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RBI Holds Repo Rate at 5.50% Amid Uncertainty

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The Reserve Bank of India's Monetary Policy Committee (MPC), led by Governor Sanjay Malhotra, unanimously voted on August 6 to hold the repo rate at 5.50%, maintaining a neutral policy stance in its 56th meeting.

In his post-meeting remarks, Malhotra stated that the decision reflects ongoing global trade uncertainties, particularly the recent 25% U.S. tariff on Indian exports, as well as

incomplete transmission of earlier rate cuts and moderating inflation trends

Headline CPI inflation fell to 2.1% in June, the lowest in six years, largely due to volatile food prices. However, core inflation persists near 4%, prompting the RBI to remain cautious. The MPC lowered its 2025–26 inflation forecast to 3.1%, down from 3.7% earlier, and retained its GDP growth estimate at 6.5%. Analysts highlighted that while 100 basis points of rate cuts have been delivered since February, limited inflationary pressure and external risks qualify the case for additional easing. Citi revised its forecast, suggesting the repo rate will likely remain at 5.50% through 2025.

Markets responded with modest shifts, benchmark 10-year government bond yields rose slightly, and equity indices registered mixed performance. The Indian rupee gained marginally, though traders noted that tariff threats continue to weigh on sentiment. Investor sentiment remains cautious. Credit growth, exports, and corporate earnings remain under pressure. Some economists predict another rate cut later in the year if global and domestic conditions improve. The

RBI officials confirmed that future decisions will be data-dependent, with close monitoring of inflation dynamics, currency movements, capital inflows, and global oil prices influencing the timing and magnitude of policy action. The next MPC meeting is expected in early October 2025, according to India.