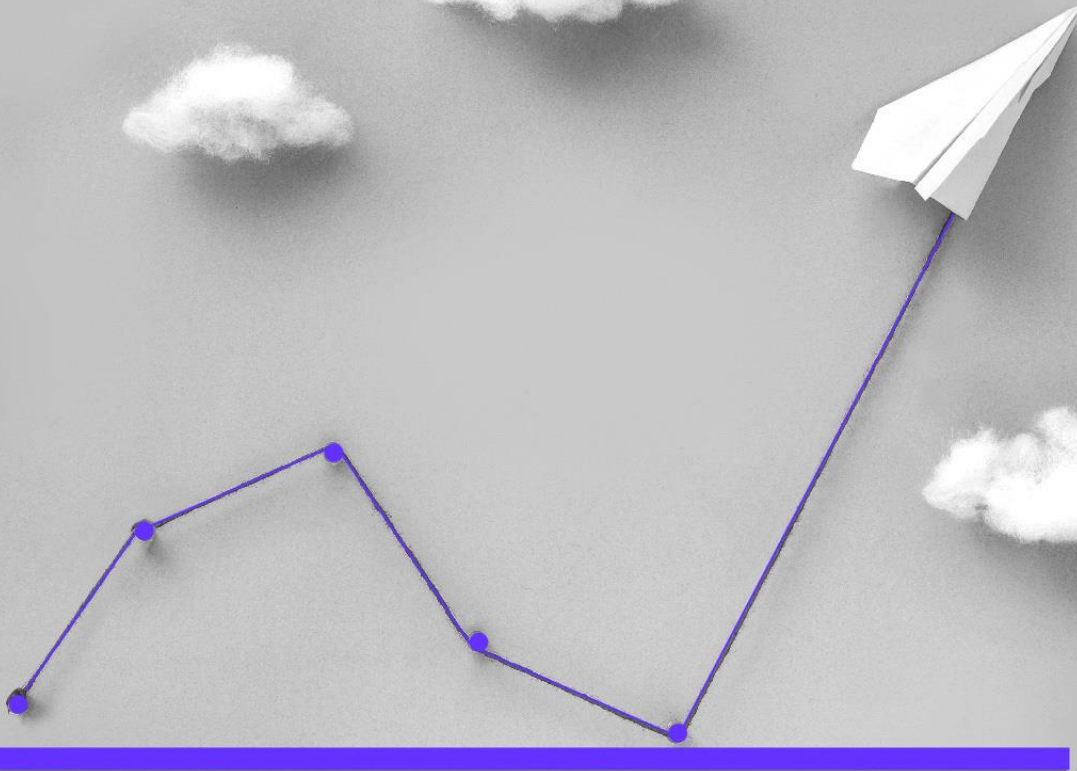


TRENDS & TIDES

**RBI MPC December 2023
maintains repo rate at 6.5%,
retains 'withdrawal of
accommodation' stance**



MPC maintains status quo as policy remains 'actively disinflationary'

MPC remains 'highly alert and prepared to undertake appropriate policy actions, as warranted'

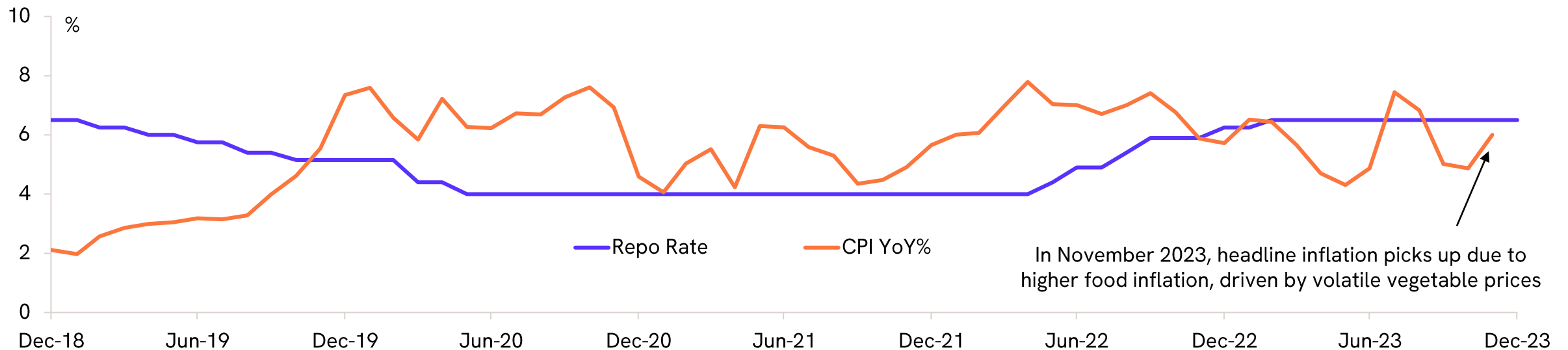
Monetary policy stance retained at 'focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth'

