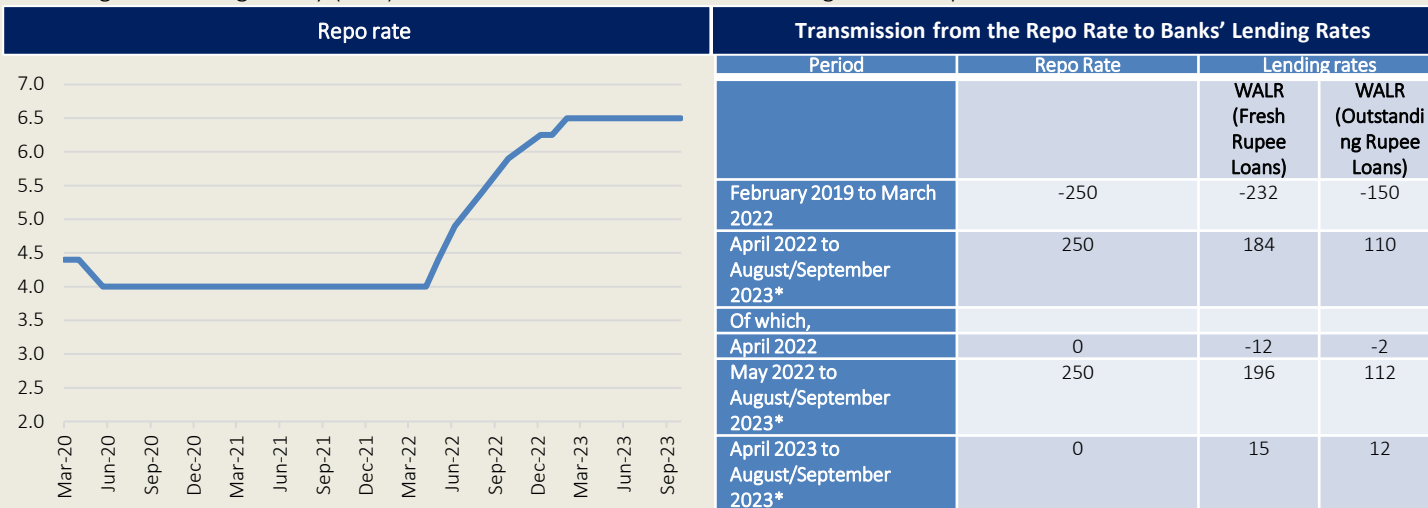


Fact Sheet: Monetary Policy

October 2023

RBI keep repo rate unchanged at 6.50%

- ❖ Policy repo rate under the liquidity adjustment facility (LAF) remains unchanged at 6.50 per cent
- ❖ Standing deposit facility (SDF) rate stands remains unchanged at 6.25 per cent
- ❖ Marginal Standing Facility (MSF) rate and the Bank Rate remains unchanged at 6.75 per cent



RBI's Guidance on Growth & Inflation

	Gross Domestic Product (in %)					Consumer Price Index (in %)				
	FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
August 2023 Monetary Policy	6.5	6.5	6.0	5.7	6.6	5.4	6.2	5.7	5.2	5.2
October 2023 Monetary Policy	6.5	6.5	6.0	5.7	6.6	5.4	6.4	5.6	5.2	5.2
Change from Previous Policy	Unchanged					Unchanged	Increase	Decline	Unchanged	Unchanged

GROWTH OUTLOOK

INFLATION OUTLOOK

GROWTH OUTLOOK		INFLATION OUTLOOK	
Upsides	Downsides	Upsides	Downsides
<ul style="list-style-type: none"> ✓ Sustained buoyancy in services ✓ Revival in rural demand ✓ Consumer and business optimism ✓ Government's push to capex ✓ Healthy balance sheets of banks and corporates 	<ul style="list-style-type: none"> ✓ Persistent geopolitical tension ✓ Global economic slowdown ✓ Volatile financial markets ✓ Erratic energy prices ✓ Climate shocks 	<ul style="list-style-type: none"> ✓ Lower sown area under pulses - El-nino impact on food production ✓ Dip in reservoir levels ✓ Volatile global energy and food prices 	<ul style="list-style-type: none"> ✓ Reduced vegetable and LPG prices. ✓ Deflationary core inflation

Source: RBI's Monetary Policy Statement, October 6, 2023 & Monetary Policy Report, October 2023
 *Latest data on Weighted Average Lending Rate (WALR) pertain to August 2023

Monetary Policy - Global Developments

Monetary Policy Committees and Policy Rate Voting Patterns					Central Bank Policy Rates						
Country	Policy Meetings: April 2023 – September 2023								Philippine	Thailand	South Africa
	Total meetings	Meetings with full consensus	Meetings without full consensus	Variation in policy rate (basis points)							
Brazil	4	3	1	-100	Apr-23	13.75	3.65	5.75	6.25	1.75	7.75
Chile	5	4	1	-175	May-23	13.75	3.65	5.75	6.25	1.75	8.25
Colombia	4	2	2	25	Jun-23	13.75	3.55	5.75	6.25	2.00	8.25
Czech Republic	4	2	2	0	Jul-23	13.75	3.55	5.75	6.25	2.00	8.25
Hungary	6	6	0	0	Aug-23	13.25	3.45	5.75	6.25	2.25	8.25
India	3	3	0	0	Sep-23	12.75	3.45	5.75	6.25	2.50	8.25
Japan	4	4	0	0			Canada	UK	Japan	US	Euro Area
South Africa	3	1	2	50	Apr-23	4.50	4.25	-0.1	4.875	3.50	
Sweden	3	2	1	100	May-23	4.50	4.50	-0.1	5.125	3.75	
Thailand	3	3	0	75	Jun-23	4.75	5.00	-0.1	5.125	4.00	
UK	4	0	4	100	Jul-23	5.00	5.00	-0.1	5.375	4.00	
US	4	4	0	50	Aug-23	5.00	5.25	-0.1	5.375	4.25	
					Sep-23	5.00	5.25	-0.1	5.375	4.50	

