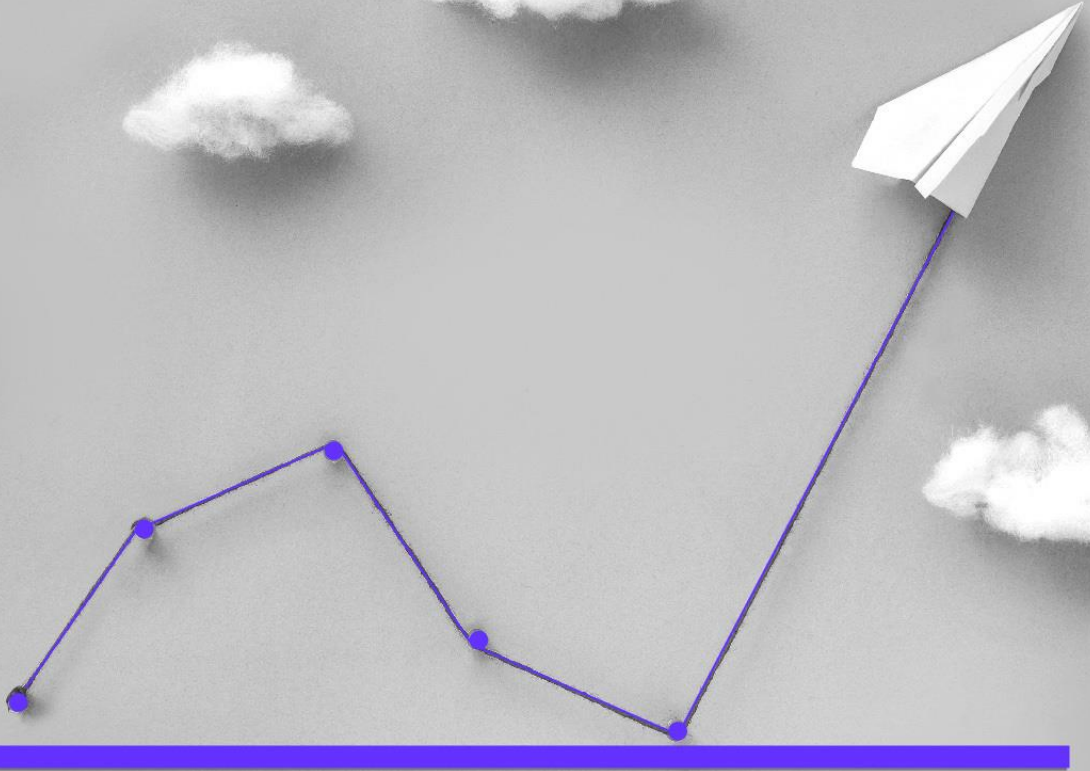


TRENDS & TIDES

**RBI MPC February 2025 cuts
repo rate by 25 bps
to 6.25%**



Weak growth and a benign inflation outlook allow for a rate cut

Stance remains unchanged on financial market volatility, uncertain trade policy, adverse weather events, and other risks

