

The central bank retained its GDP growth projection for 2018-19 at 7.4%

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The Reserve Bank of India (RBI) on Wednesday announced a 25-basis-point hike in the repo rate to 6.25 per cent, in line with market expectations. The six-member [Monetary Policy Committee](#) (MPC) kept its stance neutral, despite a repo rate increase. All of the six members of the MPC, including Governor and MPC Chairman [Urjit Patel](#) voted in favour of a rate hike.

Repo rate is the rate at which the Reserve Bank of India lends money to commercial [banks](#).

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RBI also revised its retail [inflation](#) estimate for 2018-19 to 4.8-4.9 per cent for the first half, and 4.7 per cent for the second. The MPC said that a sharp and durable increase in global crude oil price was seen as a key risk to retail [inflation](#).

The central bank retained its gross domestic product (GDP) growth projection at 7.4 per cent for 2018-19.

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The MPC decision was in line with a Reuters poll, where an increasing number of economists expected the RBI to raise interest rates, even as some said the rate might be held for now in preparation for an August hike.

In a snap poll of 56 economists taken after gross domestic product data last Thursday, 26 of those respondents, or about 46 percent, said they expected the RBI to increase the repo rate on June 6. The GDP data showed Asia's third-largest economy grew at its fastest pace in nearly two years in the January-March period.

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Earlier in the day, markets opened higher ahead of the RBI policy announcement. The BSE Sensex rebounded over 69 points in opening trade, breaking its three-day losing run. The 30-share index recovered by 69.38 points, or 0.19 per cent, to 34,972.59. It had lost 419.17 points in the previous three sessions.

Sectoral indices led by FMCG, auto, metal, IT and capital goods rose by up to 0.30 per cent. The NSE Nifty also went up by 22.65 points, or 0.21 per cent, to 10,615.80.

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A day before, the bond market seemed to be expecting that the RBI's MPC would keep [interest rates](#) unchanged on Wednesday, as the yield on benchmark 10-year paper softened by 5 basis points (bps) to close at 7.83 per cent. Some economists, however, said the panel might wait till the next policy review in August for any decision on rate hike,

awaiting data on spread of monsoon.

The rupee, meanwhile, had weakened further against the US dollar in choppy trade on Tuesday, falling by 4 paise to end at 67.15. Currency traders and speculators were cautious ahead of the rate-setting MPC review decision.

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