

{ MPC } RESOLUTION DUE ON OCTOBER 1

RBI likely to keep rates unchanged

Press Trust of India

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NEW DELHI: The Reserve Bank of India (RBI) is likely to keep interest rates unchanged in the forthcoming bilateral monetary policy review in view of the rising retail inflation driven mainly by supply side issues, experts say.

RBI governor Shaktikanta Das had earlier said although there was headroom for further monetary policy action, it was important to keep "our arsenal dry and use it judiciously." The six-member Monetary Policy Committee (MPC) headed by RBI governor is scheduled to meet for three days starting September 29. The resolution of the MPC would be announced on October 1.

In its last MPC meeting in August, RBI kept policy rates unchanged to help tame inflation that in recent times had surged past 6% mark, and said the economy is in an extremely weak condition following the pandemic. The RBI has cut policy rates by 115 basis points since February.

As regards the next policy review, industry body Confederation of India Industry said: "The RBI should maintain its accommodative stance, while avoiding a rate cut for now given the stickiness in CPI inflation. While supporting growth is critical, the RBI could wait till there is some visible moderation in inflation." Expressing

similar opinion, Assocham secretary general Deepak Sood said the Reserve Bank should continue in a more pronounced way the accommodative stance on the policy interest rates in the wake of serious challenges due to contraction in the economy induced by the Covid-19 pandemic.

Union Bank MD and CEO Rajkiran Rai G feels it's going to be status quo. "With so much of high inflation, I don't think they will cut rate this time".

There is a scope for a rate cut but that will happen around February, he added.

"The food inflation is likely to ease in December and post that due to the good crops and, so, the opportunity may come around February for rate cut," he said.

Retail inflation softened slightly to 6.69% in August from 6.73% in July.

The government has mandated RBI to keep inflation at 4% (+/- 2%).

Aditi Nayar, Principal Economist, ICRA said inflation is expected to harden further in September and ease gradually over the next few months, led by a base effect driven softening in food inflation.

"However, the core inflation is expected to remain stubbornly sticky around current levels. Accordingly, we anticipate an extended pause from the MPC, despite the recession that is currently underway," she said.