BUSINESS STANDARD POLL

Another 25-bp repo rate cut on the cards

RBI expected to lower inflation projection for FY26

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Mumbai, 1 June

The Reserve Bank of India's (RBI's) six-member monetary policy committee (MPC) is expected to cut the repo rate by 25 basis points (bps) to 5.75 per cent, nine of the 10 respondents said in a *Business Standard* poll. State Bank of India, however, expects a 50-bp policy repo rate cut.

The committee, which will meet for three days from June 4, is scheduled to announce its policy review on Friday.

All 10 respondents agreed that the RBI would lower its FY26 headline inflation projection from 4 per cent forecast in the April policy review.

The rate-setting panel had reduced the repo rate by 25 bps in April, following a similar cut in February, after keeping it unchanged in 11 consecutive meetings. In the last review, the MPC had shifted the policy stance to accommodative, indicating the RBI's renewed focus on supporting economic growth.

India's economic growth rebound to a four-quarter high of 7.4 per cent in the January-March period of FY25, aligning with the annual growth estimate of 6.5 per cent. The final-quarter performance outpaced expectations, beating the RBI's forecast of 7.2 per cent.

The respondents expect the RBI to maintain its FY26 GDP growth projection at 6.5 per cent, while factoring in the potential impact of tariffs. Bilateral trade negotiations between India and the US are ongoing, with the current pause period set to end in the first week of July.

With Consumer Price Index (CPI)-based inflation expected to remain below 4 per cent for much of FY26, respondents said the MPC was likely to maintain its monetary easing stance. CPI inflation for FY26 is tracking between 3 per cent and 3.5 per cent, suggesting that real interest rates may rise to 2.5-3 per cent if the rate remains at 6 per cent, they said.

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Expert take

Expectations from monetary policy review scheduled for June 4-6

	Will MPC cut repo rate? If yes, by how much?		Will RBI revise FY26 growth forecast?	Will RBI revise FY26 inflation forecast?
SBI	☑	50 bps	☒	Downward by 30-40 bps
Bank of America	☑	25 bps	☒	Lower by 10 bps
Barclays	☑	25 bps	☒	Lower
ICICI Bank	☑	25 bps	☒	Lower
Bank of Baroda	☑	25 bps	☒	Lower
Icra	☑	25 bps	☒	Lower to 3.5%-3.7%
IDFC First Bank	☑	25 bps	☒	Downward revision to 3.8%
Crisil	☑	25 bps	☒	Lower
Karur Vysya Bank	☑	25 bps	☒	Downward by 20 bps
Emkay Global Financial	☑	25 bps	☒	Lower

BANKER'S TRUST

Of 'boring' monetary policy & witty money men

Beyond growth-inflation dynamics, let's revisit moments when central bankers brought humour to the table.

TAMAL BANDYOPADHYAY writes 15

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Eway bills continue momentum

The generation of eway bills in April had increased to the second-highest level of 119 million, which is reflected in the May GST data, with a year-on-year growth rate of more than 20 per cent for the second consecutive month.

"This (eway bill) robust momentum in goods movement signals sound business activities and is also indicative of stronger GST collection in May," the Monthly Economic Review, released by the finance ministry last week, had said.

M S Mani, partner, Deloitte India, said compared to the FY25 average gross GST collection of ₹1.84 trillion, the ₹2.01 trillion for May, which relates to transactions in the first month of FY26, would provide fiscal headroom for the government. "These figures are also in line with the recent GDP (gross domestic product) growth estimates, which indicate a robust consumption pattern across months," he added.

Mani said a 25 per cent rise in import revenue suggests rising imports despite tariff hikes. However, Saurabh Agarwal, partner, EY, said the 21 per cent dip in gross domestic GST collection suggested a shift in consumer spending.

"While last month's (April) collection likely included year-end business-to-business sales being pushed due to the meeting of targets, this large decrease points to some bit of change in consumer spending possibly due to global uncertainties," Agarwal said.

The data shows smaller states/Union Territories like Manipur (102 per cent), Lakshadweep (445 per cent), and Chandigarh (53 per cent) posted sharp growth in May on an annual basis, while large consumption and industrial states such as Maharashtra (17 per cent), Tamil Nadu (25 per cent), and Karnataka (20 per cent) also reported robust gains.