

# RBI MPC – APR'26

## RESILIENT, BUT NOT COMPLACENT

The RBI's April MPC outcome was broadly in line with expectations, with policy rates held steady alongside a downward revision to growth forecasts and an upward adjustment to inflation projections. The central bank acknowledged emerging supply-side disruptions from the Middle East conflict as a near-term growth headwind, while flagging risks to demand in the event of a prolonged escalation. At this juncture, the MPC views any policy action as premature, instead emphasizing flexibility and readiness to respond as conditions evolve. We see upside risks to inflation in FY27 driven by elevated crude prices and the increasing likelihood of El Niño-induced food price pressures. That said, inflation is expected to remain within the RBI's tolerance band. The release of core inflation projections at 4.4% for H1FY27 reinforces the RBI's comfort with the current policy stance, suggesting a prolonged pause with a strong data-dependent bias.

**Growth seen at 6.9% in FY26.** The RBI has revised down its FY27 real GDP growth projection to 6.9%, reflecting emerging headwinds from global geopolitical tensions, particularly via energy markets. While domestic fundamentals remain resilient, the central bank acknowledges near-term moderation in growth momentum, with risks tilted to the downside should external disruptions persist or intensify.

**Inflation to inch up on higher energy prices.** CPI inflation for FY27 is projected at 4.6%, with risks clearly skewed to the upside amid elevated crude prices and potential food price pressures on account of El-Niño weather pattern. While inflation is expected to remain within the RBI's tolerance band, the trajectory is likely to be uneven, reinforcing the central bank's cautious and data-dependent policy stance.

### Key Rates (in %)

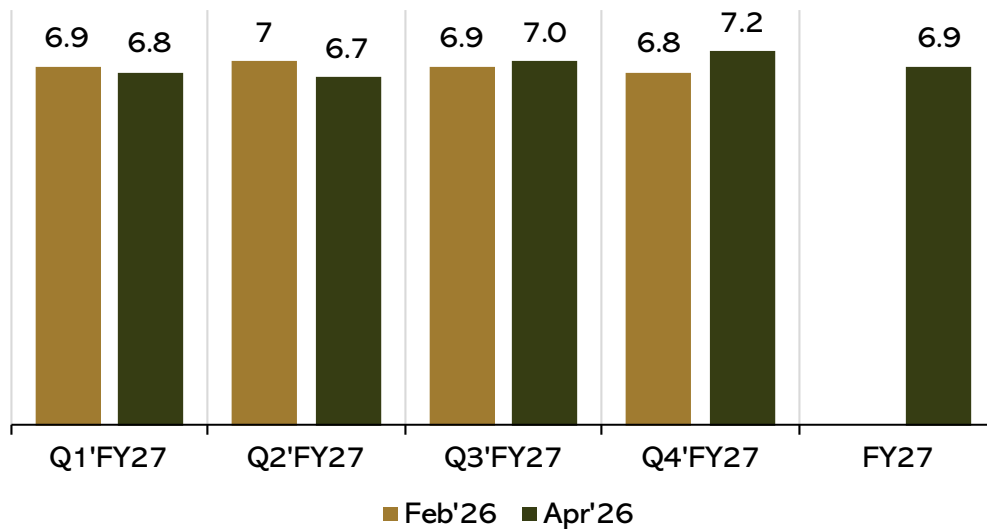
Policy Repo Rate	
5.25	
SDF Rate	MSF Rate
5.0	5.5
Fixed Reverse Repo	Bank Rate
3.35	5.5
FY27 GDP	FY27 CPI
6.9	4.6

