



Repo Rate Back to pre-covid levels at 5.4%

- By Ankit Agrawal

7%)

Axis Bank 727.65 ▲ 5.90 (0.82%)

Bajaj Finance 7,331.20 ▲ 12.80 (0.17%)

Bajaj Finserv 15,188.85 ▲ 9.95 (0.07%)

Bhar

[News](#) / [Markets](#) / RBI Raises Repo Rate By 50 Bps To 5.4%, Back At Pre-pandemic Levels

RBI raises repo rate by 50 bps to 5.4%, back at pre-pandemic levels

[mintgenie](#) | Pranati Deva

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TL;DR.

The Reserve Bank of India (RBI) raised the repo rate by 50 bps to 5.40 percent on August 5 for the third consecutive time. Repo rate is now back to pre-pandemic levels, highest since August 2019.

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Calendar Dates	Subjects
1st August - 7th September	Modern History
8th September - 10th October	Geography
12th October - 21st November	Economy
22nd November - 3rd January	Polity
5th January - 20th January	Science and Tech
21st January - 8th February	Society
9th February - 3rd March	International Relations
4th March - 29th March	Ancient, medieval & Art and Culture
30th March - 12th April	Environment
13th April - 4th June	Prelims preparation break (Prelims mock tests will be conducted)
Post Prelims These topics will be covered	
5th June - 21st June	Ethics
22nd June - 1st July	World History
3rd July - 8th July	Essay
11th July - 18th July	Internal Security
20th July - 26th July	Disaster management



Amit Kilhor

History



Ankit Agrawal

Indian Economy
(Banking)



Shashank Tyagi

Polity & International
Relations



Kapil Bharadwaj

Geography



Dilip Kumar

Environment



Rahul Saigaonkar

Science and
Technology



Prashant Tiwari

Current Affairs /
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Nanki Baweja

Economy



Shubham Sardhalia

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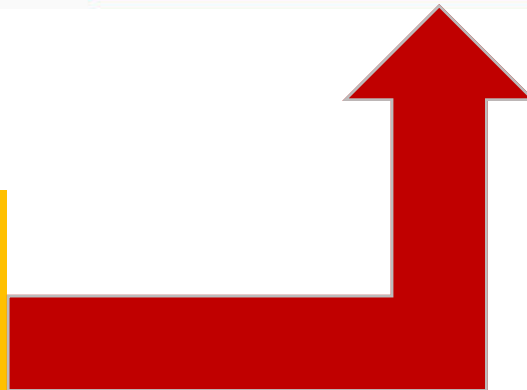
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WHAT HAS HAPPENED?

