

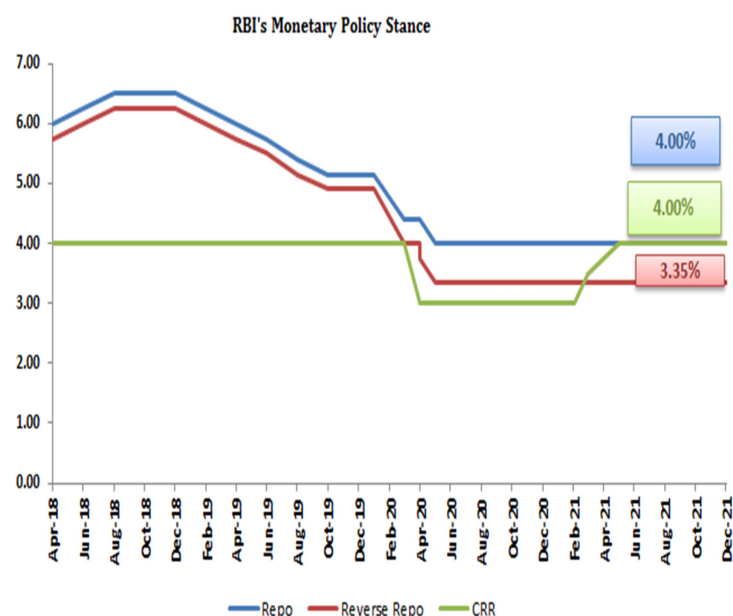
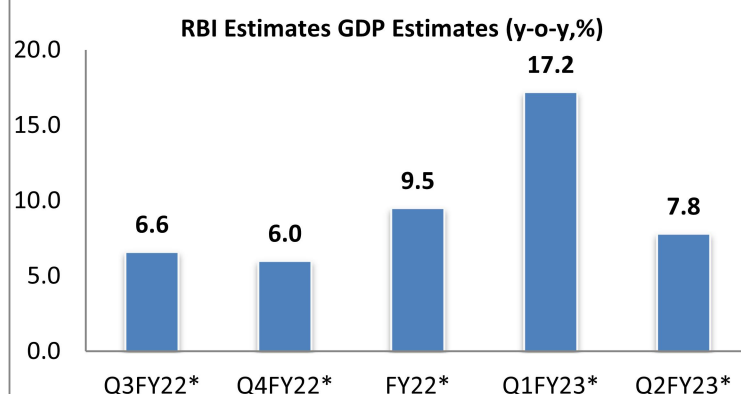
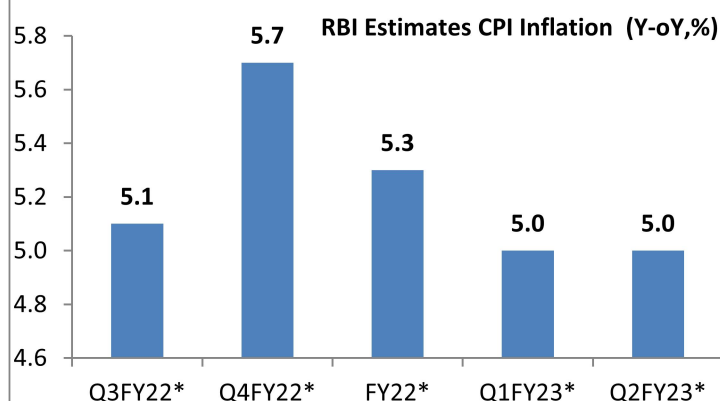
## *Key Policy rate Unchanged & to continue with the 'Accommodative' Stance*

Treading on expected lines, the RBI Monetary Policy Committee (MPC) which met on 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> December, 2021 kept the key policy rate unchanged at 4% based on the assessment of the macroeconomic situation and retaining its accommodative stance as long as necessary to revive and sustain growth by keeping inflation within the target going forward. Five members voted in favor of the stance. **The MPC has maintained the GDP growth outlook for FY22 at 9.5% whereas the projection for CPI inflation has been revised to 5.1% in Q3FY22 and 5.7 % in Q4FY22.**

