RBI Policy – APR 2025 – Key Takeaways

RBI Monetary Policy

Repo Rate Now at 6.00% v/s 6.25%	**Cut by 25bps**
Standing Deposit Facility Now at 5.75% v/s 6%	**Cut by 25bps**
MSF Bank Rate Now at 6.25% v/s 6.5%	**Cut by 25bps**
Policy Stance Accommodative	**changed**

RBI on Growth, Inflation

FY26 GDP Growth	**Projected at 6.5% from 6.7%**
FY26 Inflation Outlook	**Projected at 4% from 4.2%**

- **Another interest rate cut, second consecutive post taking over the realm –** In his second Monetary Policy Committee (MPC) meeting, RBI Governor Sanjay Malhotra reduced the repo rate by 25 basis points to 6.00% on April 9, 2025, aiming to stimulate economic growth. Alongside the rate cut, the monetary policy stance was shifted to **'Accommodative,'** signaling a clear focus on sustainably aligning inflation with the target while supporting growth. These measures align with the objective of achieving the medium-term Consumer Price Index (CPI) inflation target of 4%, within a tolerance band of ±2%.
- **Growth Outlook –** The global economic outlook remains uncertain, with recent **trade tariff measures intensifying risks to growth and inflation.** Financial markets have responded with declines in the dollar index, equity sell-offs and easing bond yields and crude prices. Domestically, the NSO estimates real GDP growth at 6.5% for FY25, following 9.2% in FY24. Growth is expected to be supported by rural demand, a revival in urban consumption, higher government capex, and healthy corporate and banking balance sheets. While merchandise exports face external headwinds, services exports are expected to stay resilient. On the supply side, **agriculture prospects appear bright, industrial recovery continues, and services remain strong.** However, the downward revision of Real **GDP growth to 6.5% for FY26 at 6.5% remains the key highlight of the meeting.**
- **Inflation –** CPI headline **inflation eased sharply by 1.6%** points **from 5.2% in Dec 2024 to 3.6% in Feb 2025,** driven by a strong seasonal correction in vegetable prices. **Food inflation fell to a 21-month low of 3.8%,** while fuel prices remained in deflation. Core inflation rose slightly to 4.1% in Feb 2025, largely due to higher gold prices. The outlook for food inflation is favorable, supported by record wheat output, higher pulses production, and robust kharif arrivals. Declining inflation expectations and lower crude oil prices further support a positive inflation outlook, though global uncertainties and weather-related risks remain. Assuming a normal monsoon, CPI inflation for FY26 is projected at 4.0%.
- **External Sector –** India's services exports remained strong in Jan–Feb 2025, led by software, business, and transport services. Net services and remittance inflows are expected to stay in surplus, helping offset the trade deficit and keeping the CAD for FY25 and FY26 within sustainable levels. While gross FDI remained robust, net FDI moderated due to higher repatriation. Net FPI inflows stood at USD 1.7 billion during FY25, driven by debt investments. External commercial borrowings and non-resident deposits saw improved inflows. **Forex reserves stood at USD 676.3 billion as of April 4, 2025,** covering about 11 months of imports. Overall, the external sector remains resilient.
- **Liquidity and Financial Market –** System liquidity was in deficit in Jan 2025, with net Liquidity Adjustment Facility injections peaking at ₹3.1 lakh crore on 23rd Jan 2025. However, liquidity improved significantly following infusion measures totaling ₹6.9 lakh crore and increased government spending, turning into a surplus of ₹1.5 lakh crore by 7th Apr 2025. Consequently, the weighted average call rate (WACR) softened and aligned closely with the repo rate. Spreads on 3-month CP and CD rates over the 91-day T-bill have also narrowed, indicating improved liquidity. The RBI remains committed to ensuring adequate liquidity and will continue to monitor and respond to market conditions as needed.

Other Key Measures on Regulations

- **Review of Guidelines for Lending against Gold Jewellery –** Regulated entities (REs) extend loans against gold jewellery for both consumption and income-generating purposes, under varying prudential and conduct norms. To harmonize these regulations across REs, considering their risk profiles and addressing observed concerns, the RBI plans to introduce a comprehensive regulatory framework.
- **Framework on Co-lending arrangements (CLA) –** Currently, co-lending guidelines apply only to arrangements between banks and NBFCs for priority sector lending. Given the evolving landscape and the potential to broaden credit access sustainably, the RBI has proposed expanding the scope to cover all co-lending arrangements among regulated entities (REs). Draft guidelines for a unified regulatory framework are being released for public feedback.

- **Securitisation of Stressed Assets Framework –** To enhance risk distribution and provide lenders with an exit route for stressed exposures, the RBI is advancing a prudentially structured securitisation framework for stressed assets. Following a discussion paper released in January 2023 and feedback from stakeholders, a draft framework is now open for public comments. The proposed framework aims to enable market-based securitisation of stressed assets, complementing the existing ARC route under the SARFAESI Act, 2002.

- **Review of Non-Fund Based Facilities** – Non-fund based (NFB) facilities such as Guarantees, Letters of Credit, and Co-Acceptances are key to credit intermediation and trade facilitation. The RBI now proposes to harmonize and consolidate guidelines for these facilities across all regulated entities (REs). The revised framework also reviews norms on partial credit enhancement to help diversify infrastructure funding sources.

Other Key Measures on Payment Systems & Fintech

- **Enhancing transaction limits in UPI –** Currently, UPI transactions are capped at ₹1 lakh for both P2P and P2M payments, with exceptions for certain P2M use cases. To support evolving user needs, NPCI, in consultation with banks and stakeholders, will be empowered to revise transaction limits for P2M payments. Safeguards will be implemented to manage associated risks. Banks may set their own internal limits within NPCI-defined caps. The ₹1 lakh cap for P2P transactions will remain unchanged.

- **'On Tap' application facility under theme neutral Regulatory Sandbox –** Since 2019, the RBI has operated the Regulatory Sandbox (RS) framework, completing four thematic cohorts and introducing an 'On Tap' facility in 2021. A fifth 'Theme Neutral' cohort, open until May 2025, allows testing of any eligible innovation within RBI's regulatory scope. Based on experience and stakeholder feedback, the RS framework will now be made permanently 'Theme Neutral' and 'On Tap' to foster continuous innovation.

Source: *RBI, MPC Policy Statements.*

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