

The rate hike cycle may be nearing its peak

In its last scheduled meeting of the calendar year, the **Monetary Policy Committee** of the Reserve Bank of India voted to raise the **benchmark policy repo rate** by 35 **basis points**. It now stands at 6.25 per cent. The **decision, in line with the consensus, was** passed with a vote of 5-1 with member, Jayanth Varma, voting against the **hike**. The committee also kept its **stance** unchanged, **pledging** to remain focused on the **withdrawal of accommodation**. This stance was, however, **objected** to by two members, namely Jayanth Varma and Ashima Goyal. The growing **dissent** within the MPC **suggests** that, **notwithstanding** RBI Governor Shaktikanta Das's statement that seems to indicate that the committee is not done raising rates, the rate hike cycle is nearing its peak.

Inflation, however, continues to remain a **concern**, despite its recent **softening**. In October, **headline retail inflation fell** to 6.77 per cent, from 7.41 per cent in September. However, much of the decline was **on account of** a fall in food inflation — the **consumer food price index** had declined to 7.01 per cent in October, from 8.6 per cent in September. But **core inflation**, which excludes the **volatile** food and fuel components, **is** not showing any signs of **moderation**. This suggests continuing **price pressures** in the economy. The RBI governor also noted in his statement that core inflation remains **sticky**. The policy statement is thus more **hawkish** than expected. It notes that the “battle against inflation is not over”, and further policy action is needed to keep “**inflation expectations anchored**, break core inflation **persistence** and **contain second round effects**”. Inflation has remained above **the upper threshold** of the RBI's **inflation targeting framework** for 10 **straight** months. The central bank is, however, hopeful of price pressures easing in the economy. It has **projected** inflation at 6.6 per cent in the third quarter, trending thereafter to 5.9 per cent in the fourth quarter, and averaging 5.2 per cent in the first half of the next financial year.

Alongside, the RBI has also lowered its **forecast** for growth to 6.8 per cent this year, down from its earlier **assessment** of 7 per cent made in the September policy, and 7.2 per cent in the August policy. It noted that the changing assessments **reflect** the risks to growth from “**protracted** geopolitical tensions, **tightening** global financial conditions and slowing external demand.” **Considering** the changing economic conditions, the policy **apparatus** must be guided by the **imperative of preserving macroeconomic stability**.

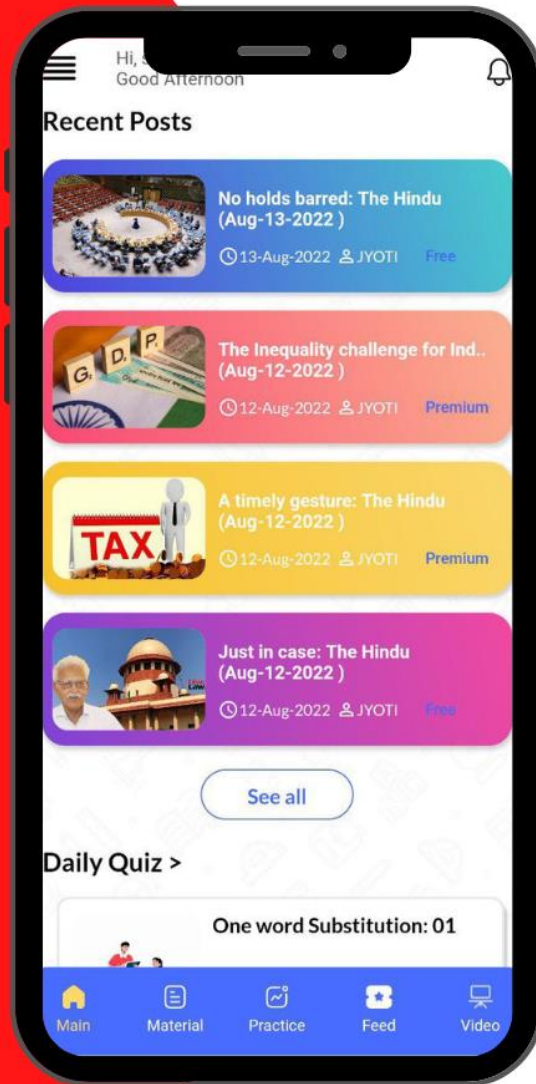
- Red/blue coloring of words in the sentence indicates subject verb relationship; where 'red' denotes 'subject' and 'blue' denotes 'verb'.

