RBI may up FY25 GDP growth projection, lower inflation peg

LOOKING AHEAD. Economic growth seen robust at 7.4%, inflation a tad down at 4.4%

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The Reserve Bank of India (RBI) may bump up the FY25 real GDP projection by 40 basis points and lower retail inflation projection by a shade in its first bi-monthly monetary policy review of the new financial year, going by the central bank's in-house model.

RBI's economic research team has projected the economy to grow at a relatively faster clip of 7.4 per cent in FY25 versus 7 per cent projected in Governor Shaktikanta Das' latest bi-monthly monetary policy statement.

POSITIVE. High visibility of structural demand, healthier corporate and bank balance sheets may galvanise growth REUTERS

ROBUST GROWTH

The team also sees FY25 CPI (consumer price index) based inflation a tad lower at 4.4 per cent against 4.5 per cent projected in the statement. "Looking ahead to the next year, projections from the in-house Dynamic Stochastic General Equilibrium (DSGE) model suggest that the GDP growth is likely to remain robust at 7.4 per cent during 2024-25.

"The CPI inflation is projected to average 4.4 per cent during 2024-25, lower than 5.4 per cent projected for 2023- 24 with most of the decline occurring in H1:2024-25," officials said in an article "State of the Economy" in RBI's latest monthly bulletin.

In the February 2024 bi-monthly monetary policy review, real GDP growth for 2024-25 was projected at 7.0 per cent with Q1 (April-June) at 7.2 per cent; Q2 (July-September) at 6.8 per cent; Q3 (October-December) at 7.0 per cent; and Q4 (January-March) at 6.9 per cent, with the risks being evenly balanced.

Further, assuming a normal monsoon next year, CPI inflation for 2024-25 was projected at 4.5 per cent with Q1 at 5.0 per cent; Q2 at 4.0 per cent; Q3 at 4.6 per cent; and Q4 at 4.7 per cent, with the risks being evenly balanced.

In the latest monthly bulletin, RBI officials noted that the high visibility of structural demand and healthier corporate and bank balance sheets will likely be the galvanising forces for growth going forward.

On inflation, they noted that even as it is on the ebb with broad-based softening of core inflation, the repetitive incidence of short amplitude food price pressures deters a swifter fall in headline inflation towards the target of 4 per cent.