

MPC may keep repo rate, stance unchanged at FY25's 1st meet

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The six-member Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) is expected to keep both the policy repo rate and the stance unchanged in the first policy review of 2024-25, all the 10 respondents said in a *Business Standard* poll. The RBI will announce the review of the policy on April 5.

After increasing the repo rate by 250 basis points (bps) to 6.5 per cent between May 2022 and February 2023, the domestic rate-setting panel kept the repo rate unchanged in all the six policy review meetings in 2023-24.

“The upward revision in the National Statistical Office’s gross domestic product (GDP) growth estimates for Q1-Q2 FY24, three successive quarters of 8 per cent plus GDP expansion, and the CPI (consumer price index) print of 5.1 per cent for February 2024, suggest the status quo on rates and stance in the upcoming April 2024 meeting,” said Aditi Nayar, chief economist, ICRA.

“ICRA believes the policy stance is unlikely to be changed before the August 2024 MPC review, until there is visibility on the monsoon turnout as well as the sustenance of growth momentum and the US Fed’s rate decisions,” she said. **Turn to Page 3 ▶**



EXPERT TAKE

Expectations from monetary policy review scheduled for April 3-5

	Will MPC keep repo rate unchanged?	Will the stance change to neutral?	When will MPC start cutting repo rate?
RBL Bank	✓	✗	Q3FY25
Bank of Baroda	✓	✗	Aug '24
IDFC First Bank	✓	✗	Aug '24
PNB Gilts	✓	✗	Aug '24
Emkay Global	✓	✗	Pegged to US Fed
HDFC Bank	✓	✗	Q3FY25
ICICI Securities	✓	✗	Q4FY25
KarurVysya Bank	✓	✗	Q3FY25
ICRA	✓	✗	Oct '24
STCI Primary Dealer	✓	✗	Q3FY25

RBI@90

The Reserve Bank of India – which performs the dual role of monetary policy making and regulating banks – enters its 90th year on Monday. **MANOJITSAHA** tracks the journey **14 ▶**

BANKER'S TRUST

The RBI story: 90 and going strong

How different has the pitch been for different governors to bat on since economic liberalisation? **TAMAL BANDYOPADHYAY** writes in the first of a two-part series **13 ▶**

MPC may keep repo rate, stance unchanged...

US Federal Reserve officials reiterated their intention to cut the key interest rate three times in 2024, despite persistent signs of unexpectedly high inflation at the year's outset. However, they anticipate a moderation in rate cuts for 2025, accompanying a slight upward adjustment in their inflation projections. The Fed kept its benchmark interest rate unchanged for the fifth consecutive meet.

On the domestic front, the headline inflation rate remains within the RBI's tolerance band of 2-6 per cent. The inflation rate held steady at 5.09 per cent in February, marginally up from the previous month's 5.1 per cent, largely due to an uptick in food inflation. In its economic review before the Budget, the finance ministry had forecast the Indian economy would grow nearly 7 per cent in FY25.

In the January update of the World Economic Outlook, the International Monetary Fund (IMF) indicated that growth in India was projected to remain strong at 6.5 per cent in both 2024 and 2025. They noted an upgrade of 0.2 percentage points for both years compared to October 2023, reflecting resilience in domestic demand.

A majority of the respondents expect the RBI to start cutting rates in the third quarter of 2024-25 while three of them see "the window to cut rates opens up in Q3FY25. The incoming data, weather conditions in the advent of hotter summer months and global rate cut cycle would be key inputs in determining the policy action", said Achala P Jethmalani, economist, RBL Bank.

All respondents were unanimous in saying the RBI would continue with the "withdrawal of accommodation" stance.

RBI Governor Shaktikanta Das had said in the February meeting the stance was intricately tied to rates.

He said the MPC's stance of "withdrawal of accommodation" should be understood in the light of incomplete transmission and inflation persisting above the 4 percent target, along with the domestic rate-setting panel's concerted efforts to restore it to the target level on a durable basis.

Vikas Goel, managing director and chief executive officer, PNB Gilts, said: "The rationale the governor gave for the stance still exists

today. It's not that the lending rates have gone up. They have stayed where they were at the last MPC. Unless they (MPC members) have a change of mind on how they have defined the logic of the stance but if they go with the same definition or the same reasoning which they used at the last MPC, then they should continue with the same stance."

AI to help...

Or, if one has signed up for the PM Awas Yojana, one could be prompted to sign up for the Har Ghar Jal scheme too. "The goal," said the official, "is that no citizen should be unaware of the government schemes to which he or she is entitled. That is the next stage which we hope to roll out after the general elections."

Underlying the next phase of the expansion in public services is the success of the "India stack", a collection of digital public infrastructure such as digital identification, payments, and data management. The stack includes layers such as e-sign, digital locker, and Unified Payments Interface (UPI).

India has tied up with 10 countries for implementing the stack to include their citizens in various areas. "Twenty-two other countries also want to sign an MoU with India, but for that we have to expand our ecosystem," said the official.

On regulating the use of AI, the official acknowledged that while the technology had the potential to do a lot of good, it could also do harm.

"The cornerstone of our thinking is that we will move towards responsible and ethical AI, which implies a lot of self-governance, as my understanding of ethics could be very different from someone else's. That is why we are making it mandatory that every AI model and AI-powered platform should be safe and trustworthy for our users," he said.

In simple terms, says the official, "whether you are Google, ChatGPT, Meta, or Microsoft, you will be legally responsible for ensuring that users on the AI platform do not do anything criminal or impact its safety and trust".

"Basically, they will be responsible for any bias or incorrect training of their model. It is not the government's duty to be the arbiter between a person harmed and those who have harmed the person. It will be the court of law. Also, whether you call the platform a trial platform or a lab platform, the moment it is in the public domain and anyone is prejudiced, he or she can go to court."

