ECONOMY

# RBI holds repo rate at 5.5%, raises growth forecast to 6.8% and cuts inflation estimate

The Monetary Policy Committee voted unanimously to pause after 100 basis points of cuts this year, but its sharply lower inflation forecast keeps the door open to further easing.

By Economic.Express Desk · 1 October 2025 · 2 min read



RBI holds repo rate at 5.5%, signals room for a cut if inflation keeps cooling

### In 60 seconds

1. The repo rate stays at 5.5%, with a neutral stance, after a unanimous MPC vote.
2. RBI raised its FY26 GDP growth forecast to 6.8% from 6.5%.
3. It cut its FY26 inflation forecast to 2.6% from 3.1%.
4. Rates have already fallen 100 basis points in 2025: 25 in February, 25 in April and 50 in June.

The Reserve Bank of India kept its key lending rate unchanged at 5.5% on Wednesday, pausing for a second straight meeting after a run of cuts earlier in the year. All members of the Monetary Policy Committee voted for the hold and to keep the policy stance neutral.

## Growth up, inflation down

Governor Sanjay Malhotra's committee raised its forecast for India's economic growth in 2025-26 to 6.8%, from 6.5% earlier. At the same time, it cut its estimate for retail inflation for the year to 2.6%, from 3.1%, reflecting soft food prices and the recent reduction in GST rates.

That combination of stronger growth and lower inflation gives the central bank room to cut rates again if price pressures stay low.

## A year of easing

The RBI has already lowered the repo rate by a full percentage point in 2025, from 6.5% to 5.5%. It cut by 25 basis points in February, another 25 in April and a larger-than-expected 50 basis points in June, before holding in August and again now.

> *Lower inflation forecasts mean the RBI has policy room, even as it waits to see how earlier cuts work through.*

## What it means for you

For borrowers, the pause means loan rates linked to the repo rate will not change immediately. Home loan and car loan EMIs have already come down for many borrowers after this year's cuts, as banks pass on lower rates to loans linked to external benchmarks.

For savers, fixed deposit rates are likely to stay under pressure, since banks have been trimming deposit rates in line with the RBI's earlier moves.

The next policy decision is due in December, when markets will watch whether low inflation persuades the committee to cut again.