

# RBI unlikely to cut repo rate before Q2FY25: SBI report

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The Reserve Bank of India (RBI) is unlikely to cut the benchmark repo rate, which is currently 6.5 per cent, before the second quarter of 2024-25 (Q2FY25) under any circumstances, according to a report by State Bank of India (SBI).

The report, authored by SBI's Group Chief Economic Adviser Soumya Kanti Ghosh, said that the central bank would maintain a status quo in the upcoming monetary policy. The repo rate will be announced on 8 December.

The report constructed 4 scenarios of repo rates using artificial neural network (ANN) model of machine learning. The results showed that 6.5 per cent was now the new normal.

"Domestically, we believe at 6.50 per cent, we are in for a prolonged pause, no rate reversal cycle till June '24 stance," the report said. "We believe the stance should continue to be withdrawal of accommodation as inflation is unlikely to tread below 5 per cent in rest of the FY24; as amidst the structural



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change in liquidity is making its forecasting difficult, it should be looked at with a completely different prism," it added.

Between May 2022 and October 2023, the RBI has cumulatively increased rates by 250 basis points (bps). The repo rate was kept unchanged since the April review of the monetary policy.

As per the report, the growth was expected to remain resilient with risks mostly stemming from sources outside of India. Higher oil prices pushing up inflation, and

tighter global financial conditions are key risks weighing on currency inflation and growth dynamics. The overall credit of All Scheduled Commercial Banks (ASCBs) rose by 20.6 per cent year-on-year (Y-o-Y) as of November 17, 2023 compared to 16 per cent last year.

At the same time, Housing /Commercial Real Estate grew more than 35 per cent Y-o-Y and aviation clocked a growth of 67 per cent on-year. Credit to NBFC sector reported 22 per cent growth Y-o-Y.

"Overall, industry credit reported growth of 6 per cent. However, chemicals, metals, textiles, glass, and food processing reported double-digit growth. In infrastructure, roads reported 9 per cent growth while telecom and railway reported growth of 7 per cent each," the report added.

On the agricultural front, the wheat sowing deficit narrowed down to 5 per cent for the week of November 24. However, the sowing of major wheat, pulses and some oilseeds has seen a minor delay this year due to El Nino's adverse effects.

