SBI Research

Divergent signals from RBI communications at MPC and press conference vis-à-vis subsequent actions: Such annotations may extract a premium.. Central Banks across the world are grappling with communication quagmire

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Executive Summary….What We Ascertain from MPC Minutes

- Central Bank communication particularly from RBI transcending as a policy tool shows a clear disconnect.. In particular, the contrasting statements in MPC meetings (courtesy minutes) and press conference and thereafter subsequent actions along VRRR and FCNR(B) window reveal that ultimately RBI actions are louder than words…**Markets must ensure a premium to pragmatic action vis-à-vis honest communication**

- RBI MPC meeting minutes which was released today are an important source of communication regarding future course of monetary policy and our NLP analysis of that ***identify the tone of the members in the minutes…Aug'26 minutes indicates hawkishness at its peak …Acknowledgement of risk clearly exists***

- There is a clear hawkish ladder among the MPC members…**the Governor MPC minutes statement shows inclination towards policy tightening** …**DG, RBI calls for a possible rate hike later in the year, while ED, RBI just stops just short**…**External members Ram Singh and most importantly Saugata Bhattacharya also talks about policy recalibration /swift adjustments**

- So, what the data reveal regarding the future policy….a prolonged pause or a hasty hike?

  - We believe growth is most likely to remain robust as shown by all leading indicators
  - Inflation print for July came in line with market expectations at 4.45%, Imported inflation declined from 8.1% in June 2026 to 7.3% in July 2026….
  - Despite a sluggish start and a ~40% rainfall deficit in June 2026, July surplus showers and August normal rains reduced the overall nationwide shortfall to roughly 13% only…IOD is still positive and may nullify the impact of ongoing El Niño
  - **Taking all this into account, we however still maintain a prolonged pause in FY27**

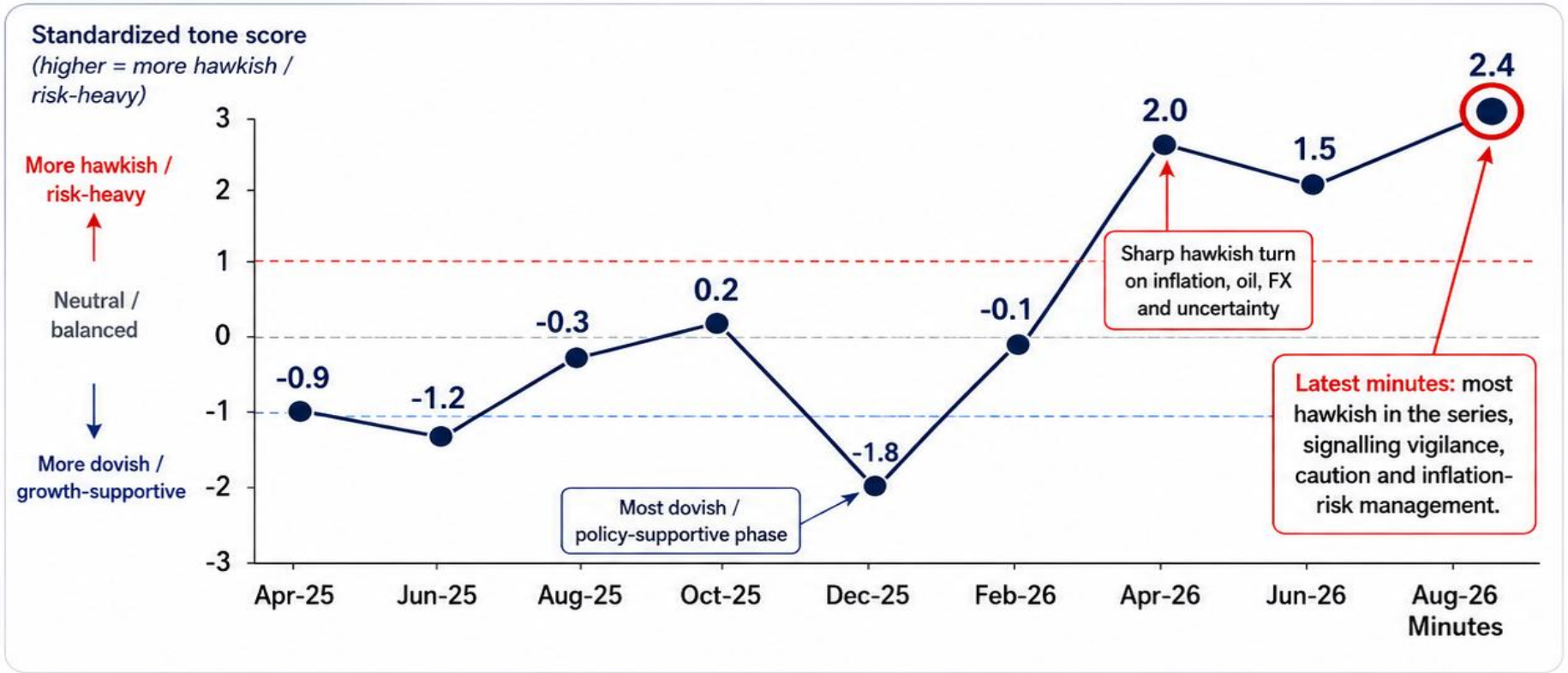
- Meanwhile…The US Fed's decision to engage in smoothening the long end of the treasury curve as yields vaulted, doubling the size of its government debt repurchases, should be a cue for frenzied markets globally…yields have fallen not only on longer end (30Y) but also along benchmark viz. 10Y with markets expecting some rebalancing along short/long supply/reissuance. **Central Banks across the world are grappling with communication quagmire**

