

- **RBI MPC Dec'24 minutes show divide between dissenters and others; broad focus remains on containing inflation to boost growth**

The December MPC was significant as it was the last policy headed by RBI Governor Shaktikanta Das, with the market widely expecting status quo on rates due to high inflation. There were expectations of some policy measures on the liquidity front, with the RBI delivering a 50bps CRR cut. In Dec'24, the number of dissenters increased to two from one in Oct'24 policy, with Dr. Nagesh Kumar and Prof. Ram Singh (both are government nominees) voting to reduce the policy repo rate by 25 bps. The minutes show a clear divide between the dissenters and other MPC members. The dissenters maintained their focus on growth and believe that monetary policy may not be able to tackle the supply-side inflation. However, the other MPC members (especially from RBI) asserted "a durable reduction in inflationary pressures that can rekindle the impulses of growth in a sustained manner (Patra)". High inflation reduces the purchasing power of both rural and urban consumers and may adversely impact private consumption. "Without addressing this core (inflation) issue, it would not be possible to foster sustainable growth (Das)". Most of them see the slip in Q2 FY25 GDP growth as a blip and expect revival in growth in H2 FY25 to meet MPC's 6.6% growth forecast. The recent spike in inflation highlights the continuing risks of multiple and overlapping shocks to the inflation outlook and expectations. Consequently, the MPC needs to remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth. They are of the view that the current period of global macro and policy uncertainty demands prudence and practicality along with a conservative approach in policy decisions.

Overall, the MPC broadly remains committed to restoring the balance between inflation and growth in the overall interest of the economy. We maintain our call for start of a shallow 50bps rate cut cycle from Feb'25. On balance, we believe, FX pressures along with sustained inflation may limit degrees of freedom for monetary policy easing. In this regard, with Rupee breaching the 85 threshold, risks of delay in rate cuts is rising.

Please find below the key statements by members (paraphrased) for kind perusal:

Dr. Kumar was of the view that a rate cut would help in reviving economic growth without worsening the inflationary situation, which may soften with seasonal correction in prices. Monetary policy, being a demand management tool, has limitations in addressing inflation largely driven by a supply-side shock driving up vegetable prices. Moreover, most of the central banks globally have embarked on an easing cycle in recent months. India risks currency appreciation if we do not follow the process of normalisation when most others have moved forward.

Prof. Singh was of the view that the present situation of significantly slower growth without material changes in the prospects for inflation requires shifting the pivot of monetary policy to a counter-cyclical mode. A persistent decrease in the core inflation during the last 7-8 quarters, combined with the slowdown in growth rate, suggests that the difference between the actual and potential growth rate is increasing. A rate cut will reduce the costs of doing business and increase the opportunity cost of holding on to cash for firms and companies.

Shri Saugata Bhattacharya expects a revival in Q3 growth outlook consistent with its FY25 GDP 6.6% forecast. Both data and surveys also point to expectations of an improving growth - inflation balance in the second half of FY25. Globally, prices of edible oils have risen sharply. Prices of other agri-related inputs like non-edible oils have also increased. Core inflation has also started to creep up. Various surveys also suggest that prices of non-farm inputs have risen and are expected to remain elevated; so are services prices.

Dr. Rajiv Ranjan stated that the inflation-growth balance has turned adverse since October policy. At this juncture, confirmation of durable softening of inflation in the coming months is important. The critical factor would be the ongoing rabi season which will give us the clarity about the expected correction in food prices. We also need to be sure that the moderation in growth in Q2 was just one-off and the economy will recover on projected lines. In this context, sequencing and timing of measures are very important for its effectiveness as witnessed during the pandemic time easing and post pandemic tightening.

Dr. Michael Debabrata Patra: It is a durable reduction in inflationary pressures that can rekindle the impulses of growth in a sustained manner. The expected winter easing of food prices may provide the turning point. With the prospects for private consumption expected to improve over the rest of the year, the key is to get investment going, since exports are hostage to a difficult external environment. The monetary policy stance is open to support growth, but it must await the ebbing of inflation on a durable basis or else the uneven progress made so far in disinflation will get dissipated.

Shri Shaktikanta Das assessed that the gains achieved so far in the broad direction of disinflation need to be preserved, while closely monitoring the evolving outlook of both inflation and growth. The policy priority at this critical juncture has to be on restoring the inflation-growth balance. The fundamental requirement now is to bring down inflation and align it with the target. Lower inflation will enhance disposable income with households and increase their purchasing power. Such an approach would support consumption and investment demand. Without addressing this core issue, it would not be possible to foster sustainable growth.

