


# RBI cuts rate to 5.25%; Cuts Inflation to 2.0%, Hikes Growth to 7.3%

**RBI's Stance** → **Neutral**

**Key Highlights:**

- **Repo rate cut by 25 bps to 5.25%.**
- **Monetary policy stance remains 'Neutral'.**
- **SDF & MSF stood at 5.00% and 5.50%, respectively.**
- **For FY26, MPC revised projected inflation at 2.0% as against 2.6% forecasted earlier.**
- **For FY26, RBI has raised India's FY26 GDP growth estimates to 7.3% from the previously projected 6.8%.**
- **The RBI stated it will continue to meet the productive requirements of the economy in a proactive manner while ensuring macroeconomic stability.**

| Policy Rates / Reserve Ratio | 01 Oct '25 | 05 Dec '25 | Status |
|---|---|---|---|
| Cash Reserve Ratio (CRR) ^ | 3.75% | 3.00% | ↓ |
| Statutory Liquidity Ratio (SLR) | 18.00% | 18.00% | ↔ |
| Standing Deposit Facility Rate (SDF) | 5.25% | 5.00% | ↓ |
| Repo Rate | 5.50% | 5.25% | ↓ |
| Marginal Standing Facility Rate (MSF) | 5.75% | 5.50% | ↓ |
| Bank rate | 5.75% | 5.50% | ↓ |
| Fixed Reverse Repo Rate | 3.35% | 3.35% | ↔ |

*^ On June 6, 2025 the RBI MPC announced a CRR cut of 100 bps from 4.00% to 3.00% in four equal tranches with effect from the fortnights beginning September 6, October 4, November 1 and November 29, 2025. Therefore on October 01, 2025 the CRR was at 3.75%.*

**RBI's MPC unanimously voted to slash repo rate by 25 bps to 5.25%. The MPC convened its policy meeting against the backdrop of robust economic growth, historically low inflation, and the Indian rupee hovering near record low levels of near 90 per US dollar.** With the trade related uncertainties steadily unfolding, the governor stated, "the **growth-inflation balance**, especially the benign inflation outlook on both headline and core, **continues to provide the policy space** to support the growth momentum."

## Growth Outlook:

- The **real gross domestic product (GDP)** recorded a growth of 8.2% in Q2FY26 underpinned by resilient domestic demand amidst global trade and policy uncertainties. On the supply side, **growth in gross value added (GVA)** at 8.1% aided by buoyant industrial and services sectors.
- Economic activity during the first half of the financial year benefited from **income tax and goods and services tax (GST) rationalisation, softer crude oil prices, front-loading of government capital expenditure, and facilitative monetary and financial conditions supported by benign inflation.**
- High-frequency indicators suggest that domestic economic activity is holding up in **Q3**, although there are some **emerging signs of weakness in few leading indicators**.
- **GST rationalisation and festival-related spending** supported domestic demand during October-November.
- **Merchandise exports** declined sharply in October amid subdued external demand, accompanied by softer services exports.
- Looking ahead, domestic factors such as **healthy agricultural prospects**, continued impact of **GST rationalisation**, **benign inflation, healthy balance sheets** of corporates and financial institutions and congenial **monetary and financial conditions** should continue to support economic activity.
- Considering all these factors, **Real GDP growth for FY26 is now projected at 7.3%, with Q3 at 7.0%, Q4 at 6.5%. Real GDP growth for Q1 & Q2 FY27 is projected at 6.7% and 6.8% respectively.**

| | Date | FY26 | Q3FY26 | Q4FY26 | Q1FY27 | Q2FY27 |
|---|---|---|---|---|---|---|
| **Growth Projections** | 05-Dec-25 | 7.3% | 7.0% | 6.5% | 6.7% | 6.8% |
| | 01-Oct-25 | 6.8% | 6.4% | 6.2% | 6.4% | - |

*Source: RBI Governor's Policy Statement 05 Dec. 2025. News articles*

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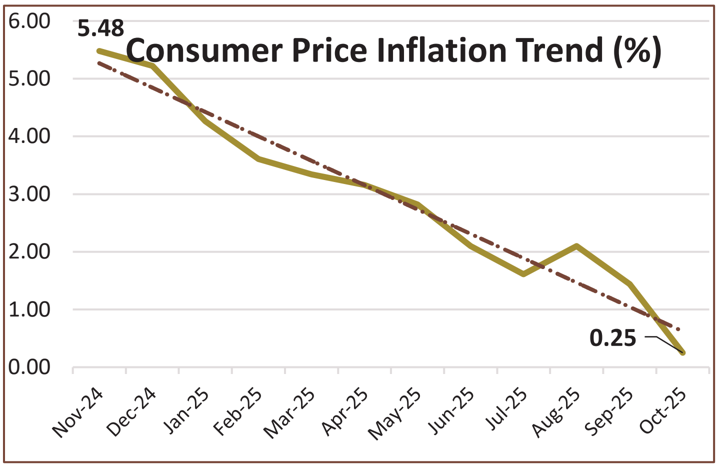
**Inflation Outlook:**

- **Headline CPI inflation declined to an all time low of** 0.25% in October 2025. The faster than anticipated decline in inflation was led by correction in food prices, contrary to the usual trend witnessed during the months of September-October.
- **Core inflation (CPI headline excluding food and fuel)** remained largely contained in September-October, despite continued price pressures exerted by precious metals.
- In terms of **inflation outlook**, food supply prospects have improved on the back of **higher kharif production, healthy rabi sowing, adequate reservoir levels and conducive soil moisture.** Barring some metals, international commodity prices are likely to moderate going forward.




*Source: MOSPI*

- Overall, inflation is likely to be **softer than what was projected in October**, mainly on account of the fall in food prices.

| | Date | FY26 | Q3FY26 | Q4FY26 | Q1FY27 | Q2FY27 |
|---|---|---|---|---|---|---|
| **CPI Inflation Projections** | 05-Dec-25 | 2.0% | 0.6% | 2.9% | 3.9% | 4.0% |
| | 01-Oct-25 | 2.6% | 1.8% | 4.0% | 4.5% | - |

*Source: RBI Governor's Policy Statement 05 Dec. 2025. News articles*

**Liquidity Measures:**

In view of the evolving liquidity conditions and the outlook, the RBI decided to conduct **open market operations (OMO)** purchases of government securities of ₹1,00,000 crore and a **3-year USD/INR Buy Sell swap** of USD 5 billion this month to inject durable liquidity into the system. These measures will ensure adequate durable liquidity in the system and further facilitate monetary transmission.

**Summary:**

**Despite an unfavourable and challenging external environment**, the Indian economy has shown remarkable **resilience** and is poised to register high growth. The **headroom provided by the inflation outlook has allowed the RBI to remain growth supportive.** The RBI would continue to meet the **productive requirements** of the economy in a proactive manner while **ensuring macroeconomic stability**.

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