

## As Dovish As It Gets!

### Quick View

- Repo rate cut by 25 bps to 5.25%, unanimous decision
- OMO purchase of Rs 1 lakh crore in Dec-25
- Dollar/Rupee buy sell-swaps worth \$5 bn

### Dolat View

Rate cut odds had declined in the run up to the meeting, however RBI MPC has given ahead with 25 bps. Notably the language seems to keep open the odd of another one.

|                  |               |
|------------------|---------------|
| <b>Repo Rate</b> | <b>5.25%</b>  |
| <b>SDF Rate</b>  | <b>5.00%</b>  |
| <b>Bank Rate</b> | <b>5.50%</b>  |
| <b>CRR</b>       | <b>3.00%</b>  |
| <b>SLR</b>       | <b>18.00%</b> |
| <b>USDINR</b>    | <b>89.90</b>  |

## ASSESSMENT OF GLOBAL AND DOMESTIC ECONOMIC CONDITIONS

As inflation remains unusually low, led by a sharp correction in food prices, the MPC opted for a rate cut to reinforce key growth levers heading into H2FY26. The decision comes at a time when several growth indicators are softening, including falling exports, moderating industrial output, and a slowdown in nominal GDP. Having preserved policy space in the previous meeting, the MPC was able to act now as these pressures have become more visible, stepping in just as the economy begins to feel the strain.

Globally, growth dynamics remain better than anticipated, although financial markets are volatile and inflation in major advanced economies is uneven. Domestically, GDP expanded by 8.2 percent in Q2FY26, supported by resilient demand conditions, robust industrial and services activity, GST rationalisation, softer crude prices, and front-loaded government capex. Rural demand remains firm, urban demand continues to improve, and investment activity is strengthening on the back of rising credit growth and higher capacity utilisation. However, merchandise exports have weakened amid subdued global demand. Inflation touched a historic low in October 2025 because of an unexpected fall in food prices and broad based easing in core inflation. Looking ahead, favourable agricultural prospects, moderating commodity prices, and supportive financial conditions should sustain momentum, although external uncertainties and weak trade remain key risks. Ongoing reforms and progress in trade negotiations could add further upside.

The RBI's announcement of OMO purchases along with rupee swap operations are expected to provide timely support to both liquidity and the exchange rate, aiding transmission across financial markets. As the economy approaches the end of the financial year, a period typically characterised by increased working capital needs, the RBI appears prepared to maintain additional liquidity to ensure smooth financial conditions.

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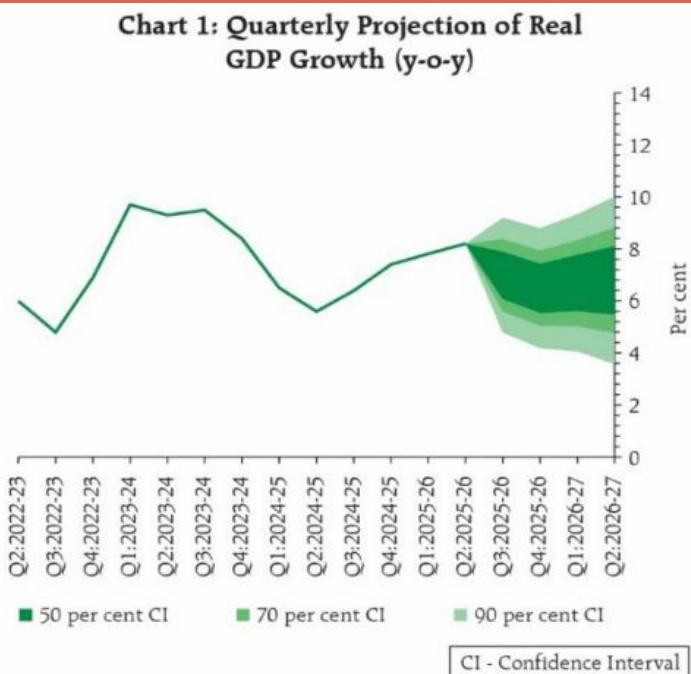
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## REVISION IN BOTH INFLATION AND GROWTH ESTIMATES

The projected headline CPI for FY26 has been revised downward to 2.0% (vs 2.6%). On a quarterly basis, inflation estimates were lowered for Q3 to 0.6% (vs. 1.8%), 2.9% for Q4 (vs. 4.0%), translating to an average of 1.75% for the remainder of FY26. For Q1FY27, the projection has been revised downward as well to 3.9% (vs. 4.5%) and Q2FY27 at 4%.

