Focus on Inflation Control

Source: TH

The **RBI's Monetary Policy Committee (MPC)** maintains its focus on **curbing inflation** by keeping the repo rate **unchanged at 6.5%** in February 2024 to align inflation with the 4% target.

- The MPC aims to achieve a **medium-term target of 4% inflation within a band of +/- 2%.**
- The MPC aims to **withdraw accommodation** gradually to align inflation with the target while supporting growth.
  - An **accommodative stance** means the central bank is prepared to expand the **money supply to boost economic growth.**
  - Withdrawal of accommodation will mean **reducing the money supply in the system** which will rein in inflation further.
- A recent RBI Bulletin states that **Headline inflation** rose to 5.7% in December 2023, primarily driven by **food inflation**, emphasising the need for continued vigilance.
- The MPC determines the **policy interest rate required to achieve the inflation target.** The RBI controls **inflation and** deflation by employing a variety of monetary policy tools such as:
  - Repo rate, Reverse repo rate**, Bank rate,** Open market operations**,** Statutory liquidity ratio (SLR)**,** Cash reserve ratio (CRR)**,** Liquidity adjustment facility (LAF)**, and** Market stabilization scheme.

Read more: RBI Keeps Policy Rates Unchanged