

## **RBI likely to cut key policy rates by 0.25% on Mar 19: Experts**

Taking cue from declining core inflation levels and sluggish growth trends, the Reserve Bank of India is likely to cut key policy rates by 0.25 per cent in its mid-quarter review on March 19, global investment banking majors have said.

Even if RBI cuts rates on Tuesday, the tone of monetary policy guidance is unlikely to change significantly, they said, adding that policy guidance is likely to be "cautious".

According to global banking giants HSBC, Standard Chartered, Citigroup, Barclays and Credit Suisse, RBI is likely to slash the repo, or short-term lending, rate in its review meeting.

The factors that are likely to act in favour of a slash in rate cuts include a narrower February trade deficit, adherence to the fiscal deficit target in FY 2013, a slowdown in GDP growth to decade-low levels, and a fall in core inflation to below 4 per cent for the first time since April, 2010.

"Though wholesale price-based inflation at 6.84 per cent in February was marginally higher than expected, we maintain our view of a 0.25 per cent reduction in the repo rate to 7.50 per cent next week," Standard Chartered economist Anubhuti Sahay said in report.

Barclays Capital economist Siddhartha Sanyal in a research note said that "if the increase in LPG and diesel were not implemented, then we estimate that WPI inflation for February would have been close to 6.3 per cent, underpinning the downward trajectory that started in October 2012".

Citi India Chief Economist Rohini Malkani said: "We maintain our view of a modest 0.50 per cent easing in rates in 2013, with a 0.25 per cent cut on March 19."

Lingering inflation pressures and the still wide current account deficit limits the scope of RBI to ease monetary policy, experts believe.

The current account deficit (CAD) represents the difference between inflows and outflows of foreign currency. The CAD had touched a record high of 5.4 percent of GDP in the July-September quarter.

"Headline WPI inflation rose more than expected due to increases in administered fuel prices. However, core inflation continued to ease, which will help pave the way for another RBI rate cut next week," HSBC Chief Economist (India and ASEAN) Leif Eskesen said.

*(Economic Times)*