

# BATTLING INFLATION

*The central bank responds to global challenges*

The RBI's decision to hike repo rates by 25 basis points must be seen from a holistic perspective. The pulls and pressures of the domestic situation coupled with significant developments on the global stage have forced the apex institution to increase its benchmark rates after four years. Faced with rising crude oil and commodity prices, giving rise to the spectre of increased inflation, and a strong possibility of a churning in global markets, the RBI had to intervene. It has brought cheers to the stock market, helped the rupee strengthen a bit against the dollar and facilitated higher returns for 10-year government bonds. Since domestic inflation is inextricably linked with international developments, the RBI has promised to take a flexible stand to help the economy grow in these uncertain times. True, the recent hike will impact EMIs for home and car loans, eating into the middle class's meagre savings, but an increase after four years is a fair deal. According to experts, since home sales is witnessing a revival, paying higher EMIs will not deter prospective buyers. The biggest challenge for RBI and the economy is to keep inflation in check while creating a conducive environment for growth. The good news is that growth forecast continues to be 7.4 per cent. It has been observed in the recent past that emerging markets have suffered at the hands of the US dollar and the rupee has been no exception. It has now become imperative for RBI to arrest the currency decline. The Finance Ministry is optimistic that the RBI decision will help the market to stabilise.