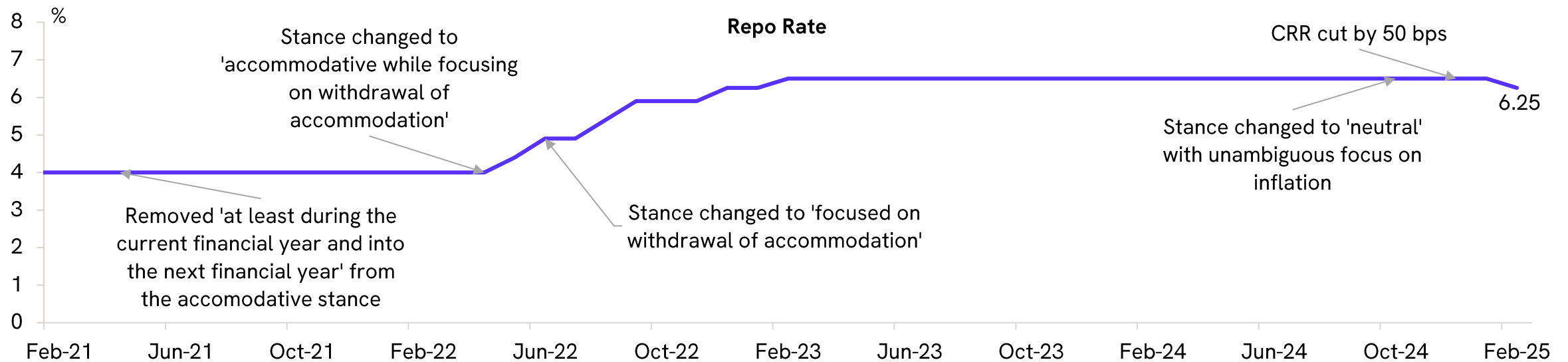
The RBI Monetary Policy Committee (MPC) unanimously decides to reduce the policy repo rate by 25 basis points from 6.5% to 6.25%

The MPC maintains the neutral stance with an unambiguous focus on a durable alignment of inflation with the target, while supporting growth

The Governor highlights flexibility within the Inflation Targeting Framework to respond to evolving growth-inflation dynamics

The Governor urges banks to actively trade in the uncollateralized call money market to improve signal extraction from the weighted average call money rate

The Governor reiterates the RBI's exchange rate policy, emphasizing that interventions are aimed at smoothing excessive and disruptive volatility rather than targeting a specific exchange rate level or band

