

## RBI's Annual Monetary Policy (2012-13) Preview



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#### Fundamental

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#### Monthly

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India and Global Strategy Report  
India Economy Report  
Company Result Expectation  
Company Result Analysis

#### Others

Event Based Report  
RBI Monetary Review Report  
Annual Budget Expectation Report  
Annual Budget Review Report

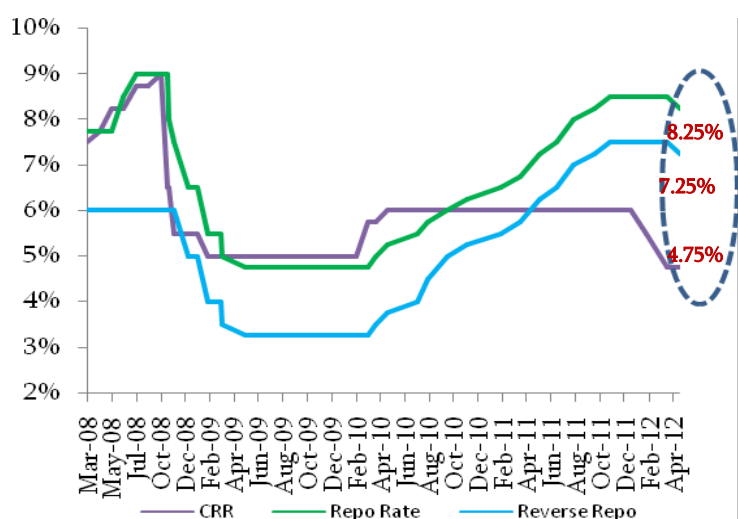
**April 16, 2012**

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## RBI may pull back the Repo button by 25bps

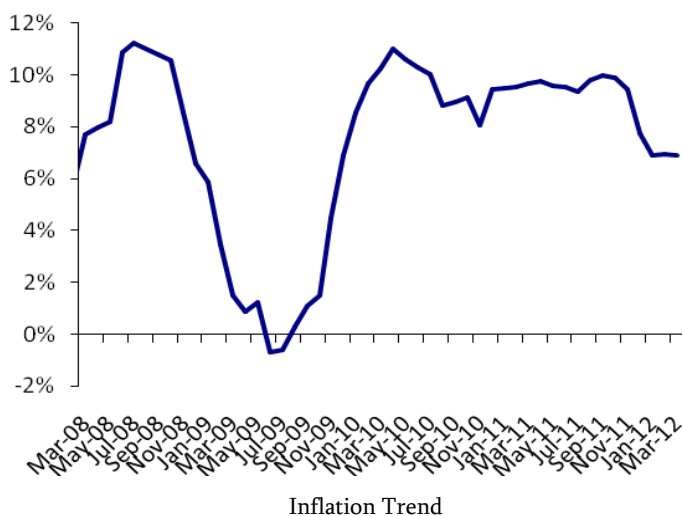


Note: The marked area represents the expected figures

The Reserve Bank of India (RBI) is scheduled to announce its Annual Monetary Policy for the year 2012-13 on April 17. **We expect RBI may cut the Repo Rate by 25bps to 8.25% to spur growth, while keeping Cash Reserve Ratio (CRR) unchanged.** Weak economic growth momentum is the matter of concern. The Index of Industrial Production (IIP) data of April 2011-February 2012 period slowed to 3.5% as compared with 8.1% in the year ago period. Also, the January IIP data has been revised to 1.1% from 6.8%. The rate and degree of revision of January IIP data is impeding us to rely on our forecast. Moreover, the Indian GDP grew at the slowest annual pace in almost three years in the October- December Quarter at 6.1%. **Hence, weak Economic growth is clearly mounting pressure on the regulator to propel investment activity.**

### March inflation beats the RBI forecast

The March inflation has come down to 6.89%, which is 28 months low since December 2009 and also beats the RBI forecast of 7%. **We expect the RBI will give more weightage to the growth front rather than the inflation.**



Inflation Trend

### Liquidity is more or less under regulator's comfort level

The RBI undertook steps to inject primary liquidity of a more durable nature through open market operations (OMOs) aggregating INR1,247 billion during November 2011- March 9, 2012 and reduced the Cash Reserve Ratio (CRR) by 125 basis points (50 basis points effective January 28 and 75 basis points effective March 10), injecting primary liquidity of about INR800 billion. As a result, the liquidity situation has improved and the bank's borrowings through repo window came down to `INR74550 crore in April 13, which is more or less the RBI's comfort level of `INR60000 crore. **Hence, we expect the RBI will not touch the CRR button this time.**

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