The Governor reiterates that **monetary policy must continue to be actively disinflationary to ensure fuller transmission and anchoring of inflation expectations**

The Governor also voiced **concerns about frequent and intense supply shocks becoming generalized**. However, the Governor emphasized that monetary policy would look through one-off shocks

Tight liquidity conditions due to currency leakage, government cash balances, and RBI market operations have prevented the need for undertaking OMO sales

The Governor notes that the recent pre-emptive measures implemented for banks and NBFCs aim to tackle potential risks and safeguard the resilience of the financial sector, emphasizing that financial stability is a public good

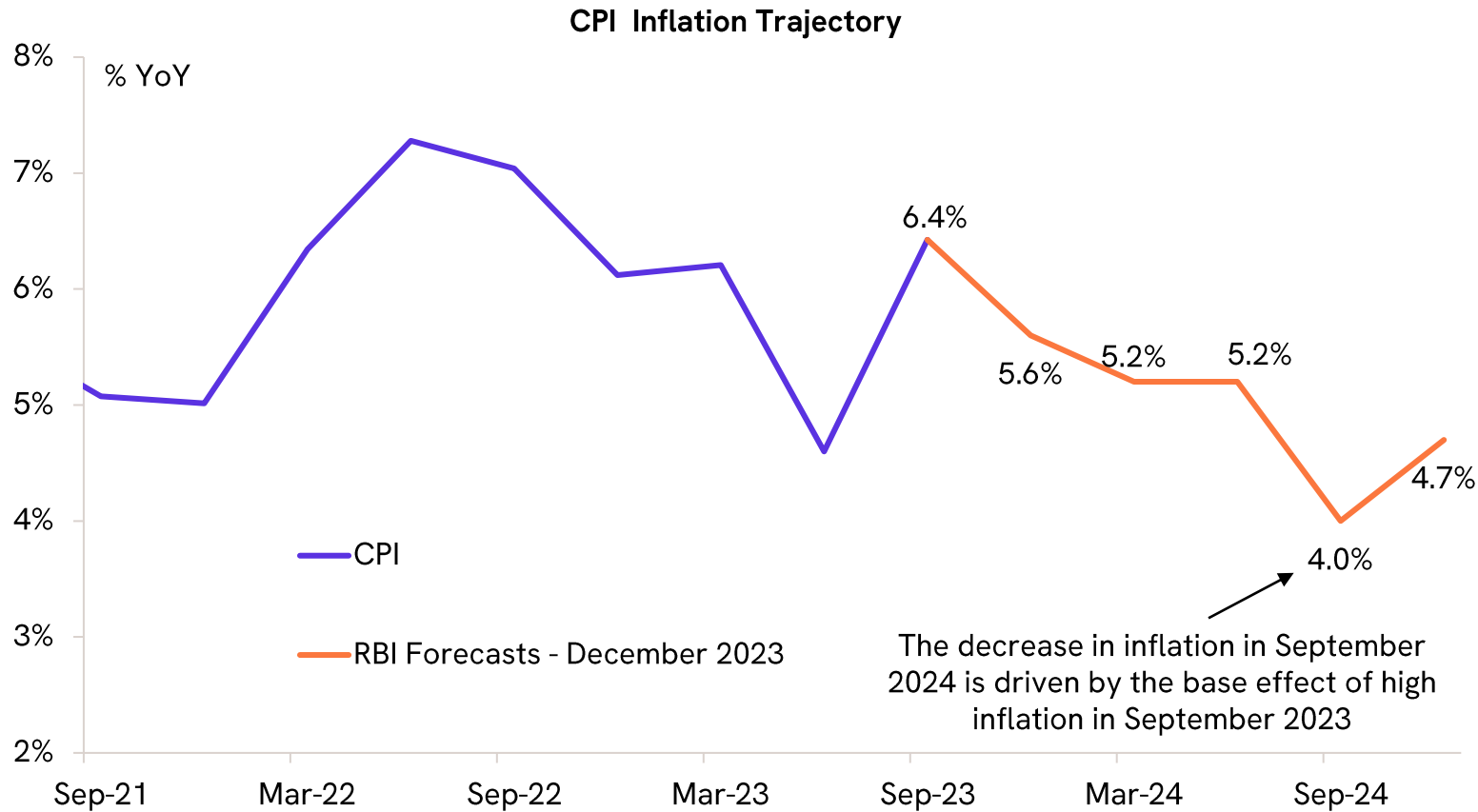


Source: MOSPI, RBI, 360 ONE Asset Research

Note: November 2023 CPI inflation internal forecast

FY24 inflation forecast retained at 5.4% YoY

MPC is concerned about food price shocks impeding disinflation, increasing volatility, and fostering price generalization



RBI inflation outlook:

Uncertainties in food prices along with unfavorable base effects likely to lead to a pick-up in headline inflation in November-December

Domestic food inflation unpredictability and volatility in crude oil prices pose risks to the inflation outlook

