RBI Policy – June 2025 – Key Takeaways

RBI Monetary Policy

Repo Rate Now at 5.5% v/s 6.0%	**Cut by 50bps**
Standing Deposit Facility Now at 5.25% v/s 5.75%	**Cut by 50bps**
MSF Bank Rate Now at 5.75% v/s 6.25%	**Cut by 50bps**
Policy Stance Neutral	**changed**

RBI on Growth, Inflation

FY26 GDP Growth	**Projected at 6.5% from 6.5%**
FY26 Inflation Outlook	**Projected at 3.7% from 4%**

- **Another interest rate drop, the third in five years –** In his third Monetary Policy Committee (MPC) meeting, new RBI Governor Sanjay Malhotra reduced the repo rate by 50 basis points to 5.5% on June 6, 2025, aiming to stimulate economic growth. Alongside the rate cut, the monetary policy stance was shifted to **'Neutral,'** 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 –** Global economic uncertainty has eased slightly since the MPC's April meeting, driven by a temporary tariff reprieve and optimism around trade talks. However, risks remain high, dampening sentiment and global growth outlook. As a result, multilateral agencies have downgraded global growth and trade forecasts. Market volatility has subsided recently, with equities recovering, and declines in the dollar index and crude prices, although gold remains elevated. As per NSO estimates released on May 30, 2025, India's real GDP grew by 7.4% in Q4FY25, up from 6.4% in Q3. Real gross value added (GVA) rose 6.8% in Q4. For FY25, GDP growth stood at 6.5%, while GVA growth was 6.4%.
- **Inflation –** Headline CPI inflation continued to ease in March and April, reaching a nearly six-year low of 3.2% in April 2025, mainly due to a sustained decline in food inflation. Fuel prices saw a return to inflation, partly due to higher LPG prices, while core inflation remained stable despite rising gold prices. The inflation outlook remains favorable, supported by record wheat and higher pulse output from the Rabi season and prospects of an above-normal, early monsoon, boosting Kharif production. Inflation expectations are moderating, especially among rural households. Key commodity prices, including crude oil, are also expected to stay soft. However, weather and tariff-related risks persist. Assuming a normal monsoon, CPI inflation for FY26 is projected at 3.7%, with quarterly estimates ranging from 2.9% to 4.4% from Q1to Q4.
- **External Sector –** With a lower trade deficit in Q4FY25, supported by strong services exports and remittances, the current account deficit (CAD) for the year is expected to stay low. Despite global uncertainties, merchandise trade remained strong in April 2025, though the trade deficit widened as imports outpaced exports. However, the surplus in services and remittances is likely to offset this. CAD for 2025-26 is projected to remain within sustainable limits. On the financing side, FPI inflows dropped to $1.7 billion as investors booked equity profits, and net FDI moderated due to higher repatriation and outward flows, though gross FDI rose 14%. ECBs and NRI deposits saw increased inflows. Forex reserves stood at $691.5 billion, ensuring strong external sector resilience.
- **Liquidity and Financial Market –** Since January, ₹9.5 lakh crs of durable liquidity was injected into the banking system, shifting liquidity from deficit to surplus by end-March. This is reflected in weak VRR auction demand and high average SDF balances of ₹2.0 lakh crs during April-May. Consequently, the weighted average call rate (WACR) remained near the lower end of the policy corridor, aiding short-term rate transmission, though credit market transmission remains lagged. To support liquidity further, the RBI will cut the CRR by 100 bps to 3% of NDTL in four phases starting September 2025, releasing ₹2.5 lakh crs by December. This will ease funding costs and boost credit transmission. Overall, banks and NBFCs remain stable, with strong capital, improved asset quality, and easing retail loan stress – though MFI stress persists. Scheduled Commercial Banks (SCBs) and NBFCs continue to exhibit strong financial health, supported by improved asset quality, adequate liquidity buffers, and stable profitability. As of December 2024, the credit-deposit ratio stood at 81.84%, similar to the previous year. While stress in unsecured personal loans and credit card portfolios has reduced, pressure in the microfinance segment persists. Institutions are adjusting business models, enhancing credit assessment, and boosting collections to manage emerging risks.

Disclaimer

Analyst Certification: I, Dhananjay Kansara, research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed Dhananjay Kansara, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.