RBI Policy – Apr 2026 – Key Takeaways

RBI Monetary Policy

Repo Rate Now at 5.25% v/s 5.25%	**Unchanged**
Standing Deposit Facility Now at 5.00 % v/s 5.00%	**Unchanged**
MSF Bank Rate Now at 5.50 % v/s 5.50%	**Unchanged**
Policy Stance Neutral	**Unchanged**

RBI on Growth, Inflation

FY27 GDP Growth	**Projected at 6.9**
FY27 Inflation Outlook	**Projected at 4.6**

Continuing with neutral stance –

The RBI's Monetary Policy Committee (MPC) unanimously maintained the status quo, keeping the repo rate unchanged at 5.25%. Consequently, the SDF rate remains at 5.00% and the MSF/Bank Rate at 5.50%. The MPC also retained its **neutral** policy stance, underscoring flexibility in responding to evolving macroeconomic conditions rather than signalling a directional bias at this stage.

Growth Outlook –

The RBI continues to express confidence in **India's growth resilience**, notwithstanding adverse global conditions triggered by geopolitical tensions.

- **Real GDP Growth (FY27):** Projected at **6.9%**
- **Quarterly Projections (FY27):** Q1: **6.8%**, Q2: **6.7%**, Q3: **7.0%**, Q4: **7.2%**.
- **Drivers:** Growth is supported by strong services momentum, improving manufacturing capacity utilisation, sustained private consumption, healthier corporate and banking balance sheets, and policy support for domestic manufacturing. Risks stem from energy price volatility, shipping disruptions, and global financial market spillovers.

Inflation Projections–

While headline inflation remains below the medium term target, the RBI flagged **rising upside risks** due to external supply shocks.

- **CPI Inflation (FY27):** Projected at **4.6%**
- **Quarterly Projections (FY27):** Q1: **4.0%**, Q2: **4.4%**, Q3: **5.2%**, Q4: **4.7%.**
- **Drivers:** Volatile global energy prices due to the West Asia conflict, potential second-round effects, and possible El Niño related weather disruptions. Core inflation remains muted, indicating limited underlying demand pressures.

Developmental and Regulatory Measures –

Several additional measures were announced:

- RBI proposed removing the conditionality for including quarterly profits in CRAR computation for commercial banks, improving flexibility in capital management.
- Investment Fluctuation Reserve requirement dispensed with for commercial banks; guidelines for other bank categories to be rationalised and harmonised.
- **Bank Board Governance:** Comprehensive rationalisation of Board-level reporting requirements to enhance focus on strategy and risk oversight.
- **Supervisory Simplification:** Draft Master Directions consolidating supervisory instructions released to reduce compliance burden and improve clarity.
- **MSME Financing (TReDS):** Due-diligence requirement for MSME onboarding removed, facilitating faster access to working capital.
- **Financial Markets:** Term money market broadened by allowing non-bank participants (NBFCs, HFCs, AIFIs, companies) and enhancing borrowing limits for standalone primary dealers, aiding liquidity and policy transmission.

Key Issues –

- **Persistence of Neutral Stance:** By maintaining the repo rate at 5.25% and continuing with a neutral stance, the RBI is reinforcing a wait-and-watch strategy amid elevated global uncertainty. While inflation is currently below target, the MPC is clearly signaling that policy easing is not imminent, given rising external risks and volatile global financial conditions.
- **Supply-Side Inflation Risks:** The key inflation challenge is now externally driven, led by elevated global energy and commodity prices due to the West Asia conflict. Although core inflation remains muted, the risk of second-round effects from energy prices and potential weather-related food shocks could complicate the inflation trajectory.

- **Growth-Inflation Trade-off Under External Stress:** Despite strong domestic fundamentals, the MPC acknowledged that higher input costs, supply-chain disruptions, and freight costs may weigh on growth going forward. This reinforces the policy dilemma of supporting growth while remaining vigilant on inflation, especially as the shock is supply-side in nature.
- **Improved Macro Resilience:** The RBI highlighted stronger macro fundamentals – healthy bank and corporate balance sheets, robust services momentum, and policy support for manufacturing – which provide greater resilience to external shocks compared to previous global stress episodes

Summary

The RBI is prioritising policy stability and flexibility in the face of heightened global uncertainty. With inflation currently contained but vulnerable to external shocks, and growth holding up on domestic demand, the MPC is pursuing a strategy of "cautious vigilance" – allowing growth to sustain while remaining alert to inflation risks. Monetary policy is firmly data-dependent, with no immediate inclination towards either easing or tightening.

The RBI is playing a defensive game. With the global economy facing supply shocks, the central bank is prioritizing macro-financial stability over further stimulus, effectively waiting for the geopolitical dust to settle before making its next move.