What Does the MPC Minutes reveal regarding future rate action?

MPC Minutes shows maximum hawkishness in the last one year …..

RBI MPC Tone: Latest Minutes vs Previous Policy Communications

Hawkish–Dovish trajectory based on custom macro-dictionary tone analysis



What the latest minutes imply

1. Members sound more cautious than confident.
2. Language is dominated by vigilance, uncertainty and inflation-risk management.
3. Latest minutes are the most hawkish communication in the series.
4. Implication: hawkish hold is the base case; hike risk has risen, though it remains data-dependent.

The minutes are cautious - not fearful, but members are veering towards calibrated policy action…..

What the language reveals

No panic in the prose

The common register is evidence-based and conditional: uncertainty is paired with repeated confidence in resilience, demand and growth.

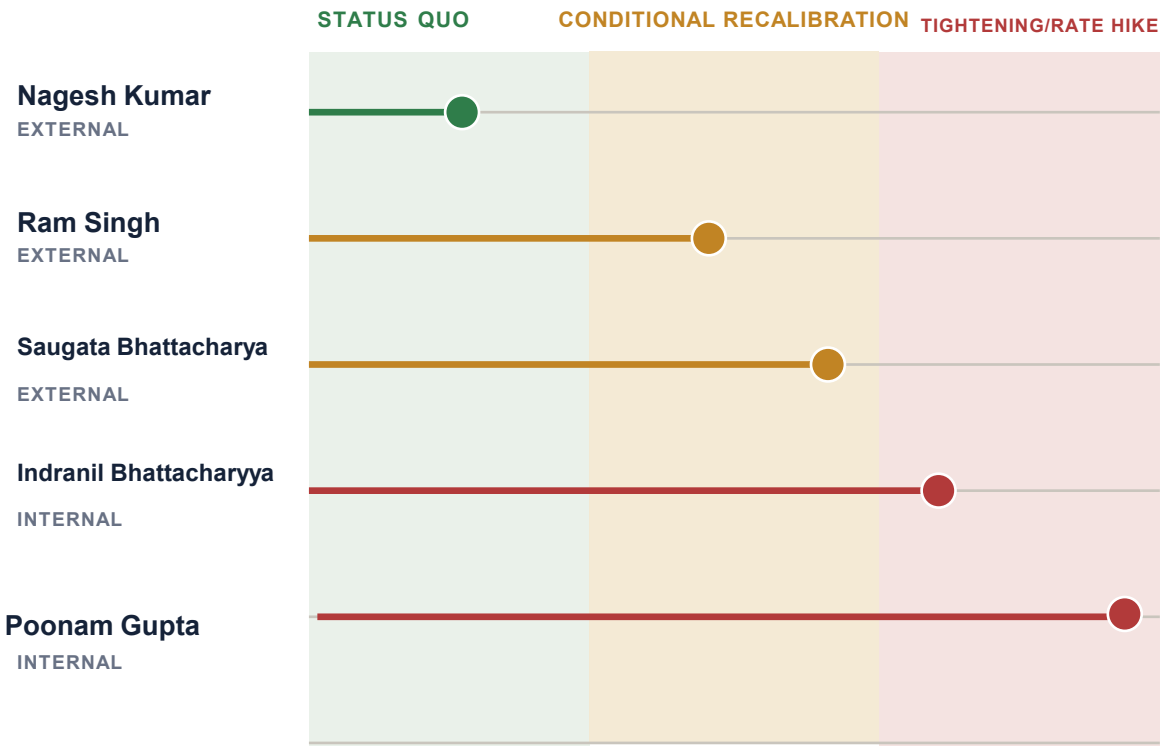
Directness is not the same as fear

