

MONETARY POLICY COMMITTEE (MPC) MEETING HIGHLIGHTS

February 5, 2021

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- >> Rates unchanged and status quo with Repo @4%, Rev Repo @ 3.35% & MSF 4.25%.
- >> MPC unanimously voted for status quo
- >> MPC members vote continued accommodative stance as long as necessary.
- >> Decisions taken considering medium term target of CPI inflation of 4%, with +/-2% fluctuation.
- >> Next MPC meeting scheduled between April 5 to 7, 2021.

4.00%
Repo

3.35%
Rev Repo

4.25%
MSF

4.25%
Bank Rate

ANALYSIS



- >> Second wave of Covid-19 led to fall in global economic recovery.
- >> Massive vaccination drives may drive economic activity upwards in second half of 2021.
- >> IMF projecting global growth for 2021 at 5.5%, increased by 30bps from earlier projection.
- >> Inflation remains benign on account of weak demand with exception of some emerging economies.
- >> Global services expected to rebound in 2021.
- >> Services trade to be on a slower recovery than merchandise trade.

- >> NSO's advance estimates of GDP for 2020-21 project contraction of 7.7% in real GDP.
- >> High frequency indicators suggest revival of some constituents of the services sector.
- >> Agriculture sector remains resilient
- >> Rabi sowing higher by 2.9% y-o-y as on January 29, 2021.
- >> CPI inflation falls to 4.6% post breaching the upper tolerance threshold of 6% from June, 2020 to November, 2020.
- >> Food inflation collapsed to 3.9% in December after 9.6% avg. in past 3 months.
- >> CPI inflation excluding food & fuel remained elevated at 5.5% in December.
- >> Household expectations for inflation softens for next 3 month ahead
- >> One year ahead expectations for inflation remain unchanged.
- >> Systemic liquidity remained in large surplus in December 2020 & January 2021.
- >> Reserve money rose by 14.5% y-o-y on January 29, 2021.
- >> Credit growth (non-food) of scheduled commercial banks moving towards 6.4%.
- >> Corporate Bond issuances at INR 5.8 lakh crore during April-December 2020.
- >> Foreign exchange reserves at US\$ 590.2 bn.

- >> Continued policy support crucial for recovery gathering a firm traction.
- >> Benign inflation to augur in the months ahead.
- >> Easing supply chains to further impact core inflation outlook.
- >> CPI projection for Q4:2020-21 revised to 5.2%, 5.2-5.0% for H1:2021-22 & 4.3% in Q3:2021-22.
- >> Rural demand likely to remain resilient on good agricultural prospects.
- >> Urban demand expected to strengthen with substantial fall in COVID-19 cases & increase in vaccination drives.
- >> Fiscal stimulus under AtmaNirbhar 2.0 & 3.0 schemes to likely accelerate public investments.
- >> Private investment remains sluggish amidst low capacity utilization.
- >> The Union Budget 2021-22 to help accelerate growth momentum.
- >> Real GDP growth projected at 10.5% in 2021-22 in the range of 26.2 to 8.3% in H1 & 6.0% in Q3.

- Beacon Research & Analytics Wing (R.A.W.)

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4 C & D, Siddhivinayak Chambers, Gandhi Nagar,
Opp. M.I.G. Cricket Club, Bandra East, Mumbai - 400 051.

E: sales@beacontrustee.co.in | L: 022 2655 8759 | M: +91 93247 24943

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