

Monetary Policy-June 2026

MPC keeps the Repo Rate unchanged; Retained the Neutral Stance

RBI's Monetary Policy Committee (MPC) met from 03rd-05th June, 2026 to announce the second bi-monthly policy of FY27 amidst the geopolitical tensions and weakening rupee alongwith tackling issues of inflation, interest rates and economic growth. The committee unanimously decided to keep the repo rate unchanged at 5.25%, and has maintained the Neutral stance.

RBI keeps repo rate unchanged at 5.25% and maintained the stance at Neutral; reverse repo rate remains unchanged at 3.35%.

Highlights of Monetary Policy:

- **Repo Rate:** 5.25% (5.25% in April 2026)
- **Reverse Repo Rate:** 3.35% (3.35% in April 2026)
- **Standing Deposit Facility:** stands unchanged at 5.0%
- **Bank Rate:** 5.50% (5.50% in April 2026)
- **MSF:** 5.50% (5.50% in April 2026)
- **GDP Projection:** Real GDP growth for FY27 is lowered at 6.6% as against 6.9%. Q1FY27 at 6.6%, Q2FY27 at 6.3%, Q3FY27 at 6.5% and Q4FY27 at 6.8%
- **CPI Inflation:** CPI forecast for FY27 is raised to 5.1% as against 4.6%. Q1FY27 at 4.2%, Q2FY27 at 5.1%, Q3FY27 at 5.9% and Q4FY27 at 5.4%

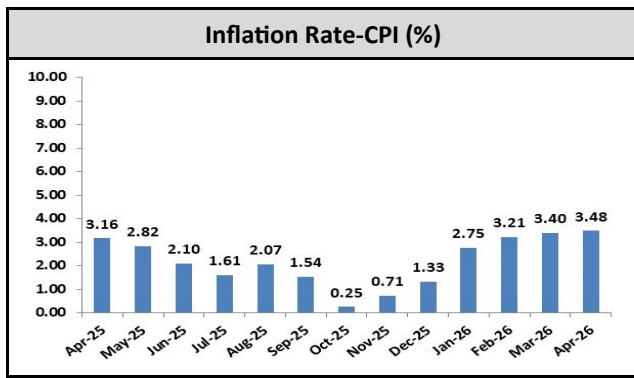
Some Highlights:

- CPI inflation remains below the target despite global shock as the passthrough to domestic prices has been limited. While the baseline projections point towards headline inflation firming up towards the upper tolerance level in Q3FY27, the impact of the supply shock is expected to wane Q4 onwards. The underlying inflation pressures continue to remain benign at this juncture. The outlook also remains unclear due to the subnormal south-west monsoon forecast and El Niño risks
- On the demand side, private consumption, aided by discretionary spending, has remained resilient so far. Fixed investment has also maintained its momentum despite cost pressures. Merchandise exports recorded strong growth in April 2026, notwithstanding elevated freight and insurance costs. Services exports are also holding up well, reflecting sustained demand despite concerns about AI. Overall, the economic situation has broadly exhibited resilience, although the impact of cost pressures is becoming visible
- International crude oil prices (Indian basket) have averaged around USD110/barrel during Apr-May'26 and indications are that average oil prices for 2026-27 would be substantially higher than what were assumed during the last policy statement. Higher energy prices and an increase in several input prices also led to a sharp spike in WPI inflation in April 2026
- System liquidity, as measured by the net position under the LAF, stood at an average daily surplus of Rs2.63lk-cr since the last MPC meeting in Apr'26. As per the latest available data, credit from all sources grew by 15.4% (on a y-o-y basis) in 2025-26 as compared to 12.1% a year ago. Bank credit growth continued to remain robust and broad-based as market-based funding became costlier
- On the external financing front, the gross FDI and higher net FDI in 2025-26 underscore the continued interest of global investors in India. The FDI flows have also been encouraging in Apr'26. During 2026-27 so far (till 02nd June), net FPI to India, however, witnessed outflows of USD13.7bn primarily in the equity segment

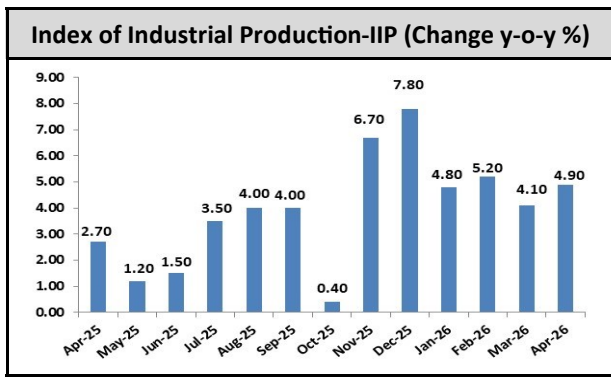
Other Measures Announced:

- (1) **Fully Accessible Route (FAR):** the RBI is expanding the universe of specified securities by including all new issuances of 15, 30 and 40 year tenor g-secs. In addition, limits pertaining to short-term investment, concentration and individual securities on FPI investment under the general route are being removed. These measures along with the tax benefits provided by the government should help attract foreign capital for government borrowing
- (2) **Investment limits by NRIs and OCIs:** the investment limits by NRIs and OCIs in equity instruments traded on the stock market without SEBI registration are being increased. Further, the same facility is being extended to all individual Persons Resident Outside India (PROIs) at par with NRIs and OCIs
- (3) **Forex Swap:** a facility of concessional forex swap will be provided till 30th Sept'26 to incentivize ECBs by PSUs
- (4) **Hedging Cost:** a facility for bearing the full hedging cost shall be provided till 30th Sept'26 to AD banks for raising fresh 3-5 year FCNR (B) deposits
- (5) **Timeline:** proposed to restore the time for realisation of export proceeds to 9 months

Monetary Policy-June 2026



Source: tradingeconomics.com



Source: tradingeconomics.com

Our View:

The MPC has unanimously voted to keep the benchmark repo rate unchanged at 5.25% and maintained a Neutral stance; which is largely in-line with the market expectations. The cautious move was widely expected amid the Iran war-related energy supply disruptions and the falling rupee. All of the measures like the tax relief for foreign investors, well cover the need to help currency and help capital flows; decisive measures in the right direction. The Governor has indicated that while inflation is expected to rise, underlying inflation pressures remain benign. Inflation projections for the year have been increased to 5.1% from 4.6% earlier. The outlook also remains clouded by the subnormal south-west monsoon forecast and El Niño risks. The growth projections for FY27 have also been lowered to 6.6% from the earlier 6.9%. Overall, sustained momentum in services, continuing impact of GST rationalization, and broadly stable employment conditions should continue to support the urban consumption, even though rising inflation could be a drag on the purchasing power of households. The Governor concluded with assurance to preserve the market conditions. To conclude, although the global economic conditions and sentiments continue to be frayed without any meaningful resolution to the West Asia conflict, these have adversely impacted the domestic growth inflation outlook; but so far, the economy holds relatively strong with a cautious outlook.

FINAL VERDICT			
MPC Meetings	REPO	REVERSE	CURRENT STANCE
June 2026	5.25%	3.35%	Retained the Neutral Stance
April 2026	5.25%	3.35%	

Monetary Policy-June 2026

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859/Research Analyst BSE Enlistment No. 5049. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO
- Registration granted by SEBI and certification from NISM is in no way guarantee performance of the intermediary or provide any assurance of returns to investors

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at discretion of the clients to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai-400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500

Compliance Officer:

Ms. Mamatha Poojari,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500

Grievance Officer:

Email: grievancecell@progressiveshares.com