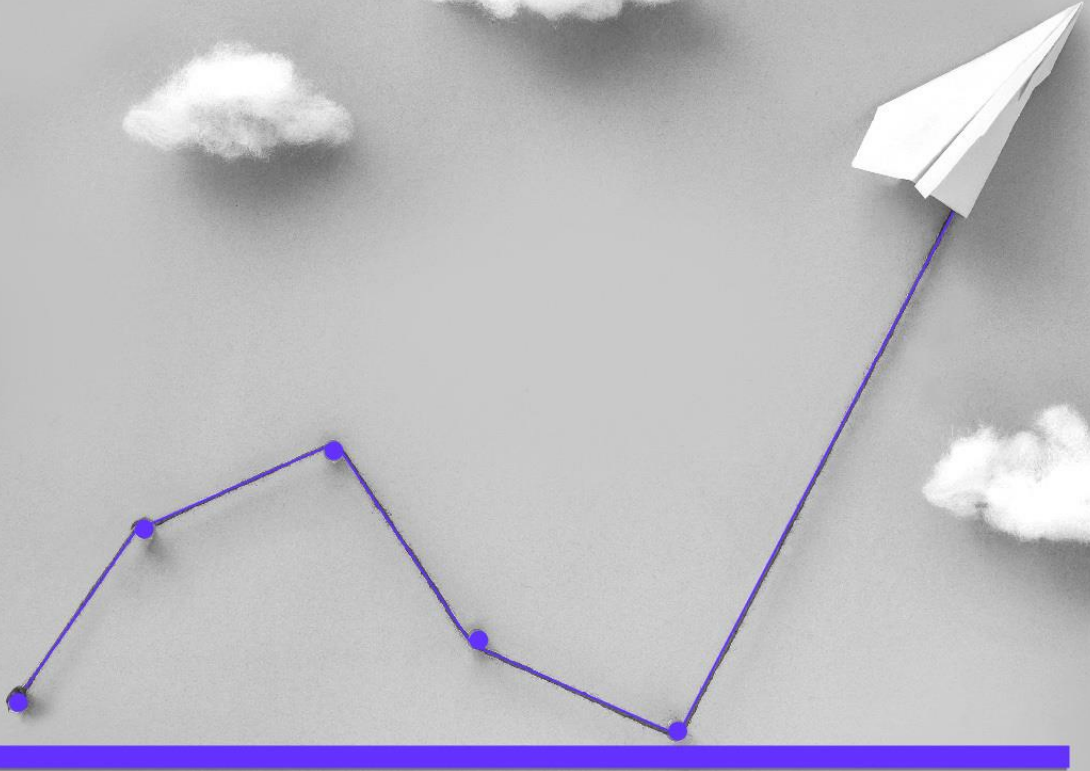


TRENDS & TIDES

**RBI MPC October 2024
maintains status quo on rates
and changes stance to
'neutral'**



RBI MPC changes stance to 'neutral' to improve policy flexibility

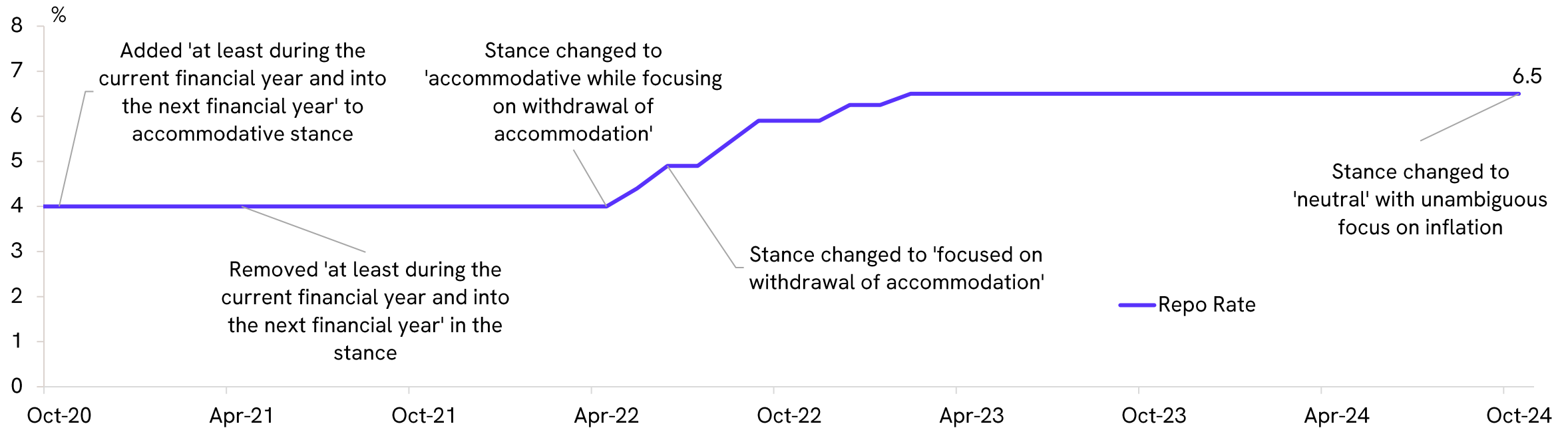
The Governor stresses the RBI's unambiguous focus on durably aligning inflation with the 4% target

