

## RBI's Monetary Policy Report

### What is the issue?

\n\n

RBI has left the repo rate unchanged in order to keep inflation under check.

\n\n

### What transpired at the last MPC meet of the fiscal?

\n\n

\n

- RBI's "Monetary Policy Committee" met for its regular bi-monthly to consider and review the monetary direction ahead.

\n

- **The Policy Outlook** - Vigilance on price stability was stressed amid fresh price uncertainties and it was decided to leave the Repo Rates unchanged.

\n

- As inflation is at the fastest pace in 17 months, there wasn't much ambiguity expected on the outcomes of the MPC meet.

\n

- Significantly, the MPC retained a 'neutral stance', which gives it the flexibility to change gears in either direction.

\n

- **Inflation Stats** - Consumer Price Index (CPI), which is the parameter on which inflation targeting is done, has accelerated for the 6<sup>th</sup> straight month.

\n

- The RBI had in December made a projection for inflation in the range of 4.3-4.7% in the six months through March 2018.

\n

- But as fuel prices having risen sharply in January, the estimates for the 4<sup>th</sup> quarter have been raised to 5.1%.

\n

\n\n

### How does the scenario ahead look?

\n\n

\n

- Projections beyond the current fiscal indicate a worsening inflation scenario, which is also clouded in multiple uncertainties.  
\n
- **The uncertainties** - Staggered impact of increase in “House Rental Allowance” by various State governments, which may induce 2<sup>nd</sup> order effects.  
\n
- The Budget’s proposed changes to the “minimum support price” norms for crops as well as the proposals to increase customs duty on a range of goods.  
\n
- Fiscal slippage could also fan inflation and increase borrowing costs.  
\n
- **Optimism** - The normalisation of monetary policy by advanced economies could spell a decisive end to global ‘easy money’ conditions.  
\n
- While this may trigger some flight of capital from emerging markets like India, there are positives for the economy in term of pickup in global growth.  
\n
- RBI also looks optimistic in its prediction that CPI inflation for the first half of the next fiscal will be in the 5.1-5.6% range before moderating to 4.5-4.6%,  
\n
- But this is with the assumption that 2018 will have a normal monsoon, which one can only hope and never say with certainty.  
\n

\n\n

## Quick Facts

\n\n

- **Monetary Policy Committee** - It is a committee of the “Reserve Bank of India” that is responsible for fixing the benchmark interest rate in India.  
\n
- It usually meets once in 2 months and is mandated to meet at least 4 times a year and it publishes its decisions after each such meeting.  
\n
- The committee comprises six members - Three officials of the Reserve Bank of India and three external members nominated by the Government of India.  
\n
- The Governor of RBI is the ex-officio chairperson of the committee and has a casting vote while taking decisions that are tied.  
\n
- The current mandate of the MPC is to maintain inflation within the targeted

range of  $4\% \pm 2\%$ , which is to be adhered till March 2021.

\n

\n\n

\n\n

**Source: The Hindu**

\n