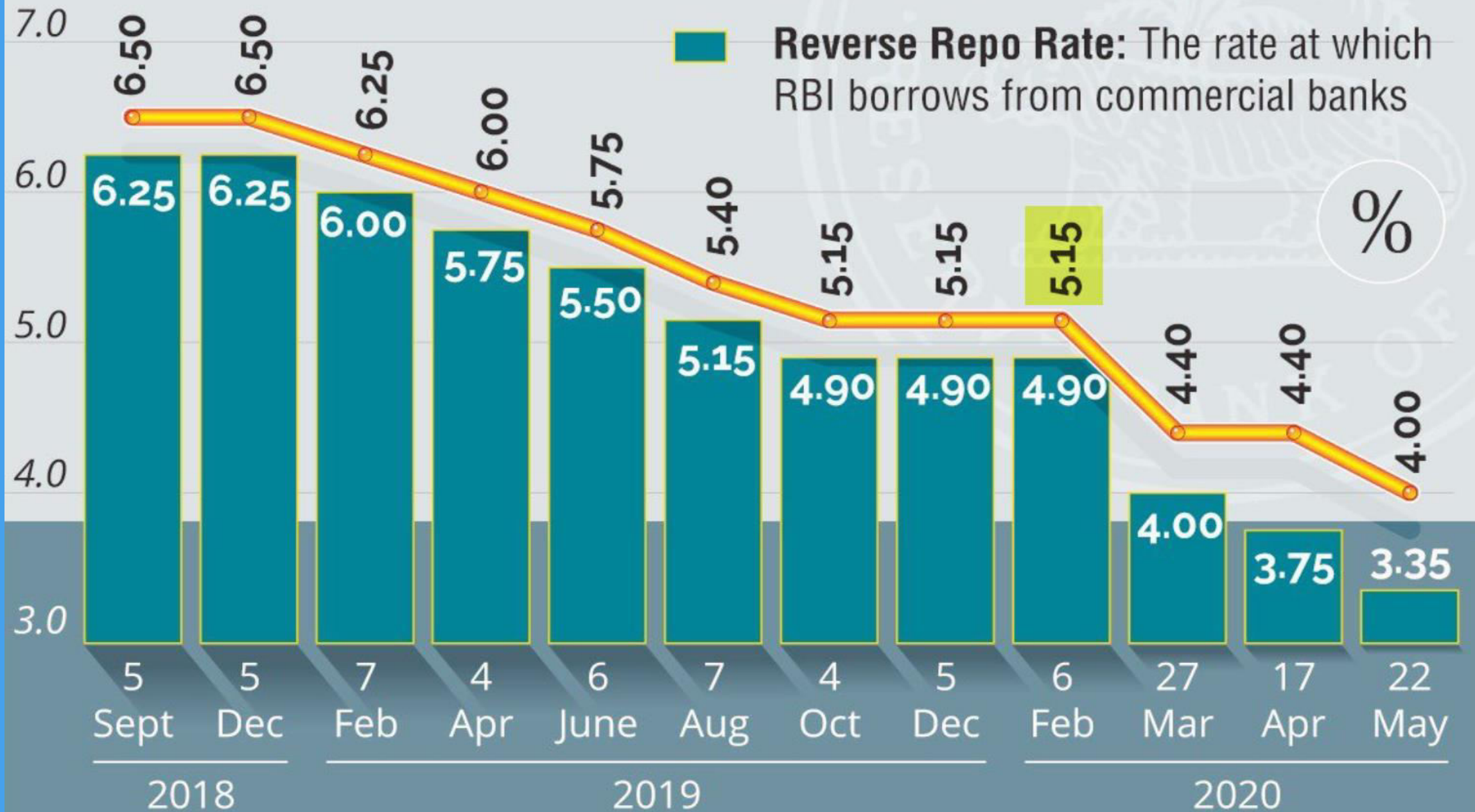
The Reserve Bank of India (RBI) raised the repo rate by 50 bps to **5.40%** on August 5 **for the third consecutive time** and

Retained its stance of 'withdrawal of accommodation' to ensure that inflation remains under control.

The **Repo rate is now back to pre-pandemic levels, the highest since August 2019.**

Repo Rate: The rate at which RBI lends to commercial banks

Reverse Repo Rate: The rate at which RBI borrows from commercial banks



The **RBI rate-setting committee was unanimous in its decision on lifting the rates** as the current inflation remains above RBI's comfort zone.

The Reserve Bank's rate-setting panel - Monetary Policy Committee - **started the meet on August 3 for three days to deliberate on the prevailing economic situation.**

The **Monetary Policy Committee** of India is responsible for fixing the benchmark [interest rate](#) in [India](#). The meetings of the Monetary Policy Committee are held at least 4 times a year and it publishes its decisions after each such meeting.

The committee comprises six members - three officials of the [Reserve Bank of India](#) and three external members nominated by the [Government of India](#). They need to observe a "silent period" seven days before and after the rate decision for "utmost confidentiality". The [Governor of Reserve Bank of India](#) is the chairperson [ex officio](#) of the committee. Decisions are taken by majority with the Governor having the casting vote in case of a tie. The current mandate of the committee is to maintain 4% annual [inflation](#) until March 31, 2021 with an upper tolerance of 6% and a lower tolerance of 2%.^[1]

The committee was created in 2016 to bring transparency and accountability in fixing India's Monetary Policy. The monetary policy are published after every meeting with each member explaining his opinions. The committee is answerable to the [Government of India](#) if the inflation exceeds the range prescribed for three consecutive months.^[2]

RBI
Governor

RBI 1

RBI 2

Govt
Nominated 1

Govt
Nominated 2

Govt
Nominated 3

RBI monetary policy: Rate hike is likely to push home loan rates higher, EMIs may get costlier



Both new and existing borrowers are likely to witness an increase in their home loan interest rates.