The RBI Monetary Policy Committee (MPC) maintains the policy repo rate at 6.5% and revises the monetary policy stance to 'neutral'

The MPC remains '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 of disinflation

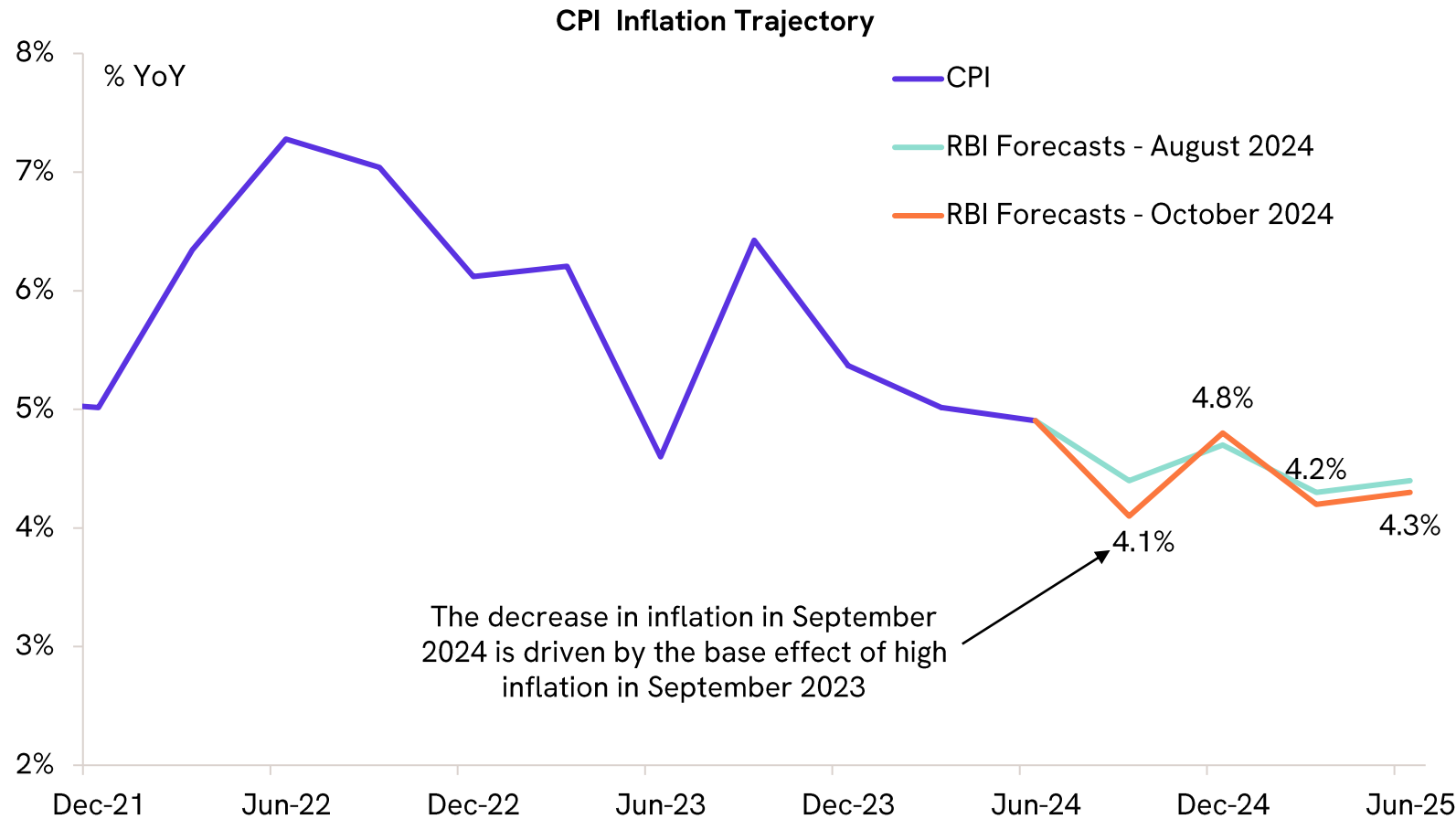
The Governor emphasised the significant risks to inflation from adverse weather events, geopolitical conflicts and recent increases in certain commodity prices



