

The price stability must remain the bedrock for a durable economic recovery in the country. Analyse in the context of RBI's recent decision.

The Reserve Bank of India's decision to raise its benchmark policy rate yet again, albeit by a smaller quarter percentage point, reflects a welcome resolve in staying committed to ensuring durable price stability.

Mandates

- > Monetary Policy's committee's primary mandate is to steer retail inflation within 2-4% $\pm$ 2.
- > To revive economy, RBI must provide suitable environment to business to flourish.
- > While targeting inflation, deflation should also be ~~maintained~~ controlled.

Challenges

- > Dilemma :- Revival of economy demands expansionary monetary policy but inflation also need to be controlled. Price have stayed stuck at 6% for almost 20 months.

- > Tightened monetary policy will lead to disinflation, which would result in income losses.
- > Commodity prices are also expected to see upward pressure globally given the lifting of most COVID related restrictions.
- > Intensifying Ukraine conflict forebodes the possibility of increasing oil costs (\$95 / barrel).

Way forward

- > Keeping inflation expectations anchored and breaking the persistent core inflation.
- > Measures to increase business activities & people spending.
- > Long term / Medium term price stability.

Conclusion

The fact that, Indian economy has proved more resilient, underpinned by a rebound in domestic demand, has provided a degree of comfort to monetary policymakers. Ultimately, price stability is the most critical must remain the bedrock of for a durable economic recovery.