RBI Monetary Policy Oct 2021 HIGHLIGHTS: No repo rate cut for 8th time; CPI inflation may fall to 5.3% in FY22

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RBI MPC October 2021: RBI's Monetary Policy Committee decided to maintain the repo rate at 4 per cent in October policy for the eighth straight time. Shaktikanta Das said that inflation will fall.

RBI MPC October 2021: The Reserve Bank of India's Governor Shaktikanta Das announced that the monetary policy committee has unanimously decided to keep the repo rate unchanged for the eighth consecutive time. Das also decided to continue with the accommodative stance as long as necessary to support growth. Repo rate has been maintained at 4 per cent, and reverse repo rate at 3.35 per cent in October policy. RBI Guv said that high-frequency indicators suggested that economic activity has gained momentum. Moreover, RBI MPC has lowered the FY22 inflation forecast to 5.3 per cent from earlier estimate of 5.7 per cent. "India is in a much better place today than at the time of the last MPC meeting. Growth impulses are strengthening, inflation trajectory more favourable than expected," Das added. Since March 2020, RBI has slashed repo rates to a record low of 4 per cent through two rate cuts of 75 bps in March 2020 and 40 bps in May 2020.

No policy reversal in the immediate future

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 signalled 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. M Govinda Rao, Chief Economic Advisor, Brickwork Ratings