Adequate buffer stocks for cereals and a sharp moderation in international food prices, along with proactive supply-side interventions by the Government may keep food price pressures contained

Enterprise surveys indicate softer growth in input costs and selling prices for the manufacturing firms in Q4 relative to the previous quarter, while price pressures persist for services and infrastructure firms

Source: MOSPI, RBI, 360 ONE Asset Research

RBI raises FY24 GDP growth forecast to 7% YoY, up 50 bps from Oct

Improved momentum in investment demand, along with business and consumer optimism to support economic activity

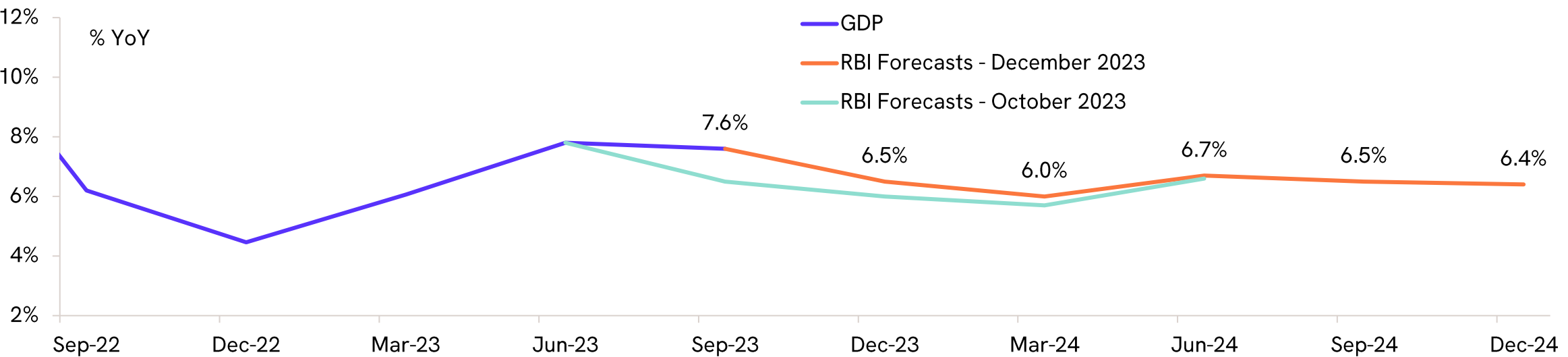
RBI growth outlook:

The continued strengthening of manufacturing activity, buoyancy in construction, and a gradual recovery in the rural sector are expected to brighten the prospects of household consumption

The healthy balance sheets of banks and corporates, supply chain normalization, improving business optimism, and an increase in public and private capex are expected to bolster investment going forward

The drag from external demand is expected to moderate with improvement in exports

Headwinds from the geopolitical turmoil, volatility in international financial markets and geoeconomic fragmentation pose risks to the outlook

