

# Pause, not pivot: RBI gov

**DAS STRESSES INFLATION FIGHT; FM SAYS RBI MADE A GOOD CALL**

**FY24 INFLATION PROJECTION CUT TO 5.2%; GROWTH FORECAST AT 6.5%**

**MANOJIT SAHA**  
Mumbai, 6 April

The six-member monetary policy committee (MPC) of the Reserve Bank of India (RBI) on Thursday unanimously decided to keep the policy repo rate unchanged at 6.5 per cent but declined to concede that the rate cycle had peaked.

The move is a surprise because the markets were expecting another 25-basis point rate hike since the inflation rate based on the consumer price index in January and February was above 6 per cent, the higher end of the tolerance band of the central bank.

"It decided unanimously to keep the policy repo rate unchanged at 6.50 per cent in this meeting with readiness to act, should the situation so warrant," Governor Shaktikanta Das said while announcing the MPC's decision.

He started the post-policy media interaction, saying: "It's pause, not a pivot."

The central bank pressed the pause button even though its counterparts abroad are continuing to tighten monetary policy, although at a reduced pace. A large section of the market was expecting a long pause following a rate hike.

Except External Member Jayanth Varma, all other MPC members voted in favour of the stance, which was "to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth".

There was a slight change in words on the stance from previous policies, which read "to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth".

Das said since the inflation rate was above the target and given its current level, the present policy rate could still be regarded accommodative. "Hence the MPC decided to remain focused on withdrawal of accommodation." **Turn to Page 6**

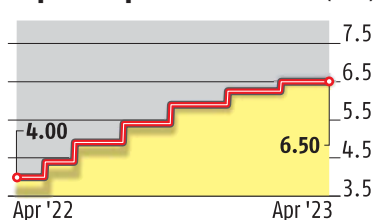


**Shaktikanta Das, RBI governor**

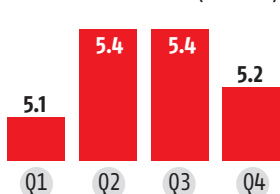
**MPC REMAINS WATCHFUL AND WILL NOT HESITATE TO TAKE FURTHER ACTIONS IN ITS FUTURE MEETINGS, AS MAY BE NECESSARY. SO THE JOB IS NOT YET FINISHED**

## THE FINE PRINT

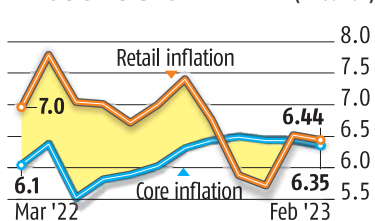
### Repo rate path (In %)



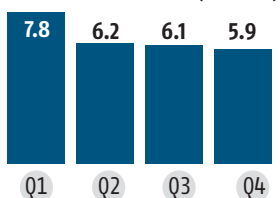
### Inflation projections for FY24 (In % YoY)



### Inflation trend (In % YoY)



### Real GDP growth estimates (In % YoY)



\*Inflation, GDP forecasts consider risks are evenly balanced  
Compiled by BS Research Bureau

Sources: Bloomberg, RBI

## UPI payments through pre-sanctioned bank credit soon

After allowing RuPay credit card to be linked to Unified Payments Interface, the RBI has proposed to expand the scope of the payments platform by enabling transfer to/from pre-sanctioned credit lines at banks **4**

## Realty, auto firms welcome MPC decision

Real estate and automotive companies welcomed the Reserve Bank of India's Monetary Policy Committee's (MPC's) decision. Executives said the decision showed that inflation had peaked and this would help corporates raise funds **5**

## Markets cheer RBI status quo; rise for 5th day

Benchmark indices Sensex and Nifty continued their winning run for the fifth day as RBI's surprise policy move to pause rate hikes boosted buying in interest rate-sensitive stocks **10**

## PAGE 4 BOND YIELDS SOFTEN AFTER THE PAUSE

## RBI GOES FOR A HAWKISH PAUSE, WRITES TAMAL BANDYOPADHYAY PAGE 5

## EDIT Pg AN UNEXPECTED PAUSE

# RBI...

Das kept emphasising the RBI's vigilance on inflation continued even if the inflation forecast for this fiscal year had been lowered, while the growth forecast was increased.

The inflation rate is now projected at 5.2 per cent for FY24, lowered from the 5.3 per cent, assuming an annual

average crude oil price (Indian basket) of \$85 per barrel.

The FY24 GDP forecast was raised a notch to 6.5 per cent as compared to 6.4 per cent projected earlier.

Real GDP growth for FY23 is seen at 7 per cent, which indicates the resilience of the Indian economy, Das said.

"Our job is not yet finished and the war against inflation has to continue until we see a durable decline in inflation closer to the target. We stand ready to act appropriately

and in time. We are confident that we are on the right track to bring down inflation to the target rate over the medium term," Das said.

Yet there is a view there could be a long pause from now.

"The RBI could go for 'the higher for longer' narrative -- staying on an extended pause in FY24 while tightening liquidity conditions. Therefore, short-term rates could remain under pressure over the coming months," said Abheek Barua, chief economist, HDFC Bank.

Rahul Bajoria, managing director and head of EM Asia (ex-China) economics, Barclays, said: "We now see the RBI on hold for the rest of FY24, with only a major upside inflation shock likely to stir back the bank into rate action."

Bond markets welcomed the central bank pause. The yield on the 10-year benchmark government bond declined 6 basis points to end the day at 7.20 per cent. The rupee appreciated by 11 paise due to weakness in the dollar index and corporate inflows. "No change in stance means the RBI is prepared to act if the need arises... Bond yields after an initial euphoria may oscillate in upcoming auctions," said Lakshmi Iyer, chief executive officer (investment and strategy), Kotak Investment Advisors.

The pause will bring relief to consumers, particularly home loan takers. "From a real estate market perspective, the sector has weathered multiple home loan interest rate increases from a low of 6.5 per cent to 8.75 per cent ...Therefore, a pause in any further rise in the lending rates should support the existing growth momentum in the housing sector," said Shishir Bajjal, chairman and

managing director, Knight Frank India.

The Sensex and the Nifty edged higher after the RBI's surprise decision.

Rate-sensitive sectors did well in Thursday's session. The S&P BSE Auto index was up 0.94 per cent, while the S&P BSE Realty index jumped 2.9 per cent, making it the biggest gainer among sector indices.

# Online games...

"Essentially, the rules only deal with (excluding) real-money games that involve wagering. By this process of exclusion, every other game is permissible. The real-money games that don't involve wagering, there are certain requirements of KYC before you can take money," said Minister of State for Electronics and Information Technology Rajeev Chandrasekhar.

All companies offering real-money games must have a physical contact address in India published on their website or application (app).

The rules define an online real-money game as an online game where a user deposits cash or kind with the expectation of earning winnings on that deposit. The gaming platforms will not be able to offer in-app financing by themselves through credit or other third-party services to play games offered by it.

The composition of an SRB includes experts from the online gaming industry, education, psychology, information and communications technology, and child rights organisations. It also must have a person from public policy or administration or law enforcement, to be nom-

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Easy:

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Solution

tomorrow

### HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9

