
RBI'S STATE OF THE ECONOMY REPORT

Durably aligning inflation with target far from assured

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Mumbai, 20 December

Dashing hope for any reduction in policy repo rate in the near future, the Reserve Bank of India's (RBI's) state of the economy report pointed out that a combination of factors poses a risk to inflation, and as a result, aligning inflation to the 4 per cent target is far from assured.

The target for the central bank is to maintain inflation at 4 per cent, with a band of 2 per cent on either side.

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KEY NOTES

- ▶ Growth to falter if inflation not sustained at target
- ▶ RBI projects inflation for the first three quarters of FY25 at 4.6%
- ▶ Households' inflation expectations still not settled
- ▶ Business and consumer confidence in the inflation outlook yet to turn optimistic

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IN OCT AT \$5.9 BILLION**

P4

sales have been in the 15,000-16,000 range across India. But we have some stocks of the old model in our yards," the dealer source said.

So, discounts are helping in liquidating the stocks. MG Motor is seeing discounts of ₹60,000-1 lakh. M&M dealers are offering discounts of ₹3.5-4 lakh on the XUV 400. "We are getting good orders for the XUV 400 now after the discounts," said a dealer.

Inflation...

The report said the softer inflation prints for September and October and the prolonged pause in the monetary policy stance have engendered a certain 'hypermetropia' among some stakeholders — 'an irrational long-sightedness' whereby inflation forecasts gravitating towards the 4 per cent target sometime in the distant future are sighted clearly whereas high near-term risks of spikes in inflation outcomes on the back of food volatility are blurred.

The report said monetary policy should have to respond if food inflation as a whole becomes lastingly elevated.

Such views imperil the conduct of monetary policy in the pursuit of its goal of durably aligning inflation with the target, the report commented while citing the RBI's projection of inflation, which is 5.6 per cent for the current quarter,

and 5.4 per cent for 2023-24. The RBI projects inflation for the first three quarters of 2024-

25 at 4.6 per cent.

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SOLUTION TO

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Solution tomorrow

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