# Monetary Policy-April 2026

## MPC keeps the Repo Rate unchanged; Retained the Neutral Stance

RBI's Monetary Policy Committee (MPC) met from 06th-08th April, 2026 to announce the first bi-monthly policy of FY27 amidst the geopolitical tensions and weakening rupee alongwith tackling 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 February 2026)
- **Reverse Repo Rate:** 3.35% (3.35% in February 2026)
- **Standing Deposit Facility:** stands unchanged at 5.0%
- **Bank Rate:** 5.50% (5.50% in February 2026)
- **MSF:** 5.50% (5.50% in February 2026)
- **GDP Projection:** Real GDP growth for FY27 is projected at 6.9%. Q1FY27 at 6.8%, Q2FY27 at 6.7%, Q3FY27 at 7.0% and Q4FY27 at 7.2%
- **CPI Inflation:** CPI forecast for FY27 is projected at 4.6%. Q1FY27 at 4.0%, Q2FY27 at 4.4%, Q3FY27 at 5.2% and Q4FY27 at 4.7%

**Some Highlights:**

- The outbreak of the conflict in West Asia has led to severe disruption of global supply chains that poses an unprecedented challenge for the global economy with higher prices and lower global growth. Going forward, elevated energy and other commodity prices; shocks to availability of inputs due to disruptions in the Strait of Hormuz are likely to impact growth in 2026-27. The Government has, however, been proactive in ensuring supply of inputs across critical sectors to minimise the impact of supply chain disruptions
- 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. While the government's thrust on infrastructure spending continues, the revival in private sector investment is expected to sustain on the back of high capacity utilisation, strong credit growth and benign financial conditions
- The headline inflation continued to remain below target (2.7% and 3.2% for Jan and Feb respectively), with food group recording inflation vis a vis a deflation in the previous 4 months. Core inflation was at 3.7% and the underlying price pressures benign, as evident from the much lower core inflation excluding precious metals at 2.1%. Food price outlook remains comfortable in the near term with robust rabi production, adequate reservoir levels and comfortable buffer stocks of foodgrains. The likely emergence of El Niño conditions could pose a risk
- India's merchandise exports contracted by 0.2% during Jan-Feb'26 on a y-o-y basis, impacted by export contraction in key markets. Merchandise imports recorded a double-digit growth of 22.2% largely driven by higher gold imports, resulting in a widening of the trade deficit. Expected robustness in services exports and inward remittance receipts during Q4FY26 should keep India's CAD moderate and within the sustainable level in 2025-26
- Gross FDI witnessed strong growth, while net FDI showed improvement. India remains an attractive destination for greenfield FDI projects. FPIs to India, driven by outflows in the equity segment, recorded net outflows of USD16.5bn in 2025-26, followed by outflows of USD5.4bn in 2026-27 (till 06th April)
- System liquidity, as measured by the net position under the Liquidity Adjustment Facility (LAF), stood at an average daily surplus of Rs2.3lk-cr since the last MPC meeting
- As per the latest available data, credit from all sources grew at 14.3% (y-o-y) as compared to 11.7% (y-o-y) a year ago. Bank credit growth maintained its upward trajectory and remained broad-based

**Other Measures Announced:**

**(1) Regulations:**

- **Review of guidelines for inclusion of quarterly profits in Capital to Risk weighted Assets Ratio (CRAR) computation for Commercial Banks:** Commercial Banks (excluding RRBs and local area banks) are permitted to include quarterly net profits in the calculation of CRAR provided that the incremental provisions made for NPAs at the end of any of the four quarters of the previous FY have not deviated more than 25% of the average of the four quarters. On a review, it is proposed to dispense with this condition.

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**Other Measures Announced (contd.):**

**(1) Regulations (contd.):**

- **Review of guidelines on Investment Fluctuation Reserve (IFR):** Currently, commercial banks (including local area banks, but excluding small finance banks, payment banks and RRBs) already maintain capital charge for market risk and also follow revised norms on classification, valuation, and operation of investment portfolio. In consideration of these applicable prudential requirements, it is proposed to dispense with the IFR requirement for such commercial banks. The existing guidelines for other bank categories are also being revised to address the operational challenges encountered by such banks in complying with the regulatory thresholds on IFR.
- **Review of matters placed before the Boards of the Banks:** In an endeavor to enable Boards to utilize its time effectively, and to facilitate a more focused and qualitative engagement on strategy and risk governance, the RBI has undertaken comprehensive review and rationalization of all instructions.