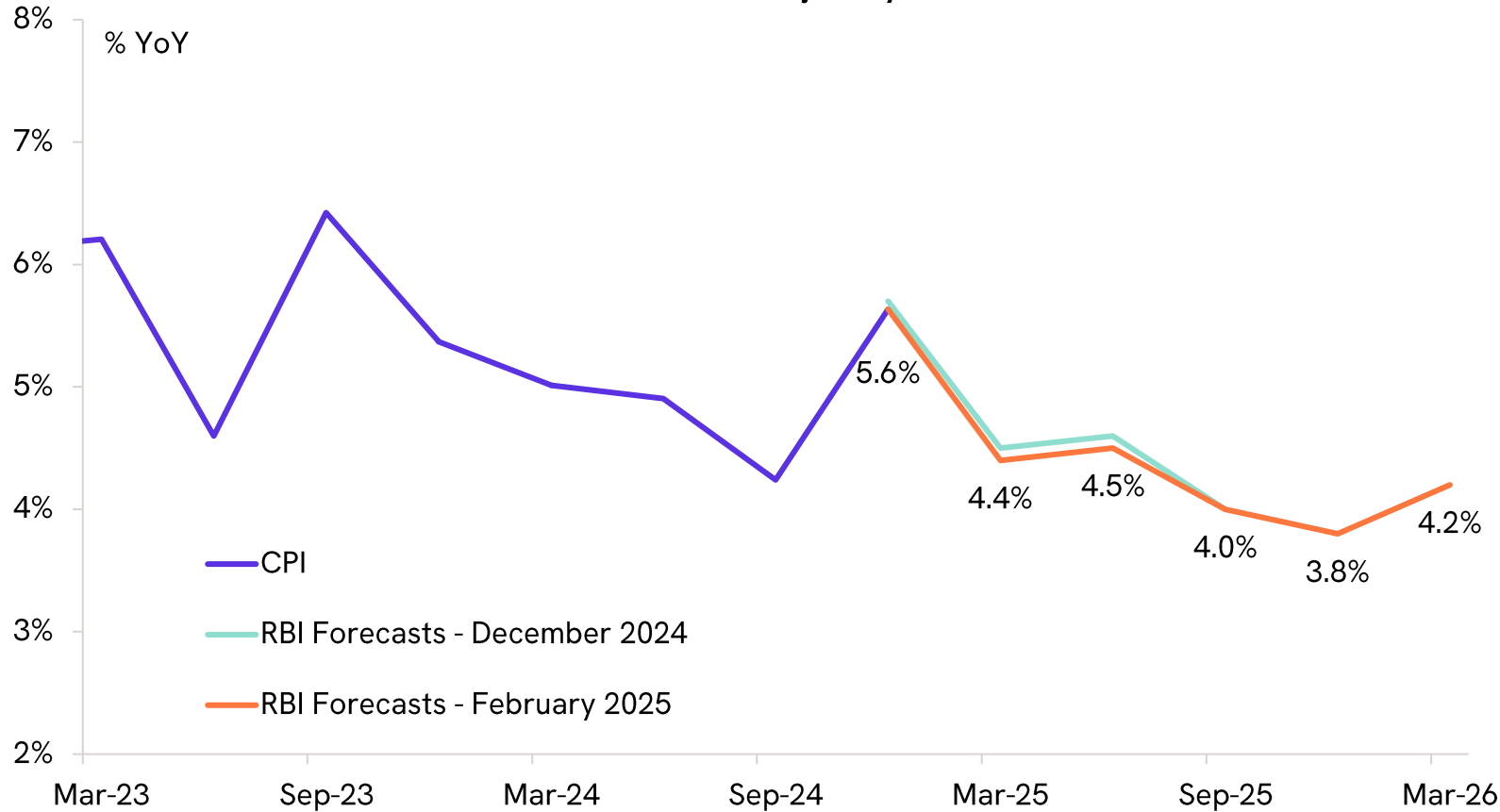


Source: RBI, 360 ONE Asset Research

RBI projects CPI inflation for FY26 at 4.2% YoY

Inflation is expected to moderate, supported by a favourable food outlook and continued transmission of past policy actions

CPI Inflation Trajectory



RBI inflation outlook:

Food inflation pressures, absent any supply side shock, should see a significant softening due to good kharif production, winter-easing in vegetable prices and favourable rabi crop prospects

