# Low retail inflation

## Why in news?

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Consumer price inflation had slipped to 1.54%.

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## Why there is a reduced inflation?

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- Activity in the manufacturing sector has also slowed down.
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- GST-related adjustment and subsequent destocking may have reduced industrial growth.
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## Why it is a matter of concern?

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- Moderate inflation levels are needed to drive consumption, under the assumption that higher levels of spending are crucial for economic growth.
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- Monetary Policy Committee (MPC) fixed the inflation levels to maintain in the zone between 2 and 4%.
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## What is now expected of the RBI?

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- RBI has been maintaining the Repo rate at 6.25% since October 2016.
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- Since the inflation is lower now, a cut in the rate is expected.
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## Why RBI should be cautious before lowering Repo?

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- Several State governments have taken fiscally expansive measures like loan waivers.
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- This is will increase the purchasing power of people which in turn might increase the inflation.
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- The monsoon and its effect on prices is yet to be felt.
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- The impact of the introduction of the GST, will reflect in the prices.
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- Increased allowances under the Seventh Central Pay Commission’s award could also transmit into price gains.
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- All these would have had a complementary effect of low inflation.
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**Source: The Hindu**

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