

Repo rate, reverse repo rate remain same; 'Local lockdowns could hit demand,' says RBI

The accommodative stance will be maintained as long as it is required, the RBI governor said, as localised lockdowns could dampen the improvements in the demand conditions.

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Reserve Bank of India governor Shaktikanta Das on Wednesday announced that the repo rate and the reverse repo rate will remain unchanged at 4 per cent and 3.35 per cent, respectively, and the accommodative stance will go on as long as it is needed. For the fifth time in a row, the policy rates have been kept unchanged.

The monetary policy committee has unanimously voted for the accommodative stance to sustain growth on a durable basis and continue to mitigate the impact of Covid-19 on the economy while ensuring that inflation remains within the target going forward", the governor said, adding that the focus of the domestic economy should be to containing the spread of the virus and economic revival.

2021 has seen a bumper food grain production, which will see a softening of the cereal prices, the MPC noted. "The recent surge in infections has, however, imparted greater uncertainty to the outlook and needs to be closely watched especially as localised lockdowns could dampen the improvements in the demand conditions and delay the return of normalcy," the Governor said.

Economic activities are normalising, rural demands remain buoyant, urban demand has gained traction, the monetary policy committee has noted, Das said. "Consumer confidence has dipped with the recent surge in COVID infections in some states imparting uncertainty to the outlook. Taking these factors into consideration, the projection of real GDP growth for 2021-22 is retained at 10.5 per cent consisting of 26.2 per cent in Q1, 8.3 per cent in Q2, 5.4 per cent in Q3 and 6.2 per cent in Q4," the MPC noted.

The committee has also expressed concerns over the fresh surge in the number of Covid-19 infections but hopes the vaccination drive will give a fillip to the growth.

Experts expected "dovish" stance amid the rise in inflation, rise in the number of Covid-19 cases and the imposition of fresh restrictions in some parts of the country. "Given the rise in the spread of coronavirus and the imposition of fresh restrictions to contain the virus spread in the major parts of the country, the RBI is likely to continue with its accommodative monetary policy stance in the upcoming MPC meeting," Brickworks Ratings said in a statement.

The IMF on Tuesday projected an impressive 12.5 per cent growth rate for India in 2021, stronger than that of China. The Washington-based global financial institution, in its annual World Economic Outlook ahead of the annual Spring meeting with the World Bank, said the Indian economy is expected to grow by 6.9 per cent in 2022.