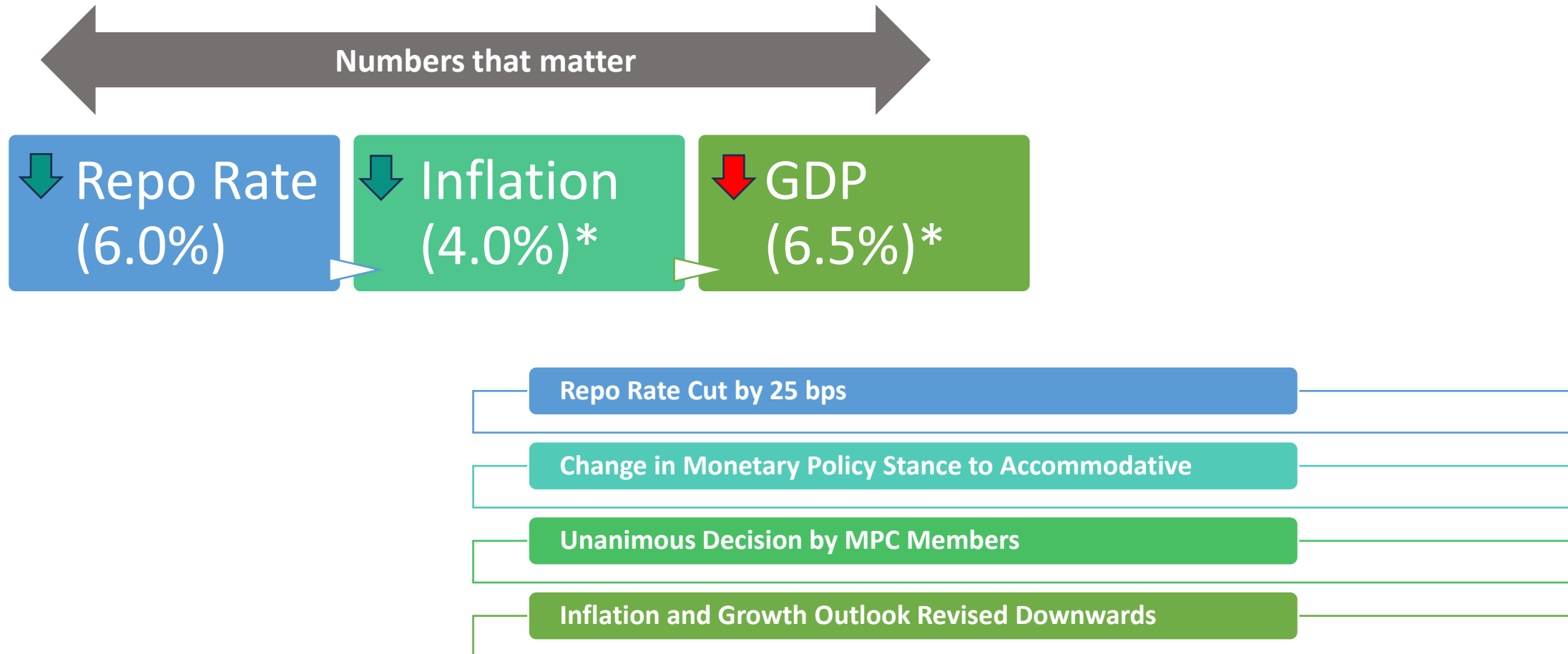


B2K ECONOMY BYTES

APRIL 2025

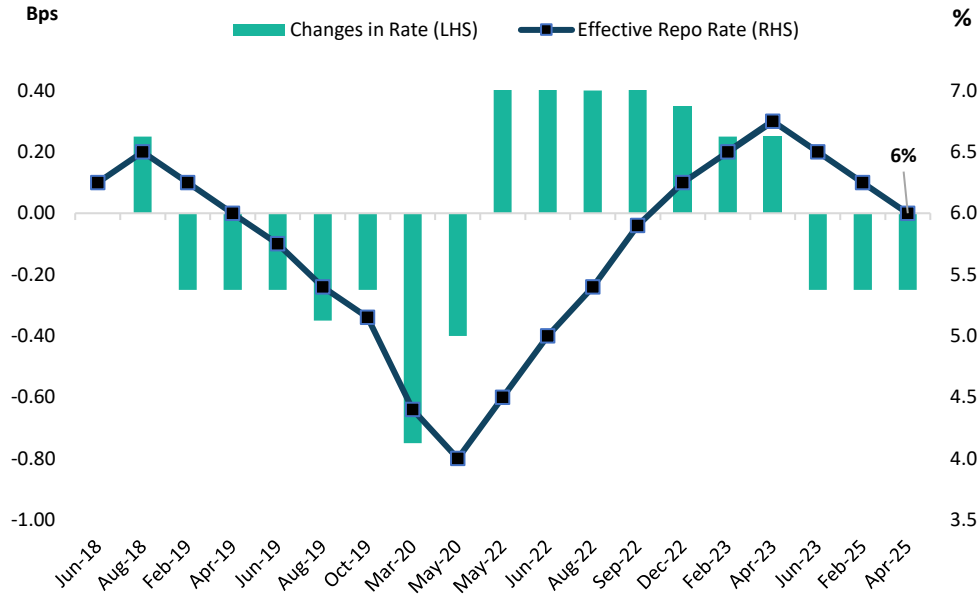


RBI MPC Meeting: A Dovish Policy Guidance

