

RBI Monetary Policy Highlights: Key Rates Steady, GDP Growth Retained At 9.5%

RBI MPC Meet LIVE: RBI Governor Shaktikanta Das-led Monetary Committee maintained the status quo on the key lending rates for the eighth time in a row

Updated: October 08, 2021 12:47 pm IST

Reserve Bank of India (RBI) Governor Shaktikanta Das announced the policy decision today, at the end of the scheduled review of the Monetary Policy Committee (MPC) that began on Wednesday, October 6, as it evaluates the economy at a time when there is a steady pick-up in activity and a calculated progress in the vaccination drive - with a quarter of India's adult population being fully vaccinated and almost 71 per cent partially vaccinated, amid the COVID-19 pandemic.

RBI's monetary policy committee voted 5:1 to maintain the repo rates - the key interest rates at which the RBI lends money to commercial banks - steady at four per cent. The reverse repo rate - the rate at which the RBI borrows money from banks, was also unchanged at 3.35 per cent.

The central bank retained the gross domestic product (GDP) growth projection for the current fiscal at 9.5 per cent, however, it trimmed the CPI inflation projection to 5.3 per cent from 5.7 per cent for the fiscal, on the inflation trajectory being more favourable than expected.

This was the fourth bi-monthly monetary policy review for the financial year 2021-22 when the central banking authority seeks to support the recovering economy after the shock of the second wave, even as rising fuel prices amid a looming global energy crisis adds further inflation risks.

India's economy grew by 20.1 per cent in the first quarter (April-June) of the current financial year. The sharp jump in the gross domestic product (GDP) was mostly aided by the low base effect as the economy had contracted by a record 24.4 per cent in the year-ago period.

Here are all the highlights from today's RBI Governor Shaktikanta Das-led Monetary Policy Committee meeting:

Here's what analysts say on policy statement

"While continuing with the accommodative stance with 5-1 vote, it has signalled 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.

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," said Dr M Govinda Rao, Chief Economic Advisor, Brickwork Ratings.