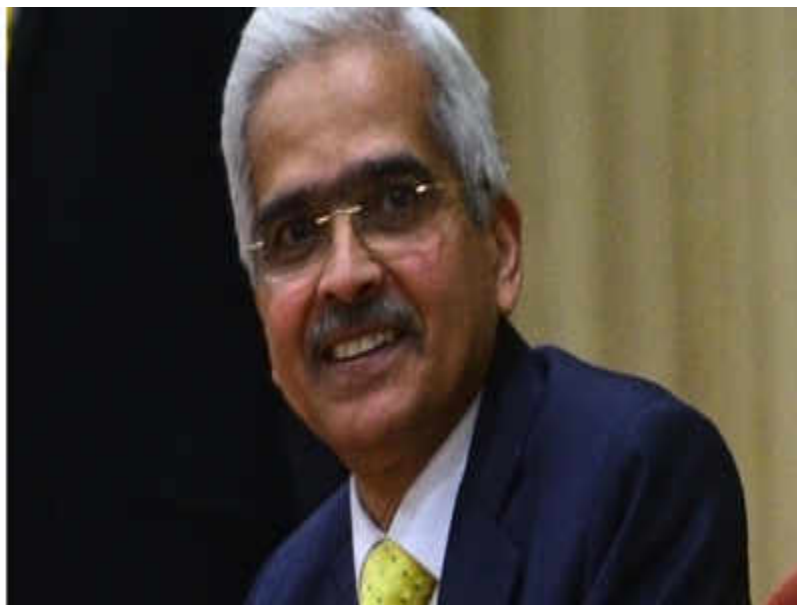


Loans may become cheaper as RBI cuts repo rate for third time in a row

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a row
marginal cost lending rate of banks has, however, risen from 10.38 per cent in January to 10.42 per cent in April 2019.

NEW DELHI: The Reserve Bank of India (RBI) on Thursday reduced repo rate by 25 basis points (bps) to 5.75 per cent. This is the third straight reduction in the rates in 2019.

The move will likely bring down the loan EMIs (equated monthly instalments). The last time the Reserve Bank moved this quickly to lower rates was in 2013 to revive the moribund economy from growth rates that had slipped to a decade low.

RBI had reduced its repo rate — the rate at which it lends to banks — from 6.5 per cent to 6 per cent in two stages this year. The weighted average

Earlier, the repo rate was at 5.75 per cent in July 2010.



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RBI also lowered its GDP growth forecast to 7 per cent for the current fiscal from 7.2 per cent earlier while marginally increasing

its inflation projection to 3-3.1 per cent for the first half of 2019-20, which is within the comfort range of 2-6 per cent set by the government.

The Reserve Bank will not hesitate to take any measure which is required to maintain the financial stability of the system including, short-term, medium-term and long-term, governor Shaktikanta Das said.

The reverse repo rate under the liquidity adjustment facility (LAF) stands adjusted to 5.50 per cent, and the marginal standing facility (MSF) rate and the bank rate to 6.0 per cent, the central bank said in a notification.

The monetary policy committee (MPC) also decided to change the stance of monetary policy from "neutral" to "accommodative".



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Two-thirds of 66 economists polled by news agency Reuters predicted that the MPC to wrap up on Thursday by cutting the repo rate by 25 bps. The survey was taken even before India released far worse than expected economic growth numbers.

The next meeting of the MPC is scheduled during August 5 to 7.

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