MPC meeting and current economic scenario

Why in news?

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

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What the characteristics of monetary policy committee?

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- The Monetary Policy Committee (MPC) is a committee of Reserve Bank of India, headed by its Governor.
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- 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%.
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- 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.
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- The panel is required to meet at least four times in a year.
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- 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.
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What is the present economic scenario?

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- The gross domestic product (GDP) growth for the three months to June this year fell to 5.7%, lowest since 2014.
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- Inflation consumer price index (CPI)-based inflation rose to a five-month high

of 3.36% in August.
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- Agriculture growth in real terms slowed to 2.3% from 5.2% in the fourth quarter.
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- Services sector growth has increased to 8.7% from 7.2%, driven by improvement in trade, hotels, transport and financial services.
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- Investments have slowed down and several large industries are reporting low capacity utilisation.
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- The slowdown has attributed to net profits decline for many listed corporate firms.
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Way forward

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

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