RBI raises repo rate by 50 bps to 4.90%; inflation has become global, says Governor Shaktikanta Das

India facing new challenges each passing day due to war, said Governor Das

The RBI Monetary Policy Committee (MPC) has voted unanimously to raise repo rate by 50 bps to 4.90 percent.

Today's rate hike follows a 40-bps rise in early May at an unscheduled meeting that kicked off the central bank's tightening cycle, which economists expect to be relatively short. “Upside risks to inflation as highlighted in last policy meetings have materialized earlier than expected,” Governor Shaktikanta Das said after the policy decision.

The Standing Deposit Facility and Marginal Standing Facility rates were raised by 50 basis points to 4.65 percent, and Marginal Standing Facility rate to 5.15 percent.

The RBI MPC vote was unanimous and has decided to keep stance withdrawal from accommodative to ensure inflation remains within target going forward.

Earlier, the policy repo rate was at 4.40 percent, after the MPC's surprise move to hike the repo rate -- the rate at which the RBI lends money to commercial banks -- by 40 basis points. The Standing Deposit Facility Rate was at 4.15 percent and the Fixed Reverse Repo Rate stood at 3.35 percent.

**RBI policy action 'remarkable': MVIRDC World Trade Center**

Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai—a trade facilitating body

The key highlight of today's RBI policy action is the remarkable upward revision in CPI inflation forecast for the current financial year from 5.7 percent to 6.7 percent. With this upward revision, RBI has implicitly conveyed that it is going to hike policy repo rates further in the coming months. We expect RBI to hike policy repo rate by another 100 basis points by March 2023 to control inflation.