

MPC in no rush to change rate, stance

Some expect upward revision in FY24 inflation forecast

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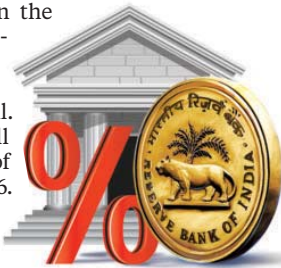
The six-member Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) is expected to maintain a status quo in the

fourth consecutive policy review, all 10 respondents said in a *Business Standard* poll. The central bank will announce the review of the policy on October 6.

After increasing the repo rate by 250 basis points (bps) to 6.5 per cent between May 2022 and February 2023, the MPC hit a pause in the April review of the monetary policy.

"They should maintain a status quo because food inflation, which was posing an issue for the RBI in terms of controlling and managing the headline inflation, has subsided. At least, vegetable prices are pretty much under control. Maybe at some point, crude prices could be an issue, but they are keeping the liquidity tight," said Naveen Singh, head of trading & EVP (executive vice-president) at ICICI Securities Primary Dealership.

The consumer price index-based inflation eased to 6.83 per cent in August, from a 15-month high of 7.44 per cent in July, mainly on the back of a decline in the rate of the rise in vegetable prices.



EXPERT OPINION

Respondent	Do you expect a change in stance to neutral?	Do you expect the RBI to revise FY24 inflation forecast? If so, by how much?
SBI	No	Yes, maybe 10 bps up
Emkay Global	No	No
ICRA	No	No
ICICI Securities primary dealership	No	No
Bank of Baroda	No	Not more than 10 bps
YES Bank	No	No
Axis Capital	No	No
IDBI Bank	No	Yes
PNB Gilts	Yes	No
Kotak Mahindra Bank	No	Yes, by 10 bps

All participants expect the RBI to maintain status quo and keep FY24 growth forecast unchanged

BANKER'S TRUST

Expect status quo, both for rate and policy stance

As the festival season approaches, followed by elections, state and national, there will be pressure on liquidity since cash with the public will rise. **TAMAL BANDYOPADHYAY** writes **15**

▶ FROM PAGE 1

BS poll...

“The RBI will stay vigilant, but there will be no urgency to act unless food inflation becomes generalised,” said Madhavi Arora, lead economist at Emkay Global “While the index inclusion (the inclusion of Indian government bonds into a JPMorgan bond index) should structurally augur well for lower cost of borrowings for the economy at large, it will also come with more accountable fiscal policy-making and more deft monetary policymaking ahead -- with the RBI likely managing problems of plenty,” Arora said.

All the respondents to the poll, except PNB Gilts, expect the committee members to maintain the withdrawal of accommodation stance, even as the net liquidity in the banking system remains in deficit. “The stance will change to neutral from the withdrawal of accommodation because in all probability inflation trends are going to come down. In any case, they (the MPC members) need to become data dependent because other central banks around the world are now going basically into ‘holding (the rate)’, other than maybe the US Fed,” said Vikas Goel, managing director & CEO at PNB Gilts. “There are some questions about growth. While numbers are still good, some forward forecasts on growth are showing cracks. Essentially, I think, a stance change is required to create a life path to eventually whenever it has to happen or cutting rates. So the path will be stabilised by a change in the stance,” Goel further said.

The banking system's liquidity has been in deficit for the past 15 days. On Thursday, the RBI injected ₹86,709 crore. Market participants said the central bank will look to keep liquidity at a level, keeping in mind the need for credit flow into productive sectors, especially during the festival season.

Only three respondents expected the RBI to raise the inflation projection for the current financial year (FY24) marginally. In the August policy review, the consumer price index (CPI)-based inflation for FY24 was projected at 5.4 per cent.