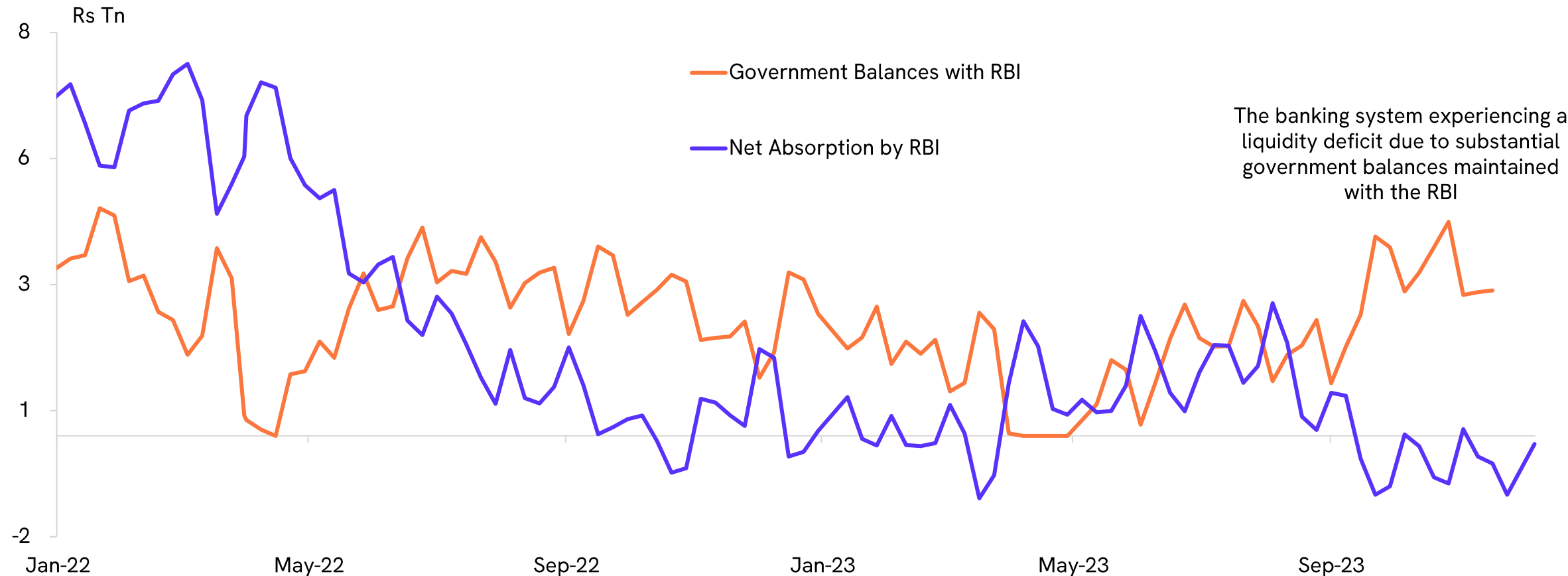


Source: MOSPI, RBI, 360 ONE Asset Research

Liquidity conditions remain tight on large government balances

Liquidity to improve as the government spends and draws down balances, but RBI may announce OMOs to counteract

