

RBI MPC June 4: Repo rate cut unlikely, accommodative stance may continue; experts say ensure liquidity

By: Surbhi Jain | June 03, 2021 11:56 AM

The Reserve Bank of India's Monetary Policy Committee began its bi-monthly deliberations on Wednesday amid expectations of keeping a status quo on repo and reverse repo rates due to uncertainty over the impact of the second COVID-19 wave.



RBI may decide to go with the status quo and maintain an accommodative monetary policy, instead of any further rate cuts

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held in April this year. The repo rate was kept at 4 per cent and the reverse repo rate at 3.35 per cent.

Govinda Rao, Chief Economic Adviser, Brickwork ratings: Monetary measures are important, but the RBI is unlikely to undertake the heavy lifting that it did last year by further expanding liquidity, for the fear of other adverse macroeconomic consequences. Under the prevailing circumstances, maintaining retail inflation at 4% with a margin of 2% on either side may pose challenges. We expect the economy to register 9% growth in FY22, while the rising Covid-19 infections, particularly in rural areas, pose a downside risk to these growth estimates. In the current situation, we expect that the RBI may likely maintain the status quo and may continue with G-sap auctions to keep the yields on government securities in check. We expect the inflation rate to remain close to the upper bound target of 6% in the near term, and therefore, the MPC may continue to pause on the interest rates by maintaining the accommodative stance to support growth as long as inflation remains within the target range of the monetary policy framework.