India’s central bank raised its benchmark interest rate for the first time since 2014 and set the stage for a gradual tightening cycle as economic growth rebounds from a four-year low and price pressures build.

The six-member Monetary Policy Committee voted unanimously to increase the repurchase rate to 6.25 percent from 6 percent on Wednesday, as predicted by 14 of 44 economists in a Bloomberg survey. The Reserve Bank of India kept its policy stance neutral, which suggested the move was a “dovish hike,” according to economists at Nomura Holdings Inc.

Indian bonds slipped while the rupee advanced as the RBI joined peers in Indonesia, Turkey and Argentina in raising rates as policy tightening in the U.S. and a stronger dollar rattles broader emerging markets. Governor Urjit Patel recently called on the Federal Reserve to slow the pace at which it plans to shrink its balance sheet to help emerging economies cope with the turmoil.

The RBI cited volatile crude oil prices and global financial market developments as risks that will force policy makers to remain vigilant. Oil is India’s biggest import and rising prices are a threat not only to inflation, but also the nation’s sizable trade deficit, putting more pressure on the currency.

Consumer-price growth is already above the central bank's 4 percent medium-term goal and with economic activity showing more signs of picking up, analysts say a rate hike, which reverses last August's cut, shouldn't choke off activity.

The forecast of normal monsoon rainfall is good for the farm sector, Patel said at a press conference in Mumbai. Capacity utilization has increased and a private survey shows factory activity is in expansionary mode in the past 10 months. Investment activity is expected to be robust despite tightening of financial conditions in recent months, he said.

Right Move

The RBI retained its GDP growth projection of 7.4 percent for the financial year to March 2019. It revised its inflation forecast to a range of 4.8 percent to 4.9 percent for the first half of the year from 4.7 percent to 5.1 percent, and raised the second-half estimate to 4.7 percent from 4.4 percent.

"Raising rates is a right move," said N.R. Bhanumurthy, an economist at the Delhi-based National Institute for Public Finance and Policy. "Given the international conditions -- rising oil prices, the Fed's rate policy and the fact that other emerging markets have already begun raising rates -- RBI should have probably raised rates earlier."