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Majority of Experts Expect RBI to Maintain Status Quo in August Policy Review

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In a recent poll conducted ahead of the Reserve Bank of India's (RBI) monetary policy meeting scheduled from August 4 to 6, an overwhelming 90 percent of economists and financial experts expect the central bank to keep the benchmark policy rate unchanged. The consensus also indicates that the RBI is likely to maintain its current neutral policy stance.

According to the survey, all 16 participating experts agreed that the central bank will not alter its accommodative posture. This comes as inflation remains well within the RBI's comfort zone, and growth trends appear stable for now. June's consumer price index stood at a six-year low of 2.10 percent, reinforcing expectations of a continued pause.

The RBI has already implemented a cumulative rate cut of 100 basis points since February, including a 50-basis-point reduction during its previous meeting. However, experts believe that any further easing could risk lowering real interest rates to unsustainably low levels.

Anubhuti Sahay, head of economic research for India at Standard Chartered, noted that cutting rates further could push real interest rates below long-term averages, which may not be prudent at this stage. Namrata Mittal, chief economist at SBI Mutual Fund, echoed the sentiment, adding that previous rate cuts are still working their way through the system and should be given more time to take effect.

Only a few institutions, such as ICICI Bank and ICRA, anticipate a modest 25-basis-point cut, citing benign inflation trends and expectations of improved economic conditions in the latter half of the fiscal year.

Most experts also expect the RBI to revise its inflation forecast for the 2025-26 financial year downward, potentially from 3.7 percent to around 3.4 percent. This adjustment would reflect current inflation trends and recent consumer price data.

Although the policy stance is expected to remain neutral, the central bank is likely to adopt a slightly dovish tone. RBI Governor Sanjay Malhotra has previously indicated that while the threshold for additional rate cuts has risen, the central bank remains committed to fostering both price stability and economic growth.

Observers will closely monitor the RBI's commentary on liquidity conditions and the transmission of earlier rate cuts into credit growth. The upcoming policy review will be crucial in shaping the central bank's direction for the remainder of the fiscal year, especially amid evolving global economic conditions.