

RBI Monetary Policy 2024

>> Key Highlights

» RBI retained the Repo Rate at 6.50%

The repo rate has remained unchanged for the 7th consecutive time. Repo rate is the rate at which RBI loans money to commercial banks.

Even a minor change can directly influence EMIs and interest rates across a spectrum of loans and investment products.

In summary, when the repo rate remains unchanged, it typically leads to stability in interest rates and financial conditions in the short term.

» Standing Deposit Facility Rate remained unchanged at 6.25%

Standing Deposit Facility (SDF) rate is a rate at which the RBI accepts uncollateralised deposits on an overnight basis, from banks. It is a tool that helps in liquidity management.

» (MSF) rate and Bank Rate remained unchanged at 6.75%.

The Marginal Standing Facility (MSF) stands as a significant provision introduced by the RBI, enabling specific commercial banks to address overnight liquidity needs. This becomes particularly advantageous during periods of depleted liquidity. Acting as an emergency tool, MSF allows banks to access liquidity at the MSF rate.

Through the Marginal Standing Facility, banks borrow funds from the central bank by pledging government securities at a rate exceeding the repo rate. This facilitates swift access to funds within a 24-hour timeframe.

» Inflation projections: FY24-25, CPI inflation projected at 4.5%.

The Consumer Price Index (CPI) inflation measures the average change over time in the prices paid by urban consumers for a basket of goods and services. It is one of the key indicators used to gauge inflationary trends in an economy.

India's central bank maintained its inflation forecast for the current fiscal year at 4.5% and suggested that the inflation target is within reach. This comes as the nation prepares for a hot summer amidst rising crude oil prices and ongoing concerns about supply chain disruptions caused by geopolitical events.

» GDP Growth: FY24-25, Real GDP growth projected at 7.00%.

Gross Domestic Product (GDP) is a measure of the total monetary value of all goods and services produced within a country's borders during a specific period, typically annually or quarterly. It serves as a key indicator of a nation's economic health and productivity. In short, GDP reflects the size and growth rate of an economy.

» RBI remains focused on withdrawal of Accommodation.

The central bank maintained its stance on 'withdrawal of accommodation'. This policy direction implies a reduction in the country's money supply, aimed at further curbing inflation while supporting growth.



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