# FY26 GDP GROWTH DOWNGRADED TO 6.9%, INFLATION PROJECTION REVISED UPWARDS

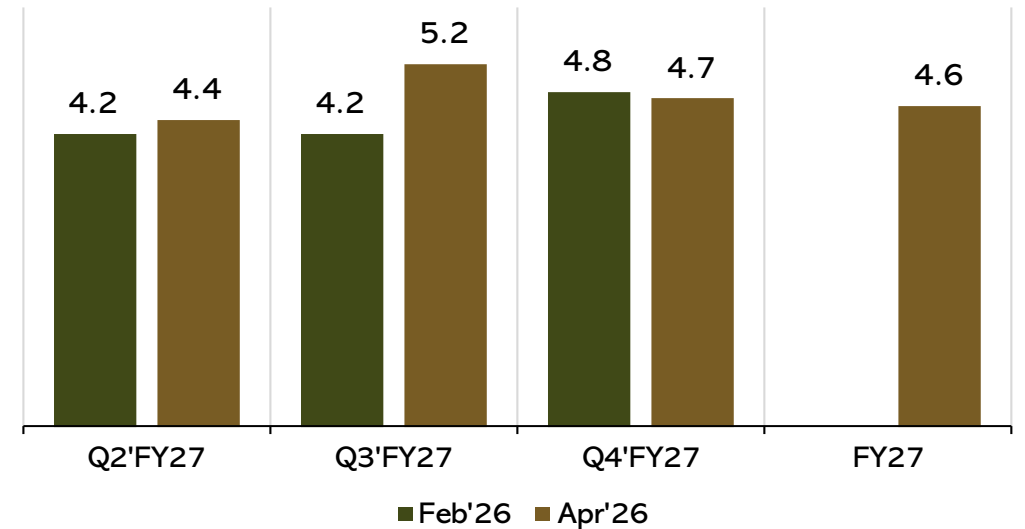
**Growth outlook downgraded.** The RBI expects growth to remain supported by resilient domestic demand, underpinned by steady urban consumption, improving rural recovery, and continued traction in investment activity led by government capex and balance sheet strength in corporates and banks. However, the central bank has turned incrementally cautious on the external backdrop, flagging geopolitical tensions particularly via energy markets and trade channels, as emerging drags on momentum. Slowing global growth, coupled with supply disruptions from the Middle East, could weigh on exports and input costs, tempering the pace of expansion. While high-frequency indicators remain broadly stable, the RBI's downward revision reflects a recognition that risks to growth are now more evenly balanced, with downside risks rising at the margin.

**Inflation projected upwards.** On inflation, the RBI highlights a confluence of supply-side risks that could keep price pressures elevated in the near term. Elevated crude oil prices, driven by geopolitical tensions, pose a direct upside risk to headline inflation through fuel and transportation costs, while also feeding into core via input cost pass-through. Additionally, the increasing probability of El Niño conditions raises concerns around food inflation, particularly for cereals and perishables, which remain a key driver of headline volatility in India. While core inflation is expected to remain relatively contained reflected in the RBI's projection of 4.4% for H1FY27 the overall inflation trajectory is likely to be uneven. This reinforces the central bank's cautious stance, with a clear preference to maintain policy flexibility until greater clarity emerges on the evolution of these risks.

RBI GDP projection



RBI Inflation projection



## **STRONG TRANSMISSION AMID AMPLE LIQUIDITY, TARGETED MAJORS FOR PAYMENTS, MSME'S AND MARKETS**

The RBI has acknowledged tightening system liquidity conditions, driven by factors such as strong credit demand, tax outflows, and forex operations, and has responded with proactive liquidity infusion measures. Through a mix of OMOs, variable rate repo operations, and FX swaps, the central bank aims to alleviate both durable and transient liquidity pressures, ensuring orderly market functioning and anchoring short-term rates around the policy rate. At the same time, liquidity management remains clearly delinked from the policy stance, with the RBI emphasizing flexibility and calibration to evolving system dynamics without signaling any premature shift in rates.

### **Additional Measures: Regulatory Easing, Market Access and Capital Flexibility**

**Banking regulation (capital & reserves):** Inclusion of quarterly profits in CRAR computation for banks and removal of Investment Fluctuation Reserve (IFR) requirement, improving balance sheet flexibility

**Ease of Doing Business (MSMEs):** Simplification of onboarding on TReDS, easing access to receivables financing

**Money markets (market deepening):** AIFIs, NBFCs and HFCs allowed in term money markets along with higher borrowing limits for standalone primary dealers

**Next MPC meeting** – The next MPC meeting is scheduled from June 7 to 9, 2026

## Appendix

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