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Expect further repo rate hike of 25-50 bps in current fiscal year

The rate hike by RBI is in line with market expectations. While the inflation projection is maintained at 6.7% for FY23, the Central Bank highlighted the risks to inflation due to unseasonal rainfall, lower kharif sowing, elevated imported inflation and geopolitical concerns. On the growth front, while the domestic demand is showing improvement, the Central Bank has very aptly highlighted the headwinds from geopolitical tensions. The lowering of GDP growth forecast to 7%, brings it in line with our GDP growth projection for 6.8-7% for FY23. Liquidity will be the crucial aspect to watch out for in the next few months. Going forward, with risks to inflation persisting, we could see further repo rate hike of 25-50 bps in the current fiscal year.

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