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

By Sunil Fernandes | Published: Saturday, October 9, 2021, 15:19 [IST]

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.

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".

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."