PHDCCI Analysis on Reserve Bank of India Monetary Policy– June 2025

PHDCCI Research Bureau

Policy Summary and Impact Analysis

S.No	Announcement	Previous Rate (%)	Previous Rate (%)	New Rate (%)	PHDCCI Impact Analysis
1.	Repo rate	6.25	6	5.5 (50 bps cut)	Reduction in repo rate and the linked policy rates will provide a cushion to Indian economy from continuing global economic uncertainty, while at the same time boost economic growth. This reduction will improve consumer sentiment which will accelerate GDP growth via uptick in private final consumption expenditure. On the industry front, reduction of policy rates will lower debt servicing costs providing extra cushion to the industry to absorb the external shocks and continued global volatilities and kick start private CAPEX The cut in CRR would release primary liquidity to the banking system by December 2025. Besides providing durable liquidity, it will reduce the cost of funding of the banks, thereby helping in monetary policy transmission to the credit market.
2.	Standing Deposit facility (SDF) rate under liquidity adjustment facility (LAF)	6	5.75	5.25	
3.	Marginal Standing Facility (MSF) rate	6.5	6.25	5.75	
4.	Bank rate	6.5	6.25	5.75	
5.	Policy Stance	Neutral	Accommodating	Neutral	
6.	Cash Reserve Ratio	4	4	3 (100 bps cut) (This reduction will be carried out in four equal tranches of 25 bps each)	

Source: RBI Governor's Statement: June 6, 2025 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60605)

Macroeconomic Projections and Economic Outlook

S.No	Macroeconomic Indicator	2025-26 (%)
1.	Real GDP	**FY2026: 6.5** Q1 at 6.5 Q2 at 6.7 Q3 at 6.6 Q4 at 6.3
2.	CPI inflation	**FY2026 : 3.7** Q1 at 2.9 Q2 at 3.4 Q3 at 3.9 Q4 at 4.4

- For 2024-25, real GDP growth was placed at 6.5%, while real GVA recorded a growth of 6.4%.
- The CAD for 2025-26 is expected to remain well within the sustainable level.
- Investment activity is expected to improve in light of higher capacity utilization, improving balance sheets of financial and non-financial corporates, and government's capital expenditure push.
- Agriculture prospects remain bright on the back of an above normal southwest monsoon forecast and resilient allied activities.
- Industrial activity is gaining gradually, even though the pace of recovery is uneven. Services sector is expected to maintain its momentum.
- Private consumption, the mainstay of aggregate demand, remains healthy
- Spillovers emanating from protracted geopolitical tensions, and global trade and weather-related uncertainties pose downside risks to growth.

Source: RBI Governor's Statement: June 6, 2025 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60605) and Monetary Policy Statement, 2025-26 Resolution of the Monetary Policy Committee June 4 to 6, 2025 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60604)

Liquidity and Financial Stability

Liquidity

- **Impact**
  - A total amount of ₹9.5 lakh crore of durable liquidity was injected into the banking system since January.
  - Liquidity conditions transitioned to surplus at the end of March. This is evident from the tepid response to daily VRR auctions and high SDF balances – the average daily balance during April-May amounted to ₹2.0 lakh crore.
  - The comfortable liquidity surplus in the banking system has further reinforced transmission of policy repo rate cuts to short term rates.
  - The 100 bps cut in CRR would release primary liquidity of about ₹2.5 lakh crore to the banking system by December 2025.
- **Guidance for FY 2026**
  - The Reserve Bank remains committed to provide sufficient liquidity to the banking system.
  - Durable liquidity due to reduced CRR, reducing the cost of funding of the banks, thereby helping in monetary policy transmission to the credit market.
  - RBI will continue to monitor the evolving liquidity and financial market conditions and proactively take further measures, as warranted.

Financial Stability

- **Impact**
  - The system-level financial parameters of Scheduled Commercial Banks (SCBs) continue to be robust.
  - The asset quality parameters, liquidity buffers and profitability parameters have shown further improvement.
  - he system-level parameters of NBFCs too are sound with comfortable capital position and improved Gross Non-Performing Asset (GNPA) ratios.
- **Guidance for FY 2026**
  - The stress witnessed earlier in retail segments like unsecured personal loans and credit card receivables portfolio has abated, while the stress in micro-finance segment is persisting.
  - Banks and NBFCs active in these segments are already recalibrating their business models, strengthening their credit underwriting practices and stepping up their collection efforts to avoid any excessive build-up of risks on this front in future.

Source: RBI Governor's Statement: June 6, 2025 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60605)

Analysis

The rate cut and move to neutral stance has been undertaken with the objective to maintain growth momentum, given the changing growth outlook and dynamic global economic environment.

Food inflation is expected to be soft and core inflation will remain benign. The inflation outlook for the year has been revised downwards to 3.7%. GDP growth seen lower amidst global challenges.

Policy cut will will

- infuse liquidity into the banking system
- pave the way for lower home loan interest rates, directly benefitting home loan borrowers, especially existing ones, by reducing their interest burden.

Geopolitical tensions and global trade uncertainties pose downside risks. Further, financial stability is a big challenge amidst global spillover and tech challenges posed by AI and other innovations.

Going forward, India will continue to grow resiliently and robustly, supported by strong macroeconomic fundamentals and price, financial and political stability.

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Thank You