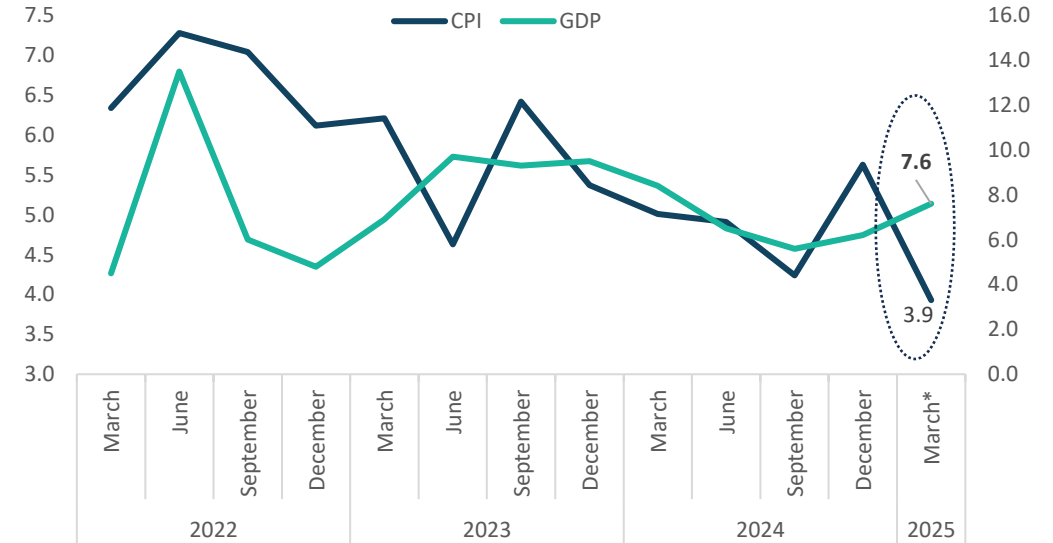


*Forecasts for FY2026

Monetary Policy: Easing and Tightening Phases



GDP Growth and CPI Inflation Trends – Quarterly (YoY %)



