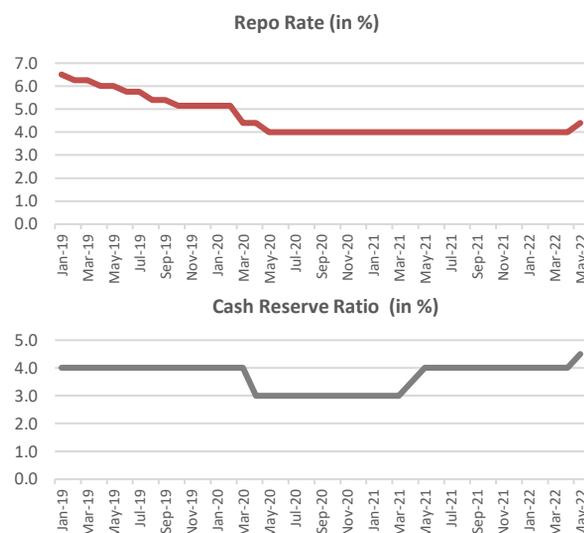


RBI hikes repo rate by 40 bps to 4.40%

- ❖ Policy repo rate under the liquidity adjustment facility (LAF) increased by 40 bps to 4.40 per cent
- ❖ Standing deposit facility (SDF) rate stands adjusted to 4.15 per cent
- ❖ Marginal Standing Facility (MSF) rate and the Bank Rate stand adjusted to 4.65 per cent
- ❖ Cash Reserve Ratio hiked by 50 bps to 4.50 percent
- ❖ Monetary Policy Committee decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth



RBI emphasized that inflation outlook warrants a timely response to ensure that the second round effects of supply side shocks on the economy are contained and long-term inflation expectations are anchored. Monetary policy response at this juncture would help to preserve macro-financial stability. Monetary policy remains accommodative and to focus on a calibrated withdrawal of pandemic-related extraordinary accommodation, keeping in mind the inflation-growth dynamics.

RBI's Outlook on GDP Growth

Upsides

- ✓ Rebound in domestic economic activity becoming broad-based
- ✓ Private consumption is regaining traction backed by a recuperating contact-intensive services and rising discretionary spending
- ✓ Forecast of a normal southwest monsoon in 2022 should support rural consumption
- ✓ Signs of revival in the investment cycle.
- ✓ Buoyant export growth

Downsides

- ✓ Global spillovers likely from escalating geopolitical tensions
- ✓ Elevated commodity prices
- ✓ COVID-19 related lockdowns or restrictions in some major economies
- ✓ Slowing external demand
- ✓ Tightening global financial conditions on the back of monetary policy normalization in advanced economies

RBI's Outlook on Inflation

Inflationary pressures to remain tilted to the upside

- ✓ Food inflation to remain elevated due to the impact of adverse spillovers from unprecedented high global food prices. Food price indices of the Food and Agriculture Organisation (FAO) and the World Bank at historical highs in March 2022
- ✓ Prices of edible oils to firm up further due to export restrictions by key producing countries and the loss of sunflower oil output amid the war
- ✓ Elevated feed costs translating into rising in poultry, milk and dairy product prices
- ✓ International crude oil prices continue to hover above US\$ 100 per barrel. Direct impact of increases in domestic pump prices of petroleum products – beginning the second fortnight of March – is feeding into core inflation prints and is expected to have intensified in April
- ✓ Risks of unprecedented input cost pressures translating into another round of price increases for processed food, non-food manufactured products and services remain more potent than before

Source: RBI's Monetary Policy Statement, May 4, 2022