Dr. Poonam Gupta gives the clearest hike signal with one of the least risk-loaded statements; Dr. Nagesh is the reverse - high caution, but no case for action. Shri Indranil Bhattacharya gives enough hints but stops just short..

Unanimity in the vote masks meaningful dispersion in communication

Unanimous hold, but a clear hawkish ladder among the members…

Policy-signal directness from explicit language



"no case for monetary policy action"

"swiftly adjust policy"

"appropriate time to recalibrate"

"pause ... not necessarily an extended pause"

"a case for a hike may emerge"

What the vote alone misses

5/6 leave the door open to tightening or recalibration

3/3 internal members use explicit reaction-function language

6/6 still vote for a hold and a neutral stance

Position reflects the directness of explicit policy language, not a modelled probability.

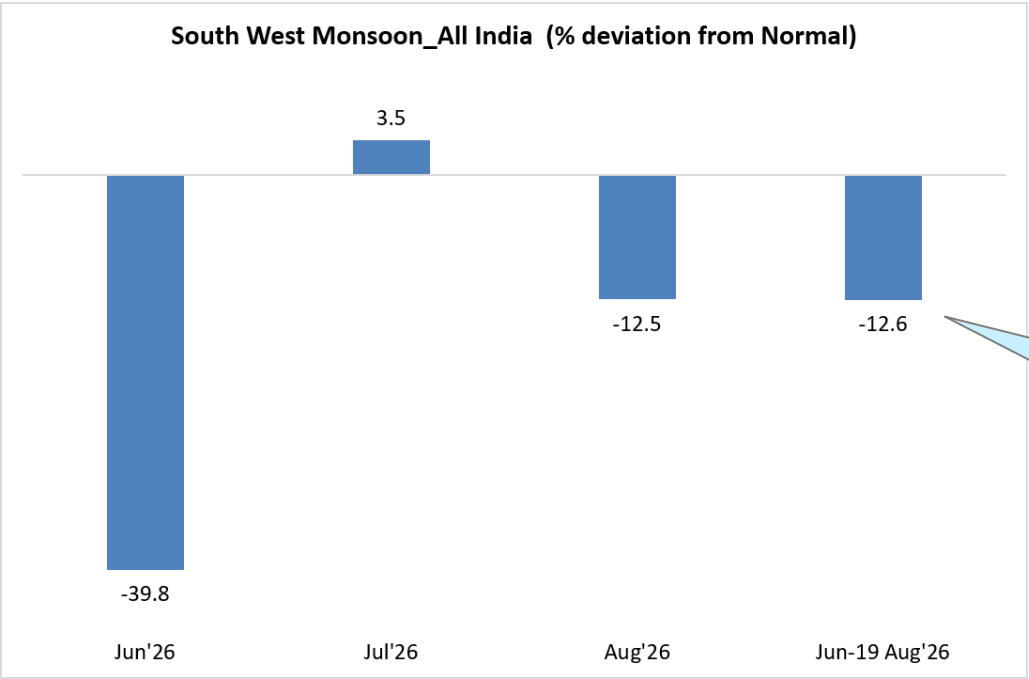
This is market conditioning - not a rate-hike consensus.

What Does the DATA reveal regarding future rate action?
'Prolonged Pause' or 'Hasty Hike'

Monsoon 2026: Normal but Spatially Uneven..

