

RBI monetary policy April 2018: Repo rate unchanged at 6% for the 4th time in a row; stance neutral

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The Reserve Bank of India on Wednesday kept the repo rate "unchanged" at 6% in the first monetary policy meeting of the new fiscal year, as was widely expected given the concerns over rising crude oil price, market volatility and inflation above its 4% target. This the fourth time when the [RBI](#) maintained status quo on repo rate at 6%, which is lowest in over seven years since November 2010. The RBI also kept the stance 'neutral' for the fourth time, which means that RBI's further repo rate decisions will be based on trends witnessed in coming months.

"The decision of the MPC is consistent with the neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth," the RBI said in its first MPC statement of current fiscal.

"The reverse repo rate under the LAF remains at 5.75%, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25%," the RBI added.

The RBI also lowered the inflation trajectory in the first half of the fiscal year 2018-19 from the range of 5.1%-5.6% to 4.7%-5.1%. "With the sharp moderation in food prices in February-March, the inflation trajectory in H1:2018-19 is expected to be lower than the projection in the February statement," the RBI said. It is to be noted that even as the RBI has lowered the inflation forecast for the first half of the current fiscal, it is still above than the 4% target.

The central bank also flagged concerns over the global trade war and stock market volatility triggered by uncertainty regarding the pace of normalisation of US monetary policy. The six-member RBI MPC voted in 5-1 in favour of maintaining the status quo.

In the February meeting, the RBI had kept the repo rate unchanged over concerns on the rising headline inflation, surging global crude oil prices and fiscal slippage. The central bank also raised inflation forecast for the first half of the fiscal year 2019 between the range of 5.1% and 5.6%. While since the last meeting the RBI, inflation has softened, the crude oil prices after brief fall are on the upswing again.

1. Discuss how the different tools have been utilized by RBI to control monetary policy?
2. With respect to the current market situation what suggestions will you make for current policy?