Vocabulary

1. **Peak** (noun) – the point at which something is the highest, best, strongest, etc. चरम पर
2. **Monetary policy committee** (MPC) (noun) – it is responsible for fixing the benchmark interest rate in India. The meetings of the Monetary Policy Committee are held at least four times a year and it publishes its decisions after each such meeting.
3. **Benchmark interest rate** (noun) – It include repo rate, MSF rate, CRR rate, Bank rate etc.
4. **Repo rate** (noun) – It is the interest rate at which the central bank of a country lends money to commercial banks
5. **Basis point** (noun) – 100 basis point = 1%
6. **In line with** (phrase) – In alignment or accordance with. के अनुसार
7. **Consensus** (noun) – majority opinion, majority view, common opinion, common view आम सहमति
8. **Hike** (noun) – Increase बढ़ोतरी
9. **Stance** (noun) – attitude, stand, point of view, viewpoint, opinion, way of thinking रुख
10. **Pledge** (verb) – Promise solemnly and formally; vow, plight, undertake संकल्प/प्रतिज्ञा करना
11. **Withdrawal of accommodation** (noun) – In simpler terms, under this policy, Central bank increases interest rate in order to control inflation.
12. **Object** (verb) – raise objections, express objections to, raise objections to, express disapproval, आपत्ति उठाना, एतराज करना
13. **Dissent** (noun) – difference of opinion, argument, dispute, demur मतभेद, असहमति
14. **Notwithstanding** (noun) – nevertheless, nonetheless, though के बावजूद
15. **Concern** (noun) – Anxiety, worry, apprehension fear चिंता
16. **Softening** (noun) – Reducing, diminishing, mitigating, allaying, lessening कमी, घटौती
17. **Headline inflation** (noun) – a measure of the total inflation within an economy, including commodities such as food and energy prices (e.g., oil and gas), which tend to be much more volatile and prone to inflationary spikes.
18. **Fall** (verb) – Decrease, reduce, sink, come down कम होना

19. **On account of** (phrase) – because of, due to, by virtue of के कारण
20. **Consumer Food price index** (noun) – it is designed to measure the changes over time in general level of retail prices of selected goods and services that households purchase for the purpose of consumption.
21. **Core inflation** (noun) – Core inflation is inflation-related to all the commodities, goods, and services in the economy minus the volatile food prices and fuel prices
22. **Volatile** (adjective) – Instable, unstable, changeable, capricious, fickle अस्थिर
23. **Moderation** (noun) – reduction, diminishing, lessening, decrease, contraction कमी/नरमी
24. **Price pressure** (noun) – inflation caused by an increase in prices of inputs like labour, raw material, etc.
25. **Sticky** (adjective) – (used about a situation) difficult or unpleasant (स्थिति) कठिन या अप्रिय
26. **Hawkish policy** (noun) – under this policy, policymaker is willing to allow interest rates to rise in order to keep inflation under control.
27. **Inflation expectation** (noun) – the rate at which people—consumers, businesses, investors—expect prices to rise in the future.
28. **Anchor** (verb) – Fix (a price, rate, or amount) at a particular level.
29. **Persistence** (noun) – constancy, continuance, continuity, immortality, indestructibility, perpetuity अटलता
30. **Contain** (verb) – restrain, curb, rein in, suppress, repress रोकना
31. **Second round effect** (noun) – These indirect effects of higher energy prices on the overall rate of inflation are called second-round effects
32. **Upper threshold** (noun) – The threshold inflation level for India is 6 per cent
33. **Inflation targeting framework** (noun) – a monetary policy where the central bank sets a specific inflation rate as its goal
34. **Straight** (adjective) – successive, in succession, consecutive, in a row, लगातार
35. **Project** (verb) – Predict, Predict, Envisage, Foresee अनुमान लगाना
36. **Alongside** (adverb) – Together with, along with, in conjunction with साथ - साथ
37. **Forecast** (noun) – prediction, prophecy, forewarning, prognostication पूर्वानुमान

38. **Assessment** (noun) – Calculation, appraisal, estimation, consideration, measurement मूल्यांकन
39. **Reflect** (verb) – Indicate, show, display, manifest, exhibit, signify, suggest दिखाना
40. **Protracted** (adjective) – lengthy, prolonged, extended, long लंबा
41. **Tightening** (noun) – Tightening of monetary policy is implemented when the inflation is rising rapidly. When monetary policy is tightened, the interest rates are increased by the Central bank
42. **Considering** (preposition) – bearing in mind, taking into consideration, taking into account ध्यान में रखते हुए
43. **Apparatus** (noun) – system, arrangement, regime, mechanism. तंत्र
44. **Imperative** (noun) – An essential or urgent thing अनिवार्यता
45. **Preserve** (verb) – Maintain, uphold, keep, continue, sustain, conserve बनाए रखना
46. **Macroeconomic stability** (noun) – Macroeconomic stability exists when key economic relationships are in balance— for example, between domestic demand and output, the balance of payments, fiscal revenues and expenditure, and savings and investment.



Learn Vocabulary Through Reading Articles

English Madhyam