



Achintya Securities Private Limited

RBI Monetary Policy

June 2025



Monetary Policy Decisions

- The committee voted to reduce the **policy repo rate** by 50 basis points (bps), from 6.00% to **5.50%**.
- Consequently, associated rates were also adjusted:
 - Standing Deposit Facility (SDF) rate was reduced to **5.25%** from 5.75% April 2025.
 - Marginal Standing Facility (MSF) rate and Bank Rate were lowered to **5.75%** from 6.25% (April 2025).
- This reduction aligns with the RBI's goal of achieving a medium-term CPI inflation target of **4%** ($\pm 2\%$), while supporting economic growth.

Global Economic Environment

- Global economic uncertainty has moderately reduced, primarily due to temporary tariff relief and optimism in trade negotiations.

However, the risk of a slowdown persists, impacting global trade and sentiment.

- Market volatility has eased, with equity markets recovering and a softer dollar index and crude oil prices.

Nevertheless, gold prices remain elevated.

Domestic Economic Performance

- Real GDP growth accelerated to **7.4%** in Q4:2024–25, improving from **6.4%** in Q3.
- Full-year GDP growth for FY2024–25 stood at **6.5%**, while real GVA (Gross Value Added) growth was **6.4%**.
- Continued economic momentum is expected in FY2025–26, driven by private consumption and fixed capital formation.
- Growth will also be supported by:
 - Robust rural demand
 - Expansion in the services sector
 - Higher capacity utilisation
 - Improved corporate financial health
 - Government capital expenditure
- FY2025–26 GDP growth projection:
 - Overall: **6.5%**
 - Q1: 6.5%, Q2: 6.7%, Q3: 6.6%, Q4: 6.3%
- Potential downside risks include:
 - Geopolitical tensions
 - Global trade uncertainties
 - Weather disruptions

Inflation Dynamics

- CPI headline inflation dropped significantly to a nearly six-year low of **3.2%** in April 2025, mainly due to declining food inflation.
- Fuel prices showed slight increases, especially due to LPG price hikes, while core inflation remained stable despite rising gold prices.
- The inflation outlook is positive, supported by:
 - Record wheat and pulses production
 - Favourable monsoon forecasts
 - Moderation in global commodity prices
- Inflation expectations are easing, particularly among rural households.
- FY2025–26 CPI inflation projection revised downward to **3.7%** (from 4.0%):
 - Q1: 2.9%
 - Q2: 3.4%
 - Q3: 3.9%
 - Q4: 4.4%
- Risks to the inflation outlook are considered evenly balanced, although vigilance regarding weather conditions and tariff uncertainties remains necessary.

Rationale Behind MPC Decision

- Significant moderation in inflation over the past six months has strengthened confidence in achieving the medium-term target.
- Considering the lower-than-desired growth levels amid challenging global conditions, the MPC aims to stimulate private consumption and investment through front-loaded rate cuts.
- Voting split:
 - Five members favoured a 50-bps cut
 - One member recommended a 25-bps cut
- With limited room for further rate cuts, the MPC changed its monetary policy stance from “**accommodative**” to “**neutral**”, signalling a more cautious evaluation of forthcoming economic data.

Next Steps

- The MPC will closely monitor the economic environment to maintain a balanced approach toward inflation and growth.
- The next MPC meeting is scheduled for **August 4–6, 2025**.
- Minutes from the current meeting will be released on **June 20, 2025**.



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Member: NSE, BSE, MCX | DP: NSDL, CDSL

