RBI MPC minutes

Easing on the way

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Economic Update ▸ Monetary Policy ▸ **October 15, 2025**

The October MPC meeting minutes reflected members' views that policy space for easing had opened due to the continued fall in inflation, along with slowing growth momentum. However, the unanimous pause was largely based on a need for clarity – on the external front as well as the impact of prior (fiscal and monetary) policy actions. Some members continued to focus on year-ahead inflation forecasts, at a time when FY26 has seen repeated inflation undershoots. Nevertheless, the widespread acceptance of current growth-inflation dynamics creating room for easing means that a December rate cut is extremely likely, with the timing and magnitude of further cuts (if any) being crucial, given the impending macro reset.

MPC preferred to wait for clarity before further easing

The October MPC meeting minutes made it clear that the MPC sees policy space opening up for further easing, mainly due to the sharp fall in inflation, with waning domestic growth momentum cited as a concern as well. However, the unanimous decision to continue the rate pause was based on a need to wait and watch for the effects of prior policy support (income tax cuts, GST rationalization, previous repo rate cuts) to fully play out. Some members also focused on one-year-ahead inflation forecasts at >4% as a factor behind the continued pause.

Focus on year-ahead inflation continues for some members

MPC members were unanimous in acknowledging the steep decline in inflation recently, as well as the more benign outlook – driven by lower food prices and GST rationalization. However, there was some nuanced divergence. S Bhattacharya once again highlighted concerns around one-year-ahead inflation forecasts rising to >4%, stating that "moderation in the inflation rate is not a compelling reason, at this point" to cut rates. Also, I Bhattacharya spoke of the current ultra-low inflation environment being transitory, and a need to watch out for the inflationary impact of past monetary and fiscal stimulus. On the other hand, Professor Singh was more worried about the current low rate of inflation being unconducive for business activity and public finances, while Dr Gupta and Governor Malhotra noted the benign inflation outlook as having opened up space for easing.

Slowing growth momentum in 2H widely acknowledged

The MPC's view on growth was also nuanced. Dr Kumar highlighted the potential hit to MSMEs from the 50% US tariffs as well as other potential disruptions (HIRE Act on outsourcing, 100% tariff on patented pharma) which could hurt growth prospects materially in 2HFY26, and thus stated that a pre-emptive rate cut would help contain damage and support private investment. Professor Singh noted that while the MPC's FY26 GDP growth forecast had been revised upward from June, the 2HFY26 forecast was lower than that in Feb-25 (6.3% vs 6.5%), indicating the potential external demand hit. Thus, Dr Kumar and Professor Singh were of the view that an "accommodative" stance would be better than "neutral", as a signal of impending policy support. Dr Gupta and Governor Malhotra also noted the potential slower growth momentum in 2HFY26 as another factor that opened up space for policy easing. However, I Bhattacharya maintained that growth momentum would remain strong in 2H due to the GST rationalization, healthy monsoons, and growth-supportive RBI measures. S Bhattacharya noted the possible external demand hit, although he preferred to wait for more clarity before moving on rates.

December rate-cut looks extremely likely

The minutes reveal some nuanced dynamics between MPC members – while the acknowledgment of policy space for easing was universal, there were some notable differences in members' assessment of the need to support growth at this juncture. Some members were also focused on one-year-ahead inflation, which looks increasingly misplaced in our view, given the repeated undershoots vs forecasts in FY26. Nevertheless, widespread acceptance of the current growth-inflation mix having opened up space for easing implies that a December rate cut is highly likely. The timing and magnitude of further easing (if any) will be crucial given the impending macro reset.

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Exhibit 1: Summary of MPC members' views

MPC member	Key comments (paraphrased)	Tone
Governor Sanjay Malhotra	1) While growth remains strong at present, the outlook is softer and below aspirations 2) Policy space for easing has been created by the benign outlook for inflation 3) However, need to wait and watch for the impact of growth-stimulative fiscal and monetary policies that have already been announced 4) Changing stance would amount to providing decisive forward guidance at a time of heightened uncertainty	Dovish
Dr Poonam Gupta	1) Growth outlook for 2H is much lower than that in 1H 2) Current growth-inflation mix has created space for further easing 3) However, there is a need to wait and assess the impact of government and RBI actions 4) Prefer to keep the powder dry till more clarity emerges 5) Stance change is not needed at a time of global uncertainty	Dovish
Indranil Bhattacharya	1) While growth may see a hit in 2H due to tariffs, several factors (healthy monsoons, GST rationalization, rate cuts already provided) should keep growth momentum robust 2) Current ultra-low inflation is transitory; need to watch for the demand pressures from past monetary and fiscal measures 3) While policy space to cut exists, prefers to hold for now, due to elevated uncertainty and the continued transmission of past fiscal and monetary measures	Dovish
Professor Ram Singh	1) While FY26 growth projections have been increased, those for 2HFY26 are lower now than that in in February, hence signaling softening momentum 2) Current inflation rate is too low to be conducive for businesses or public finances 3) Possible adverse impact on bank deposits/household savings should not be the reason for not easing, as this impact is minor 4) However, easing now may risk an overdose at a time when prior cuts are still working their way through the system 5) Nevertheless, changing stance to "accommodative" will give a clear signal to markets	Dovish
Saugata Bhattacharya	1) Moderation in inflation is not a compelling reason at present to cut rates 2) Domestic economic activity remains resilient, and momentum is expected to be sustained 3) Cumulative effects of various policy measures – fiscal, monetary, regulatory, etc – need to be monitored	Neutral
Dr Nagesh Kumar	1) Private investment remains sluggish despite healthy profit margins and high capacity utilization 2) Tariff shock will hit MSMEs disproportionately; need to diversify export destinations 3) Pre-emptive monetary action is necessary to contain damage and support private investment 4) However, need to wait and watch as transmission of past actions is still playing out 5) Should signal readiness to support growth by changing stance to "accommodative"	Dovish

Source: RBI, Emkay Research's assessment of tone

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