

India central bank cuts rates amid US trade deal limbo

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India's central bank cut interest rates on Friday and signalled more could be on the way as low inflation provided room to help cushion the world's fifth-largest economy against US President Donald Trump's tariff blitz.

The decision also comes after the rupee hit a record low against the dollar this week—having dropped around five percent in 2025—owing to ongoing worries about the lack of a trade deal with Washington and impact of the levies on the country's goods.

The Reserve Bank of India (RBI) cut the benchmark repo rate, the level at which it lends to commercial banks, 25 basis points to 5.25 percent after a unanimous vote by its monetary policy committee.

Some analysts had expected officials to stand pat, given that the bank had already cut rates more than 100 basis points this year and economic growth hit a six-quarter high in July-September.

But a majority had argued that easing price pressures and mounting risks to India's economic outlook stemming from Trump's tariffs justified a reduction.

With US shares sitting at 50 percent, exporters are warning of cancelled orders and widespread job losses, while analysts say the tolls could knock up to 80 basis points off economic growth this year.

And while Indian officials remain optimistic of finalising the first phase of a trade deal by the end of the year, neither side has announced a breakthrough.

RBI Governor Sanjay Malhotra said the monetary policy committee also agreed to pump cash into the financial system through buying government bonds and a \$5 billion foreign exchange swap.

Malhotra added that the central bank had decided to maintain "a neutral stance", suggesting there was room for further rate cuts.

Vishal Goenka, co-founder of IndiaBonds.com, said the reduction in borrowing costs was timely.

"Interestingly, the forward expectations of inflation have come much lower, opening the door for another rate cut if required before the end of the financial year," he said in a statement.

Indian policymakers have been faced with multiple challenges this year including the sinking rupee and slumping exports.

Prime Minister Narendra Modi has unveiled sweeping consumption tax cuts and pushed through labour law reforms after economic growth hit a four-year-low in the fiscal year that ended March 31.

Easing inflation also allowed the RBI to cut rates for the first time in nearly five years in February and follow it up with two more in April and June, before holding steady in the past two meetings.

Since then, lower food prices pushed retail inflation to a record low of 0.25 percent in October, which is well below the central bank's medium-term target of four percent.

The economic slump has also been halted, with GDP growth coming in at a better-than expected 8.2 percent in the three months ending September 30.