

RBI may cut repo rates by 25% in June review: Care Ratings

With India's GDP growth slowing down to a decade low, the Reserve Bank of India is likely to cut its key rates by 0.25% at the policy review meet on June 17, Care Ratings has said.

"With WPI (wholesale price index) headline inflation moderating and falling below 5%, the RBI, seeking to balance a growth-inflation trade-off, now appears to be focusing on the former," Care Ratings said in a note here.

"There is a higher likelihood of the RBI reducing interest rates by another 0.25% in the June review," it added.

The note, written after the release of official data pointing to growth declining to 5% for FY 2013, however, said the central bank would opt for a status quo in case the headline inflation and the current account deficit (CAD) figures go beyond its comfort zone.

The central bank cut its key lending rate (repo) by 0.25% in its May policy review and maintained that scope to further slash the short-term rate is limited.

However, expectations of a rate cut increased after the release of data pointing to headline inflation falling below the 5% mark in April, the first time in three years.

Reacting to the data, RBI governor D Subbarao had said the central bank will take the figure into consideration while carrying out its review.

The RBI was one of the most aggressive central banks in the world in hiking its key rates as inflation surged following the 2008 economic crisis.

The central bank held on to the elevated rates for long enough and attracted criticism that it was hurting growth, and since last year, it has started a slow process of easing rates.

(Hindustan Times)