trade-off posed by increased downside risks to growth and continuing risks to inflation and inflation expectations.

37. Against this backdrop, the stance of monetary policy is intended to:

- address the risks to macroeconomic stability from external shocks;
- continue to address the heightened risks to growth;
- guard against re-emergence of inflation pressures; and
- manage liquidity conditions to ensure adequate credit flow to the productive sectors of the economy.

IV. Monetary Measures

38. On the basis of the current assessment and in line with the policy stance outlined in Section III, the Reserve Bank announces the following policy measures.

Repo Rate

39. It has been decided to keep the repo rate under the liquidity adjustment facility (LAF) unchanged at 7.25 per cent.

Reverse Repo Rate

40. The reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, stands at 6.25 per cent.

Marginal Standing Facility (MSF) Rate

41. The MSF rate remains unchanged at 300 basis points above the repo rate at 10.25 per cent.

Bank Rate

42. The Bank Rate stands at 10.25 per cent.

Cash Reserve Ratio

43. The cash reserve ratio (CRR) of scheduled banks has been retained at 4.0 per cent of their net demand and time liabilities (NDTL).

Guidance

44. The monetary policy stance over the last two years has predominantly been shaped by the growth-inflation dynamic even as external sector concerns have had a growing influence on policy calibration over the last one year. The current situation – moderating wholesale price inflation, prospects of softening of food inflation consequent on a robust monsoon and decelerating growth – would have provided a reasonable case for continuing on the easing stance. However, India is currently caught in a classic ‘impossible trinity’ trilemma whereby we are having to forfeit some monetary policy discretion to address external sector concerns. The recent liquidity tightening measures by the