

RBI Policy- Dec 2021 - Key Takeaways

RBI Monetary Policy

Repo Rate	Unchanged
Now at 4.0%	
Reverse Repo Rate	Unchanged
Now at 3.35%	
MSF Bank Rate	Unchanged
Now at 4.25%	
Policy Stance	Maintained
Accommodative	

RBI on Growth, Inflation

FY22 GDP Growth	Retained at 9.5%
Inflation Outlook	Retained at 5.3%

- **On Rate Cut** – The monetary policy committee (MPC) on December 8 kept the key lending rate, the repo rate, unchanged at 4 percent and retained the monetary stance as ‘accommodative’. MPC decided to continue with accommodative stance as long it is necessary to revive growth and mitigate the impact of Covid-19 on the economy, while ensuring that inflation remains within the target. The MPC voted unanimously to maintain status quo with regard to the policy repo rate and by a majority of 5 to 1 to retain the accommodative policy stance. **This is the ninth consecutive time the MPC maintaining a status quo in rates.**
 - **On Growth** – RBI kept its GDP growth forecast for the current financial year unchanged at 9.5%.
 - **On Inflation** – The governor said inflation picked up in October’21 to 4.5% from 4.3% in September’21, after falling sharply between June and September. This uptick mainly reflected a spike in vegetable prices due to unseasonal rains in some parts of the country. It said that price pressures may persist in the immediate term. Cost-push pressures from high industrial raw material prices, transportation costs and global logistics and supply chain bottlenecks will continue to impinge on core inflation.
- Inflation forecasts have largely remained unchanged for fiscal year as a whole, however, CPI inflation is expected to peak in Q4 and soften thereafter.**
- **On Liquidity Normalization** – RBI continues to focus on liquidity normalization. There was no reverse repo hike but this has been rendered largely irrelevant. It said that the 14 day variable reverse repo rate will be the main tool of liquidity management with increase in size to 7.5 lakh crore by 31st Dec from 6 lakh crore on 3rd December, 2021.
 - **Key takeaways:**
 - RBI gave banks the option to repay the funds borrowed last year under TLTRO.
 - It proposed to release a discussion paper on charges on digital payments and review of prudential norms for investment portfolio of banks.
 - It will launch UPI based payment products for feature phone users. Further, UPI caps for G-Sec and IPOs to be enhanced from 2 lakh to 5 lakh.
 - RBI allowed banks to infuse capital in their overseas branches as well as repatriate profits without seeking its approval.

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