



MPC meeting and current economic scenario

Why in news?

\n\n

The Monetary Policy Committee meeting has been scheduled on first week of October.

\n\n

What the characteristics of monetary policy committee?

\n\n

\n

- The Monetary Policy Committee (MPC) is a committee of Reserve Bank of India, headed by its Governor.

\n

- It is entrusted with the task of fixing the benchmark policy interest rate (repo rate) to contain inflation within the specified target level of 4% with a band of +/- 2%.

\n

- There are six Members of Monetary Policy Committee, three Members will be from the RBI and the other three Members will be appointed by the Central Government.

\n

- The panel is required to meet at least four times in a year.

\n

- It should submit a report to the central government within one month from the date which the bank has failed to meet the inflation target.

\n

\n\n

What is the present economic scenario?

\n\n

\n

- The gross domestic product (GDP) growth for the three months to June this year fell to 5.7%, lowest since 2014.
\n
- Inflation consumer price index (CPI)-based inflation rose to a five-month high of 3.36% in August.
\n
- Agriculture growth in real terms slowed to 2.3% from 5.2% in the fourth quarter.
\n
- Services sector growth has increased to 8.7% from 7.2%, driven by improvement in trade, hotels, transport and financial services.
\n
- Investments have slowed down and several large industries are reporting low capacity utilisation.
\n
- The slowdown has attributed to net profits decline for many listed corporate firms.
\n

\n\n



\n\n

Way forward

\n\n

- MPC has maintained a neutral outlook, citing uncertainties in inflation trajectory.
\n
- Now there is a compelling case for RBI to ease the policy rate to support growth.
\n
- The panel will have to look at ways to spur lending and consumption, and revive the economy.
\n

\n\n

\n\n

Source: Financial Express

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative