

RBI cuts repo rate by 25 bps to 6%; stance changed to accommodative



Key Highlights:

- Repo rate reduced by 25 bps to 6%.
- RBI changed the monetary stance to 'Accommodative'.
- SDF & MSF stood at 5.75% and 6.25%, respectively.
- FY26 CPI Inflation forecast at 4.0%.
- Outlook for food inflation has turned positive after a substantial and broad-based seasonal correction in vegetable prices.
- RBI stated that business expectations remain upbeat, and services continue to remain good.
- RBI says that higher tariffs shall have a negative impact on net exports.

Policy Rates / Reserve Ratio	07 Feb '25	09 Apr '25	Status
Cash Reserve Ratio (CRR)	4.00%	4.00%	↔
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	↔
Standing Deposit Facility Rate (SDF)	6.00%	5.75%	↓
Repo Rate	6.25%	6.00%	↓
Marginal Standing Facility Rate (MSF)	6.50%	6.25%	↓
Bank rate	6.50%	6.25%	↓
Fixed Reverse Repo Rate	3.35%	3.35%	↔

The MPC unanimously voted to reduce the policy repo rate by 25 bps to 6% and changed stance to 'accommodative'. RBI stated that the new stance provides policy rate guidance without any direct guidance on liquidity management. The move comes at a time when the Indian economy is facing multiple external and domestic pressures, including an implementation of 26% tariffs charged by the United States on Indian exports. The RBI's latest move reflects a cautious effort to provide economic support without compromising financial stability.

Growth Outlook:

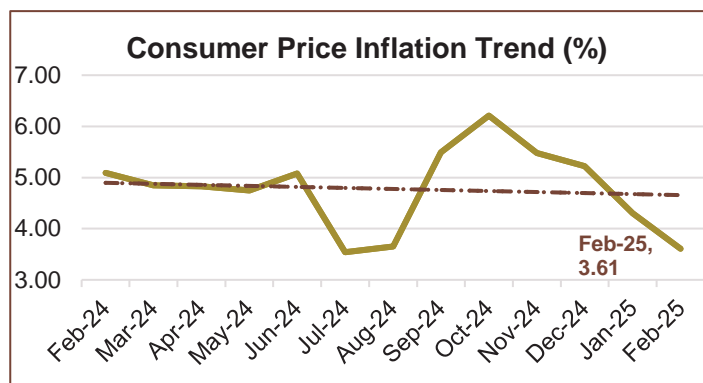
- The global economic outlook is fast changing. The recent trade tariffs measures have exacerbated uncertainties, posing new headwinds for global growth and inflation. Financial markets have responded through equity sell-offs with significant softening in bond yields and crude oil prices.
- Merchandise exports would be weighed down by the evolving global economic landscape which appears to be uncertain at this stage, while services exports are expected to sustain the resilience.
- On the domestic front, an anticipated revival in urban consumption, higher capacity utilisation, increased government capital expenditure and healthy balance sheets of corporates and banks are expected to support economic growth.
- On the supply side, industrial activity continues to recover while agricultural prospects appear bright.
- Few headwinds such as geo-political tensions and financial market uncertainties provide a downside risk to the outlook.
- Considering all these factors, Real GDP growth for FY26 is projected at 6.5%, with Q1 at 6.5%, Q2 at 6.7%, Q3 at 6.6% and Q4 at 6.3%.

	Date	FY26	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Growth Projections	09-Apr-25	6.5%	6.5%	6.7%	6.6%	6.3%
	07-Feb-25	6.7%	6.7%	7.0%	6.5%	6.5%

Source: RBI Governor's Statement 9 April 2025. News articles

Inflation Outlook:

- **CPI headline inflation declined to a low of 3.61% in February, from 5.2% in Dec'24.** Food inflation dropped to a 21-month low of 3.8% in February.
- Supply of robust kharif arrivals has set the stage for a durable softening in food inflation.
- **Fall in crude oil prices augurs well for the inflation outlook.**
- **Concerns on global market uncertainties and recurrence of adverse weather-related supply disruptions pose upside risks to inflation trajectory.**
- Assuming a normal monsoon, **CPI inflation for FY26 is projected at 4.0%.**



Source: RBI - DBIE

	Date	FY26	Q1FY26	Q2FY26	Q3FY26	Q4FY26
CPI Inflation Projections	09-Apr-25	4.0%	3.6%	3.9%	3.8%	4.4%
	07-Feb-25	4.2%	4.5%	4.0%	3.8%	4.2%

Source: RBI Governor's Statement 9 April 2025. News articles

Additional measures proposed by RBI:

- Propose to enable securitisation of stressed assets.
- Guidelines on co-lending to be extended to all regulated entities on all loans.
- Regulations for loans against collateral on gold.
- Guidelines on partial credit enhancement by regulated entities.

Summary:

After hiking rates by 250 basis points since May 2022 and holding steady in nearly a dozen subsequent policy meetings, the MPC reduced interest rates twice this year to support growth. The stance has been maintained as 'accommodative', focusing on status quo and a rate cut.

While the factors such as recovering rural demand, lower tax burden, policy rate cuts, falling food inflation, and recovery in public capital expenditure should support improvement in domestic economic activity, external risks to growth have surged. The risks from reciprocal tariffs, slower global growth, global policy uncertainty and geopolitical tensions can hinder growth.

Moreover, the final impact of reciprocal tariffs announced by the US on April 2 on India's goods trade will depend on how long the announced tariff structure lasts and where the tariffs eventually settle with respect to the bilateral trade agreement (BTA) being negotiated between India and the US.

While India is largely a domestic driven economy, the resultant shocks to global demand and supply chains will hit India's growth and exports will see downside

The MPC has hinted at the potential for additional policy rate reductions this year, subject to changing macroeconomic environment and the lack of major shocks. The MPC is aiming for a non-inflationary growth that is built on the foundations on an improved demand and supply response providing sustained macroeconomic balance in an increasingly uncertain global landscape.

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