- **Trade deficit in Nov'24 shocks market expectations; November WPI cools to 1.9% on slide in food prices**

Merchandise trade deficit clocked to all-time high levels of \$37.84bln in Nov'24 vis-a-vis our estimate of \$25.12bln (Market consensus: \$23.9bln). One-offs in trade data have started to become frequent this year which is a cause for concern. In October, it was oil while in November, gold was the key driver of trade data shocker. Apart from gold, we saw some widening in non-oil non-gold sub segment as well (led by bulky machinery imports) even as lower oil prices helped via narrowing in oil deficit. (Refer our report: [Trade deficit shocks to \\$38bln; we revise FY25 C/A deficit to 1.2% vs 0.9%](#)). The adverse impact seen FYTD leads to revise our FY25 C/A deficit at 1.2% of GDP from 0.9% earlier. **Wholesale Price Index (WPI)** settles down at 1.9% (y/y) in Nov'24, lower from 2.4% in previous month, mainly driven by cooling down of food prices. Going forward, trends in WPI are largely driven by seasonal food price correction. However, edible oil prices are still suspected to add to food price pressures. Meanwhile, the subdued commodity prices are favourable from inflation perspective even as impact may be offset partly by rupee depreciation.

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Economy Dashboard

MACRO-ECONOMIC DASHBOARD														
Industrial Sector	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
IIP (YoY Gr%)	11.89	2.47	4.39	4.21	5.60	5.47	5.19	6.25	4.93	4.98	-0.07	3.09	3.45	
Mining (YoY Gr%)	13.14	7.01	5.20	6.02	8.13	1.30	6.77	6.56	10.30	3.75	-4.29	0.18	0.86	
Manufacturing (YoY Gr%)	10.58	1.31	4.62	3.64	4.94	5.90	4.18	5.10	3.53	4.71	1.11	3.89	4.08	
Electricity (YoY Gr%)	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58	7.94	-3.72	0.49	1.96	
Core Infra Growth (YoY Gr%)	12.68	7.89	5.08	4.16	7.06	6.25	6.94	6.86	5.00	6.27	-1.58	2.37	3.13	
Cement Production (YoY Gr%)	16.95	-4.75	3.84	4.06	7.82	10.58	0.16	-0.63	1.79	5.12	-3.02	7.22	3.25	
Steel Production (YoY Gr%)	13.59	9.74	8.28	9.17	9.44	7.53	9.83	8.94	6.31	6.99	3.88	1.56	4.17	
Petroleum Products (YoY Gr%)	4.29	12.36	4.09	-4.30	2.63	1.59	3.92	0.50	-1.54	6.62	-1.03	5.76	5.20	
Fertilizers Production (YoY Gr%)	5.33	3.33	5.85	-0.59	-9.50	-1.27	-0.76	-1.66	2.45	5.31	3.15	1.89	0.37	
Coal Production (YoY Gr%)	18.38	10.87	10.79	10.57	11.57	8.70	7.51	10.20	14.78	6.82	-8.05	2.64	7.76	
Capital Goods Production (YoY Gr%)	21.67	-1.11	3.70	3.24	1.72	6.99	2.81	2.63	3.63	11.66	0.47	3.55	3.11	
PMI Manufacturing	55.50	56.00	54.90	56.50	56.90	59.10	58.80	57.50	58.30	58.10	57.50	56.50	57.50	56.50
PMI Services	58.40	56.90	59.00	61.80	60.60	61.20	60.80	60.20	60.50	60.30	60.90	57.70	58.50	58.40
Banking Sector	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Bank Credit (YoY Gr%)	19.98	20.64	19.95	20.30	20.50	20.16	19.01	19.78	17.36	13.71	13.59	13.03	11.52	
Agriculture Credit (YoY Gr%)	17.39	18.11	19.39	19.99	20.00	19.97	19.84	21.60	17.41	18.09	17.73	16.36	15.48	
Industry Credit (YoY Gr%)	5.36	6.06	8.04	7.97	8.89	8.51	7.37	9.36	8.13	10.16	9.71	8.94	7.88	
Services Credit (YoY Gr%)	24.03	25.75	23.34	24.20	24.26	23.49	22.02	23.18	17.36	14.47	13.92	13.70	12.69	
