

Monetary Policy: RBI leaves repo rate unchanged at 6.5%; Sensex crashes 792 points

thehindubusinessline.com, 5th October 2018

The Reserve Bank of India has decided to keep the repo rate unchanged at 6.5 per cent. The decision was taken at the fourth bi-monthly monetary policy committee meeting led by RBI Governor Urjit Patel amidst market expectations of further tightening by the central bank.

Consequently, the reverse repo rate under the LAF remains at 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

The Sensex tanked 792.17 points or 2.25 per cent to close at a near 6-month low of 34,376.99, while the Nifty slumped 282.80 points or 2.67 per cent to 10,316.45.

The MPC maintained a hawkish stance however and said inflation maybe higher than estimated after August.

It has projected CPI inflation between 3.8 per cent and 4.5 per cent in the second half of the fiscal and retained GDP growth estimate of 7.4 per cent for 2018-19.

It also called for strengthening domestic macro economic fundamentals noting the rising global headwinds including trade tension, rising crude oil prices and tightening global liquidity conditions.

Regarding the policy repo rate, Dr. Pami Dua, Dr. Ravindra H. Dholakia, Dr. Michael Debabrata Patra, Dr. Viral V. Acharya and Dr. Urjit R. Patel voted in favour of keeping the policy repo rate unchanged. Dr. Chetan Ghate voted for an increase in the policy rate by 25 bps.

The minutes of the MPC's meeting will be published by October 19, 2018. The next meeting of the MPC is scheduled from December 3 to 5, 2018.