

## **RBI's Raghuram Rajan cuts repo rate by 25 bps, CRR unchanged**

RBI monetary policy review: RBI Governor Raghuram Rajan in its monetary policy review on Tuesday cut repo rate by 25 basis points to 7.25 per cent from 7.5 per cent, third time this year, meeting market and government expectations of boosting growth by lowering borrowing cost.

The central bank left all other policy tools like cash reserve requirement unchanged at 4 per cent and Statutory Liquidity Ratio (SLR) at 21.5 per cent.

Financial Express Managing Director Sunil Jain 's take: "RBI has done its bit, its over to the banks now.... They need to pass on the cut to customers. But with very high unutilised capacity, private investment will take a year or more to recover. As a result, even consumer demand will remain sluggish. It will remain a muted year".

### **Following are the highlights of RBI's monetary policy statement:**

- Short-term lending rate (repo) cut by 0.25 pc to 7.25 pc
- Cash Reserve Ratio unchanged at 4 pc
- Statutory Liquidity Ratio retained at 21.5 pc
- Inflation expected to rise to 6 pc by January 2016
- Strong food policy management needed to keep inflation and inflationary expectations under check
- Growth forecast lowered to 7.6 pc for 2015-16 from 7.8 pc projected in April
- Banks asked to pass on benefit of rate cuts to borrowers
- Targeted infusion of bank capital into PSU banks needed to ensure credit flows to productive sectors
- Third bi-monthly policy statement on August 4

*(Financial Express)*