



PHD CHAMBER  
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## PHD RESEARCH BUREAU PHD CHAMBER OF COMMERCE AND INDUSTRY

### Status quo on Repo Rate will boost Economic activity

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According to the Monetary Policy Statement, Status Quo on Repo Rate at 6.5% will boost economic activity and strengthen growth. CPI headline inflation moderated to 4.9 % in October, from 7.4 % in July. The moderation was observed in all components of CPI – food, fuel and core (CPI excluding food and fuel). The global economy continues to present a mixed picture. On the one hand, the odds of soft-landing have increased with inflation moving closer to the target and growth holding up better than expected in major advanced and emerging market economies. On the other hand, the ongoing global conflicts and the emergence of new flashpoints in different parts of the World, with disruptions in the Red Sea being the latest in the series, impart uncertainty to the global macroeconomic outlook.

The standing deposit facility (SDF) rate remains unchanged at 6.25 % and the marginal standing facility (MSF) rate and the Bank Rate at 6.75%.

As Hon'ble Governor's statement said:

“The Indian economy has performed remarkably well in the recent years. Growth is accelerating and outpacing most forecasts, while inflation is on a downward trajectory. At the current juncture, India's potential growth is propelled by structural drivers like improving physical infrastructure; development of World class digital and payments technology; ease of doing business; enhanced labor force participation; and improved quality of fiscal spending. “

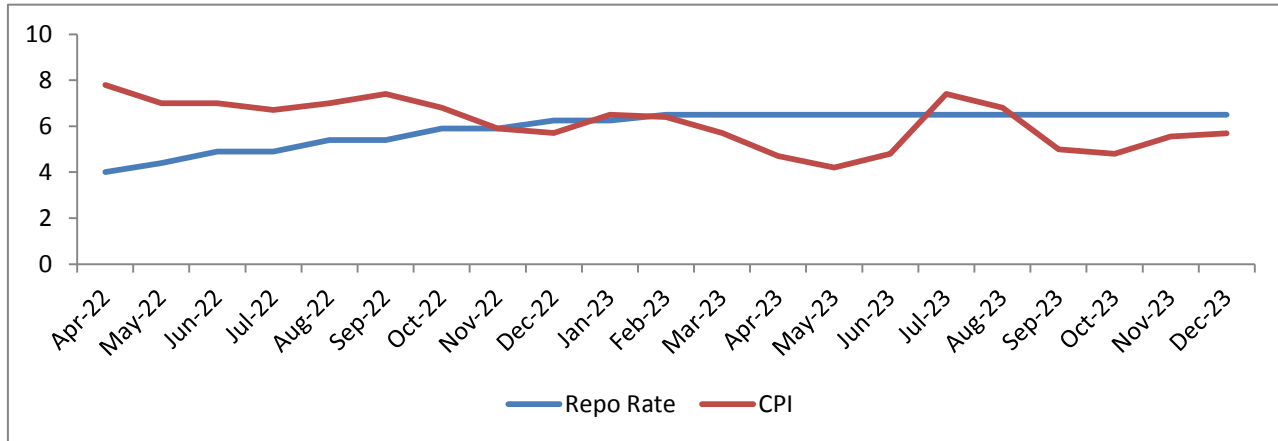
In a moment like this:

Domestic economic activity remains strong. Agricultural activity is holding up well despite lower rainfall, lower reservoir levels and delayed sowing. Industrial activity is gaining steam on the back of improving performance of manufacturing. The purchasing managers' index (PMI) for manufacturing is displaying expansion along with strengthening of future activity index. Investment cycle is gaining steam, aided by sustained thrust on government CAPEX; increasing capacity utilization; rising flow of resources to the commercial sector; and policy support from schemes such as production linked incentive (PLI).

### Repo Rate Interventions: Balancing of Inflation

The CPI was 7.8 % in April, 2022 and the repo rate was 4.0 % at the same time. The repo rate was increased to 6.5% from February 2023 and CPI Inflation decelerated from its peak of 7.8% in April 2022 to 6.8% in August 2023. In December 2023 CPI was 5.7% and Repo Rate was 6.5%.

