9/8/22
GS3

The recent monetary policy decision clearly emphasised on withdrawal of accommodation while supporting growth. Discuss.

The recent monetary policy committee increased the repo rate by 50 basis points now at 5.4%. This comes at a backdrop of high inflation of 6.8%, widening current account deficit, and rupee depreciation.

supporting growth

There is uneven economic recovery, travel and hospitality sectors recording decent growth rates. India is fastest growing compared to Asian peers.

The Bank credit growth is high due to consumption and manufacturing activity is also increasing.

The crude oil prices have also decreased to less than $100 Barrel and the global commodity prices have reduced. This will reduce the burning of our forex reserves.

The MPC is bound to still increase the rate as the inflation is projected to rise to 7.1% and ease of to 5.8% by Q1 of 2023.

Challenges the forex reserves have depleted by $70 Billion since September 2021 and the rupee has depreciated to ₹80 a dollar.

The MPC has adopted a tight monetary policy as the manufacturing capacity utilisation increased to 75%. along with government capex push can control inflation along with flexibility