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RBI Bulletin – April 2025

Today, the Reserve Bank released the [April 2025](#) issue of its monthly Bulletin. The Bulletin includes bi-monthly monetary policy statement (April 09, 2025), four speeches, four articles and current statistics.

The four articles are: I. State of the Economy; II. Three Years of the Standing Deposit Facility: Some Insights; III. Changing Dynamics of Climate Policy Uncertainty and Energy Commodity Prices; and IV. Rural Consumer Confidence in India: Bridging the Gap.

I.State of the Economy

Escalation of trade and tariff tensions and the resultant financial market volatility have raised concerns regarding the weakening of global growth in the near term. Although the dampening global economic outlook could impact India's economic growth through weaker external demand, the domestic growth engines, viz., consumption and investment, are relatively less susceptible to external headwinds. Prospects for the farm sector have been boosted by the forecast of an above normal southwest monsoon for 2025, which could augment farm incomes and keep food prices under check. Headline inflation moderated to a 67-month low of 3.3 per cent in March, mainly due to a moderation in food prices.

II. Three Years of the Standing Deposit Facility: Some Insights

By Avnish Kumar, Priyanka Sachdeva, and Indranil Bhattacharyya

Marking three years since its introduction, the Standing Deposit Facility (SDF) has been an important component of the Reserve Bank of India's liquidity management framework, replacing the fixed rate reverse repo as the floor of the LAF corridor. This article presents an assessment of the SDF in India in the overall context of standing facilities made available by central banks.

Highlights:

- The institution of the SDF is generally in line with global best practices wherein deposit facilities are in the form of unsecured deposits.
- The simultaneous occurrence of liquidity deficit conditions alongside substantial fund placements under the SDF suggests asymmetric distribution of liquidity within the banking system.
- The increase in the share of SDF balances as a proportion of total absorption by the Reserve Bank reflects the increased liquidity preference of banks.

- The empirical results bear testimony to the importance of liquidity conditions, liquidity uncertainty and market microstructure in determining the WACR and its spread.

III. Changing Dynamics of Climate Policy Uncertainty and Energy Commodity Prices

By Satadru Das and Vidya Kamate

This article explores the relationship between climate policy uncertainty and global energy commodity prices, and implications thereof for wholesale price index (WPI) inflation in India during 1991-2022.

Highlights

- The relationship between climate policy uncertainty, as captured by the Climate Policy Uncertainty (CPU) Index, and global energy commodity prices has evolved over time with a structural break occurring in March 2017.
- Results show that before March 2017, a shock in CPU led to rise in energy prices and an increase in WPI inflation; but since then, a shock in CPU causes energy price and WPI inflation to decrease.
- In terms of implications for India's domestic inflation, India may benefit from heightened global policy uncertainty on climate front as these seem to have a negative effect on global energy prices. The relationship between these variables, however, is continuously evolving and needs to be monitored.

IV. Rural Consumer Confidence in India: Bridging the Gap

By Sourajyoti Sardar, Manu Swarnkar, Ayan Paul and Tushar B Das

This article provides a brief overview of the background, survey methodology and results based on the Reserve Bank's Rural Consumer Confidence Survey (RCCS). The Survey captures shifts in consumer confidence related to the overall economy, employment, price levels and inflation, household income, and spending patterns.

Highlights:

- The RCCS was initiated in 2022 targeting the consumers in rural and semi-urban areas. Since July 2024, the RCCS covers over 100 districts across all Indian states and 3 UTs, with a target sample size of 9,000.
- Survey results show that the rural households' sentiments on the overall economy and employment have significantly improved since 2022, with sustained optimism about the year-ahead outlook.
- Although inflation concerns persist, perceptions of current and expectations of future inflation have shown a gradual easing.
- While sentiment on current income remains subdued, rural households consistently expressed growing optimism about their future earnings and overall spending.

The views expressed in the Bulletin articles are of the authors and do not represent the views of the Reserve Bank of India.