Source: RBI, 360 ONE Asset Research

FY25 CPI retained at 4.5% YoY, quarterly projections slightly changed

The MPC projects greater confidence in the disinflation path later in the financial year, supported by improved agricultural prospects



RBI inflation outlook:

Food inflation is expected to ease by Q4FY25 on better kharif arrivals and rising prospects of a good rabi season

Sowing of key kharif crops is higher than last year, and the long-period average

Sufficient buffer stocks for cereals are available to ensure food security

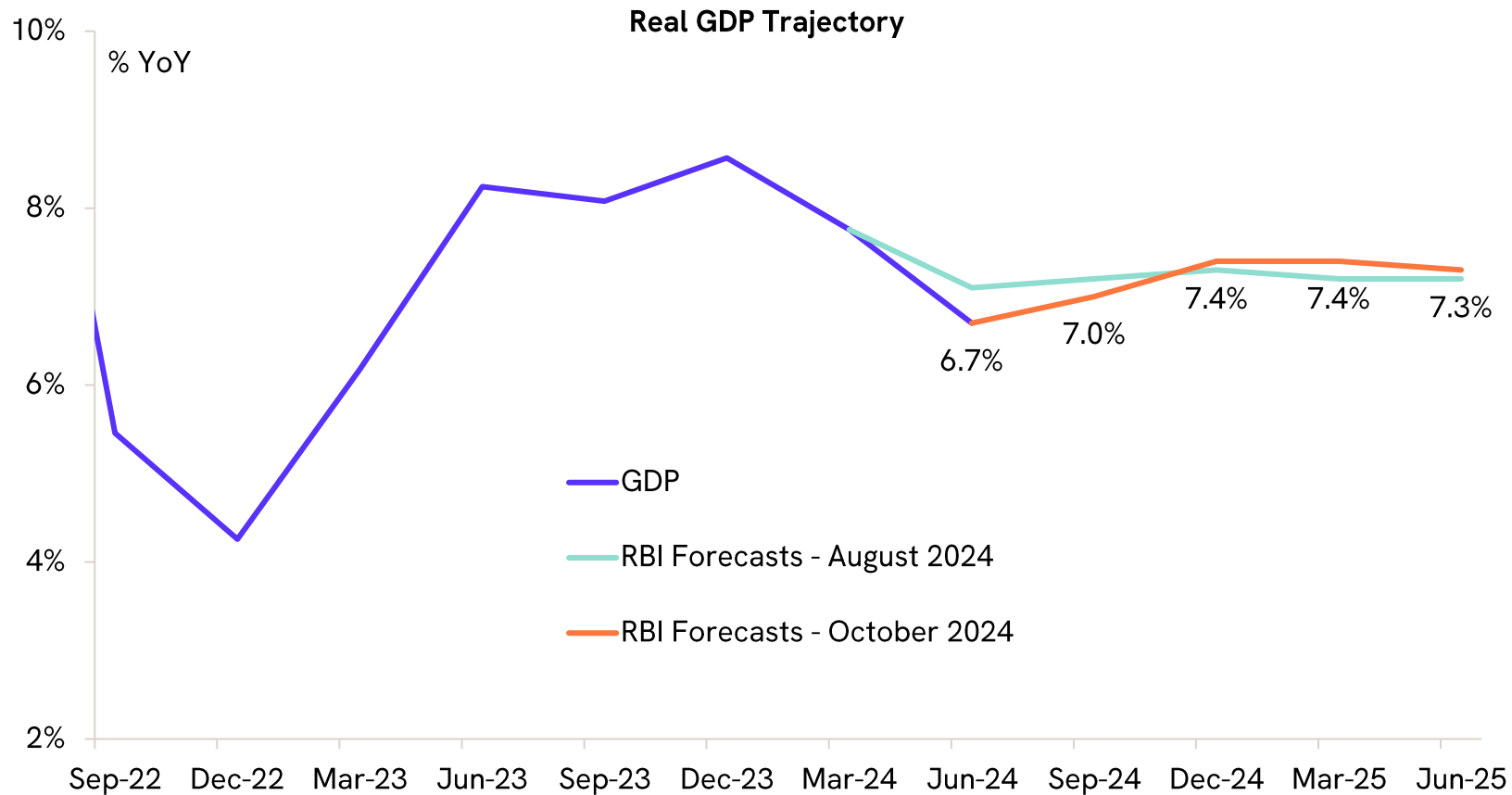
Adequate reservoir levels, the likelihood of a good winter and favourable soil moisture conditions augur well for the ensuing rabi season, though adverse weather events remain a risk

