

**RBI Policy Comment**

**Mumbai, April 05, 2024:** Given the recent global resilience in economic activity, there has been a tendency to keep monetary policy tight to take on the last mile challenge on inflation by global central banks. The RBI seems to be moving in lock step with that. Despite its emphasis that inflation is moderating, the RBI kept its policy rate and stance unchanged in today's policy announcement. The central bank remained optimistic on growth – pegging it at 7% for FY25 – and said this provides space for monetary policy to remain tight and focus on inflation. Consequently, the chances of a rate cut have been pushed forward into the second half of FY25.

The RBI also reiterated its preference for a stable rupee and therefore significant depreciation due to recent global volatility seems unlikely. On the other hand, the RBI also signalled that it has enough appetite for building FX reserves and therefore expected rupee appreciation in the coming quarters (due to bond inflows among other things) could also face resistance.

On the regulatory front, the announcement of a review of the LCR framework considering the volatility in deposits due to the 24\*7 transfer facility is a welcome step. Details on the same are awaited.