

# 'Cumulative impact of MPC actions over last one year is still unfolding'

**LEADING THE WAY.** India will remain among the fastest-growing large economies in 2023, says RBI Governor

Our Bureau  
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The cumulative impact of the Reserve Bank of India's monetary policy actions over the last one year is still unfolding and yet to materialise fully, according to Governor Shaktikanta Das.

He noted that while the RBI's inflation projection for FY24 is lower at 5.1 per cent, it would still be well above the target.

"According to our current assessment, the disinflation process is likely to be slow and protracted with convergence to the inflation target of 4 per cent being achieved over the medium term.

"Based on this realisation and with a view to assess the impact of past actions, we decided on a pause in the



RBI Governor Shaktikanta Das REUTERS

April and June 2023 meetings, but clarified unequivocally that this not a pivot - not a definitive change in policy direction," said Das in his opening plenary address at the Summer Meetings organised by Central Banking.

London. The Governor underscored that the RBI's approach towards maintaining the stability of the Indian financial system is integral to its conduct of monetary policy, as financial instabilities can undermine economic

growth and impede monetary policy transmission.

## FUTURE GUIDANCE

Recognising that explicit guidance in a rate-tightening cycle is inherently fraught with risks, the MPC has also eschewed from providing any future guidance on the timing and level of the terminal rate.

Referring to the monetary policy committee cumulatively raising the policy repo rate by 250 basis points between May 2022 and February 2023, from 4 per cent to 6.50 per cent, Das emphasised that "we acted in a timely manner and have calibrated the quantum of rate hike with the changing inflation outlook".

"In recent months, there are signs of some softening in inflation, with headline in-

flation easing to 4.25 per cent in May 2023 from the peak of 7.8 per cent in April 2022."

The Governor observed that the Indian economy has made rapid gains in openness, and has gradually integrated with the global economy over the years.

Consequently, it is getting increasingly exposed to the vagaries of global headwinds. "It is, however, pertinent to note that India's growth in the last few years is mainly driven by robust domestic demand, especially private consumption and investment amid global slowdown.

"Looking ahead, we expect real GDP to grow by 6.5 per cent during FY24. In all likelihood, India will remain among the fastest-growing large economies in 2023," he said.