

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**RBI GIVES STRONG SIGNAL TO FURTHER MODERATE
INFLATION AND CHECK INFLATIONARY EXPECTATIONS BY
MAKING 50 BASIS POINTS INCREASE IN POLICY REPO RATE;
EXPECTS MORE COMFORTABLE INFLATION SITUATION OF 6 TO
7 PER CENT AT YEAR END: FM**

**New Delhi:
July 26, 2011**

The Union Finance Minister Shri Pranab Mukherjee said that by announcing a 50 basis point increase in the policy repo rate, raising it from 7.50 per cent to 8.0 per cent, Reserve Bank of India (RBI) has sought to give a strong signal to further moderate inflation and check inflationary expectations. The Finance Minister Shri Mukherjee was reacting here today to the 50 basis points increase made in the policy repo rate under Liquidity Adjustment Facility(LAF) by RBI in its First Quarter Review of Monetary Policy 2011-12 which was announced today in Mumbai.

The Union Finance Minister Shri Pranab Mukherjee said that he expects that with this policy adjustment, we will be able to get back to a

more comfortable inflation situation that takes us to the year end inflation level of 6 to 7 per cent.

The Union Finance Minister Shri Pranab Mukherjee said that in recent months, inflation has softened, particularly so in case of food inflation, but due to the hardening of non-food manufacturing inflation, headline inflation continues to be around 9 per cent. Shri Mukherjee said though this is consistent with the RBI assumption for the first half of 2011-12, medium-term concerns on growth require that we bring it down to more acceptable level at the earliest. The Finance Minister Shri Mukherjee said that notwithstanding some slowdown of GDP growth in the first quarter of 2011-12, as reflected in the some indicators including the IIP and moderation in the growth of interest-sensitive sectors, the overall GDP growth for 2011-12 so far is in line with the momentum attained in 2010-11.

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