What 6 Industry Veterans Have To Say On The RBI's Monetary Policy!

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In a unanimous decision, the Reserve Bank of India's (RBI)Monetary Policy Committee (MPC), after a detailed assessment of growth and inflation outlook in the economy, has continued to maintain policy rates. Here is what industry veterans have to say.

1) Dr. M Govinda Rao, Chief Economic Advisor, Brickwork Ratings

With 5-1 majority the RBI has also announced the continuation of accommodative stance. Both the decisions of the MPC are in line with BWR expectations. Although the policy outcome is largely in line with market expectations, the policy statement of the MPC made some changes in its forward guidance on the growth and inflation outlook, and measures to manage excess liquidity along with its continued efforts to assist the growth process. RBI maintained its GDP growth outlook for FY22 at 9.5%, while lowered the inflation outlook from 5.7% to 5.3% for FY22.

"The announcement by the Monetary Policy Committee brings in no surprises. As expected by BWR, the MPC has kept the repo and reverse repo rates unchanged. While continuing with the accommodative stance with 5-1 vote, it has signaled the end to continued monetary easing by announcing a calendar for Variable Rate Reverse Repo (VRRR) and a proposal for fortnightly 14-day VRRR auctions. It has continued with the earlier projections of GDP at 9.5% for FY22, but has reduced the inflation rate from the earlier estimate of 5.7% to 5.3%, mainly by reducing the projected inflation in the second and third quarters from 5.9% and 5.3% to 5.1% and 4.5%, respectively. With greater restraint on the inflation front, the MPC has decided to support growth by continuing with the status quo. With growth concerns continuing in contact intensive sectors and with the commercial credit by the banking system continuing to be tepid, we do not expect policy reversal in the immediate future".

2) Niraj Kumar, Chief Investment Officer, Future Generali India Life Insurance Co. Ltd

"MPC has gradually embarked on the liquidity normalization process. So far, it has done a commendable job in terms of not succumbing to the incumbent global and domestic concerns clouding the markets with respect to rising commodity inflation and impending Fed taper and continues to stay cautious and vigilant and not change the course of monetary policy.

While the withdrawal of GSAP may be perceived slightly negative by the bond markets, MPC's reassurance of resuming GSAP if warranted and continuation of OMO's and Operation twist should allay the supply concerns of the market. While MPC has starting walking on the path of liquidity normalisation process by gradual increase in the quantum and tenure of VRRR for absorption of excess liquidity, it has explicitly maintained its dovish stance on maintaining comfortable liquidity until growth revives on a sustainable basis. Overall, a Growth supportive and balanced policy amidst global dislocations due to supply chain challenges & recent surge in global energy Prices."

3) Rajee R, Chief Ratings Officer, Brickwork Ratings

"RBI continued its dovish stance and maintained its promised tone of accommodation to support growth, oriented to domestic circumstances. The increase in quantum of VRRR from Rs. 4 Lakh Crs. to Rs. 6 Lakh Crs, possibility of 28-day VRRR, halting the bond buying under the G-SAP and emphasising that it would be ready for such need based auctions indicates the continuity of gradual policy normalization on the liquidity front.

While economic recovery and aggregate demand are gaining traction, these are still dependent on policy support. While RBI has lowered inflation projections to 5.30% for FY22, the impact of increasing global oil and gas prices on inflation would need close monitoring. Low home loan interest rates are expected to positively impact the housing sector. Introduction of the Internal Ombudsman Scheme (IOS) for certain categories of NBFCs is a welcome step."

4) Mohit Ralhan, Managing Partner & Chief Investment Officer, TIW Private Equity

"RBI has taken an extremely balanced approach, given that the Indian economy continues to be resilient but the aggregate demand has still not reached the pre-pandemic levels. The easing of food inflation has been a major consideration especially with record production of kharif food grains along with decreasing risks of new COVID wave and high rate of vaccinations. While inflation will remain a major area of concern, especially given the increase in energy prices across the globe, the focus is likely to be on sustaining growth till the time inflation remains below RBI's forecast of 5.3% for FY-22. The Indian markets continue its bull phase and now focus will be on the global cues, especially the change in monetary policies of central banks of other major economies and unwinding the expansion of their balance sheets."

5) Raghvendra Nath, MD, Ladderup Wealth Management

On expected lines, RBI has kept the policy rates unchanged and has maintained its accommodative stance. The key drivers behind the policy review announcement today have been controlled CPI inflation, which RBI expects shall moderate in the coming quarters, and the RBI's support to the Economic recovery. The RBI continues to maintain high liquidity in the banking system which has helped in keeping interest rates at moderate levels across all categories of lending.

We are already seeing the benefits of low interest rates, in housing demand; in retail credit growth and thereby consumption as well as in improved profitability of corporates . We also expect that interest rates shall remain unchanged for the next 3 to 6 months as Economic growth shall continue to dominate the policy objectives.

From Equity markets standpoint, it spells quite well as pick up in aggregate demand shall lead to better corporate profitability. Fixed income investors, however, have to tone down their expectations of returns as interest rates may continue to remain low for the foreseeable future.

6) Waqar Naqvi, CEO at Taurus Mutual Fund

The GDP growth in the current Fiscal year is expected to be good. With the Private Sector gearing up for CAPEX on the back of business optisim in India, the RBI has done the correct thing by being cautious in view of the CPI inflation number. It is not surprising that the RBI has left the key rates untouched.