



# RBI Monetary Policy Committee: Policy Rates Unchanged

**For Prelims:** [RBI](#), Monetary Policy Rates, [Monetary Policy Committee \(MPC\)](#), [inflation](#)

**For Mains:** Monetary Policy, Growth & Development, RBI and its Monetary Policy Tools.

## Why in News?

Recently, the [Reserve Bank of India's Monetary Policy Committee \(MPC\)](#) has decided to keep the **policy rates unchanged**, taking into account the evolving **macroeconomic situation**.

- This is the **second consecutive pause** after a previous [conservative rate hike of 250 basis points](#) aimed at curbing inflation.
- The decision reflects a cautious approach to balance [inflation management and support economic growth](#).

## What is the Monetary Policy Committee?

- It is a **statutory and institutionalized framework** under the Reserve Bank of India Act, 1934, for maintaining price stability, while keeping in mind the objective of growth.
- The **Governor of RBI** is ex-officio Chairman of the committee.
- The MPC determines the policy interest rate (repo rate) required to achieve the inflation target.

## What are the Key Announcements?

- **Policy Rates Unchanged:**
  - The policy [repo rate under the liquidity adjustment facility \(LAF\)](#) remains **unchanged at 6.50%**.
  - The [standing deposit facility \(SDF\) rate](#) remains unchanged at **6.25%**.
  - The [marginal standing facility \(MSF\) rate](#) and **Bank Rate are maintained at 6.75%**.
- **Emphasis on Inflation Management:**
  - The MPC aims to **withdraw accommodation gradually** to align inflation with the target while supporting growth.
  - The objective is to achieve the medium-term target for consumer price index (CPI) [inflation of 4% within a band of +/- 2%](#).
- **Inflation Outlook:**
  - **Food Price Dynamics:**
    - The trajectory of [headline inflation](#) will likely be influenced by food price dynamics.
      - [Wheat prices may see correction](#) due to increased arrivals and procurement at mandis.
      - [Milk prices could remain under pressure](#) due to supply shortfalls and

higher fodder costs.

- **Monsoon Impact:**
  - The forecast by [India Meteorological Department \(IMD\)](#) of a **normal southwest monsoon** is positive for **kharif crops**.
- **Crude Oil Prices and Input Costs:**
  - **Crude oil prices have eased**, but the outlook remains uncertain.
  - Early survey results indicate expectations of firms' input costs and output prices hardening.
- **Inflation and Growth Projections:**
  - **CPI Inflation:**
    - Assuming a normal monsoon, **CPI inflation is projected at 5.1% for 2023-24**.
  - **GDP Growth:**
    - Higher **rabi crop** production, anticipated normal monsoon, and robust services sector support private consumption and overall economic activity in the current year.
    - Government's emphasis on **capital expenditure, moderating commodity prices, and credit growth** are expected to nurture investment activity.
    - Weak **external demand, geopolitical tensions, and geoeconomic fragmentation** pose risks to the growth outlook.
    - **Real GDP growth for 2023-24 projected at 6.5%**.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### Prelims

**Q1. With reference to Indian economy, consider the following: (2015)**

1. Bank rate
2. Open market operations
3. Public debt
4. Public revenue

**Which of the above is/are component/ components of Monetary Policy?**

- (a) 1 only  
(b) 2, 3 and 4  
(c) 1 and 2  
(d) 1, 3 and 4

**Ans: (c)**

**Q2. Which of the following statements is/are correct regarding the Monetary Policy Committee (MPC)? (2017)**

1. It decides the RBI's benchmark interest rates.
2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
3. It functions under the chairmanship of the Union Finance Minister.

**Select the correct answer using the code given below:**

- (a) 1 only  
(b) 1 and 2 only  
(c) 3 only  
(d) 2 and 3 only

**Ans: (a)**

**Q3. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do? (2020)**

1. Cut and optimise the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

**Select the correct answer using the code given below:**

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (b)**

**Source: TH**

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