

RBI may hold repo rates amid high food prices

Most respondents expect rate cuts from Dec; change in stance unlikely

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The Reserve Bank of India (RBI)'s six-member Monetary Policy Committee (MPC) is expected to maintain a status quo for the ninth consecutive policy review, all 10 respondents said in a *Business Standard* poll. The RBI will announce the policy decisions on August 8.

After increasing the repo rate by 250 basis points (bps) to 6.5 per cent between May 2022 and February 2023, the MPC kept the repo rate unchanged in the previous eight policy reviews.

Gaura Sen Gupta, chief economist at IDFC First Bank, said the tone of the policy would be cautious on food inflation risks. "Food inflation pressures remain elevated due to adverse weather patterns — heatwave conditions during the summer months and a slow start to the monsoon in June. Daily food prices indicate that retail prices remained elevated in July with supplies of perishables such as vegetables disrupted."

On the positive front, she said, core inflation remains historically low, reflecting no generalisation of



A LONG PAUSE

What economists see in the offing after monetary policy review, scheduled for August 6–8

	Will RBI maintain status quo?	Will the stance change to neutral?	Will RBI revise FY25 inflation forecast?	Will FY25 growth forecast be revised?	When will MPC start cutting repo rate?
SBI	✓	✗	✗	✗	Dec '24–Feb '25
Emkay Global	✓	✗	✗	✗	–
ICRA	✓	✗	✗	✓	Dec '24
ICICI Bank	✓	✗	✗	✗	Dec '24
Bank of Baroda	✓	✗	✓*	✗	–
YES Bank	✓	✗	✗	✗	–
HDFC Bank	✓	✓	✗	✗	Dec '24
RBL Bank	✓	✗	✗	✗	Q4FY25
IDFC First Bank	✓	✗	✗	✗	Oct '24–Dec '24
STCI primary dealership	✓	✗	✗	✗	–

*may not revise Q2 forecast upward

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No rate cut, but dovish undertone likely

The stance can be changed, and if that doesn't happen, the hawkish underdone will not continue. **TAMAL BANDYOPADHYAY** writes

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price pressures. "Given that growth conditions remain strong, the policy will remain focused on ensuring headline inflation moderates towards the 4 per cent target on

a sustainable basis."

Retail inflation, gauged by the consumer price index, was 5.08 per cent in June. However, food inflation was 9.36 per cent. Turn to Page 6 ►

RBI may not revise growth forecast, say economists

The RBI projected retail inflation for FY25 at 4.5 per cent. In the previous financial year, retail inflation stood at 5.4 per cent. All respondents, except HDFC Bank, said the RBI would continue with the 'withdrawal of accommodation' stance.

"High growth in FY24, combined with inflation of 4.9 per cent in Q1 FY2025, is unlikely to shift the voting pattern of the four members who voted for a status quo in the June 2024 meeting. If the food inflation outlook improves with normal rains in the second half of the monsoon season, and in the absence of global or domestic shocks, a stance change is possible in October 2024," said Aditi Nayar, chief economist, ICRA. Two of the six MPC members voted in the June meeting to cut interest rates, arguing that an overly

tight policy might hinder economic growth.

Sakshi Gupta, principal economist at HDFC Bank, said there was a possibility of a change in stance to neutral as inflation moderates, in line with recent dovish comments by the US Fed and the increasing likelihood of a September rate cut in the US.

In the July policy, US Fed Chair Jerome Powell hinted at potential rate cuts as early as September if economic data aligns with the Fed's objectives of managing inflation and employment.

The US Federal Reserve maintained its key interest rate at a 23-year high of 5.25-5.50 per cent while acknowledging progress towards its 2 per cent inflation target and possible rate cuts in the next meeting.

A majority of respondents expect the RBI to start cutting