**(2) Supervision:**

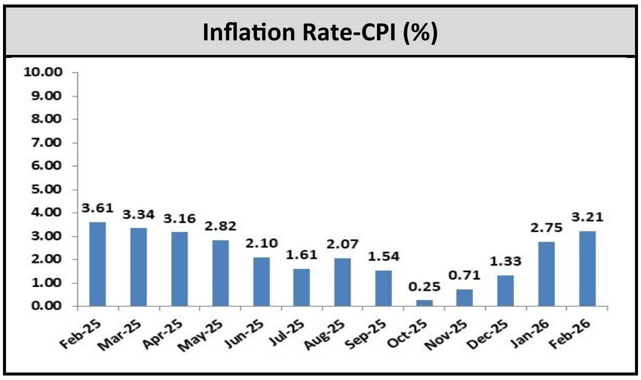
- **Consolidation of supervisory instructions:** The RBI has constantly endeavored to refine and strengthen its regulatory and supervisory framework while minimising compliance costs, through periodic evaluation of instructions for their continued relevance. In furtherance of this objective, RBI had undertaken a comprehensive consolidation exercise of the regulatory instructions, on an 'as is' basis, in 2025. The exercise involved consolidation of more than 9000 existing regulatory circular/guidelines into 238 function-wise Master Directions (MDs), specific to each category of regulated entity. A similar exercise has now been carried out for the supervisory instructions. Accordingly, the drafts of 64 MDs consolidating extant supervisory instructions on upto nine functional areas would be published by RBI.

**(3) Payment Systems:**

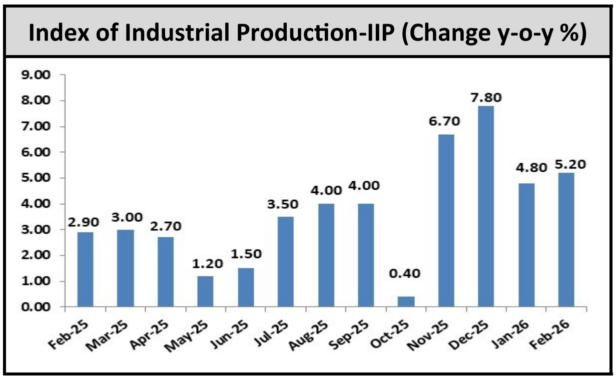
- **Simplifying the onboarding process of MSMEs in Trade Receivables Discounting System (TReDS):** The scope of TReDS was further expanded in 2023 with the inclusion of insurance companies as the fourth participant. In order to promote ease of doing business for MSMEs and to encourage their greater participation on TReDS, it is proposed to dispense with the requirement of due diligence of MSMEs while onboarding on TReDS platforms.

**(4) Financial Markets:**

- **Development of Term Money Market:** At present, only banks and standalone primary dealers are eligible to participate in the term money market, with certain prudential limits. With a view to further enhance the depth of participation and liquidity in the term money market segment, it has been decided to (a) expand the participant base in the term money market segment to include non-bank participants viz., AIFIs, NBFCs, including housing finance companies, companies, etc.; and (b) enhance the borrowing limit in the term money market for standalone primary dealers.




*Source: tradingeconomics.com*




*Source: tradingeconomics.com*

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**Our View:**

The MPC outcome is very much in-line with the expectations of a neutral stance and status quo on the rates. The MPC noted that the intensity and the duration of the conflict in West Asia and the resultant damage to the energy and other infrastructure adds risk to the inflation and growth outlook. Although a temporary two-week ceasefire has eased some immediate concerns; the broader economic impact continues to weigh on global and domestic markets. Rising oil prices have already begun to affect the Indian economy. Domestic growth remains resilient with FY27 GDP projected at 6.9%, while external factors warrant caution; hence the extended pause in the rate cut gives the bandwidth to respond to further jitters if any on the steady expansion path. There have been few non-policy announcements as well which are important from the perspective of translating into lesser costs on banks. Although the fundamentals of the Indian economy are on a strong footing, the RBI has ensured sufficient liquidity in the banking system to meet productive requirements of the Indian economy.

| FINAL VERDICT | | | |
|---|---|---|---|
| **MPC Meetings** | **REPO** | **REVERSE** | **CURRENT STANCE** |
| *April 2026* | *5.25%* | *3.35%* | **Retained the Neutral Stance** |
| **February 2026** | **5.25%** | **3.35%** | |

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