



RBI keeps repo rate unchanged at 5.25% and maintains “neutral” stance



Key Highlights:

- Repo rate maintained at 5.25%.
- Monetary policy stance remains 'Neutral'.
- SDF & MSF stood at 5.00% and 5.50%, respectively.
- CPI Inflation for FY27 has been projected at 4.6%.
- For FY27, RBI has projected FY27 GDP growth at 6.9%.
- The RBI has already cut the repo rate by a cumulative 125 basis points (bps) since Feb 2025. In its previous monetary policy, the central bank maintained a status quo on repo rates.

Policy Rates / Reserve Ratio	06 Feb '26	08 Apr '26	Status
Cash Reserve Ratio (CRR)	3.00%	3.00%	↔
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	↔
Standing Deposit Facility Rate (SDF)	5.00%	5.00%	↔
Repo Rate	5.25%	5.25%	↔
Marginal Standing Facility Rate (MSF)	5.50%	5.50%	↔
Bank rate	5.50%	5.50%	↔
Fixed Reverse Repo Rate	3.35%	3.35%	↔

The MPC kept policy rates on hold and left stance unchanged. This was almost wholly as expected, with the market focus instead on the assessment of RBI / MPC given the developments in West Asia. Though there is some relief on the geo-political front largely due to the ceasefire announced by the US and Iran, the policy thinking with regard to the commodity shock was nevertheless looked forward to.

The Governor highlighted the following channels of impact:

1. Elevated crude oil prices could increase imported inflation and widen the current account deficit.
2. Disruptions in energy markets, fertilisers and other commodities may adversely impact industry, agriculture and services, reducing domestic output.
3. Heightened uncertainty, increased risk aversion and safe haven demand could impact domestic liquidity conditions, economic activity, consumption and investment.
4. Weaker global growth prospects may dampen external demand and reduce remittance flows.
5. Adverse spillovers from global financial markets could tighten domestic financial conditions and raise the cost of borrowing.

Importantly, the Governor mentioned: **“The initial supply shock can potentially transform into a demand shock over the medium term if the restoration of supply chains is delayed”.**

Growth Outlook:

- As per the new GDP series (base year 2022-23), **real GDP growth for FY26 is estimated at 7.6%. This corroborates the underlying strong momentum in economic activity, supported by robust consumption and investment, amidst supportive policy measures, ongoing structural reforms, and favourable financial conditions.**
- Going forward, elevated energy and other commodity prices, as also shocks to availability of inputs due to disruptions in the Strait of Hormuz are likely to impact growth in FY27. The Government has, however, been proactive in ensuring supply of inputs across critical sectors to minimise the impact of supply chain disruptions. On the other hand, sustained momentum in services sector, persisting impact of GST rationalisation, and healthy balance sheets of financial institutions and corporates should continue to support economic activity.

Source: RBI Governor's Policy Statement 08 April 2026. News articles

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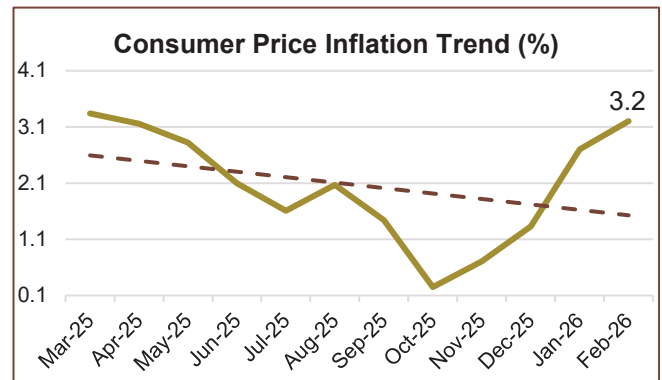


- On the demand side, private consumption in FY27 is expected to be supported by discretionary spending. Rural demand remains robust. It should gain further traction on the back of favourable agricultural conditions and a healthy labour market.
- Taking all these factors into consideration, real GDP growth for FY27 is projected at 6.9%, with Q1 at 6.8%; Q2 at 6.7%; Q3 at 7.0%; and Q4 at 7.2%. Further escalation and wider spread of the conflict, heightened volatility in global financial markets and weather-related events, however, weigh on the domestic growth outlook.

	Date	FY27	Q1FY27	Q2FY27	Q3FY27	Q4FY27
Growth Projections	08-Apr-26	6.9%	6.8%	6.7%	7.0%	7.2%
	06-Feb-26	7.4%	6.9%	7.0%	--	--

Inflation Outlook:

- In terms of **inflation outlook**, recent spikes in energy prices due to the conflict have emerged as a risk. Although retail prices of petrol and diesel have remained unchanged so far, the pass-through of higher global energy prices has resulted in some price increases in a few other fuel items.
- Geopolitical uncertainty coupled with volatility in energy prices and adverse weather events pose upside risks to inflation.**



Source: MOSPI

	Date	FY27	Q1FY27	Q2FY27	Q3FY27	Q4FY27
CPI Inflation Projections	08-Apr-26	4.6%	4.0%	4.4%	5.2%	4.7%
	06-Feb-26	--	3.9%	4.0%	--	--

Liquidity Measures:

In view of the evolving liquidity conditions and the outlook, **the RBI will remain proactive in liquidity management and ensure sufficient liquidity in the banking system to meet the productive requirements of the economy and to facilitate monetary policy transmission.** G-Sec yields remained largely rangebound with a softening bias in February but firmed up thereafter on account of the ongoing conflict, hardening global yields and the rise in energy prices. RBI will soon issue a draft circular seeking public comments on the proposal to ease the computation of banks' capital adequacy ratios.

In addition, the RBI chief today also announced that the central bank has proposed doing away with the mandate to maintain an IFR as an additional buffer against depreciation in the value of its investments, subject to mark-to-market (MTM) requirements.

Impact of West Asia Conflict on the Indian Economy:

The West Asia conflict represents a classic external shock for the Indian economy, transmitted through energy prices, inflation, trade routes, remittances, and financial markets. While India's stronger macro fundamentals, diversified oil sourcing, and services exports provide resilience, prolonged instability risks eroding growth, worsening inflation, and straining the external sector.

Summary:

In line with market expectations, the RBI kept the repo rates unchanged. Given the global uncertainty associated with the evolving geopolitical crisis, especially in West Asia, there are upside risks to inflation on account of supply chain dependencies around energy, fertiliser and other commodities. The MPC has therefore rightly decided unanimously to keep the interest rate unchanged with a neutral stance.

Source: RBI Governor's Policy Statement 08 April 2026. News articles

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