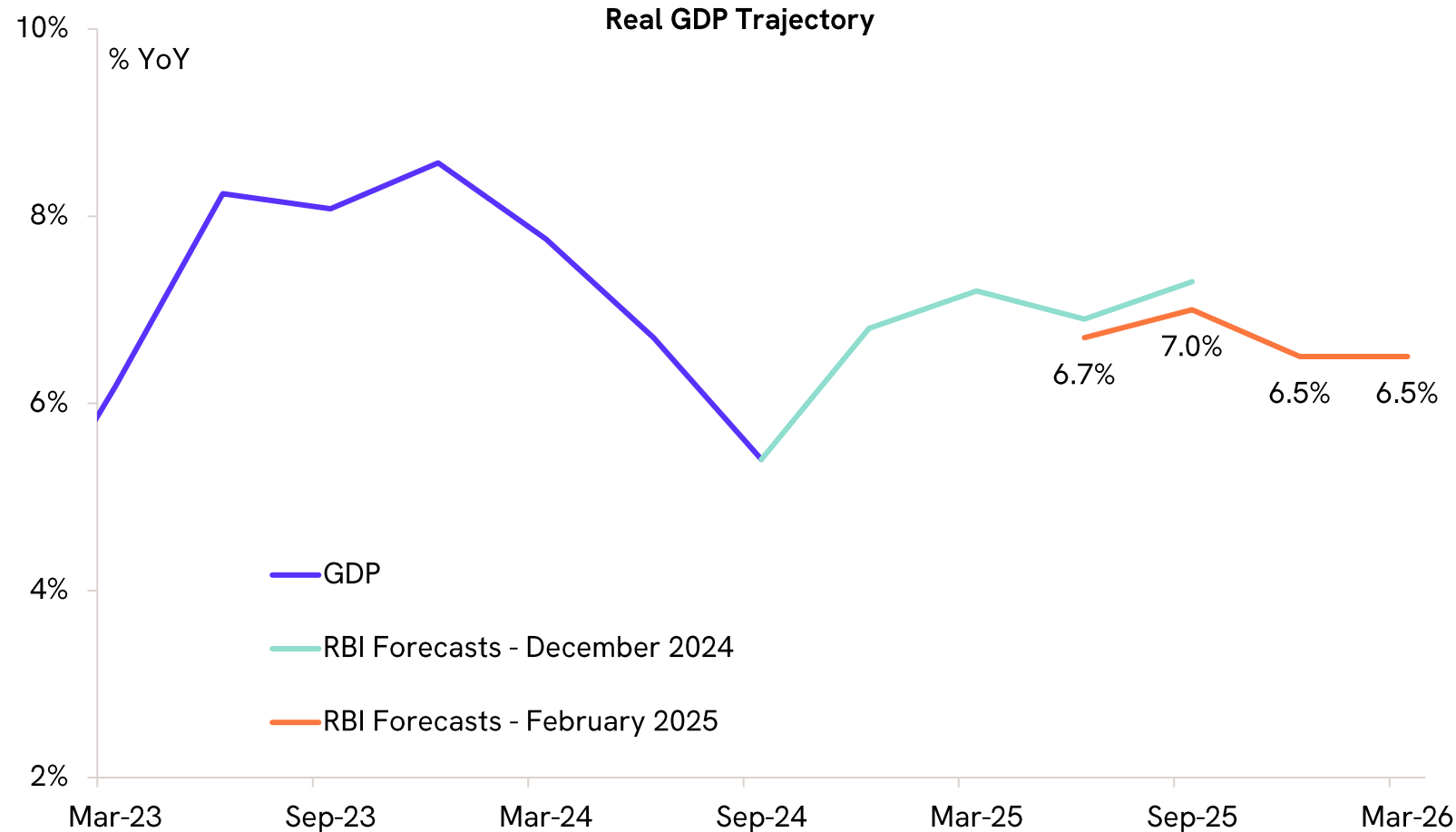
Core inflation is expected to rise but remain moderate

Continued uncertainty in global financial markets coupled with volatility in energy prices and adverse weather events presents upside risks to the inflation trajectory

Source: MOSPI, RBI, 360 ONE Asset Research

RBI projects FY26 GDP growth at 6.7% YoY

The MPC notes that while growth is expected to recover from the Q2FY25 low, it remains well below last year's level



RBI growth outlook:

Healthy rabi prospects and an expected recovery in industrial activity should support economic growth