Despite a sluggish start and a ~40% rainfall deficit in June 2026, July surplus showers and August normal rains reduced the overall nationwide shortfall to roughly 13% only…IOD is still positive and may nullify the impact of ongoing El Niño

A few major foodgrains producing states received deficit rains. However, kharif sowing this season is merely 2% less compared to last season…indicating better irrigation facilities among states



Top driest states (2026 so far)

Andhra Pradesh (-38%)
Bihar(-40%)
Karnataka & Kerala (-22%)
Punjab (-33%)

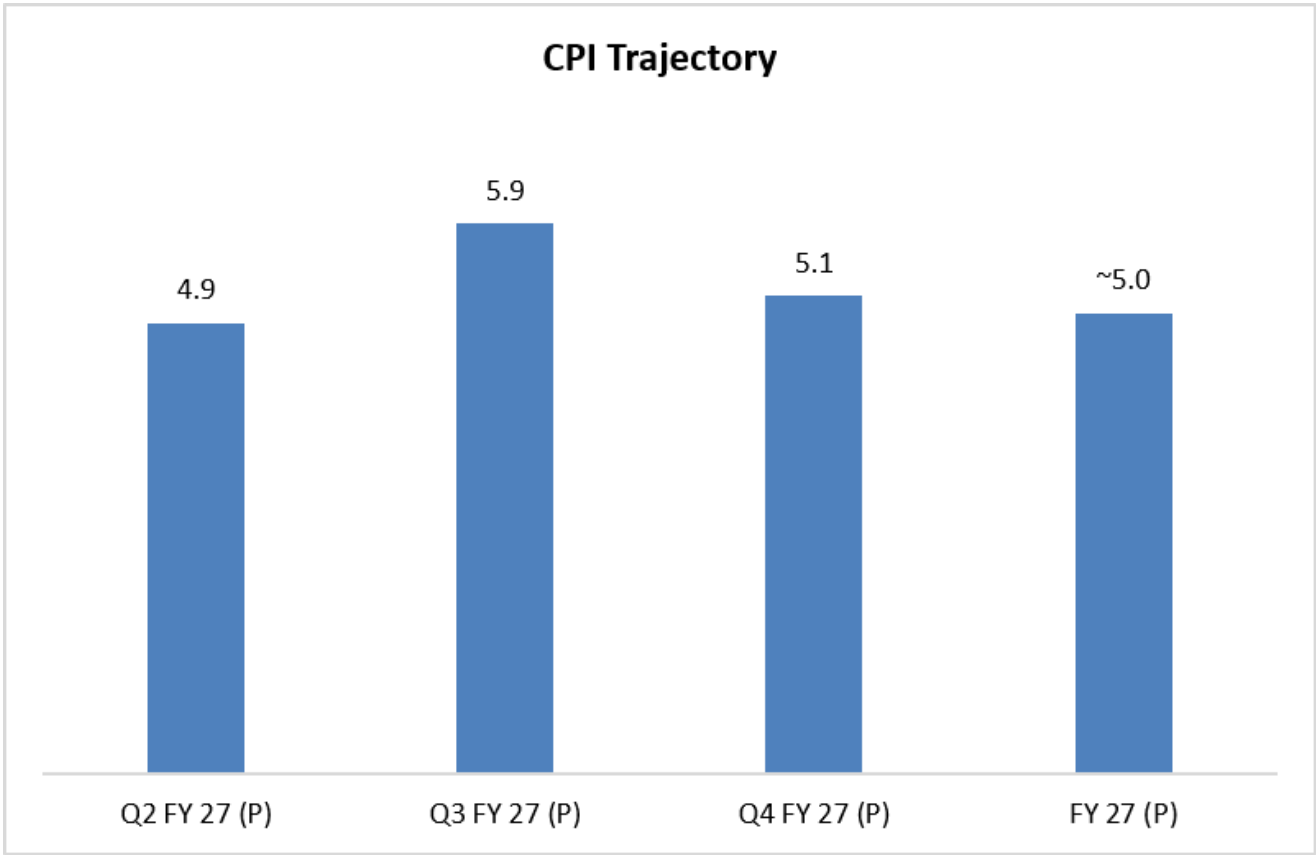
Source: CEIC, IMD

….CPI inflation may be well within RBI's target range.rate action could be data dependent

Inflation print for July came in line with market expectations at 4.45%, Imported inflation declined from 8.1% in June 2026 to 7.3% in July 2026

We expect August inflation print at 4.7%, with inflation possibly just breaching the 6% in October and November before declining to ~5% in Q4 of FY27

Keeping with the historical trends, inflation for Q4 is likely to be lower than forecasts



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