

TO EASE SITUATION, RBI TO PUMP IN RS. 1 LAKH CRORE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Mr. Das also said onion prices have continued to decline while PDS kerosene prices have slumped by 24% in the first fortnight of April and domestic LPG prices declined by 8%.

“In the period ahead, inflation could recede even further, barring supply disruption shocks and may even settle well below the target of 4% by the second half of 2020-21,” he said. He added that such an outlook would make policy space available to address the intensification of risks to growth and financial stability brought on by COVID-19.

“This space needs to be used effectively and in time,” Mr. Das commented. The RBI had reduced the repo rate by 75 bps to 4.4% on March 27.

The central bank has also reduced the reserve repo rate — while keeping the repo rate unchanged — by 25 bps to 3.5%. This was to discourage banks from parking their excess liquidity with RBI at the reverse repo rate.

Observing that the surplus liquidity in the banking system has risen significantly in the wake of government spending and the various liquidity enhancing measures by RBI, Mr. Das said banks parked Rs. 6.9 lakh crore on April 15 through the reverse repo window.

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