

RBI Monetary Policy Announcements December 2021: How industry, experts reacted – Who said what

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The Reserve Bank of India (RBI) on Wednesday kept borrowing costs at a record-low for the ninth consecutive time as it decided to continue supporting economic growth amid uncertainty over the impact of the Omicron strain of the coronavirus on the economy.

The six-member Monetary Policy Committee (MPC), which has paused rate changes since August last year, unanimously decided to keep the benchmark repurchase rate at 4 per cent and voted 5-1 to retain its accommodative policy stance as long as is necessary, reflecting a continued bias to support economic growth given that inflation was not a big worry. The reverse repo rate – the level at which it absorbs excess cash from lenders – was kept unchanged at 3.35 per cent.

It kept the GDP growth projections unchanged at 9.5 per cent for the current fiscal and retained the inflation forecast of 5.3 per cent for the full year.

Rajee R, Chief Ratings Officer, Brickwork Ratings:

“RBI has retained rates and maintained its accommodative stance, which is a welcome move to support growth oriented to domestic circumstances and augurs well for interest-sensitive sectors. In view of the evolving economic scenario and uncertainties associated with the scale of recovery especially in view of the possible economic impact due to the Omicron variant and concerns on the supply side challenges to meet the catchup demand, RBI has reiterated its policy support to broaden growth impulses and encourage credit flow to productive sectors. Continuing with its calibrated liquidity management policy to maintain financial stability, RBI emphasized that VRRR would be the main tool for liquidity adjustment indicating gradual policy normalization on the liquidity front. While stating that headline inflation will peak in Q4 of this fiscal year, RBI maintained its inflation projections at 5.30% for FY22 and a dovish forecast at around 5% thereafter. The decision to allow banks to infuse capital in their overseas branches and subsidiaries and repatriate profits without seeking prior approval of RBI will provide much needed operational and financial flexibility to the banks. Announcement of discussion papers on charges on digital payments in India and on prudential norms for investment portfolio of banks are positive steps.”