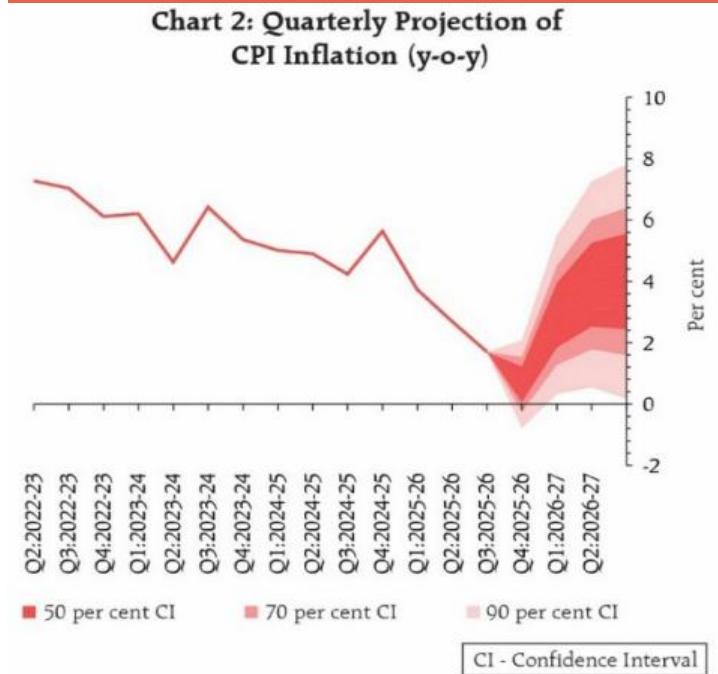
Real GDP growth for FY26 has been revised upward to 7.3% (vs 6.8%). On a quarterly basis, Q3FY26 growth is projected at 7% (vs. 6.4%), and Q4FY26 have been revised upward 6.5% (vs. 6.2%). The average real GDP growth for the remainder of FY26 is estimated at around 6.7%. For Q1FY27, the projection is 6.7% and Q2FY27 at 6.8%

### Exhibit 1: Quarterly Projection of Real GDP Growth (YoY)



Source: RBI

### Exhibit 2: Quarterly Projection of CPI Inflation (YoY)



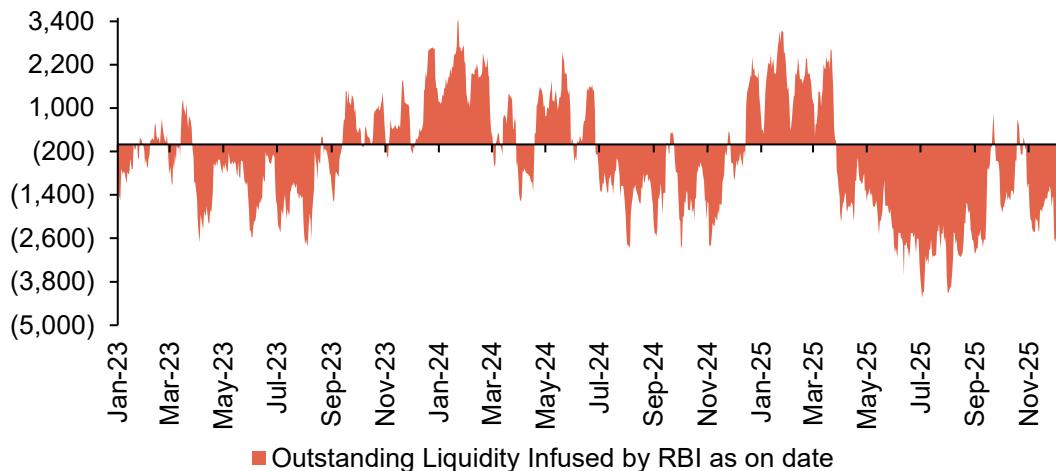
Source: RBI

## LIQUIDITY TO REMAIN IN SURPLUS

Average systemic liquidity surplus declined to ~Rs. 1.5 lakh crore during Oct–Nov 25, from Rs. 2.1 lakh crore in Aug–Sep 25. Despite phased CRR cuts, systemic liquidity tightened as the RBI stepped up intervention in the foreign exchange market. The RBI had earlier indicated its intent to keep systemic liquidity around 1% of NDTL, but the sudden rupee depreciation led to a sharper drawdown, even pushing liquidity into deficit for a brief period.