Firms polled in the Reserve Bank enterprise surveys expect input cost pressures to ease

However, the recent upturn in key commodity prices, especially metals and crude oil needs to be closely monitored

RBI maintains FY25 GDP forecast at 7.2%, despite Q1 downward surprise

Domestic growth outlook remains resilient supported by domestic drivers – private consumption and investment



RBI growth outlook:

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

Healthy kharif sowing, coupled with sustained momentum in consumer spending in the festival season, augur well for private consumption

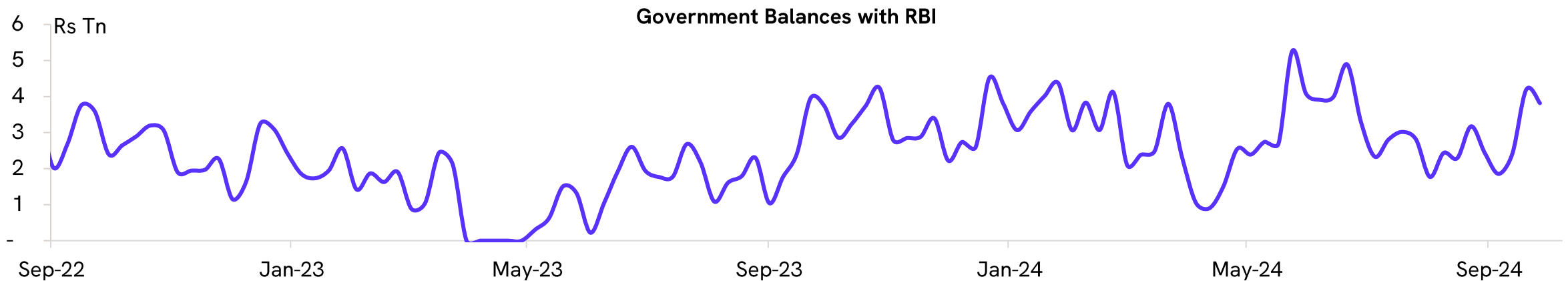
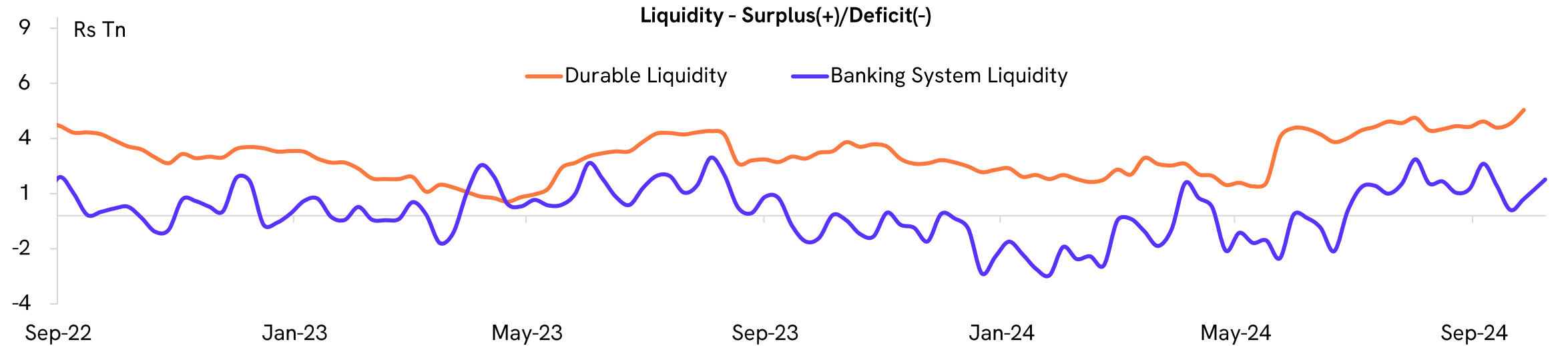
Consumer and business confidence have improved

