

# Inflation to ease; RBI likely to cut MSF rate: Assocham

Industry body [Assocham](#) today said the arrival of kharif crops and recent stability in the Rupee will help bring down [inflation](#), and the Reserve Bank is likely to take this into account and reduce the [MSF rate](#) -- at which banks borrow from it -- in its upcoming policy review.

"The recent stability in rupee coupled with kharif output will ease sequential inflationary pressures going forward. This should prompt the [RBI](#) to continue on the path of monetary policy normalisation by reducing the MSF rate further," Assocham President [Rana Kapoor](#) said.

The Reserve Bank on October 7 reduced the marginal standing facility (MSF) rate to 9% from 9.5% to improve liquidity in the system.

This was the second reduction in the rate since the September 20 mid-quarter monetary policy review, when it was lowered to 9.5% from 10.25%.

Meanwhile, higher prices of onion and other vegetables and fruits pushed up inflation for the fourth straight month to 6.46% in September from 6.1% in August.

The RBI took steps in mid July, including raising the MSF rate by 2% to 10.25%, to tighten liquidity in an attempt to curb volatility in the rupee-dollar exchange rate. MSF allows banks to borrow money from the central bank at a higher rate when there is a significant liquidity crunch.

The Reserve Bank is scheduled to unveil its second quarter review of monetary policy on October 29.

***(Business Standard)***