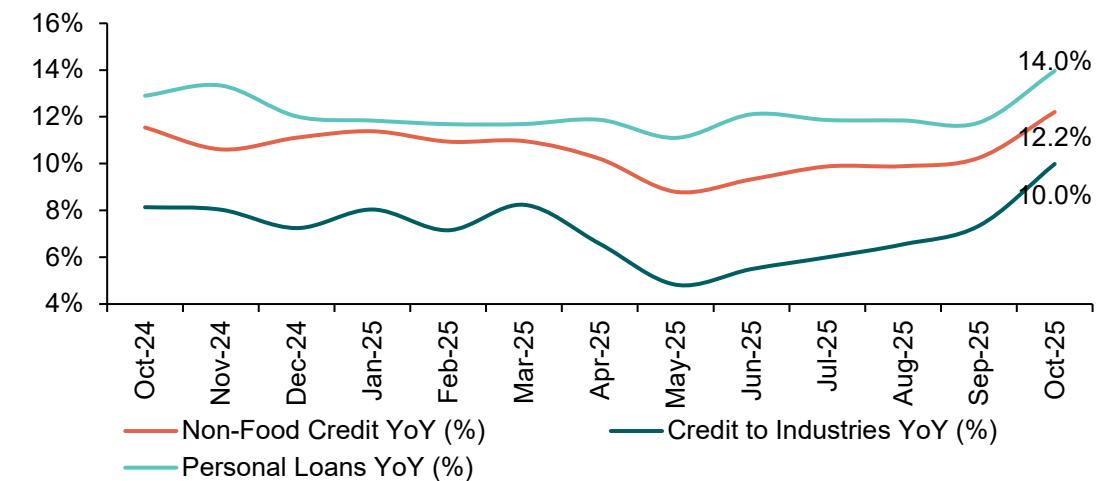
Net durable liquidity has also been on a steady decline since Jun–25, averaging Rs. 3.5 lakh crore in Oct–Nov 25 compared with Rs. 4.9 lakh crore in Aug–Sep 25 and Rs. 5.6 lakh crore in Jun–Jul 25. With the Governor's announcement of conducting a ₹1 lakh crore OMO this month, liquidity conditions should receive sufficient relief.

**Exhibit 3: Average systemic liquidity surplus held steady at ~Rs 1500 Bn in Nov-25**



Source: IndiaDataHub, Dolat Capital | Data as on 4th Dec 2025 | -ve amount in the chart implies liquidity surplus, whereas +ve amount implies liquidity deficit

