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## RBI'S AUGUST 2021 POLICY EXPECTATIONS

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The macroeconomic situation is characterised by reduced downside growth risks, skewed spatial distribution of economic growth, falling banks' non-food credit growth, rising unemployment, CPI breaching 6 per cent in May and June and reduced pandemic concerns. With evolving growth inflation dynamics, the RBI is likely to

- hold rates steady
- and continue with accommodative stance.

The RBI may

- reduce the real GDP growth projection by 50-75 basis points,
- raise inflation forecast slightly
- and indicate liquidity unwinding measures because of surplus liquidity of Rs. 6.11 lakh crore.

But there is also a possibility that the RBI may view the current inflation surge as a "temporary hump" and, therefore, not tinker with the inflation forecast. In sum, a stable policy required in uncertain times.

