

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:848  
ANSWERED ON:24.02.2006  
REPO RATE AND GDP  
Thomas Shri P.C.

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

- (a) whether RBI has raised Reverse Repo rate;
- (b) if so, the details thereof;
- (c) whether interest rate in Banks is likely to increase as a result of this; and
- (d) the present inflation rate and the rates prevailed during the past six months and the expected impact on inflation rate and finally the change, if any, in GDP growth?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) Yes, Sir. In view of the current macroeconomic and overall monetary conditions, the fixed reverse repo rate under the liquidity adjustment facility (LAF) of the Reserve Bank has been increased by 25 basis points from 5.25 per cent to 5.50 percent with effect from 24th January, 2006.

(c) & (d) The Repo-rates do not have linear impact on the rate of interest and rate of inflation, which are also affected by other factors like Bank Rate, Cash Reserve Ratio (CRR) etc. The Wholesale Price Inflation Rate (Year - on - year basis) during the last six months has remained between 3.3% (as on 27th August, 2005) and 4.9% (as on 8th October, 2005). The Central Statistical Organization, Government of India, released the advance estimates of real GDP for 2005-06 on February 7, 2006. According to these estimates, the real GDP growth is expected to be 8.1% during 2005-06 as against 7.5 % during 2004-05.