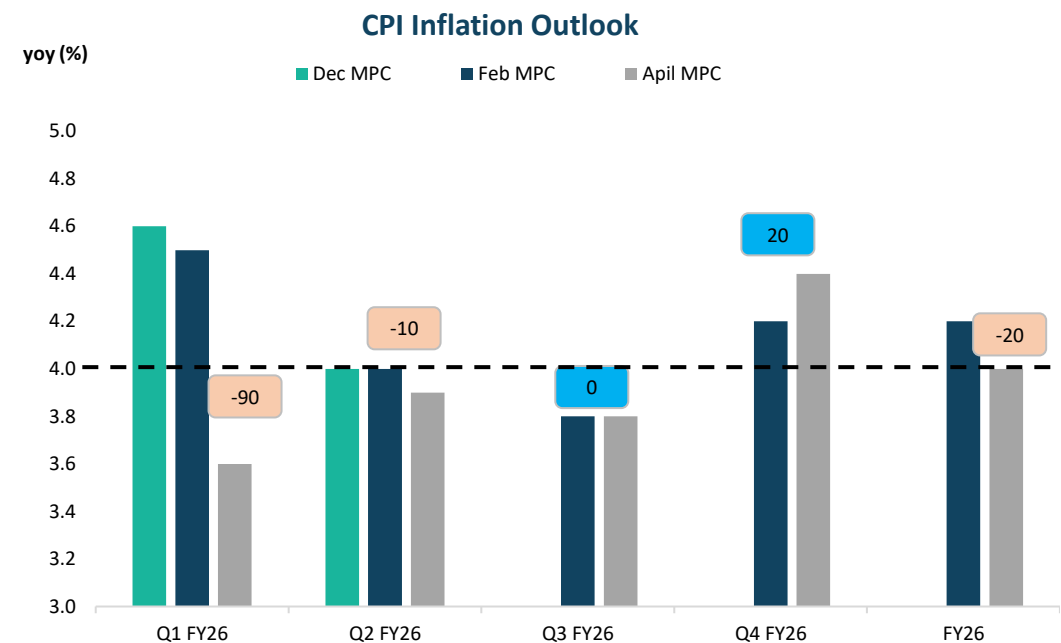
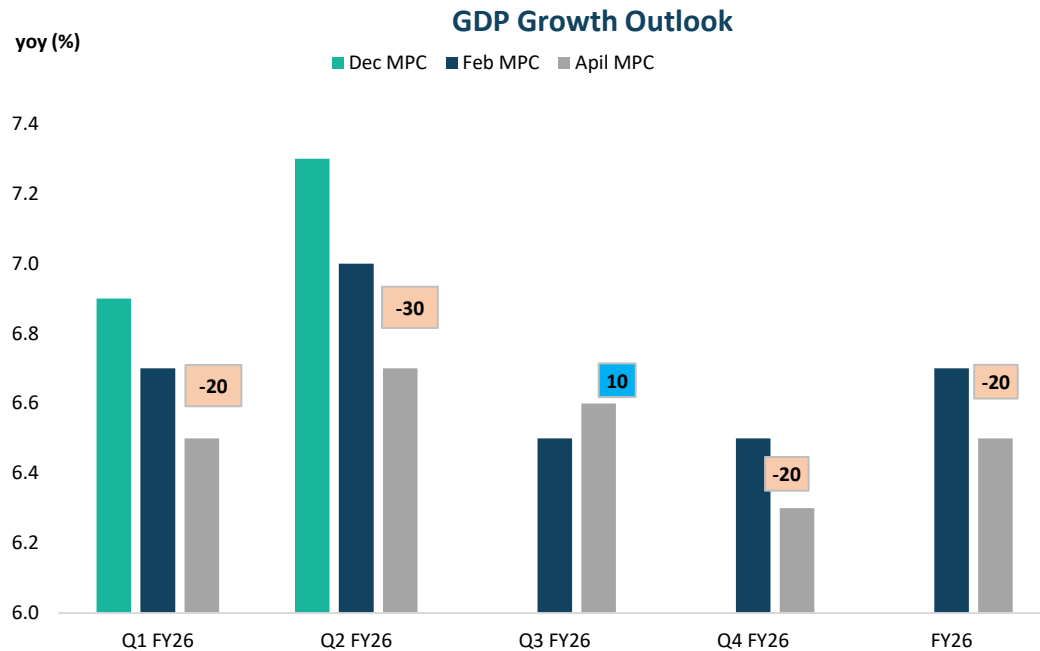
- All MPC members voted to reduce the policy repo rate by 25 basis points and to shift the policy stance to accommodative.
- Easing inflationary pressures provide room for rate cuts amid rising growth concern.
- As per MoSPI, the real GDP is expected to grow at a rate of 6.5% in FY2025 (9.2% in FY2024).
- The declining trend in GDP growth is largely due to a slowdown in the industrial sector, which fell to a seven-quarter low of 5.36% in Q2 FY2025, although improved in **Q3 FY2025 (6.2%)**.

GDP: Gross Domestic Product, CPI: Consumer Price Index, PE: Provisional Estimates, SAE: Second Advance Estimates

**Implied GDP Growth (based on SAE growth of 6.5% for FY25) and average inflation for Jan and Feb 2025.

Source: MoSPI, RBI, B2K Research

RBI's Outlook on Growth and Inflation



- GDP growth projections for FY2026 revised downwards by 20 bps to 6.5% in April MPC compared to February MPC.
- Quarterly estimates also have undergone downward revisions in the range of 20 to 30 bps, except for Q3FY2026.
- Inflation outlook remains benign and within the target at 4% for FY2026.
- Quarterly estimates range between 3.9% and 4.4% with a sharp downward revision in estimates for Q1.
- Given the anxious global economic conditions, the domestic economic outlook turned cautious.

