

Key takeaways of RBI Governor Shaktikanta Das' speech on 10.02.2022 on RBI Monetary Policy Highlights

-- The MPC has kept both the repo rate and reverse repo rate unchanged at 4 percent and 3.35 percent respectively. Also, the panel continued with the so-called 'accommodative' stance in the backdrop of elevated level of inflation.

-- The RBI projected GDP growth for FY23 at 7.8 percent. Real GDP growth of 9.2 percent in FY22 will take economy above pre-pandemic level, Das said.

-- CPI inflation forecast for FY22 has been retained at 5.3 percent. It expected to moderate closer to 4.00 percent target in second half of FY23 and provide room for monetary policy to remain accommodative.

-- There has been some loss of momentum in the economic activity due to Omicron. Considering the outlook for inflation and growth, uncertainty related to global spillovers and Omicron, there's a need for continued policy support is warranted for the economy.

-- Rupee has shown resilience in the face of global spillovers. Current account deficit seen below 2 percent of FY22 GDP. RBI is committed to smooth conduct of the government borrowing program.

-- The cap of e-vouchers has been proposed to be increased from Rs 10,000 to Rs 1 lakh.

-- Variable rate repo operations of varying tenors will henceforth be conducted as and when warranted. Second, variable rate repos and variable rate reverse repos of 14-day tenors will operate as the main liquidity management tool. Third, these operations will be aided by fine turning operations. Fourth, with effect from March 1, the fixed rate

reverse repo and Marginal Standing Facility will only be available from 5:30-11:59PM on all days.

The bi-monthly policy comes against the backdrop of the Budget wherein a nominal gross GDP of 11.1 percent has been estimated for 2022-23. The government expects this growth to be fuelled by a massive capital spending programme outlined in the Budget with a view to crowd-in private investment by reinvigorating economic activities and creating demand.

Finance Minister Nirmala Sitharaman raised capital expenditure (capex) by 35.4 percent for the financial year 2022-23 to Rs 7.5 lakh crore to continue the public investment-led recovery of the pandemic-battered economy. The capex in the current financial year is pegged at Rs 5.5 lakh crore. The spending on building multimodal logistics parks, metro systems, highways, and trains is expected to create demand for the private sector as all the projects are to be implemented through contractors.