# RBI Policy – Aug 2025 – Key Takeaways

## RBI Monetary Policy

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|---|---|
| **Repo Rate**<br>Now at 5.5% v/s 5.5% | **Unchanged** |
| **Standing Deposit Facility**<br>Now at 5.25% v/s 5.25% | **Unchanged** |
| **MSF Bank Rate**<br>Now at 5.75% v/s 5.75% | **Unchanged** |
| **Policy Stance**<br>Neutral | **Unchanged** |

## RBI on Growth, Inflation

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| **FY26 GDP Growth** | **Projected at 6.5% from 6.5%** |
| **FY26 Inflation Outlook** | **Projected at 3.1% from 3.7%** |

- **Continuing with neutral stance –** In its 50th meeting held from August 4 to 6, 2025, the Monetary Policy Committee (MPC), chaired by RBI Governor Sanjay Malhotra, decided to **maintain the policy repo rate at 5.50%.** Consequently, the standing deposit facility (SDF) rate remains at 5.25%, and the marginal standing facility (MSF) rate and Bank Rate at 5.75%. The MPC unanimously voted to retain the **neutral stance**, focusing on sustaining the medium-term Consumer Price Index (CPI) inflation target of 4% within a ±2% band while supporting growth. This decision follows a **100 basis points (bps) rate cut since February 2025.**
- **Growth Outlook –** Global **economic uncertainties have slightly eased** since the last MPC meeting, with reduced financial market volatility and abated geopolitical tensions. However, global growth remains muted, with **trade negotiation challenges persisting.** Domestically, India's economic growth is resilient, supported by robust rural consumption, buoyant government capital expenditure, and **steady southwest monsoon** activity boosting kharif sowing and agricultural output. **Services and construction sectors remain strong,** though industrial growth is subdued, particularly in electricity and mining. The **real GDP growth projection for FY26 is retained at 6.5%**, with quarterly estimates of 6.5% (Q1), 6.7% (Q2), 6.6% (Q3), and 6.3% (Q4). Real GDP growth for Q1 FY27 is projected at 6.6%, with risks evenly balanced. External demand uncertainties due to **tariff announcements and geopolitical tensions pose risks to the outlook.**
- **Inflation –** CPI headline **inflation declined for the eighth consecutive month to a 77-month low of 2.1% in June 2025,** driven by deflation in food prices, particularly **vegetables (-19.0%)** and **pulses (-11.8%).** Fuel inflation moderated to 2.6% in June, while **core inflation edged up to 4.4%, partly due to rising gold prices**. The inflation outlook for FY26 is benign, supported by favorable base effects, a robust southwest monsoon, healthy kharif sowing, and adequate foodgrain buffer stocks. However, **inflation is expected to rise above 4% from Q4FY26** due to base effects and demand-side pressures. **CPI inflation for FY26 is projected at 3.1%**, with quarterly estimates of 2.1% (Q2), 3.1% (Q3), and 4.4% (Q4). Inflation for Q1 FY27 is projected at 4.9%. Weather-related shocks and tariff uncertainties remain key risks.
- **External Sector -** India's current account deficit (CAD) moderated to 0.6% of GDP in FY25 from 0.7% in FY24, driven by strong services exports (up 10.1% in Q1 FY26) and robust remittances, despite a wider merchandise trade deficit. The CAD is expected to remain sustainable in FY26. Gross foreign direct investment (FDI) grew by 5% to $15.9 billion in April-May 2025, though net FDI contracted due to higher outward flows. Foreign portfolio investment (FPI) recorded net outflows of $0.8 billion in FY26 (up to July 31), primarily in the debt segment. External commercial borrowings and non-resident deposits saw positive inflows. India's foreign exchange reserves stood at $688.9 billion as of August 1, 2025, covering over 11 months of merchandise imports, ensuring external sector resilience.
- **Liquidity and Financial Market –** System liquidity has remained in surplus, averaging ₹3.0 lakh crore per day since the last MPC meeting, up from ₹1.6 lakh crore previously. The staggered CRR cut from September is expected to further ease liquidity. This ample liquidity has aided transmission of policy rate cuts across money, bond, and credit markets. From Feb to June 2025, banks' lending rates for fresh rupee loans fell 71 bps, while deposit rates declined 87 bps. The RBI aims to ensure smooth liquidity to support credit flow and economic activity.
- **Financial Stability –** The financial health of Scheduled Commercial Banks (SCBs) remains strong, with robust capital adequacy, liquidity, asset quality, and profitability. As of June 2025, the credit-deposit ratio stood at 78.9%, similar to last year. NBFCs also show sound financials with better GNPA ratios. Bank credit grew by 12.1% in FY25, slower than 16.3% in FY24, but above the 10-year average of 10.3%. Despite a drop in non-food bank credit, higher funding from non-bank sources led to a rise in total financial resources to the commercial sector—from ₹33.9 lakh crore to ₹34.8 lakh crore. Corporates increasingly used market instruments and internal accruals, reducing their reliance on bank credit.
- **Announcement of consumer-centric measures –** (i) Banks are organizing camps from July 1 to September 30 for re-KYC of Jan-Dhan accounts, new account openings, and promoting micro-insurance and pension schemes. (ii) A standardized procedure for settling claims of deceased bank customers' accounts and safe deposit lockers will be introduced to enhance convenience. (iii) The RBI Retail Direct platform will now support systematic investment plans for treasury bills, enabling retail investors to automate investments.

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