### CPI and Repo Rate ( April, 2022 – December,2023)



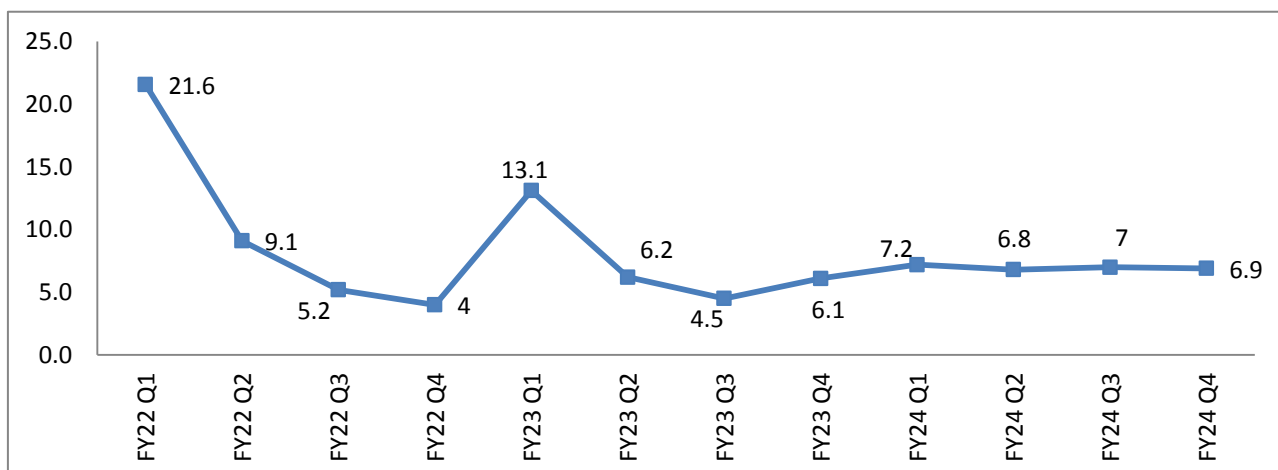
Source: PHD Research Bureau, PHDCCI, Complied from RBI

Headline inflation moderated to an average of 5.5 % during April-December 2023 from 6.7 % during 2022-23. Food price inflation, however, continued to impart considerable volatility to the inflation trajectory. In contrast, the deflation in CPI fuel deepened and core inflation (CPI inflation excluding food and fuel) moderated to a four-year low of 3.8 % in December. The decline in core inflation continued to be broad based with inflation remaining steady or softening across its constituent groups and sub-groups

### The Growth Projections So Far

Real GDP growth for 2024-25 is projected at 7.0 % with Q1 at 7.2 %; Q2 at 6.8 %; Q3 at 7.0 %; and Q4 at 6.9 %.

### Quarterly Real GDP Growth (y-o-y)



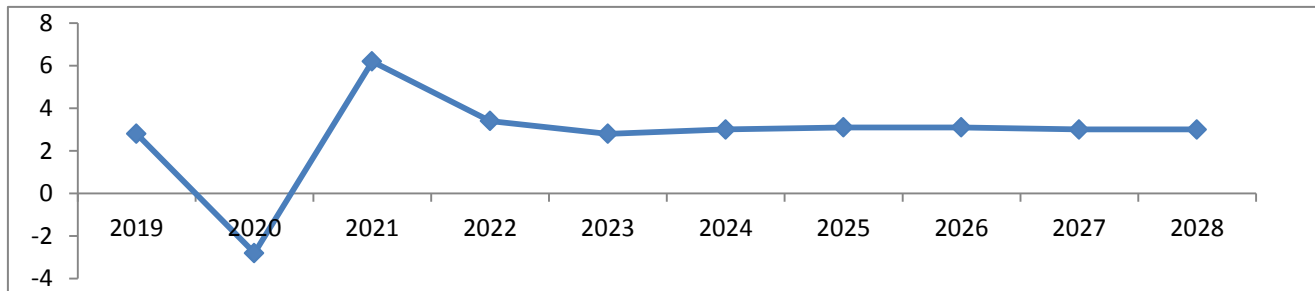
Source: PHD Research Bureau, PHDCCI, Complied from MOSPI and MPC Statement.

The momentum of India's overall economic activity continues to be firm. According to the latest data, the index of industrial production (IIP) grew at 2.4% in November 2023, core infra grew at 7.8% in November 2023, and India's foreign exchange reserves increased to about USD 620.4 billion.

## Global Growth Scenario

The global economy continues to remain fragile. World trade is decelerating amidst global tide of protectionism. Despite significant restoration of global supply chains, factors like elevated debt levels, lingering geopolitical hostilities and extreme weather conditions aggravate the risks to global growth and inflation outlook.

## Global Growth Estimates ( in %)



Source: PHD Research Bureau, Compiled from IMF, World Economic Outlook, October 2023

World economic growth had recovered sharply in 2021 at 6.3% from a low of (-) 2.8% in 2020, however, World economic growth again decelerated to 3.5% in 2022 and projected to decelerate further at 3.1% in 2023, 3.1% in 2024 and 3.2% in 2025, as stated by the IMF's World Economic Outlook, January 2024.

## Conclusions

Going ahead, continued economic reforms coupled with robust policy initiatives in India would further strengthen the economic fundamentals of the country to maintain steady economic growth trajectory in the coming years. Enhanced competitiveness of the Indian economy will attract more and more investments and help to create more employment opportunities for the growing young population in the country.

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