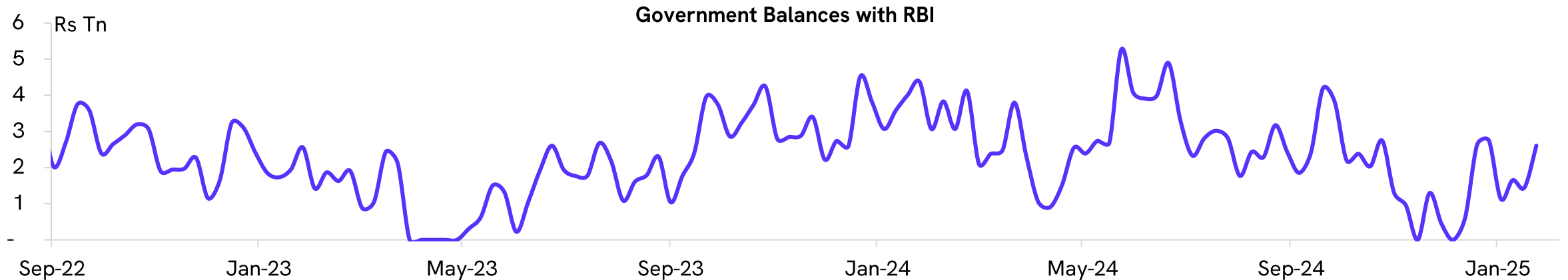
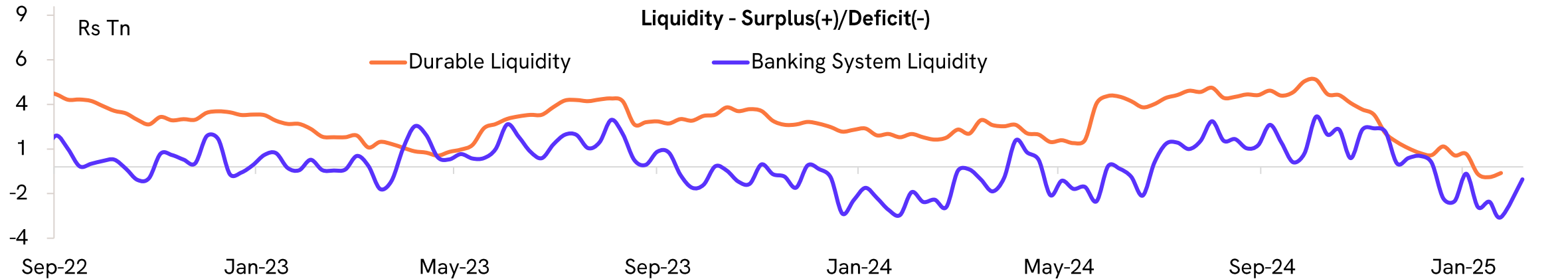
Household consumption is expected to remain robust aided by the tax relief in the Union Budget 2025-26

Fixed investment is expected to recover, supported by higher capacity utilisation levels, healthy balance sheets of financial institutions and corporates, and government's continued emphasis on capital expenditure

Headwinds from geo-political tensions, protectionist trade policies, volatility in international commodity prices and financial market uncertainties, continue to pose downside risks to the outlook

Outlook: We expect the RBI to aim for neutral liquidity conditions

A package of measures was announced in January 2025 to inject durable liquidity through OMOs, FX swaps etc.



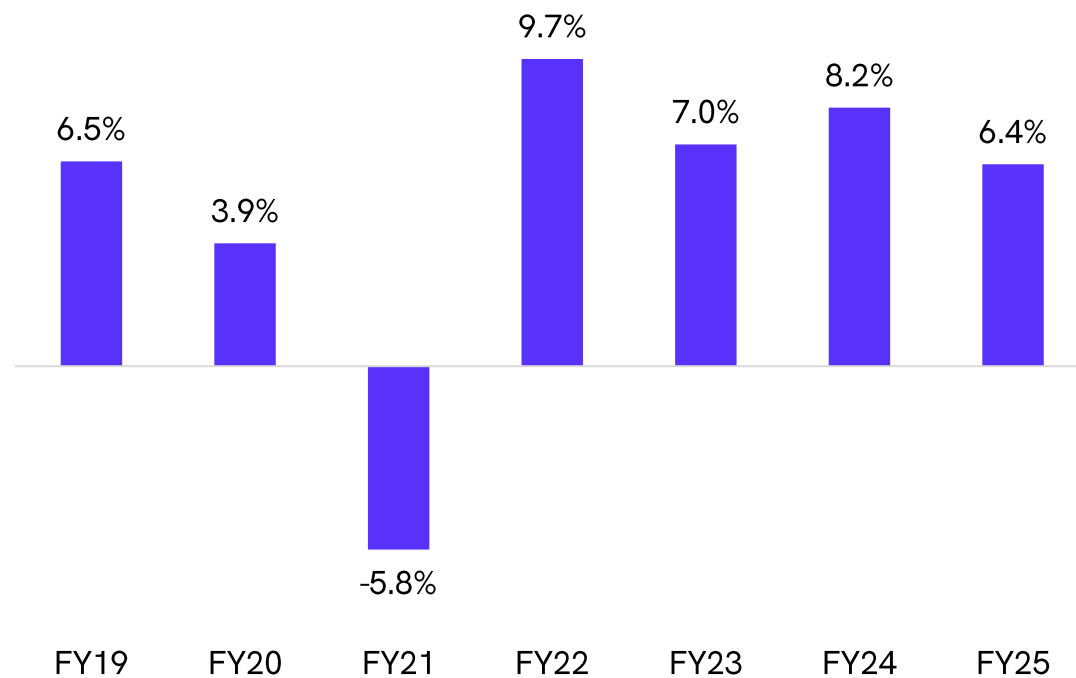
Outlook: We expect the RBI to cut rates by another 50–75 bps

