

# RBI Gov signals lower rates for longer, trade deal growth boost

MPC keeps repo, stance unchanged; awaits new data series

**MANOJIT SAHA**

Mumbai 6 February

The six-member monetary policy committee (MPC) of the Reserve Bank of India (RBI) unanimously decided to keep the policy repo rate unchanged at 5.25 per cent on Friday, adding that evolving macroeconomic conditions and outlook based on new growth and inflation data series will shape the future course of monetary policy.

The MPC also retained its policy stance as neutral. Between February and December 2025, the RBI had reduced the repo rate by 125 basis points (bps) in order to support growth with inflation prints remaining benign.

“Based on a comprehensive review of the domestic macroeconomic conditions and the outlook, the MPC is of the view that the current policy rate is appropriate,” RBI Governor Sanjay Malhotra said while announcing the policy decision. “Going forward, the MPC will be guided by the evolving macroeconomic conditions and the outlook based on data from the new series,” he said.

The RBI raised Q1 and Q2 growth projection for FY27 by 20 bps, citing various factors, including the trade deals with the United States (US) and the European Union (EU).

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## Key policy announcements

- The RBI will issue draft customer-protection guidelines covering mis-selling, loan recovery practices, and recovery agents
- The collateral-free loan limit for MSMEs is proposed to be increased from ₹10 lakh to ₹20 lakh
- Banks will be permitted to lend to Reits, subject to prudential safeguards
- NBFCs without public funds or a customer interface, and with asset sizes up to ₹1K crore, will be exempt from registration needs
- The requirement for prior approval for certain NBFCs to open more than 1K branches is proposed to be removed
- The ₹2.5 trillion cap on investments under the voluntary retention route is proposed to be withdrawn

## Small digital fraud victims set to get up to ₹25K refund

**SUBRATA PANDA**

Mumbai, 6 February

In a first-of-its-kind move, bank customers who fall victim to small-value digital frauds will be eligible for compensation of up to ₹25,000 for the first such incident, the Reserve Bank of India (RBI) announced on Friday.

The proposed compensation will be a one-time relief and will cover up to 85 per cent of the amount lost, or ₹25,000, whichever is lower, said RBI Governor Sanjay Malhotra during a media interaction following the monetary policy announcement.

“...as long as (customers) are defrauded, whether on their own accord or someone else’s, no questions asked, we will compensate them as long as it is unintended,” he said.

A substantial portion of the compensation will be borne by the regulator, with banks contributing 15 per cent, while customers will absorb a 15 per cent hit. The RBI said it will formulate a detailed framework for customer compensation.

The move comes against the backdrop of a rising number of digital fraud cases, with customers increasingly losing hard-earned savings to such incidents.

“We have a Deposit Education and Awareness (DEA) Fund, where adequate surplus has accrued over a period of time. We may use that fund (for compensation),” said Swaminathan J, deputy governor, RBI. Turn to Page 9 ▶

# Malhotra signals lower rates for longer, trade deal growth boost



**THE RBI REVISED ITS GDP GROWTH FORECAST FOR THE FIRST AND SECOND QUARTER OF FY27 UPWARDS TO 6.9% AND 7%, RESPECTIVELY, FROM 6.7% AND 6.8%, BUT DID NOT MAKE A FULL YEAR FORECAST AS IT AWAITS THE NEW UPCOMING GDP DATA SERIES TO BE RELEASED THIS MONTH.**

“The recently concluded India-EU free trade agreement (FTA) and the prospective India-USA trade deal along with several other trade agreements will support exports over the medium-term... growth momentum is likely to be sustained for a longer period,” Malhotra said.

The RBI revised its GDP growth forecast for the first and second quarter of

FY27 upwards to 6.9 per cent and 7 per cent, respectively, from 6.7 per cent and 6.8 per cent, but did not make a full year forecast as it awaits the new upcoming GDP data series to be released this month.

RBI decided to defer the projections for the full year to the April policy as the new GDP series will be released later in the month.

Malhotra said that the 20 bps hike in GDP growth was due to various reasons, including India’s trade deal with the US, but added that no assessment had yet been made on the trade deal’s impact on GDP growth as details are not available.

“Inflation, especially underlying inflation, is low. It’s much lower than even our forecast... underlying inflation is very, very benign. So, I expect policy rates should remain at low levels for a long time,” he said at a media briefing after the policy announcement. “Whether they will go down even further, I will leave it for the MPC to decide going forward,” he stressed.

However, market participants, some of whom believe that the rate cut cycle has ended, noticed there was no mention of ‘further space’ for rate cut, as was the case in the previous policy in December as well as on earlier occasions.

Yet, the Governor emphasised there is still room for measures to bolster growth due to benign inflation. “Benign inflation provides the leeway to remain growth-supportive while preserving financial stability. We remain committed to meet the productive requirements of the economy and sustain the growth momentum,” he said.

The MPC raised its estimate for retail inflation measured by the Consumer Price Index (CPI) for the first two quarters of FY27, even as the price rise pace for this fiscal year is now pegged at 2 per cent compared to 2.1 per cent earlier. CPI inflation is projected at 4 per cent and 4.2 per cent for Q1 and Q2 of FY27, respectively, compared to 3.9 per cent and 4 per

cent estimated earlier.

The inflation projection for FY27 will also be made in the April monetary policy review, scheduled for April 6-8, 2026, after the new CPI series starts off this month.

Bond markets were disappointed as no additional measure for liquidity support was announced. The yield of the 10-year benchmark government paper hardened 9 bps to settle at 6.74 per cent.

“Post policy, however, bond yields climbed up by close to 10 basis points, the largest increase since June policy. The bond markets were expecting some sort of largesse like postponement and/or dilution of LCR [liquidity coverage ratio] norms,” said Soumya Kanti Ghosh, group chief economic adviser, State Bank of India.

“Looking ahead, domestic factors such as healthy agricultural prospects, continued impact of GST rationalisation, benign inflation, healthy balance sheets of corporates and financial institutions and congenial monetary and financial conditions should continue to support economic activity,” Malhotra said.

“The underlying inflation pressures are even lower as the impact of increase in price of precious metals is about 50 bps,” Malhotra said.

“While we now are probably in a reasonable period of hold on rates, the next discussion at whatever point may turn to how long is this hold,” said Suyash Choudhary, chief investment officer - fixed income, Bandhan AMC.