



MONETARY POLICY HIGHLIGHTS

THE BI-MONTHLY RBI MONETARY POLICY WAS ANNOUNCED ON JUNE 4, 2021 WITH THE CENTRAL BANK DECIDING TO HOLD KEY INTEREST RATES.

- The repo rate stays at 4% (the rate at which commercial banks borrow money by selling their securities to the RBI), maintaining liquidity and checking on inflation. Inflation is projected at 5.1% for the current financial year
- The reverse repo rate (the RBI's borrowing) is also unchanged at 3.35% to maintain cash flow in the banking system.
- To aid further liquidity, the RBI announced the 3rd tranche of bond buying worth Rs 40,000 crore under G-SAP 1.0 (Government security acquisition Programme).
- G-SAP 2.0 was also announced under which the RBI will buy bonds worth Rs 1.2 trillion and will also buy bonds issued by state governments.
- Banks are allowed to borrow Rs 15,000 crore for lending to COVID-19-hit sectors such as hotels and tourism industry.
- Additional Rs 16,000 crore funding has been earmarked for SIDBI for lending to MSME (Micro, small and medium enterprises).
- The RBI also revised its growth projection to 9.5% (from the earlier 10.5%) for the current financial year.

WHAT DOES IT MEAN TO SAVINGS AND INVESTMENTS?

- Nothing has changed with bank savings rates for almost a year
- Liquidity remains a concern and policy is attempting to control it
- Interest rates on savings remain low and could go down further
- Investments in debt funds should continue to witness flat yields

A piggy bank is on the left, a calculator is in the center, and stacks of coins are on the right. A faint line graph is in the background.

THANK YOU