Note: Numbers in shaded box inside the charts denotes revision in GDP and inflation outlook in April MPC compared to February MPC meeting
Source: RBI's MPC statements, B2K Research

Assessing the Economic Trends- Past and Present

- Number of economic indicators exhibit slowdown in economic activities, largely indicating the weak demand situation in the economy
- The major positive is softening inflation in the recent period. Falling crude oil prices also support this trend.

A Snapshot of High Frequency Economic Indicators

Particulars	FY2015	FY2019	FY2024	FY2025*	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
GDP Growth (yoy %)	7.40	6.50	9.20	6.50	6.52			5.58			6.15			-	-	-
Repo Rate (%)	7.50	6.25	6.50	6.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	-	6.25	6.25
CPI Inflation (yoy %)	5.93	3.41	5.38	4.70	8.70	8.69	5.42	5.42	5.66	9.24	10.87	9.04	8.39	5.97	3.75	-
IIP Growth (yoy %)	4.00	3.80	5.90	4.20	5.20	6.30	4.90	5.00	0.00	3.20	3.70	5.00	3.50	5.00	-	-
Consumer Durables Growth (yoy %)	4.00	5.50	3.60	8.60	10.50	12.60	8.80	8.20	5.40	6.30	5.50	14.10	8.30	7.20	-	-
Non-food Bank Credit Growth (yoy %)	9.30	13.40	16.30	12.00	19.24	17.39	13.68	13.68	14.02	12.36	11.81	11.14	11.11	11.40	11.00	11.00
Merchandise Exports (USD bn)	310.34	330.08	437.07	358.64	35.30	39.59	35.16	34.71	34.50	34.33	38.97	32.04	37.94	36.43	36.91	-
Merchandise Imports (USD bn)	448.03	514.08	678.21	605.72	54.49	61.64	55.98	58.63	68.01	58.48	64.59	63.86	58.26	59.42	50.96	-
Forex Reserves (USD bn)^	341.64	412.87	646.42	676.30	637.90	651.50	652.00	667.40	684.00	704.90	684.80	658.10	640.30	630.60	638.70	665.40
FPI Investments in Equity (USD bn)	18.37	0.12	25.27	-14.63	-1.04	-3.06	3.19	3.87	0.87	6.89	-11.20	-2.56	1.83	-9.00	-4.00	-0.40
FPI Investments in Debt (USD bn)	27.33	-6.13	14.24	16.86	-0.92	1.57	1.68	1.93	2.04	3.92	-0.43	0.00	1.48	0.05	1.21	4.34
USD-INR Exchange Rate^	62.59	69.17	83.37	85.58	83.52	83.30	83.45	83.74	83.87	83.79	84.09	84.50	85.62	86.64	87.40	85.58
Crude Oil Prices (end)^	53.69	67.93	86.17	77.23	89.94	81.75	82.25	85.15	80.36	74.02	75.63	74.35	73.86	79.27	75.44	77.23

Note: Green to Red shades indicate strong to poor performance of the respective indicators.

'- Not available, ^: End of the period, * As per the latest available data as on 8th April 2025.

Source: EMIS, RBI, NSDL, Mospi, EIA, B2K Research

Rationale Behind the Policy Decision and Implications

- **Balancing Global Risks:** The US has imposed a 26% reciprocal tariff on imports from India effective April 9, 2025. The tariffs are expected to create headwinds for global economic growth due to trade frictions which will also impede India's export growth and economic performance.
 - **Easing Inflation:** CPI inflation hit seven-month low in February 2025 (3.6%) supported by a sharp fall in food inflation (3.75%). It is expected to remain around the target of 4% in FY2026.
-
- The MPC is considering only two options – status quo or a rate cut, which means the RBI policies are geared towards stimulating the economy through softer interest rates.
 - Lower interest rates are expected to stimulate consumption and drive economic growth.
 - Credit demand is likely to improve particularly in the manufacturing sector, supporting investments. Demand for retail and MSME loans are expected to pick up.
 - Given the ongoing growth concerns, we expect at least another 50 bps rate cut in FY2026, amid a supportive inflation scenario.

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The B2K team has experienced domain experts and industry practitioners who have provided such services and implemented solutions across institutions in different countries. As such, team members are experts in regulatory and management practices in these areas and have helped many clients in adopting best practices.

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