**Exhibit 4: Credit demand picking up**



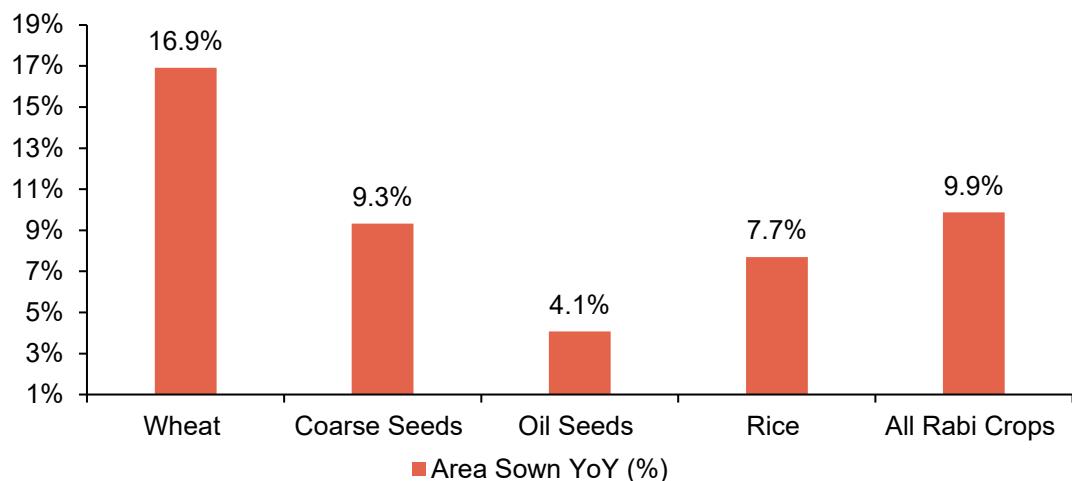
Source: IndiaDataHub, Dolat Capital

**Exhibit 5: Tariff impact beginning to materialize**



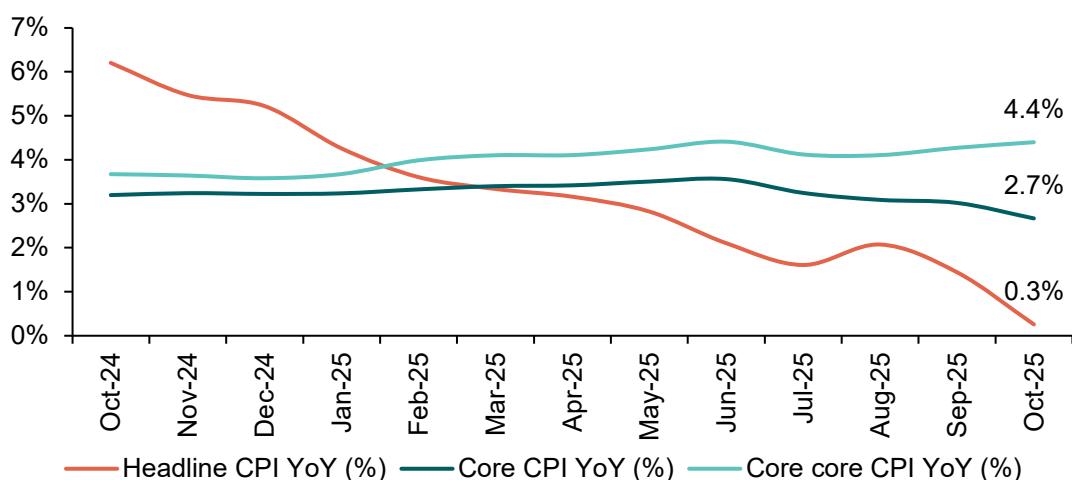
Source: IndiaDataHub, Dolat Capital

**Exhibit 6: Early sowing indicators reflect healthy crop progress**



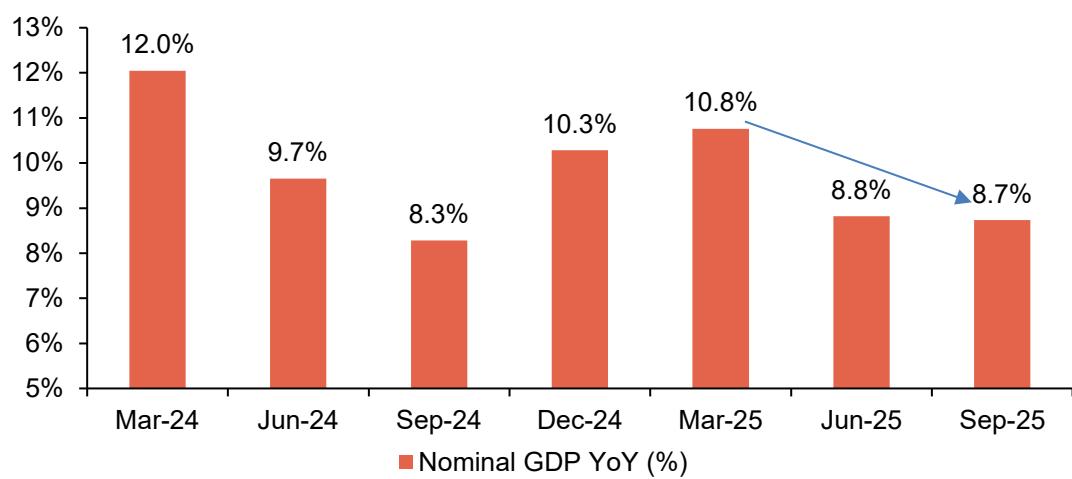
Source: IndiaDataHub, Dolat Capital

**Exhibit 7: CPI continues to remain benign, driven by soft food prices**



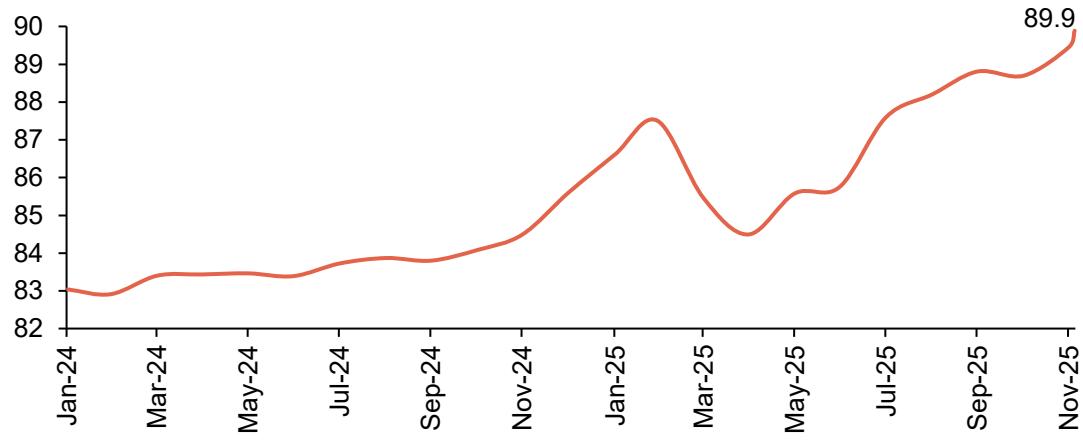
Source: IndiaDataHub, Dolat Capital

**Exhibit 8: Nominal GDP moderates**



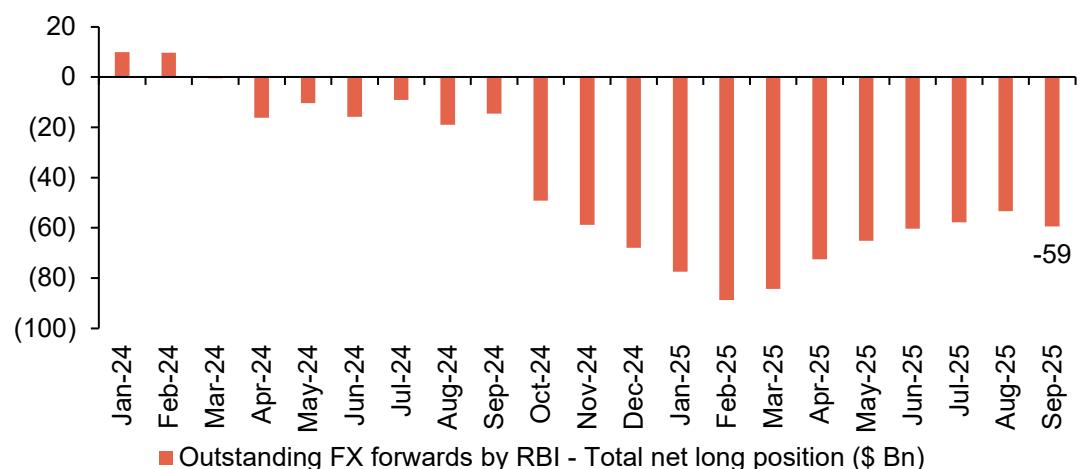
Source: IndiaDataHub, Dolat Capital

