RBI Monetary Policy: February 4-6 2026

Policy Highlights:

Reserve Bank of India (RBI) Governor Sanjay Malhotra on February 6, 2026 announced that the MPC voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.25 per cent. Consequently, the standing deposit facility (SDF) rate remains at 5.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate remains at 5.50 per cent. The MPC also decided to continue with the neutral stance.

Outlook:

The global economy showed remarkable resilience in 2025, aided and supported by trade front-loading, a milder-than-anticipated impact of tariffs, broad fiscal stimulus and accommodative monetary policy. Inflation is on a path of gradual decline, although it remains above target in several advanced economies. US yields are trading with an upward bias amidst receding expectations of imminent rate cuts underpinned by firm economic data. Equities, supported by sustained investment in tech stocks, have advanced, even as fiscal strains, geopolitical uncertainty and monetary policy divergence continue to impart volatility to financial markets. On the domestic front, real gross domestic product, as per the First Advance Estimates (FAE), is estimated to grow at 7.4 per cent (y-o-y) in 2025-26. Private consumption and fixed investment contributed significantly to overall growth. Net external demand, however, continued to be a drag, with imports outpacing exports. On the supply side, real GVA growth of 7.3 per cent is driven by buoyant services sector, resilient agricultural sector and revival in manufacturing activity. Moreover, robust domestic demand is likely to attract fresh investments by the private sector. On the other hand, headwinds from geopolitical tensions, uncertain global trade environment, volatility in global financial markets and international commodity prices continue to pose downside risks to the outlook. Taking all these factors into consideration, real GDP growth projections for Q1:2026-27 and Q2 are revised upwards to 6.9 per cent and 7.0 per cent, respectively. The risks are evenly balanced.

In terms of headline inflation trajectory, unfavourable base effects stemming from large decline in prices observed in Q4:2024-25 would lead to an uptick in y-o-y inflation in Q4:2025-26, despite the anticipated momentum being muted. Considering all these factors, CPI inflation for 2025-26 is now projected at 2.1 per cent with Q4 at 3.2 per cent. CPI inflation for Q1:2026-27 and Q2 are projected at 4.0 per cent and 4.2 per cent, respectively. Headline inflation during November-December remained below the tolerance band of the inflation target. The slight upward revision in the inflation outlook is primarily due to increase in prices of precious metals, which contribute about 60-70 basis points. The underlying inflation continues to be low. Accordingly, the MPC voted to continue with the existing policy rate. The MPC also agreed to retain the neutral stance.

Policy Rates								
Y-O-Y Growth (%)	**July-25**	**Aug-25**	**Sept-25**	**Oct-25**	**Nov-25**	**Dec-25**	**Jan-26**	**Feb-26**
Repo	5.50%	5.50%	5.50%	5.50%	5.50%	5.25%	5.25%	5.25%
Reverse Repo	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
CRR	4.00%	4.00%	3.75%	3.50%	3.00%	3.00%	3.00%	3.00%
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Inflation								
Y-O-Y Growth (%)	**May-25**	**June-25**	**July-25**	**Aug-25**	**Sept-25**	**Oct-25**	**Nov-25**	**Dec-25**
Inflation (WPI)	0.13%	-0.19%	-0.58%	0.52%	0.19%	-1.02%	-0.32%	0.83%
Inflation (CPI)	2.82%	2.10%	1.61%	2.07%	1.44%	0.25%	0.71%	1.33%
GDP Growth								
Y-O-Y Growth (%)	**Q3FY24**	**Q4FY24**	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**
GDP (% Growth)	9.51%	8.35%	6.51%	5.61%	6.37%	7.38%	7.81%	8.23%
GVA (% Growth)	8.00%	7.27%	6.55%	5.81%	6.49%	6.77%	7.63%	8.12%