

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5119

ANSWERED ON:26.04.2013

CUT IN KEY POLICY RATES

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**Will the Minister of FINANCE be pleased to state:**

(a) whether the Reserve Bank of India (RBI) has announced a cut in key policy rates in the month of January, 2013 despite having sticky inflation;

(b) if so, the details thereof and the reasons therefor; and

(c) the likely impact of the said move on inflation and the overall economy of the country?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c) : The Reserve Bank of India (RBI) in its Third Quarter Review announced on 29.01. 2013, reduced the repo rate by 25 basis points from 8.0 per cent to 7.75 per cent with immediate effect. The decision to reduce the repo rate was based on softening of headline wholesale price inflation and its core component, non-food manufactured products inflation, and continuing slowdown in growth. The policy initiatives announced by RBI were aimed at supporting growth by encouraging investment; anchoring medium-term inflation expectations on the basis of a credible commitment to low and stable inflation; and improving liquidity conditions to support credit flow.