

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**RBI BY RAISING REPO RATE BY 25 BASIS POINTS SEEKS TO MAINTAIN AN
INTEREST RATE ENVIRONMENT THAT MODERATES INFLATION : FM**

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Union Finance Minister Shri Pranab Mukherjee has said that by announcing an increase of 25 basis points in repo rate, from the existing 7.25 per cent to 7.50 per cent, RBI has sought to maintain an interest rate environment that moderates inflation and checks inflationary expectations. The Finance Minister was reacting to the Reserve Bank of India's Monetary Policy announcement made today.

The Finance Minister Shri Mukherjee has stated that this was on expected lines, as the core inflation hardened to 8.71 per cent in May 2011 in comparison to 7.93 per cent in April 2011. Shri Mukherjee stated that there was a need to have better price stability for sustaining growth in the medium-term.

DSM/SS