

MPC expected to keep repo rate unchanged

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The Reserve Bank of India's (RBI's) six-member Monetary Policy Committee (MPC) is expected to maintain the status quo at its October meeting, scheduled for September 29-October 1, according to a *Business Standard* poll of 10 economists at banks and other financial institutions.

The domestic rate-setting panel kept the repo rate unchanged in August, following a 50-basis-point (bp) cut in June. Earlier, the panel had reduced the rate by 25 bps each in February and April after holding it steady for 11 consecutive meetings. This came on the back of a cumulative 250-bp increase between May 2022 and February 2023.

The goods and services tax (GST) rationalisation could dampen headline Consumer Price Index prints by 25-50 bps between the third quarter of FY26 and the second quarter of FY27 relative to the pre-GST rationalisation estimates, bringing the FY26 average down to around 2.6 per cent from 3.0 per cent, said Aditi Nayar, chief economist, Icra.

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What they foresee

Expectations from monetary policy review scheduled for Sep 29-Oct 1

	Will RBI cut repo rate? If yes, by how much?	Where do you see the terminal rate in the current cycle?	Do you expect the RBI to revise the growth forecast for FY26? If yes, by how much?	Do you expect the RBI to revise inflation forecast for FY26? If yes, by how much?
SBI	Yes, 25 bps	5.25%	-	Yes, to 2.7%
Standard Chartered	No	5.5%	Yes, upward	Yes, downward
Yes Bank	No	-	No	Yes, to 2.7%
RBL Bank	No	5%	Yes, upward	Yes, downward
Bank of Baroda	No	-	No	Yes, downward
HDFC Bank	No	5.25%-5.5%	No	No
IDFC First Bank	No	5%-5.5%	Yes, between 6.6% and 6.8%	Yes, to 2.4%
Icra	No	5.25%	No	Yes, to 2.6%
Emkay Global Financial	Yes, 25 bps	-	No	Yes, downward
Karur Vysya Bank	No	-	No	Yes, downward

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“While October–November 2025 may mark a fresh low for CPI inflation, the trajectory subsequently remains upward sloping,” said Nayar.

“GST rationalisation is unambiguously set to moderate inflation. However, this is the outcome of a policy change and will likely be accompanied by stronger demand. This suggests a status quo for the repo rate in the October 2025 policy review, in what appears to be a close call,” she added.

A section of respondents, including the State Bank of India, expect the panel to cut the policy rate by another 25 bps in the upcoming meeting. A majority of economists see the terminal rate for the current rate cut cycle between 5 per cent and 5.25 per cent, with some expecting further cuts in December.

Gaura Sen Gupta, chief economist at IDFC FIRST Bank, said: “Given the strong growth in Q1FY26, the RBI will want to wait for clarity on tariffs and the impact of GST cuts on growth. By the December policy, the RBI will have a clearer picture of consumer demand after the festival season, as well as the outcome of tariff negotiations with the US.”

“If a trade deal materialises and bilateral tariffs are reduced to 25 per cent, the terminal rate could be 5.5 per cent; without such a deal, it may settle at 5.0 per cent,” Gupta said.

A majority of respondents also expect the RBI to revise its inflation forecast for FY26 downward, given the disinflationary impact of GST rationalisation. CPI prints already point to a softer trend in the second half of the calendar year. As a result, the FY26 average is likely to be lowered from the MPC’s June 2025 projection of 3.7 per cent, they said.

India’s retail inflation, measured by the CPI, rose to 2.07 per cent in August 2025 from 1.61 per cent in July. While low inflation benefits consumers, the recent GST cuts are expected to shave off up to 90 bps from inflation this financial year.

Meanwhile, most respondents expect the RBI to retain its FY26 GDP growth forecast at 6.5 per cent. While they acknowledged the downside risk from higher US tariffs on Indian goods, they said ongoing negotiations could yield a resolution. As such, they believe it may be premature to revise the growth projection at this stage.