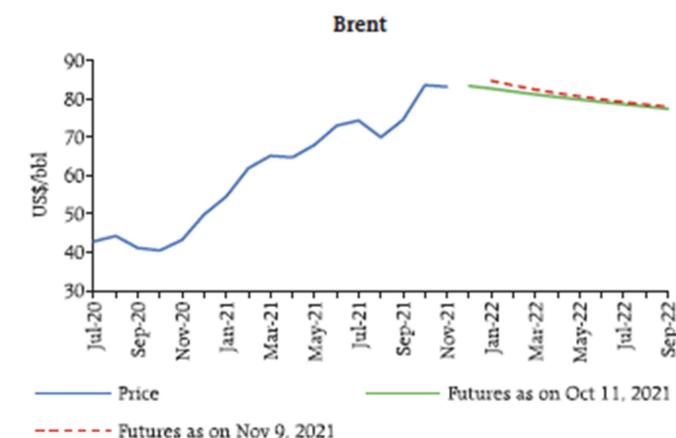
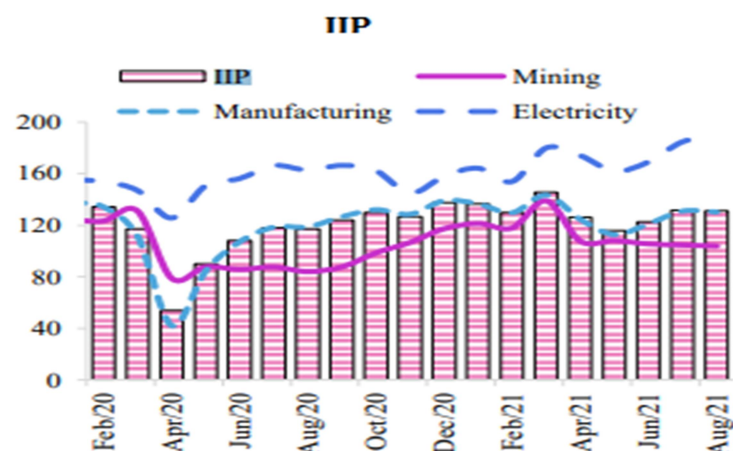
The Indian economy is relatively well positioned and on the path of recovery and has been resilient to global spill overs so far. Given evolving growth, inflation dynamics across countries, monetary policy is also reaching an inflection point, keeping the financial markets edgy.

### **Following are the policy measures and vital announcements by the RBI:**

- The RBI kept the **Repo Rate** under the Liquidity Adjustment Facility (LAF) unchanged at **4.00%** in its fifth bi-monthly policy for 2021-2022. Accordingly, **Reverse Repo Rate** under the LAF determined with a spread of 65 basis points below the Repo rates remain unchanged to **3.35%**. **Marginal Standing Facility (MSF) and the Bank rate** both determined with a spread of 25 basis points above the Repo rate also remain unchanged to **4.25%**. On the liquidity front, RBI left the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) of scheduled Banks unchanged at 4.00% and 18.00% of their net demand and time liability (NDTL) respectively.
- Indian economy grew at 20.1% in the first quarter of the current fiscal year and 8.4% in the second, though the recovery was interrupted by the second Covid-19 wave. All components of GDP registered y-o-y growth, with exports and imports strongly surpassing their pre-Covid levels by 19.97% and 13.57% at USD369.39 bn & USD 409.30 bn respectively in April-October 2021.
- Downside risks to the outlook have risen with the emergence of Omicron and renewed surges of Covid-19 infection in number of countries posing elevated volatility in global financial markets due to prolonged supply bottlenecks. **Considering this, projection of real GDP growth has been retained at 9.5% in FY22 with 6.6% in Q3FY22 & 6% in Q4FY22. The real GDP is projected at 17.2% in Q1FY23 and 7.8% in Q2FY23.**
- India's manufacturing activity grew at its fastest pace in 10 months in November driven by strengthening demand and improving market condition to 57.6 from 55.9 in October 2021. **This point to the strongest improvement in overall operating conditions since February.** An improvement in demand and uptick in global sales led firms to scale up production and employ more inputs.
- **The IHS Markit India Services PMI expanded** at second fastest rate in over a decade in November to 58.1 on back of surge in new businesses but moderated marginally from 58.4 in October. As Covid-19 pandemic and travel restrictions caused a further drop in international demand for Indian services.
- **Households' inflation** expectations, measured by the Reserve Bank of India September 2021 round of household median inflation perception survey, moderated by 50 basis points to 10.8% over the next 3-month period and 60 basis points to 10.9% over the 1-year ahead due to higher services cost and housing cost.
- **Sustained growth of FDI at USD 21.95 billion in April to September 2021-22 and USD 23.90 billion during the same period in FY 20-21 is an endorsement by global investors of India's potential growth.**
- India's **foreign exchange reserves** were at USD 637.70 billion on November 26, 2021 which crossed 100% of external debt accompanied by a comfortable current account position during FY21-22 so far which provides cushion against any potential impact of global shock. It also covers 14 months of projected oil imports for FY22.
- **Globally** inflation continues to ratchet up across advanced and emerging economies. Euro area inflation shot up to multi-decade high at 4.1% in October, US CPI inflation jumped three decade high to 6.2% during the same period due to high food and energy prices.
- **The Indian rupee (INR) depreciated** against the US dollar in October by 1.8 % m-o-m, amidst net sell-off in the equity market and concerns over rising crude oil prices.



- Headline CPI inflation y-o-y for the month of October 2021 edged up to 4.5 % from 4.3 % a month ago, as per the data released by the National Statistical Office (NSO) on November 12. Food prices drove the sharp pick-up in overall CPI price momentum. Fuel inflation edged up further by 72 bps in October to scale an all-time high inflation rate of 14.3 %
- Industrial production expanded in August 2021 to recover 103 % of its pre-pandemic August 2019 level with manufacturing and all use-based categories witnessing full recovery or more except for consumer durables which stood at 97 per cent of August 2019 level.
- Crude oil prices hit three year high in October spurred by robust demand and early onset of winter and persistent shortfall in supply and expected to cool off as economies open. With the Organization of the Petroleum Exporting Countries (OPEC) plus sticking to its plan of gradual, monthly production increases of 400,000 barrels per day, crude prices extended gains in November.



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