



Federal reserve lowers borrowing rate by 25 bps at 4.25% - 4.50%

PHDCCI Viewpoint

Recent rate cut by the Federal Reserve will stimulate global economy

Lowering borrowing costs by the Fed, to 4.25%-4.5% from 4.5%-4.75%, will stimulate global economic activity, support businesses, and encourage consumer spending. The move is expected to enhance liquidity, stabilize financial markets and ease pressures from ongoing global uncertainties. The Federal Reserve's rate cut is expected to positively impact India; RBI may align with this policy, lowering repo rate to bolster investment and demand, to stimulate economic growth.

For emerging markets, the rate cut will provide a more favourable environment for investments. Developed economies are also likely to benefit, as reduced borrowing costs will foster stronger trade and economic collaborations. Going forward, we expect the Fed to remain strongly committed to supporting a steady growth trajectory, said Mr Jain.

FOMC ViewPoint

The Federal Open Market Committee (FOMC) has decided to lower the target range for the federal funds rate by 0.25 percentage point to 4.25 percent to 4.50 percent, given ease in the labor market conditions, upward movement of unemployment rate up but remains low and solid pace expansion of economic activity. In the long term, the Committee seeks to achieve maximum employment levels alongside a 2% inflation rate. It has concluded that the Committee will analyze the favorable equilibrium exists between the risks and prospects for achieving its objectives. Furthermore, the Committee will persist in decreasing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities.

In addition, the Board of Governors of the Federal Reserve System have lower the interest rate paid on reserve balances at 4.4%, effective December 19, 2024; will conduct standing overnight repurchase agreement operations with a minimum bid rate of 4.5% and with an aggregate operation limit of \$500 billion; will conduct standing overnight reverse repurchase agreement operations at an offering rate of 4.25% and with a per-counterparty limit of \$160 billion per day and approve a 1/4 percentage point decrease in the primary credit rate to 4.5 percent, effective December 19, 2024.

Please find the link to access the detailed document on the same

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20241218a.htm>

For any query related to please contact Ms. Manpreet Kaur, Research Officer at manpreet.kaur@phdcci.in, with a cc to Dr S P Sharma, Chief Economist| DSG at spsharma@phdcci.in, PHD Chamber of Commerce & Industry.

Warm Regards,

Dr S P Sharma



Chief Economist | DSG

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: spsharma@phdcci.in

Website: www.phdcci.in

Follow us on