INFLATION

The RBI Governor said that the **household inflation expectations have eased, but remain elevated.**

CPI inflation for July-September is seen at 7.1%, October-December is seen at 6.4 per cent, while January-March 2023 is pegged at 5.8 per cent.

Governor **Shaktikanta Das** said that the **consumer price inflation has eased from its surge in April but remains uncomfortably high and above upper threshold of target.**

RBI

CPI ESTIMATES

	CPI CURRENT ESTS	CPI PREVIOUS ESTS
FY23	6.7%	6.7%
Q2FY23	7.1%	7.4%
Q3FY23	6.4%	6.2%
Q4FY23	5.8%	5.8%
Q1FY24	5%	--

GDP FORECAST

RBI Governor Shaktikanta Das said that the **FY23 GDP growth forecast has been retained at 7.2%.**

To cushion the impact of the Covid-induced lockdown, the central bank slashed the **repo rate in March 2020** and **maintained the status quo in the benchmark interest rate for almost two years.**

It first increased its key lending rate in two years since Covid in a **surprise move on May 4, 2022.**

RBI

GDP ESTIMATES

	GDP CURRENT ESTS	GDP PREVIOUS ESTS
FY23	7.2%	7.2%
Q1FY23	16.2%	16.2%
Q2FY23	6.2%	6.2%
Q3FY23	4.1%	4.1%
Q4FY23	4%	4%

RBI ON RUPEE DEPRECIATION

Governor Shaktikanta Das said **rupee has fared much better than many reserve currencies or Asian currencies.**

"Depreciation of rupee is due to strength of the dollar, rather than any weakness in India's macro fundamentals.

Remain focused on maintaining the stability of the rupee," he added.

FDI INFLOWS

The RBI Governor said that **FDI inflows improved to USD 13.6 billion in the first quarter of the current fiscal, against USD 11.6 billion in the corresponding period last year.**

He further said that **FPIs after remaining in exit mode in first quarter have turned positive in July**, said RBI Governor.

EXTERNAL FACTORS

The Governor said the **inflation trajectory will depend upon global markets and geopolitical developments.**

“There has been some let up in commodity prices and softening in global food prices.

The resumption of wheat supply from the Black Sea region could help temper inflation,” he said.

If the monsoon is normal, and at an average crude oil price of \$105 per barrel for the year, “inflation is projected at 6.7% in 2022-23,” Das.

The Governor highlighted the risks being faced globally and the impact it will have on **emerging economies**, including India.

He said that while the International Monetary Fund has highlighted recession risk and revised global growth, for emerging market economies the risks are magnified as **they have domestic inflation concerns and there will be impact of monetary tightening worldwide.**

Q. The concept of weaker sections under 'priority sector lending' was introduced on the recommendation of which of the following committees?

- A) Krishnaswami Committee
- B) Varshney Committee
- C) Gadgil Committee
- D) Abid Hussain Committee



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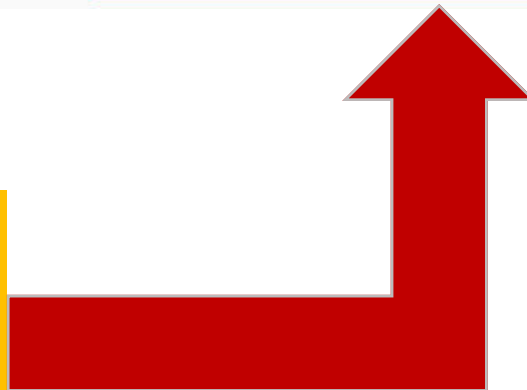
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