



**RBI Monetary Policy June 2018 HIGHLIGHTS:** Inflation pressures have emerged in key advanced and emerging economies driven by the rising commodity prices. (Image: Reuters)

**RBI Monetary Policy June 2018 HIGHLIGHTS:** Urjit Patel-headed six-member Monetary Policy Committee (MPC) of the Reserve Bank of India in its first three-day bi-monthly policy meeting raised the key repo rate by 25 basis points for the first time since January 2014, in about four-and-a-half-years, to 6.25%. “The decision of the MPC is consistent with the ‘neutral’ stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2% while supporting growth,” RBI said in a statement. This was the first hike by RBI in [Narendra Modi](#)’s four-year era.

Over the last three days, the Monetary Policy Committee carefully reviewed evolving global and domestic macro developments. We noted that global economic activity and trade has continued to expand though there has been some easing of momentum since our April meeting. Inflation pressures have emerged in key advanced and emerging economies driven by the rising commodity prices, especially those of crude oil and petroleum. Financial market activity has been mainly driven by the MPC expectations and geopolitical developments, RBI governor Urjit Patel said in the press conference.

### **HIGHLIGHTS from RBI’s 2nd MPC — June 2018 FY19**

1. Repo rate under the liquidity adjustment facility (LAF) has been raised by 25 basis points to 6.25% in a first rate hike in four-and-half-years.
2. Reverse repo rate under the LAF stands adjusted to 6% and the marginal standing facility (MSF) rate and the Bank Rate has been adjusted to 6.5%.
3. The MPC has decided to retain the projection of GDP growth for the financial year 2018-2019 at 7.4% with risk evenly balanced around this number.
4. All six members of the MPC including RBI Governor Urjit Patel and Dr Chetan Ghate, Dr Pami Dua, Dr Ravindra H. Dholakia, Dr Viral V. Acharya Dr Michael Debabrata Patra voted for 0.25% rate hike.
5. RBI has projected retail inflation at 4.8-4.9% for the period of April-September and 4.7% in H2 FY19.
6. RBI Governor has said that the forecast of normal monsoon for 2018-19 augurs well for the agriculture sector.
7. Emerging market currencies have by and large got depreciated against the US dollar. The geopolitical risks, financial market volatility and trade protectionism will further impact domestic growth.
8. According to RBI, the adherence to budgetary targets by the central government and the respective state government will ease upside risks to the inflation outlook.
9. The major upside risk to the inflation path is due to continuous rise price of crude oil as Brent crude rose to \$76 a barrel from a level of \$67 per barrel during April meeting of MPC.
10. RBI pointed that the volatility in the crude oil prices has added to uncertainty to the inflation outlook.
11. Investment activity is recovering well in the context of IBC (Insolvency and Bankruptcy Code) and will further get a boost from swift resolution under IBC.

12. The Reserve Bank of India's next Monetary Policy Committee meeting is scheduled on 31 July and 1 August 2018.

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