

RBI Policy – Dec 2025 – Key Takeaways

RBI Monetary Policy

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| Repo Rate | Reduced |
| Now at 5.25% v/s 5.5% | |
| Standing Deposit Facility | Reduced |
| Now at 5.00 % v/s 5.25% | |
| MSF Bank Rate | Reduced |
| Now at 5.50 % v/s 5.75% | |
| Policy Stance | Unchanged |
| Neutral | |

RBI on Growth, Inflation

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|-------------------------------|------------------------------------|
| FY26 GDP Growth | Projected at 7.3% from 6.8% |
| FY26 Inflation Outlook | Projected at 2 % from 2.6% |

- **Continuing with neutral stance** – The Monetary Policy Committee (MPC), chaired by RBI Governor Sanjay Malhotra, unanimously decided to **reduce the policy repo rate by 25 basis points to 5.25%**. Consequently, the standing deposit facility (SDF) rate is 5.00%, and the marginal standing facility (MSF) rate and Bank Rate are 5.50%. The MPC retained its neutral stance.
- **Growth Outlook** – India's economy remains resilient. Real GDP grew 8.2% in Q2FY26, the highest in six quarters, supported by strong domestic demand, GST rationalisation, and benign inflation. GVA growth stood at 8.1%, aided by buoyant industrial and services sectors. High-frequency indicators suggest steady momentum in Q3, though some leading indicators show mild weakness. Rural demand is robust, urban demand is improving, and private investment is gaining traction amid high capacity utilisation and credit expansion. Merchandise exports contracted in October due to weak global demand, but services exports and remittances remain strong. **GDP growth for FY26 is projected at 7.3%, with quarterly estimates: Q3 at 7.0%, Q4 at 6.5%, Q1FY27 at 6.7%, and Q2FY27 at 6.8%.**
- **Inflation** – Headline CPI inflation fell sharply in October 2025, marking an **all-time low**, driven by food price corrections and improved supply conditions. Core inflation excluding gold at 2.6% in October. Food supply prospects are strong due to healthy kharif output, better rabi sowing, and adequate reservoir levels. International commodity prices are expected to moderate. CPI inflation for FY26 is **projected at 2.0%**, with Q3 at 0.6%, Q4 at 2.9%, Q1FY27 at 3.9%, and Q2FY27 at 4.0%.
- **External Sector** – India's current account deficit fell to 1.3% of GDP in Q2FY26 from 2.2% a year earlier, supported by strong services exports and remittances, even as October saw a wider trade deficit due to higher imports and lower merchandise exports. Robust FDI inflows, modest FPI outflows (US\$ 0.7 billion), and stable external borrowings kept financing comfortable. Forex reserves at US\$ 686.2 billion provide over 11 months of import cover, ensuring resilience in the external sector.
- **Liquidity and Financial Market** – System liquidity averaged a surplus of ₹1.5 lakh crs since the October MPC meeting. To ensure durable liquidity, RBI announced OMO purchases of ₹1,00,000crs and a 3-year USD/INR swap of USD 5 billion. Monetary transmission improved: since February, repo rate cuts of 100 bps led to a 69 bps decline in WALR for fresh loans and 63 bps for outstanding loans; deposit rates fell by 105 bps (fresh) and 32 bps (outstanding).
- **Financial Stability** – System-level financial indicators for Scheduled Commercial Banks (SCBs) remain strong, with robust capital adequacy, liquidity, asset quality, and profitability, while NBFCs also show sound fundamentals and improved GNPA ratios. Resource flow to the commercial sector rose to ₹20.1 lakh crs so far in FY26, up from ₹16.5 lakh crs last year, with overall credit from bank and non-bank sources growing 13% YoY. Bank credit growth has picked up, driven by retail and services, alongside firming industrial credit supported by MSMEs and large industries.
- **Additional measures** –
 - The RBI has implemented initiatives like Re-KYC, financial inclusion, and “Aapki Poonji, Aapka Adhikar”, moved all applications online, and achieved 99.8% timely disposal.
 - To address rising grievance pendency with the Ombudsman, RBI urges regulated entities to adopt customer-first policies and improve service. A two-month campaign from January 1, 2026 will clear complaints pending over a month.

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