The investment outlook is supported by resilient non-food bank credit growth, elevated capacity utilisation, healthy balance sheets of banks and corporates, and the government's continued thrust on infrastructure spending

External demand is expected to get support from improving global trade volumes

Liquidity improves in Oct on government spending and Fx intervention

Durable liquidity (which also includes government balances) remains in heavy surplus

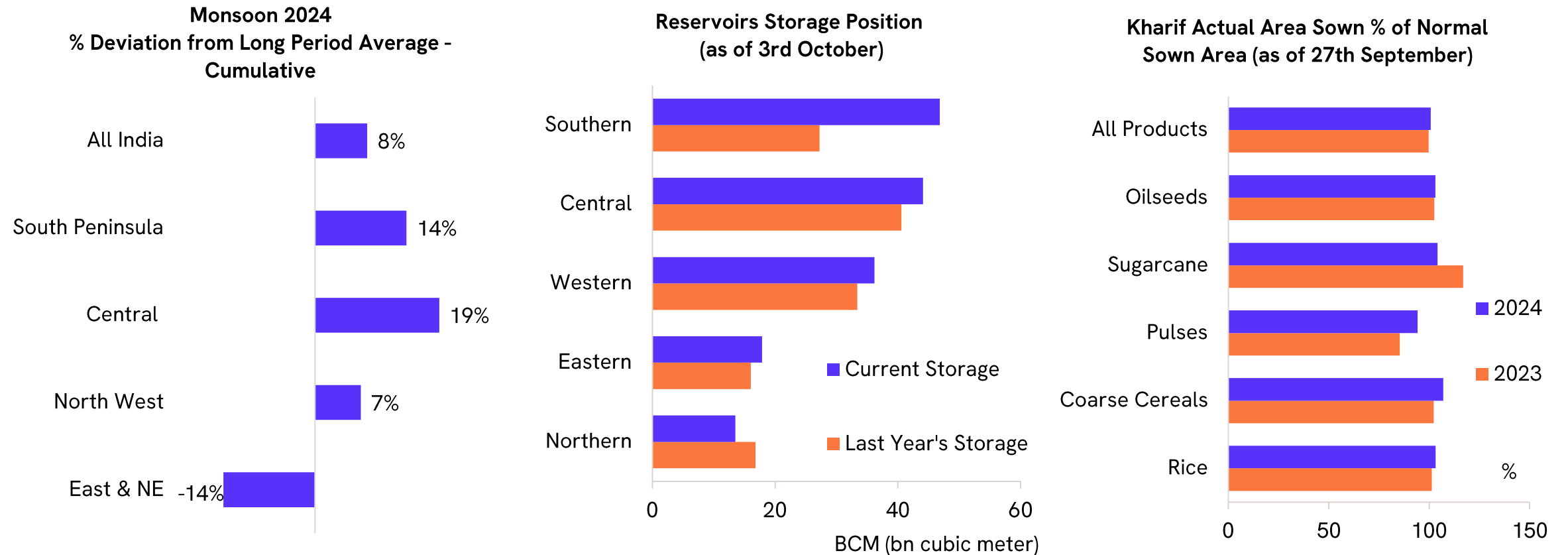


Outlook: We expect RBI to initiate the rate cut cycle from Dec'24 or Feb'25

A good monsoon season, healthy Kharif sowing, and robust reservoir levels bode well for the inflation trajectory

The shift to a 'neutral' policy stance at the October MPC meeting provides the RBI with the flexibility to cut rates when the data justify such an action

We expect the RBI to initiate the rate cut cycle in the December or February policy meeting, assuming inflation evolves as anticipated



Source: IMD, CMIE, 360 ONE Asset Research

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