

Policy Highlights:

Reserve Bank of India (RBI) Governor Sanjay Malhotra on June 5, 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 West Asia conflict prolongs without any meaningful resolution in sight, risks to both inflation and growth have increased. Energy markets have been volatile; crude oil reserves are declining and global commodity prices have firmed up. Faced with difficult trade-offs, monetary policy has turned more cautious. Major advanced economy central banks are likely to pivot towards monetary policy tightening. Global financial markets have shown mixed trends, with equities remaining buoyant driven by AI optimism, while sovereign bond yields have hardened on fiscal sustainability concerns and inflation worries. Private consumption has been resilient, while fixed investment maintained its momentum despite cost pressures. Services exports continued to be robust. The south-west monsoon is expected to be deficient, with implications for agricultural activity and rural demand. Furthermore, sustained momentum in services, continuing impact of GST rationalisation, and broadly stable employment conditions should continue to support urban consumption. Taking all these factors into consideration, real GDP growth for 2026-27 is projected at 6.6 per cent, with Q1 at 6.6 per cent; Q2 at 6.3 per cent; Q3 at 6.5 per cent; and Q4 at 6.8 per cent. Prolonged global supply chain disruptions, heightened volatility in global financial markets, and weather-related shocks continue to pose downside risks to the domestic growth outlook.

Since May however retail fuel prices have been raised cumulatively by 7.4 per cent for petrol and 8.4 per cent for diesel. The increase implies a direct impact of about 36 basis points on headline inflation, which, along with second order effects, would get reflected in CPI inflation in the coming months. Pass-through of higher global energy prices are also visible in several other inputs such as commercial LPG, industrial raw materials, chemicals, rubber and plastic products. The second-round impact of higher input costs could exert upside pressure on CPI inflation going forward. Considering all these factors CPI inflation for 2026-27 is projected to be 5.1 per cent with Q1 at 4.2 per cent; Q2 at 5.1 per cent; Q3 at 5.9 per cent; and Q4 at 5.4 per cent. Core inflation is projected at 4.7 per cent for 2026-27. Excluding precious metals, core inflation is projected to be lower, suggesting that demand pressures remain contained. As discussed there are considerable risks to the MPC's baseline assessment of inflation and growth due to the uncertainty about the duration and intensity of the conflict, magnitude of its spillover effects and the pace of restoration of supply chains. Although risks of higher inflation have amplified, the MPC felt it would be prudent to wait for greater clarity to emerge. Accordingly, the MPC voted to keep the policy rate unchanged. The MPC also decided to retain the neutral stance.

Policy Rates								
Y-O-Y Growth (%)	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Repo	5.50%	5.25%	5.25%	5.25%	5.25%	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	3.00%	3.00%	3.00%	3.00%	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 (%)	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Inflation (WPI)	0.19%	-1.02%	-0.13%	0.96%	1.68%	2.26%	3.88%	8.30%
Inflation (CPI)	1.44%	0.25%	0.71%	1.33%	2.74%	3.21%	3.40%	3.48%
GDP Growth								
Y-O-Y Growth (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
GDP (% Growth)	7.51%	7.46%	6.59%	7.36%	6.98%	6.72%	8.41%	7.82%
GVA (% Growth)	7.58%	7.62%	6.54%	7.81%	7.12%	6.98%	8.64%	7.82%