

# CPI inflation to average 4.5% in FY25, says Das

## Growth to top 7%, predicts RBI governor at CII event in Davos

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Consumer price index-based inflation, the main yardstick for the Reserve Bank of India's policy making, is likely to average 4.5 per cent in the next financial year and gross domestic product (GDP) growth is likely to stay above 7 per cent, Governor Shaktikanta Das said on Wednesday.

"At this stage, our expectation is that the CPI inflation will average around 4.5 per cent in FY2024-25," Das said in a speech at an event organised by CII in Davos.

CPI inflation averaged 6.7 per cent in FY23, 5.5 per cent in FY22 and 6.2 per cent in FY21. In FY20, retail inflation averaged below 5 per cent, at 4.8 per cent. In the first nine months of the current financial year it has averaged 5.5 per cent.

Observing that headline inflation substantially eased from the elevated level seen in the summer of 2022, Das said price momentum was easing across core goods and services.

Retail inflation rose by 5.69 per cent in December, from 5.55 per cent in the previous month.

According to law, the RBI's inflation target is 4 per cent, with 2 per cent variation in both sides.

After increasing the key policy rates by 250 basis points

(bps) to 6.5 per cent between May 2022 and February 2023, the central bank paused in the next five policy review meetings. The next monetary policy review is scheduled in February.

Das said the repo increase of 250 bps, along with rebalancing of liquidity, was working. At the same time he warned that recurring food price shocks could put pressure on inflation.

"Going forward, the inflation outlook would be considerably influenced by

food prices, which remain uncertain. Recurring food price shocks could lead to de-anchoring of inflation expectations and generalisation of price pressures," he said.

He emphasised that monetary policy needs to be alert and remain actively disinflationary to steer inflation towards the target rate of 4 per cent on a durable basis. "As regards growth, my sense is that the GDP growth in India will touch 7 per cent in FY2024-25. I am saying this on the basis of strong momentum of economic activity seen in India. Consequently, growth would be 7 per cent and above for four consecutive years starting from FY2021-22," he said.

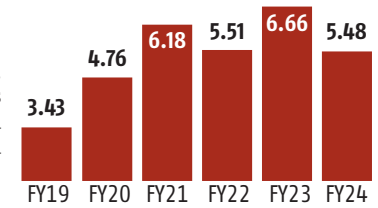
"As far as the Indian economy is concerned, it is now poised for a long haul of higher growth. With a confluence of factors in its favour, the confidence in India's prospects is at an all-time high," he said.

Das said the stability of the Indian rupee in the recent past was an indication of the strength of the Indian economy, particularly significant moderation in the current account deficit.

Commenting that the Indian rupee is a freely floating currency and its exchange rate is market

### STEADY RISE

Average CPI inflation (%)



Source: Bloomberg

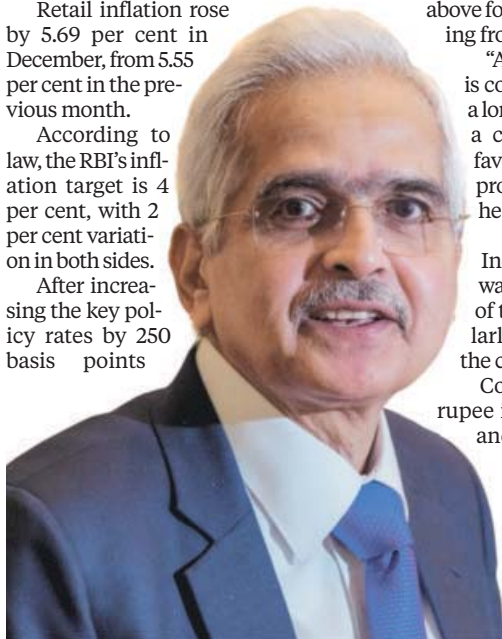
determined, he said labelling it in any other manner by cherry-picking time periods for analysis is not appropriate and grossly inconsistent with reality. "Multilateral institutions would do well to take a more nuanced and balanced view of the policy perspectives of the EMEs (emerging market economies)," he said.

He said domestic macroeconomic and systemic risks in India had declined and the improving balance sheets of financial institutions, together with prudent policies of the regulators, had strengthened the resilience of the financial system.

Das said India is currently the world's third largest fintech ecosystem in terms of the number of fintech entities operating in the country. The fintech adoption rate in India is 87 per cent, well above the global average of 67 per cent.

"Fintech market is projected to reach USD 150 billion by 2025, a significant leap from USD 50 billion in 2021," he said. In this context, he talked about the success of Unified Payments Interface which carried out 12 billion transactions in December.

Das also mentioned the central bank digital currency (CBDC) pilot that was launched in 2022 year-end, adding that 4 million customers had been onboarded so far.



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**SHAKTIKANTA DAS, GOVERNOR, RBI**