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# RBI's Monetary Policy Committee meet to begin today

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The Reserve Bank of India's (RBI) three-day Monetary Policy Committee (MPC) meeting is scheduled to begin on February 3.

The six-member MPC, headed by RBI Governor Shaktikanta Das, will share the outcome of the meet on February 5.

The committee is forecast to leave the key policy rate unchanged, but watchers feel the Union Budget could trigger policy changes.

"We expect the MPC to continue the pause. The fall in inflation rate was mainly due to fall in food prices. The core inflation rate has not come down. Excess liquidity needs to be watched. The vaccine availability is not going to impact macro economy immediately," M Govinda Rao, Chief Economic Advisor, **Brickwork Ratings** told PTI.

The current repo rate or rate at which the RBI lends to banks is 4 percent. The central bank last revised its policy rate on May 22, in an off-policy cycle to perk up demand by cutting interest rates to a historic low. The central bank has cut policy rates by 115 basis points since February last.

Besides the interest rate decision, investors will also be keen to know the RBI's view of Budget 2021 and the economy.

Aditi Nayar, Principal Economist at ICRA also said they "expect an extended pause for the repo rate, with the stance to be changed to neutral in the August 2021 policy review or later, once there is clarity on the durability of the economic recovery."

While Sunil Kumar Sinha, Principal Economist and Director Public Finance, India Ratings and Research, does not expect any change in policy rate as "growth needs to be supported through the monetary policy ... and December numbers showed that the CPI has somewhat moderated."

Retail inflation fell sharply to 4.59 per cent in December 2020 (latest data). Retail inflation based on the Consumer Price Index (CPI) was 6.93 per cent in November. The RBI mainly factors in the retail inflation while arriving at its policy rate.

The RBI has been asked by the government to keep the retail inflation at 4 percent (+, - 2 percent).