
Jayant Balma, the only opponent of RBI's policy stance

The Reserve Bank of India's benchmark policy rate situation was unanimous, but outside member Professor JR Balma has announced that it will continue its easing stance on the RBI.

"Dr. Shashanka Baide, Dr. Ashima Goyal, Dr. Muridur K. Sagar, Dr. Michael Devabratha Patra, and Shri Shakticanta Das are all tolerant except Professor Jayant R. Balma. Resolved to remain stance. If necessary, sustainably revive and sustain growth, continue to mitigate the economic impact of COVID-19, while keeping inflation within the target range. "The Reserve Bank's Monetary Policy Committee's August resolution said.

The RBI maintained its policy repo rate at 4% and remained responsive to liquidity conditions.

What is important is the June policy minutes. Professor Balma said he believed that the balance between risk and compensation would continue to favor monetary easing. Therefore, I support keeping the policy rate at current levels, and I also support an accommodative stance.

What has changed since then? Traces of inflation exceed the central bank's permissible limit of 6 percent. There was also discussion about the timing of the RBI to gradually withdraw the stimulus package by injecting liquidity through various bond repurchase programs and liquidity infusion programs.

"This policy council says that continuing to ignore inflation will ultimately sacrifice policy credibility and the market will ultimately tighten the risk premium," said Nomura's Indian economist, Aurodeep Nandy. I finally saw the implicit understanding. " "This was reflected in the opposition of one of the MPC members to a mitigating stance and the RBI's move to slowly begin draining liquid wetlands.

Barclays Capital's Indian economist, Raffle Bajoria, said on August 20, when the Reserve Bank released the minutes of the Monetary Policy Committee, "whether or not we want to change our stance to neutral is from a monetary policy statement. It's not clear. "

However, dissenting opinions send a note to the market. "There is no immediate policy reversal, but with some caution, with 5-1 votes to continue the MPC's accommodative stance," said M Govinda Lao, chief economic adviser to Brickwork Ratings. Stated. The RBI expects to remain accommodative until growth recovers. "

The policy statement said the recovery remains uneven across sectors and needs to be supported by all policy makers. Reserve banks remain in "whatever they need" mode and are ready to deploy all policy instruments, including finance, soundness and regulation.

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