

RBI: inflation could spur shift in stance

On watch:With economic recovery at a nascent stage, a cautious approach is needed, says Dr. Patel.**PAUL NORONHA**

The Monetary Policy Committee of the Reserve Bank of India (RBI) could shift from its current 'neutral' policy stance to a 'withdrawal of accommodation' stance if headline inflation projection for the year ahead remained well above the target, the minutes of the central bank's interest rate setting panel's last meeting show.

'Coming months key'

"The next few months of inflation and growth data will be key to determining the evolution of policy rates," Viral Acharya, Deputy Governor, RBI, who oversees the monetary policy department was cited as having said at the two-day meet of the MPC earlier this month. The meeting's minutes were released by the RBI on Wednesday. "If growth remains robust and inflation prints continue to project headline inflation a year ahead well above the target, then a change in stance from "neutral" to "withdrawal of accommodation" might have to be considered," he added.

RBI, which has a mandate with keep retail inflation between 2% and 6%, decided at its sixth bimonthly policy review on February 7 to keep interest rates unchanged, while maintaining a neutral stance.

While five MPC members voted to preserve the status quo, one of them recommended a 25 basis points rate increase.

RBI Governor Urjit Patel observed that consumer price inflation — the main yardstick to determine policy rates — had accelerated for a six consecutive month in December and said inflation was getting generalised with rising input prices. "Inflation expectations have remained elevated," Dr. Patel was cited as having said.

Dr. Patel also said that since the economic recovery was at a nascent stage, a cautious approach was needed at this juncture.

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