

RBI to announce monetary policy today, 25-basis-point rate cut expected

RBI's MPC meet begins; decision on rates on August 2

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The six-member Monetary Policy Committee (MPC) headed by Reserve Bank of India (RBI) Governor [Urjit Patel](#) on Tuesday started two-day deliberations for its monetary policy review.

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The [RBI](#) will announce the bi-monthly monetary policy on Wednesday.

Experts expect a reduction of 25 basis points in key lending rate this time, as inflation has cooled to record low levels.

The meeting's outcome on Wednesday is being keenly awaited by all stakeholders, including industry and stock markets.

Encouraged by significant price improvement, bankers expect [RBI](#) to change its monetary stance and cut benchmark lending rate by at least 0.25 per cent.

Some expect that the central bank may go for an even more aggressive rate cut as the retail inflation touched a historic low of 1.54 per cent in June.

The panel, in its previous bi-monthly review in June, had retained the repo rate at 6.25 per cent for the fourth straight time citing risk to inflation.

"The MPC will meet on August 1 and 2, 2017 for the Third Bi-monthly Monetary Policy Statement for 2017-18. The resolution of the MPC will be placed on the website at 2.30 pm on August 2, 2017," the central bank had said last month.

Commenting on the retail inflation data, Chief Economic Advisor Arvind Subramanian had said the "paradigm shift" in the inflationary process has been missed by all, who have made "systematic inflation forecast error", apparently referring to the [RBI](#).

In the last MPC, Patel had argued for avoiding "premature policy action" and waiting for more inflation data.

"Incoming data is expected to provide greater clarity on the durability of recent food and non-food disinflation," he had opined.

One of the MPC members, Ravindra Dholakia, however, had advocated a 50 basis point cut in the repo rate, saying several noteworthy developments recently on prices and output fronts warrant a decisive policy action.

In a significant move, country's largest lender and market leader SBI had on Monday reduced interest rate on savings bank deposits by 50 basis points, a development which will have implications of the interest rate regime.

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