**Exhibit 9: Rupee slides back after hitting 90 mark**



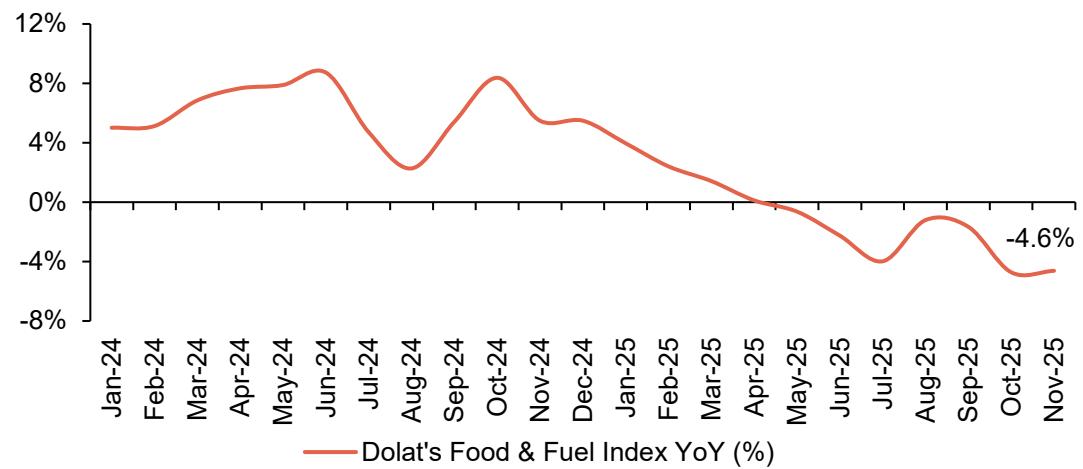
Source: Indiadatahub, Dolat Capital

**Exhibit 10: Net long position stood at ~\$-59 Bn**



Source: IndiaDataHub, Dolat Capital

**Exhibit 11: Softer prices persist in Dec-25**



Source: Ashoka University (CEDA), Dolat Capital

### Dolat Rating Matrix

Total Return Expectation (12 Months)

|                   |           |
|-------------------|-----------|
| <b>Buy</b>        | > 20%     |
| <b>Accumulate</b> | 10 to 20% |
| <b>Reduce</b>     | 0 to 10%  |
| <b>Sell</b>       | < 0%      |

### Dolat Team

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