Retail Credit (YoY Gr%)	29.56	30.03	28.41	28.61	28.11	27.46	26.70	28.73	25.60	13.95	13.93	13.42	12.89	
Bank Deposits (YoY Gr%)	12.96	14.21	13.28	13.20	13.12	13.47	12.56	14.02	11.12	10.57	12.72	10.38	11.75	11.25
Demand (YoY Gr%)	5.97	15.04	10.71	9.19	10.12	12.08	9.88	14.83	6.24	8.25	20.55	7.22	13.16	7.73
Time (YoY Gr%)	13.94	14.10	13.64	13.76	13.53	13.67	12.93	13.91	11.83	10.88	11.70	10.82	11.56	11.73
C-D Ratio (%)	79.20	79.60	79.50	80.00	80.20	80.30	79.50	79.60	79.30	79.30	78.40	79.20	79.00	79.50
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.50	9.41	9.32	9.43	9.36	9.37	9.55	9.39	9.32	9.40	9.41	9.37	9.54	
Weighted Average Deposit Rate (%)	6.76	6.79	6.83	6.85	6.86	6.89	6.91	6.92	6.91	6.92	6.93	6.95	6.96	
Banking Sector	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
UPI (No. in Cr)	1141	1124	1202	1220	1210	1344	1330	1404	1389	1444	1496	1504	1658	1548
IMPS (No. in Cr)	49.29	47.24	49.88	50.88	53.46	58.06	55.04	55.77	51.68	49.03	45.33	42.99	46.68	40.79
NPCI Retail Transaction value (Y-o-Y Gr%)	23.52	25.99	21.14	25.16	28.51	22.19	23.95	22.01	22.83	22.96	20.51	20.62	29.59	14.89
NPCI Retail transactions volume (Y-o-Y Gr%)	42.59	46.93	44.96	44.68	50.01	46.69	44.24	42.86	44.14	39.05	37.43	38.96	43.18	31.84
Inflation	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
CPI (Y-o-Y Gr%)	4.87	5.55	5.69	5.10	5.09	4.85	4.83	4.80	5.08	3.60	3.65	5.49	6.21	5.48
Core CPI (Y-o-Y Gr%)	4.26	4.11	3.89	3.59	3.37	3.24	3.23	3.12	3.14	3.39	3.40	3.49	3.67	3.64
WPI (Y-o-Y Gr%)	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.43	2.10	1.25	1.91	2.36	1.89
Consumer	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Electricity Consumption (YoY Gr%)	23.46	6.15	0.80	5.54	8.86	9.99	9.02	13.62	8.01	3.98	-4.96	-0.78	-0.44	3.96
Petroleum Consumption (YoY Gr%)	1.91	-4.37	9.41	6.46	-4.84	15.31	-2.54	8.20	8.99	7.41	0.26	-10.56	7.16	0.86
Consumer Durables (YoY Gr%)	15.93	-4.83	5.24	11.58	12.56	9.53	10.55	12.63	8.82	8.21	5.28	6.48	5.85	
Consumer Non Durables (YoY Gr%)	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.80	-1.02	-4.17	-4.45	2.17	2.74	
Unemployment (YoY Gr%)	9.42	8.88	8.65	7.40	8.10	7.40	8.10	7.00	9.20	7.90	8.50	7.80	8.80	8.80
Trade	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Merchandise Export (YoY Gr%)	5.79	-3.26	0.80	4.26	11.87	-0.63	1.98	13.29	2.44	-1.89	-9.58	0.47	17.26	-4.86
Merchandise Import (YoY Gr%)	10.27	-3.32	-6.64	1.99	13.69	-6.39	11.45	8.07	5.93	7.45	3.28	1.52	3.88	27.04
Service Export (YoY Gr%)	10.66	4.16	1.74	10.75	3.43	-1.40	17.06	9.69	3.16	16.61	5.66	14.62	22.32	26.90
Service Import (YoY Gr%)	-0.41	-11.13	-1.05	0.10	1.72	-2.12	19.99	6.18	-3.08	15.72	8.83	13.24	27.90	29.25
Logistics	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
E Way bill generated (Nos. in Cr)	10.03	8.76	9.53	9.60	9.73	10.35	9.67	10.32	10.01	10.49	10.55	10.91	11.73	10.18
Air Freight (YoY Gr%)	13.15	6.58	10.80	15.52	22.66	17.32	9.98	15.57	15.94	18.06	12.46	17.95	14.51	
Fiscal	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
GST Collection (YoY Gr%)	13.37	15.12	10.28	10.51	12.54	11.47	12.42	9.96	7.63	10.28	9.99	6.47	8.92	8.54
Govt. Expenditure (YoY Gr%)	-14.01	-13.82	7.13	-14.03	20.44	-0.62	39.26	-37.87	-18.42	0.12	20.94	2.63	31.65	

Source: CEIC, RBI, UBI research

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