



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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