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Closing Bell: Nifty ends above 17,600, Sensex gains 460 pts after RBI keeps rates unchanged

Stock Market LIVE Updates: All the sectoral indices are trading in the green with realty, bank, power, metal up 1 percent each. BSE midcap and smallcap indices are trading with marginal gains.

Dr M Govinda Rao, Chief Economic Advisor, Brickwork Ratings:

The decision to hold policy rates by the MPC is on expected lines. The RBI's continued focus is on reviving growth reinforced by potential downside risks to economic activity from the highly contagious Omicron variant. Improving inflation outlook provides comfort for the RBI to continue with the current policy stance.

The MPC was of the view that continued policy support is warranted for a sustained, durable and broad-based recovery. On the GDP guidance, the RBI forecasts 7.8% growth for FY23, which is slightly lower than the 8% to 8.5% GDP forecast made by the Economic Survey 2021-22. This, in part, may be due to the base effect arising from the revision of GDP for 2020-21 from (-) 7.1% to (-) 6.6%.

The growth concerns arising from the uncertainties related to Omicron and global spillovers, has warranted the RBI to maintain the policy rate stable to sustain the economic recovery. It has sounded a note of caution, as the persistent increase in international commodity prices, surge in the volatility of global financial markets and global supply bottlenecks can exacerbate risks to the outlook.

On the inflation front, the RBI sees prices softening from the current levels and forecasts a 4.5% inflation for FY23. The expectation of inflation moving within the MPC's upper range provides scope for the continuation.