Source: RBI Monetary Policy Report, October 2023, Bank of International Settlements

Developmental & Regulatory Announcements

Regulation

Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation

With a view to strengthen the extant regulatory framework governing project finance and to harmonise the instructions across all regulated entities, the extant prudential norms for projects under implementation have been reviewed. A comprehensive regulatory framework applicable for all regulated entities is now proposed to be issued. Detailed draft guidelines to be released for public comments.

Credit Concentration Norms – Credit Risk Transfer

The extant guidelines on Large Exposure Framework for Non-Banking Financial Company - Upper Layer (NBFC-UL) permits exposures to the original counterparty to be offset with certain credit risk transfer instruments. However, the extant credit concentration norms for NBFC in the Middle Layer (ML) and Base Layer (BL) do not explicitly envisage any such mechanism. With a view to harmonize the aforesaid norms among NBFCs, it has been decided to permit NBFCs in the ML and BL as well, to offset their exposures with eligible credit risk transfer instruments. The instructions in this regard to be issued shortly.

Gold Loan – Bullet Repayment Scheme – UCBs

It has been decided to increase the existing limit for Gold Loans under the Bullet Repayment scheme from ₹2 lakh to ₹4 lakh in respect of Urban Co-operative Banks (UCBs) who have met the overall target and sub-targets under the Priority Sector Lending (PSL) as on March 31, 2023. This measure is in pursuance of our earlier announcement that suitable incentives shall be provided to UCBs that have met the prescribed PSL targets as on March 31, 2023. These banks will be required to continue to meet the targets and sub-targets thereafter. Detailed guidelines on the matter to be issued separately.

Framework for Recognition of SROs for Regulated Entities (REs) of Reserve Bank

Self-Regulatory Organisations (SROs) can play an important role in strengthening compliance culture among their members and also provide a consultative platform with the Reserve Bank for policy making. Therefore, it has been decided to issue a draft omnibus framework for recognising SROs for various categories of Regulated Entities (REs) of the Reserve Bank for stakeholder comments. Additional sector specific conditions may also be prescribed at the time of calling for applications.

Source: RBI's Statement on Developmental and Regulatory Policies, October 6, 2023, Governor's Statement

Payment Systems

Payments Infrastructure Development Fund – Extension of Scheme and Inclusion of PM Vishwakarma Scheme Beneficiaries

Since its launch in January 2021, the Payments Infrastructure Development Fund (PIDF) Scheme has enabled over 2.66 crore new payment touch points across the country. It has been decided to extend the scheme by two years, i.e., up to December 31, 2025. The coverage of PIDF scheme is also being expanded (i) to include the beneficiaries of PM Vishwakarma Scheme; and (ii) to deploy emerging modes of payment acceptance, such as soundbox and Aadhaar-enabled biometric payment acceptance devices. These measures will further accelerate the Reserve Bank's efforts to promote digital payments at the grass root level.

Introducing new channels for Card-on-File Tokenisation

RBI introduced Card-on-File Tokenisation (CoFT) in September 2021 and began implementation from October 1, 2022. So far, over 56 crore tokens have been created on which transactions with value of over ₹5 lakh crore have been undertaken. Tokenisation has improved transaction security and transaction approval rate. At present, Card-on-File(CoF) token can only be created through merchant's application or webpage. It is now proposed to introduce CoF token creation facilities directly at the issuer bank level. This measure will enhance convenience for cardholders to get tokens created and linked to their existing accounts with various ecommerce applications. Instructions in this regard to be issued separately.

Consumer Protection

Master Direction on Internal Ombudsman mechanism in Regulated Entities

At present, the Internal Ombudsman (IO) framework in regulated entities comprises of separate guidelines for select Scheduled Commercial Banks (SCBs), Non-Bank issuers of Prepaid Payment Instruments (PPIs), NBFCs; and all Credit Information Companies (CICs). These guidelines have similar design features but vary in certain operational aspects. It has been decided to effect certain changes and also consolidate and harmonise the IO guidelines into a single master direction. This will further strengthen the customer grievance redress system of the regulated entities.

Source: RBI Statement on Developmental and Regulatory Policies, October 6, 2023, Governor's Statement

FICCI's Comments

In line with the expectations, the Reserve Bank of India kept the repo rate unchanged while emphasizing on withdrawal of accommodation. Inflation with its uncertain course remains a concern. Nonetheless, a watchful approach and timely interventions by the Government and the Central Bank have been quite effective. Inflation seems to have peaked, and a correction in prices over the near term looks probable.

In line with the monetary policy committee's observation on recurring food price shocks impinging on inflation trajectory and imparting persistence, FICCI would like to reiterate that from a medium to long term perspective, de-risking the food supply chains from weather-related disruptions should be a priority. There is a need for a comprehensive roadmap and coordinated action at multiple levels to manage the price situation.

FICCI looks forward to the draft omnibus framework for recognising Self-Regulatory Organizations for various Regulated Entities of the Reserve Bank of India for stakeholder comments. This is a welcome step and has been a key ask from FICCI. Also, the extension of Payments Infrastructure Development Fund Scheme by two years and its expansion to include the beneficiaries of PM Vishwakarma Scheme are positive announcements.