RBI Monetary Policy Meeting Commences: Here's what analysts, experts expect

RBI MPC Monetary Policy Meeting Updates, August 3, 2022: It is widely expected that the Reserve Bank of India (RBI) will raise its benchmark lending rates for a third consecutive time to check the spike in retail inflation.

By: **Express Web Desk** | New Delhi |
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Reserve Bank of India (RBI) MPC Monetary Policy Meeting (MPC) Updates: Reserve Bank of India (RBI). (Image: Reuters/File)

RBI Monetary Policy Meeting: The Reserve Bank of India's (RBI) six-member Monetary Policy Committee (MPC) began its three-day meeting on Wednesday. The MPC, which is headed by RBI Governor Shaktikanta Das, will announce its decision on the key lending rates on Friday, August 5.

It is **widely expected** that the central bank will raise its benchmark lending rates for a third consecutive time to check the spike in retail inflation. The retail inflation or Consumer Price Index (CPI) has been above the 6 per cent mark for six consecutive months till June and continues to remain a concern amid high crude prices.

So far the RBI has raised the repo rate twice – by **40 basis points (bps) in an off-cycle meeting** in May and **50 bps in June**. and market experts widely anticipate that RBI might hike its benchmark lending rate for the third consecutive time.

Here's what various analysts and market experts expect from the MPC meeting:

Rajani Sinha, Chief Economist at CareEdge said, "With the softening of many commodity prices, CPI inflation seems to have broadly peaked at the current levels and expected to witness a downward movement to below 6% by Q4FY23. However, domestic inflation is still high and so is the global commodity prices, we expect RBI to continue with front-loading of rate hiking cycle. We expect 50 bps of repo rate hike in the upcoming policy and another 50-bps rate hike post that taking the terminal repo rate to 5.90% by the end of the fiscal year."

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Dhruv Agarwala, Group CEO, Housing.com, PropTiger.com and Makaan.com, said: "In view of the current high inflation scenario, the RBI MPC in its August meet is likely to hike the repo rate. In our estimate, it is expected to be in the range of 20-25 basis points. While other banking regulators across the world, including the Fed, are raising rates aggressively, the situation in India does not warrant that kind of approach yet. However, as suggested by the RBI in its earlier announcements, the rates would continue to be hiked in a graded manner, in upcoming MPC meets."

Mohit Ralhan, Global CEO and Managing Partner at TIW Capital Group said, "The August meeting of MPC is one of the most crucial ones as the Indian economy is at a critical juncture. June marked the sixth straight month when inflation at 7.01% came higher than the upper tolerance level of RBI. RBI also needs to look at the policy rate increases in the USA, as it would want to keep the spread under control. The US Fed has already increased the policy rates by 2.25% and a further hike by 1% is expected in 2022. At home, RBI has till now increased interest rates by 0.9%. The inflation in agri-commodities around the globe is showing no signs of abetment, while the Russia-Ukraine war still continues. The continuation of supply chain issues amidst the zero covid policy of China and labor shortages in major economies have made the fight against inflation quite challenging. Therefore, a significant rate hike is likely, which may or may not happen in one shot and RBI may like to spread it over this year. A 0.35% to 0.5% hike in the next meeting looks likely followed by another similar hike later in this year if inflation continues to rage above 7%."

Ravi Modani, Founder and CEO at 121 Finance said, "I feel MPC will not increase the interest rates, and this will be a balancing act to maintain the local demand, after calibrating it with the loss of potential export demand from the US reaching a recession. With good monsoons in place, they would like to maintain the domestic consumer demand. Already the WPI has eased substantially with commodity prices going down and growth in CPI seems to have plateaued for the moment. With non-US Dollar currencies being used to pay for crude, India is quite comfortable with its reserves. Only the reduced inflow of forex might be a cause of worry, especially after the Fed's 75 bps increase, for which the recent measures of RBI to attract Indian diaspora for NRE deposits will balance it substantially. Overall, I do not see any increase and this should act as a catalyst to maintain the economic growth."

Shivam Bajaj – Founder and CEO at Avener Capital said, "Two critical factors would determine MPC's stand on rates in this meeting, whether Inflation continues to remain beyond RBI's comfort zone and GST collections as well as PMI is looking up even after successive rates hikes by RBI in the initial part of this year which would give it confidence to continue its hawkish stand. This might align market expectations towards rate hike by around 30 bps."