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RBI likely to shift stance to neutral this week

New Delhi: The RBI' Monetary Policy Committee is likely to change its policy stance to neutral in its meeting this week on low inflation footprint but would refrain from cutting interest rates due to fiscal challenges and rising crude oil prices, experts said. The bimonthly meeting is scheduled from Feb. 5 to 7. It would be the first MPC meeting under RBI Governor Shaktikanta Das, who took charge in December 2018 following sudden exit of Urjit Patel.

Bank of Baroda Chief Economist Sameer Narang observed that the MPC may change its monetary stance to neutral on February 7 from calibrated tightening'.

Retail inflation during the October-December quarter stood at 2.6% against

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RBI's projected trajectory of 3.8%. "Given the significant undershoot and now the narrative of a global slowdown, CPI inflation is expected to remain below the RBI's target of 4% in 2018-19.

"This gives RBI a room to change its monetary policy stance. However, the elevated level of core components such as health, education, household and personal goods suggests that room to cut rates is limited for now," Narang said. AGENCIES