

Economy

RBI's monetary policy review underway; here's what analysts see as possible outcome

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New Delhi [India], August 4 (ANI): The three-day Reserve Bank of India's monetary policy committee meeting commenced on Wednesday and it is highly likely the six-member panel will go for another interest rate hike to curb rising domestic inflation.

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In line with the global trend of monetary policy tightening to cool off inflation, the RBI has so far hiked the key repo rates — the rate at which the central bank of a country lends money to commercial banks — by 90 basis points to 4.90 per cent.

The outcome of the ongoing RBI meeting will be announced on Friday.



India's retail inflation has been over the Reserve Bank of India's upper tolerance band of 6 per cent for the sixth consecutive month in a row in June. Retail inflation was at 7.01 per cent in June.

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Wholesale inflation was at 15.18 per cent in June, marginally lower than the 15.88 per cent reported during the previous month. The Wholesale Price Index (WPI) based inflation has been in the double-digit for 15 months in a row now.

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Following are some of the expectations by analysts and financial market experts from the monetary policy meeting:

CareEdge

With RBI due to announce its monetary policy on August 5, CareEdge expects the Central Bank to hike the policy interest rate by another 100 basis points in the remainder of FY23. This will take the terminal rate to 5.90 per cent by the end of FY23. While the current CPI inflation is still around 7 per cent, the easing of many commodity prices is attributed as a major factor of influence toward a lower inflation trajectory by the fourth quarter of the FY23.

Vinod Nair, Head of Research at Geojit Financial Services

Amidst the geopolitical storm affecting the global markets, domestic markets moved in line with their global peers. The global market is also concerned about recessionary risk. On the domestic front, the major trigger this week will be the RBI's policy meeting outcome, where the market is largely expecting a 25-50 basis points rate hike.

Shivam Bajaj – Founder & CEO at Avener Capital

Two critical factors would determine the monetary policy committee's stand on rates in this meeting, whether Inflation continues to remain beyond RBI's comfort zone and GST collections as well as whether PMI is looking up even after successive rates hikes by RBI in the initial part of this year



which would give it the confidence to continue its “hawkish” stand. This might align market expectations towards a rate hike by around 30 basis points.

Shishir Baijal, Chairman and Managing Director, Knight Frank India

With the consumer inflation still above tolerance level, even while some key components like crude oil have improved, keeping a check on the liquidity and expenditure is going to be the RBI's priority. Given this, we expect the RBI to revise the policy interest rates yet again. We anticipate the upwards revision to be in the range of 35 – 40 basis points, taking the total change since May 2022 to 125 – 130 basis points higher. (ANI)

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