

RBI Cuts Repo Rate by 25 bps to 6%, Lowers GDP Forecast to 6.5% Amid Global Trade Tensions

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RBI Repo Rate Cut 2025 Latest News

- The Reserve Bank of India's **Monetary Policy Committee** cut the repo rate by 25 basis points to 6% and lowered the FY2026 growth forecast from 6.7% to 6.5%, citing global uncertainties from ongoing trade wars.
- RBI Governor warned that new tariffs could hamper domestic growth and exports, though inflation risks remain limited due to falling commodity and crude oil prices.

Key Highlights of the MPC Meeting

- **RBI Cuts Repo Rate Amid Global Uncertainties**

- MPC reduced the repo rate by **25 basis points to 6%**, marking the **second consecutive rate cut**.
 - The repo rate is the interest rate at which commercial banks take or borrow money from the Reserve Bank of India.
- This move aims to support economic growth amid increasing global trade tensions and uncertainties arising from reciprocal tariffs announced by the US.

- **Monetary Policy Stance Turned Accommodative**

- The MPC also shifted its stance from 'neutral' to 'accommodative', signalling the possibility of further rate cuts in the future.
 - A **neutral stance** gives the central bank flexibility to adjust rates based on inflation and growth conditions.
 - An **accommodative stance** focuses on promoting economic growth by lowering interest rates.
 - In contrast, a **withdrawal of accommodation** aims to control inflation through **rate hikes** or tighter monetary policies.
- RBI Governor clarified that this stance indicates only two possible directions ahead — either status quo or further cuts.

- **Growth Forecast Lowered**

- The RBI revised India's GDP growth forecast for FY2026 down to 6.5% from 6.7%, citing the negative impact of trade wars and policy uncertainties on global and domestic economic activity.

- **Inflation Risks Under Control**

- While global uncertainties pose risks to inflation through possible currency pressures and imported inflation, the fall in commodity and crude oil prices is expected to keep domestic inflation within control.
- The CPI inflation forecast for FY2026 was revised down to 4% from 4.2%.
- As per the RBI, **growth concerns outweigh inflation worries** at present.
- Trade frictions are expected to **hurt investment, consumption, and net exports**, thereby impeding domestic economic momentum.

- **Additional Measures Announced by the RBI**

- Introduction of forward contracts in Government securities
- Access of SEBI-registered non-bank brokers to NDS-OM
- Comprehensive review of trading and settlement timings across various market segments
- Introduction of 'bank.in' exclusive Internet Domain for Indian banks and 'fin.in' domains for other non-bank entities
- Enabling Additional Factor of authentication in cross-border Card Not Present transactions

RBI DECISIONS ON WEDNESDAY

Securitisation of stressed assets

After factoring in the suggestions received from the stakeholders on the discussion paper, the RBI will soon come out with the draft framework for securitisation of stressed assets. The framework intends to enable securitisation of stressed assets through a market-based mechanism, in addition to the existing ARC route under SARFAESI Act, 2002, the RBI said.

Co-lending arrangements

The RBI has decided to expand the scope for co-lending and issue a generic regulatory framework for all forms of co-lending arrangements among regulated entities. The extant guidelines on co-lending are applicable only to arrangements between banks and NBFCs for priority sector loans.

Non-fund based facilities

The RBI has proposed to harmonize and consolidate guidelines covering non-fund based (NFB) facilities like guarantees, letters of credit and co-acceptances play a significant role in facilitating effective credit intermediation, besides enabling seamless business transactions,

including trade transactions. The revised guidelines include a review of instructions on issuance of partial credit enhancement by entities with a view to broadening funding sources for infrastructure financing.

Enhancing transaction limits in UPI

To enable the ecosystem to respond efficiently to new use cases, the RBI has proposed that NPCI in consultation with banks and other stakeholders of the UPI ecosystem, may announce and revise such limits based on evolving user needs. At present, the transaction amount for UPI, covering both person to person (P2P) and person to merchant payments (P2M), is capped at Rs 1 lakh except for specific use cases of P2M payments which have higher limits, some at Rs 2 lakh and others at Rs 5 lakh. P2P transactions on UPI will continue to be capped at Rs 1 lakh.

'On Tap' Regulatory Sandbox

The RBI has proposed to make the Regulatory Sandbox 'Theme Neutral' and 'On Tap'. This initiative is expected to foster continuous innovation and keep pace with the rapidly evolving FinTech/ regulatory landscape. The Reserve Bank has been operating the Regulatory Sandbox (RS) framework since 2019, and four specific thematic cohorts have been announced and completed till date.

Reason Behind RBI's Decision to Cut Repo Rate

• Global Trade Tensions Drive Caution

- The US administration's 26% reciprocal tariff on Indian goods and rising global trade tensions have increased economic uncertainty, prompting a cautious and proactive monetary response from the RBI.

• Risks to Growth Take Priority

- The MPC emphasized that growth remains fragile, especially after a weak first half in FY2024-25, and now faces fresh risks due to the global slowdown.
- Domestic recovery needs continued support, even though inflation is under control.

• Improved Inflation Outlook Enables Policy Support

- Falling food inflation and a decisive improvement in the inflation outlook have given the MPC the room to prioritize non-inflationary, sustainable growth.

RBI Repo Rate Cut 2025 FAQs

Q1. Why did RBI cut the repo rate in 2025?

Ans. Due to global trade tensions and low inflation, RBI cut rates to support fragile domestic growth.

Q2. What is the new RBI repo rate?

Ans. The RBI reduced the repo rate by 25 basis points to 6% in the latest Monetary Policy Committee meeting.

Q3. What is RBI's FY2026 GDP growth forecast?

Ans. RBI lowered India's GDP growth forecast for FY2026 from 6.7% to 6.5% due to global economic uncertainties.

Q4. What does an accommodative stance mean?

Ans. An accommodative stance signals RBI's intent to support growth by maintaining or further reducing interest rates if needed.

Q5. Is inflation a concern for RBI now?

Ans. No, RBI noted that inflation is under control, aided by falling commodity and crude oil prices.

Source: [IE](#) | [ToI](#) | [LM](#)

Source: <https://vajiramandravi.com/current-affairs/rbi-cuts-repo-rate-by-25-bps-to-6-perc-lowers-gdp-forecast-to-6-5-perc-amid-global-trade-tensions/>

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