

RBI to keep rates on hold next week: Morgan Stanley

Morgan Stanley expects the Reserve Bank of India to hold rates steady on Tuesday, contrary to widespread expectations of a 25 basis points rate cut.

The investment bank says the consumer price index (CPI) remains the "most important measure" compared to the wholesale price index (WPI).

CPI has remained high, leading to "elevated and sticky inflation expectations," even as consumer prices could moderate going forward, Morgan Stanley says in a report dated Thursday.

High CPI will also adversely impact deposit growth and lead to high gold imports, Morgan Stanley adds.

"Hence, we believe policy rate cuts will likely not be effective until we see meaningful deceleration in CPI inflation and improvement in deposit growth," the investment bank said.

(Economic Times)