

RBI Monetary Policy – October 2025

2nd OCTOBER 2025

The Reserve Bank of India (RBI) released its Monetary Policy Report following 4th meeting of the Monetary Policy Committee in FY26 held from September 29th to October 1st, 2025. RBI has kept the repo rate unchanged at 5.50%, holding the monetary policy stance at neutral. This marks the second consecutive pause after three cumulative rate cuts totaling 100 basis points earlier this year. The decision reflects a cautious but balanced approach amid evolving domestic and external dynamics.

Economic Outlook: Inflation and Growth

The RBI has lowered its inflation forecast for FY26 sharply from 3.1% to a benign 2.6%. This moderation reflects GST rate rationalization and easing food prices, which are expected to keep inflation under control throughout the year. Core inflation remains well-contained despite some price pressures on precious metals.

At the same time, the GDP growth forecast was raised from 6.5% to a robust 6.8%, driven by strong domestic demand, good monsoon, supportive government spending, and improved credit flow. However, the MPC cautioned that US-imposed tariffs on Indian exports and global uncertainties could slow export growth in the latter half of the year.

The Indian rupee has faced depreciation pressures amid these external challenges. Still, the broad domestic economy remains resilient, with steady services growth and narrowing current account deficit, all signaling a positive growth trajectory for FY26.

Key Policy Announcements and Reforms

Governor Sanjay Malhotra underlined RBI's focus on stabilizing the economy while making it easier to do business and boosting credit flow.

Banking Flexibility: Banks will get more freedom to open and manage current and overdraft accounts, especially for borrowers regulated by other agencies. Limits on collection accounts will be relaxed to ease business payments.

Support for Exports: The RBI has extended the time Indian companies have to bring back foreign currency earnings from units in the International Financial Services Centre (IFSC) from one month to three months. Export-import procedures on key government portals have been simplified to speed up clearance.

Easier Credit Access: The RBI has introduced key reforms to improve credit flow:

- Banks will soon have a clear framework to finance corporate acquisitions
- Lending limits against listed shares and IPO financing have been significantly raised
- A restrictive 2016 rule limiting large loans has been removed to expand credit availability.
- Risk weights on NBFC loans for infrastructure projects will be lowered to reduce costs.
- Licensing for new urban co-operative banks will be reconsidered after a long pause.

These steps aim to make lending easier, lower costs, and support economic growth.

Policy Stance and Implications for Investors and Businesses

The MPC's decision to keep the repo rate steady at 5.5% shows a balanced approach to supporting growth while monitoring inflation. Earlier rate cuts are still taking effect, so the RBI is taking a cautious wait-and-watch stance. The neutral policy stance means the RBI is ready to act based on incoming data.

Sectors like real estate are cautiously optimistic, as steady borrowing costs support demand and investment. The stable rate environment, along with new banking reforms, is likely to boost credit access and business growth.

Exporters and trade-sensitive sectors should remain cautious given global risks, but improvements in procedures and regulations provide some relief. Overall, the RBI aims to balance economic stability with growth, encouraging investors to plan strategically while managing external risks.



Website: www.privus.in | Email: research@privus.in | Landline: +91 22 4896 5600

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