

Repo Rate remains unchanged. What has the RBI kept in sight?

The latest MPC meeting convened on June 8th finally concluded on retaining the repo rates at 6.50%. This provides some respite for EMI payments as it's expected to be unchanged too. The initial drivers that led to this decision were the CPI rates at tolerant levels of 5.7%, GDP growth boosts by 6.1% and inflation levels will be around 4%. EBLR also remains unaffected after this declaration as 81% of EBLRs are connected with repo rates. Declining banking efficiency of advanced economies across the world while the smooth running of its Indian counterparts coupled with higher numbers of Rs. 2,000 notes added in bank accounts have also influenced this decision. House purchasers will see higher amounts gone in deferred payments and would properly need to scrutinize all existing financial plans.

Lessening the money supply is a top priority as per the latest statement. This is done after accounting for the effects of food inflation and El Nino over the last quarter. Discontinuation of the Rs 2,000 notes has further eased the pressure on RBI, by creating additional notes to regulate the money supply. Retail inflation will remain close to targeted levels at 5.1% while inflation-corrected GDP targets for 2024 are set at the earlier levels of 6.5% after considering the fall in petroleum prices globally and other products. It doesn't look positive in the future as OPEC has recently announced open cuts in its oil production to increase prices while the U.S. has increased its debt limits thereby pushing prices for all household-based items and associated commodities.

Other changes introduced were mainly the advancement of e-Rupee and issuance of RuPay Prepaid Forex cards that enhance the payment options made available to Indians while moving overseas. A two-pronged effect of improving India's business standards in the international market along with giving a wider acceptance for transactions through UPI and RuPay cards as envisioned in the RBI's Payments Vision Document 2025.

Terms Expanded

RBI – Reserve Bank of India

EMI – Equated Monthly Instalment

MPC – Monetary Policy Committee

CPI – Consumer Price Index

EBLR – External Benchmark-based Lending Rate

GDP – Gross Domestic Product

OPEC – Organization of the Petroleum Exporting Countries

UPI – Unified Payment Interface



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