

US tariffs: RBI will not be found wanting in supporting the economy, says Malhotra

4

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The Reserve Bank of India (RBI) will not be found wanting in its job to support the economy, including the sectors which may get impacted by the US tariffs, said Governor Sanjay Malhotra at the FICCI-IBA banking summit.

To a question on MSMEs and specific sectors getting affected due to the steep US tariffs, Malhotra said, "Insofar as tariffs are concerned, we had, post the April 2025 announcements by the US of increased tariffs (26 per cent initially, which was later adjusted to 25 per cent), revised our GDP growth downwards by 20 basis points (from 6.7 per cent to 6.5 per cent). After that, there has been an additional 25 per

cent tariff, making it 50 per cent. It is yet to kick in... another couple of days... We are hopeful that the tariff negotiations will play out and the impact will be minimal."

He noted that in certain sectors, such as gem & jewellery, textiles, apparel, shrimp and MSMEs, the continuation of tariffs (45 per cent are outside the tariff regime, but the remaining 55 per cent are within it) could have a potential impact.

"The government, on its part, is looking at free trade agreements, which has already been in the works for some time. And we, on our part, from RBI, have been on an easing cycle (we reduced the repo rate by 100 basis points), we provided ample liquidity to the banking sector. And whatever else is required to support growth of



RBI Governor Sanjay Malhotra speaking at FIBAC 2025 PTI

the economy, including those of the sectors which are impacted more by the US tariff, if it so happens, we will not be found wanting in our job," Malhotra said.

TRADING IN RUPEE

On the use of the rupee in settling trade transactions, the Governor observed that internationalisation of the rupee is an important area on which the RBI has been

working for a long time.

"It is important for countries to develop trade in local currencies. So, the RBI has also been moving in this direction. A number of steps have been taken. We have agreements with four countries — Maldives, Mauritius, Indonesia and the UAE — and trade has been happening in local currencies. It will certainly help the industry, the economy as a whole, because it cushions us from the volatility of foreign exchange price movements and we will continue to promote this," he said.

The Governor said India is now at a critical juncture as it navigates a choppy global economic environment, characterised by heightened trade uncertainty and persisting geopolitical tensions.

Also read p7