

May 22, 2020



**Views of Ms. Anagha Deodhar – Economist, ICICI Securities on the RBI  
announcement today**

Quote

MPC delivered yet another off-cycle rate cut, indicating the severity of the crisis and the urgency to deal with it. The important measures it took today i.e. rate cut of 40bps and extension of moratorium by 3 months shows that it expects the aftermath of the crisis to be deep and prolonged. Interestingly, the rate cut wasn't unanimous this time, indicating committee members are questioning the effectiveness of monetary action in stimulating growth.

**Impact of measures:** 40bps rate cut: It should ease the cost of credit further. However, in the absence of demand for credit and extreme risk aversion among banks, we remain doubtful about its effectiveness in stimulating growth. We expect the various regulatory measures taken by the RBI such as measures to support exports and imports, extension of moratorium, easing of working capital financing etc. to support the sectors that have been badly affected. These measures should cushion the stress faced by these sectors going forward. Also, rate cuts and liquidity infusion are likely to support growth in FY21.

Unquote