

RBI Monetary Policy today, RBI MPC decision, RBI Monetary Policy decision, Repo rate, Reverse Repo Rate

By Jason Junior Last updated Apr 7, 2021

The Reserve Bank of India (RBI) will announce the decision of Governor Shaktikanta Das-headed rate-setting panel Monetary Policy Committee (MPC) on Wednesday. The panel's announcements will be in the focus as it comes amid surge in COVID-19 cases.

The committee is likely to maintain the status quo on the key policy rates. This will also be the first monetary policy review for the new financial year.

Currently, the repo rate or the short-term lending rate is at 4 per cent, the reverse repo rate is 3.35 per cent.

Last month, the government had asked the RBI to maintain retail inflation at 4 per cent with a margin of 2 per cent on either side for another five-year period ending March 2026.

M Govinda Rao, Chief Economic Advisor, Brickwork Ratings (BWR) said, given the rise in the spread of coronavirus cases and the imposition of fresh restrictions to contain the virus spread in the major parts of the country, RBI is likely to continue with its accommodative monetary policy stance in the upcoming MPC meeting.

"Considering the elevated inflation levels, BWR expects the RBI MPC to adopt a cautious approach and hold the repo rate at 4 per cent," Rao said.

Rao noted that in the last MPC, RBI initiated measures towards the rationalisation of excess liquidity from the system by announcing a phased hike in the cash reserve ratio (CRR) for restoration to 4 per cent.

"In the current scenario, the RBI may like to drain in excess liquidity, while higher borrowings and the frontloading of 60 per cent borrowings in H1 FY21 may put pressure on yields, and hence, the RBI may go slow in reversing its liquidity measures announced as a COVID stimulus since March 2020," Rao added.

On February 5, after the last MPC meet, the central bank had kept the key interest rate (repo) unchanged citing inflationary concerns.

The RBI has decided that the six-member MPC, which decides on key interest rates, will meet six times during the financial year 2021-22. Half of the committee, which is headed by the RBI Governor, is made up of external independent members.

According to the schedule provided by the RBI, the second meeting of the MPC in the next fiscal will be held on June 2, 3 and 4; third meeting (August 4-6); fourth meeting (October 6-8); fifth meeting (December 6-8) and sixth meeting (February 7-9, 2022). The government moved the interest rate-setting role from the RBI governor to the six-member MPC in 2016. As per the Reserve Bank of India Act, 1934, the central bank is required to organise at least four meetings of the MPC in a year.