Banking System Liquidity - Surplus(+)/Deficit(-) & Government Balances with RBI



Source: CMIE, 360 ONE Asset Research

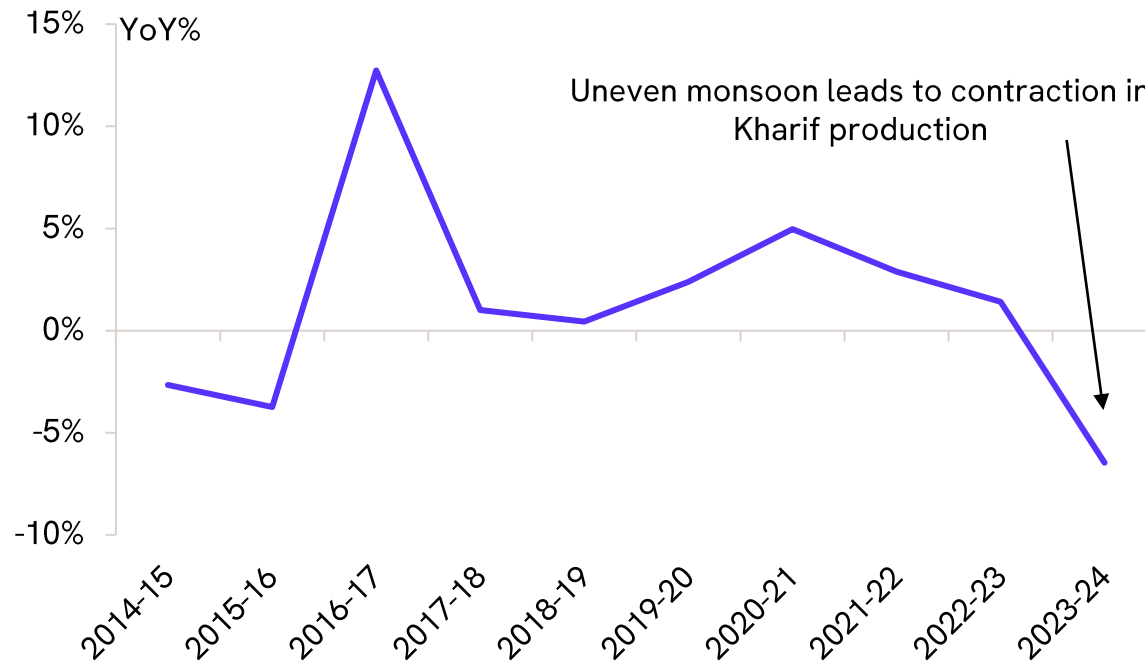
Outlook: RBI is likely to maintain a pause until the June 2024 policy

Weak Kharif production and volatile food prices pose upside risks to the inflation trajectory

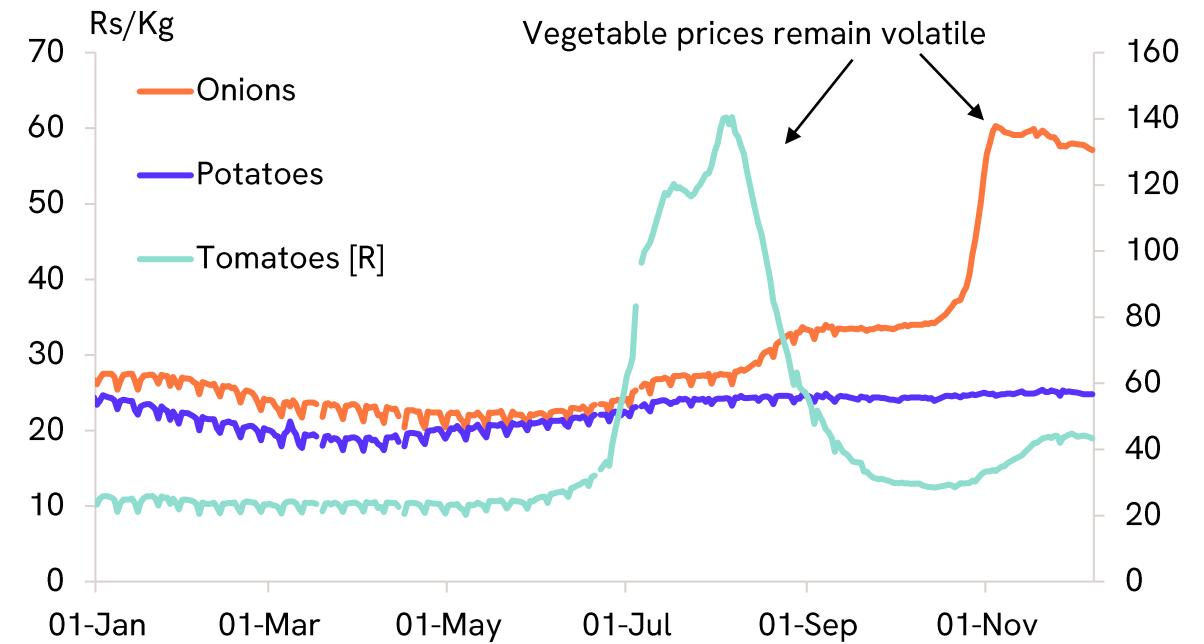
RBI MPC expected to maintain a prolonged pause until there is visibility of inflation durably aligning with the 4% target

RBI likely to maintain liquidity close to neutral levels due to financial stability and inflationary risks associated with excess liquidity. As indicated in the last policy, OMO sales may be employed to reduce excess liquidity as and when required

Kharif Production (1st Advance Estimates)



Vegetables - Daily Retail Prices



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