



## PREVIEW: RBI Rate Decision Scheduled for Friday 6th December 2024 at 04:30GMT/23:30EST

- RBI is expected to keep the Repurchase Rate unchanged at 6.50% when it concludes its 3-day policy meeting on Friday.
- RBI switched to a neutral stance at the last meeting which was seen to pave the way for a cut.
- Recent rhetoric from the central bank points to a lack of urgency to act.

**OVERVIEW:** The RBI will conclude its 3-day policy meeting on Friday where the central bank is widely expected to keep rates unchanged as a recent Reuters poll showed 62 out of 67 economists expect the RBI to keep the Repurchase Rate unchanged at the current level of 6.50% and the rest expect a 25bps cut which is a considerable shift from a survey conducted in the latter half of October that showed a near-even split between a hold and a 25bps cut for the December meeting.

**RBI SWITCHED TO A NEUTRAL STANCE AT THE LAST MEETING WHICH WAS SEEN TO PAVE THE WAY FOR A CUT:** As a reminder, the central bank unsurprisingly kept the Repurchase Rate unchanged at 6.50% via a 5-1 vote (prev. 4-2) and unanimously decided to switch to a neutral stance from a previous stance of remaining focused on the withdrawal of accommodation which was seen as paving the way for future cuts. Governor Das stated during the policy address that a moderation in headline inflation was expected to reverse in September and will remain elevated in the near term, while food inflation pressures could see some easing later in the year and the MPC is to remain watchful of the evolving outlook in coming months. Furthermore, he stated that there is difficulty in navigating the last mile of disinflation and suggested they continue to face significant risks to inflation. The minutes from the meeting revealed that Das noted the outlook for headline inflation towards the later part of the year and early next year pointed to a further alignment with the 4% target, while he stated that they cannot risk another bout of inflation and the best approach now would be to remain flexible and wait for more evidence of inflation aligning durably with the target. The minutes also provided some insight into the thinking of the MPC's three new external members including Nagesh Kumar who was the lone dissenter at the meeting and voted for a 25bps cut as he believed it was an opportune moment for the RBI to start the process of normalising monetary policy and suggested that as inflationary expectations have been successfully anchored, and industrial demand in both domestic and export markets is flagging, a rate cut could help to revive demand and help boost private investment.

**RECENT CENTRAL BANK RHETORIC AND DATA SUPPORT THE CASE FOR A PAUSE:** The recent rhetoric from the central bank points to a lack of urgency to act as Governor Das stated that the change in stance provides greater flexibility and optionality to act in sync with the evolving outlook. Although he had also noted there are significant upside risks for inflation and that the change in policy stance doesn't mean there will be a rate cut in the very next meeting, while he also flagged the October inflation print is going to be very high and higher than the September number. Furthermore, Das stated that a rate cut at this stage would be premature and risky, while he was relatively tight-lipped after Commerce Minister Goyal called for interest rate cuts to stimulate economic growth and suggested food price inflation should not play a role in the RBI interest rate decisions, with Das responding that he would reserve his remarks until the December monetary policy review. The recent rhetoric suggests the unlikelihood of a cut at the upcoming meeting, while a weak currency which recently hit fresh record lows against the dollar and prompted several touted interventions could also compel the central bank to refrain from cutting rates. Furthermore, data also supports the case for a pause as CPI Inflation YY for October rose to outside the central bank's 2-6% tolerance range at 6.21% vs. Exp. 5.81% (Prev. 5.49%) and Industrial Production YY in September rebounded to 3.1% vs. Exp. 2.5% (Prev. -0.1%).

**ANNOUNCEMENT:** The announcement is scheduled on Friday at 04.30GMT/23.30EST where the initial focus will be on whether the central bank maintains its rates and its neutral stance which is the likely scenario. Participants will also scrutinise the comments from RBI Governor Das's policy address for any clues of when rates will be cut.

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