The inflation outlook appears favourable, supported by seasonal corrections in vegetable prices and promising rabi prospects

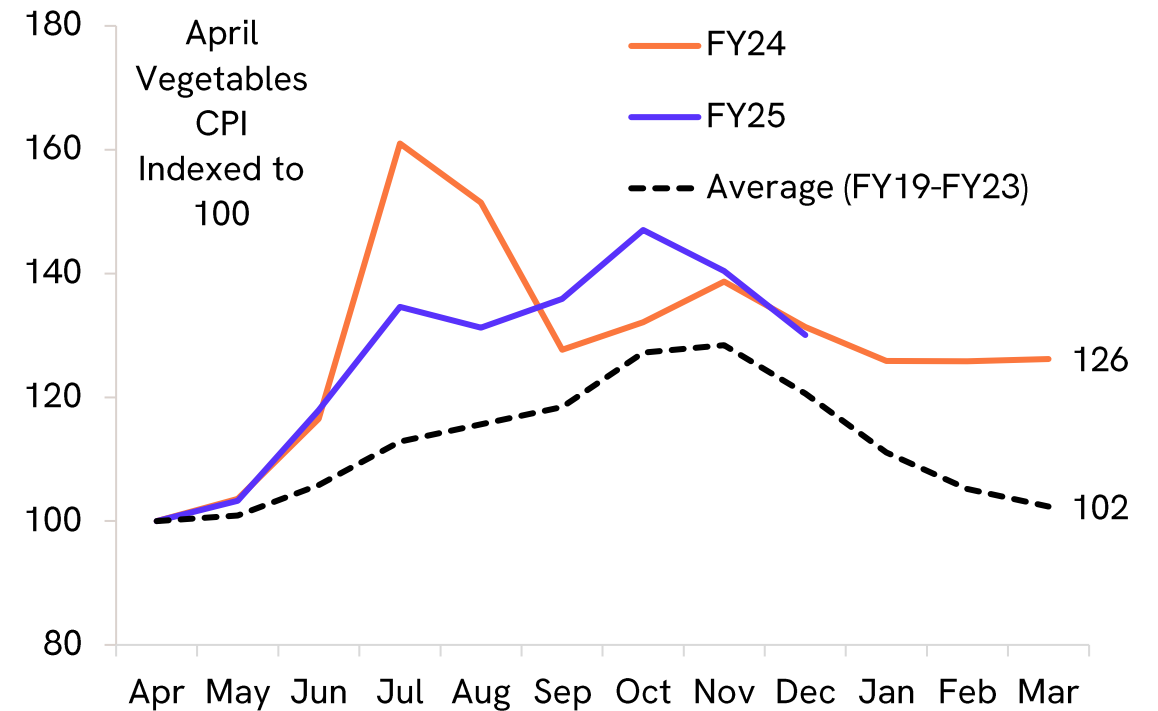
Economic growth has been weak, with repeated downward revisions to estimates, necessitating policy support

The budget has delivered essential fiscal support while maintaining fiscal discipline, and the RBI has complemented this by initiating monetary easing

Real GDP Growth (%YoY)



Vegetables CPI Price Index - Seasonal Trend



Source: CMIE, MOSPI, 360 ONE Asset Research

Note: FY25 GDP as per 1st Advance Estimates

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