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The Reserve Bank of India (RBI) on Tuesday announced 25 basis points (bps) cut in repo rate. The policy rates have been reduced by 25 basis points to 6.25 This rate cut delivery has happened for the second time in the current financial year, although after one round of rate cut in April, the current one is delivered change in the June and August policies. This shows that the central bank remains cautious in its monetary policies and is carefully monitoring the overall eco scenario before taking steps.

“The first question that arises after this rate cut is, of course, how it will help improve buyer sentiment in the housing sector. The reason why housing sales ha sluggish is because of trust deficit between consumers and developers. Unless RERA and other pro-consumer policies come into play, buyers will continue to Therefore, we can expect only a marginal improvement in sentiment on the back of this rate cut. At this point, there is also no ready answer to the question of extent banks will actually pass on the benefit of the rate cut to borrowers,” Anuj Puri, Chairman & Country Head, JLL India.

From a larger viewpoint - globally, risk to inflation is on the upside as rising global liquidity could result in firming up of commodity and fuel prices, especial when OPEC is contemplating a cut in oil production to cap further fall in crude prices.

For the construction sector, great relief is expected as steel and cement production has been robust as seen from latest industry production data. Therefore, ris pressure which haunted developers earlier may not be a major issue in the near-term.

“We welcome the new governor’s move to cut rates by 25 bps on the back of a favorable monsoon that has helped stabilize food prices and inflation. This wi confidence in the system thereby providing a boost to not only the real estate sector, but the overall economy ahead of the crucial festive season. There is an u to focus on growth and create more jobs that will strengthen the economy,” Surendra Hiranandani, Chairman & Managing Director, House of Hiranandani.

On the domestic front from the food inflation perspective, conditions remain benign owing to good monsoons (at only 3 per cent below the long-period avera this year’s rainfall was normal). However, there is marginal upside risk that could come from higher pay owing to effects of the 7th pay commission’s revisio the expected rise in rural demand owing to good food grain production. It may be construed that lowering of rates going forward will, therefore, depend on su risks mitigating to a great extent.

"A further rate cut, the low-cost pressures on the construction industry and gradual revival of sentiments augur well for the real estate sector. However, for se witness a turnaround, stakeholders would continue to expect a sustained strengthening of the economic situation. RBI's expectation of a 7.6 per cent growth i value addition is a positive one," said Puri.

The effects of the 7th pay commission revision on house rents is something which needs to be monitored further in order to ascertain its impact on the housin

"Monetary Policy Committee of RBI unanimously decides to cut repo rate by 0.25 per cent. The rate cut could have been triggered due to normal monsoon, s global growth expectations, lower domestic inflationary expectations in the near term and global liquidity inflows that prompted the decision to cut interest ra the capital formation in the economy further picks up with lower cost of capital. However a slight caution on account of payout of 7th pay commission could inflationary pressures was visible from the tone but overall the pronouncement of accommodative monetary policy is positive for the Indian economy and the market in the medium to long term," said Jimeet Modi, CEO, SAMCO Securities.