

‘High inflation transitory, RBI may remain dovish’

MPC announcement due August 6

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Describing the recent two consecutive spikes in retail inflation beyond 6% as a ‘transitory hump,’ a Wall Street brokerage said it expects the RBI to overlook it and unanimously stick to the dovish stance at the forthcoming policy review, though further upward revision of its already-revised inflation target is more likely.

The Reserve Bank-led monetary policy panel (MPC) is scheduled to announce the third monetary policy review on August 6, amid the continuing spike in retail inflation that has breached the 6% upper-tolerance level for the past two consecutive months.

“We expect the MPC to stick with a dovish pause in



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the August 6 policy, overlooking the ‘transitory hump’ in inflation,” Bank of America Securities (BofA) India house economists said. “Thereafter, the normalisation path will depend on the evolution of growth, inflation and the pandemic. The governor is likely to reiterate a dovish message and argue against a hasty withdrawal of monetary policy support,” they added.

But they were quick to warn that abnormally high crude prices may force the Reserve Bank to adapt to the normalisation process sooner than later.