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RBI expects US Fed to raise rate by up to 0.25%

Raghuram Rajan said that India is prepared for any eventuality

Press Trust of India | Kolkata
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RBI Governor Raghuram Rajan PTI

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The Reserve Bank of India today said it is expecting the US [Federal Reserve](#) to raise rates next week by between one and 25 basis points and it is prepared to meet any eventuality arising out of the decision.

"The Fed has prepared the ground and we are expecting that it will raise rates anywhere between one and 25

A rate cut is expected

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basis points," RBI governor [Raghuram Rajan](#) told reporters after the central bank's board meeting here today.

There is 70-75% possibility that the rates would be increased, Rajan said.

RBI deputy governor Urjit Patel said it is almost certain that the Fed will raise interest rates next week.

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"After analysing the language used by Fed, we are expecting that interest rates will be raised by the US central bank," Patel said.

He added that one could expect some changes in financial flows in the markets.

"Whatever decision the Fed takes, we are prepared for any eventuality", Rajan said.

It is widely expected that increase in [interest rate](#) by the US Fed may lead to flight of capital from India putting pressure on foreign exchange (forex) market.

The Fed is largely expected to make its first rate hike in almost a decade during its upcoming December 15-16 meeting following recent positive US jobs data.

Rajan said [RBI](#) doesn't have independent assessment but looking at the market probabilities there is 70-75% chance of Fed increase.

"I do not know how much it will be my guess is not more than 25 basis point but it could be anywhere between 1 and 25 basis points," he said.

"I also think the Fed has prepared the way carefully for an increase. Likely at this point, they will go ahead," he added.

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