

Central bank may not rush into monetary tightening: Icra

THE RESERVE BANK of India (RBI) is unlikely to rush into monetary tightening despite mounting inflation risks from higher fuel prices and monsoon uncertainty, a rating agency said on Monday. A rate hike is possi-

ble only towards the end of the year if price pressures persist.

“We don’t think that the MPC (monetary policy committee) will go in for a rate hike very soon. This is a supply shock. It is very different from the Covid

shock, which was a simultaneous supply and demand shock,” Aditi Nayar, chief economist at Icra, said.

She added that the central bank is expected to wait for clearer evidence of second-

round inflationary effects before acting.

Icra has raised its FY27 average consumer price inflation (CPI) forecast to 5%, following recent retail fuel price increases, taking inflation above the RBI’s

medium-term target. However, the agency expects the MPC to remain on hold through the next two policy reviews, with a possible stance change in October and a rate hike only in the December policy if required. —PTI