

Govt likely to retain 4% inflation target for RBI

The government is likely to retain the existing inflation target for the Reserve Bank of India (RBI), with the setup seen as effective in managing prices, according to people familiar with the matter.

The RBI currently aims to keep inflation anchored around 4 per cent, the mid-point of a 2 per cent to 6 per cent range mandated by the government.

The target for the central bank is set every five years and is due in March.

The government is unlikely to change the target, finance ministry officials in New Delhi said, asking not to be identified as the discussions were still private. The Ministry of Finance did not immediately respond to request for comment.

In place since 2016, the

inflation-targeting framework has helped contain price volatility, including during supply shocks triggered by geopolitical events.

India's inflation rate picked up in November from a record low in the previous month but stayed well below the central bank's 4 per cent target.

The government has also sought the central bank's feedback, which has favoured maintaining the status quo following internal deliberations and consultations with stakeholders, the people said.

The target guides the central bank's interest-rate decisions, helping keep price pressures within the band and anchored around the mid-point over the medium term.