

RBI Monetary Policy Committee

February 2026 Meeting - Key Highlights

Policy Announcement: February 6, 2026

Policy Decision at a Glance

Repo Rate

5.25%

Unchanged

Policy Stance

Neutral

Maintained

MPC Vote

6-0

Unanimous

Rate Cuts Since Feb 2025

125 bps

Cumulative

1. Policy Rates & Corridor (Status Quo Maintained)

▶ **Repo Rate:** 5.25% (unchanged)

▶ **Standing Deposit Facility (SDF):** 5.00%

▶ **Marginal Standing Facility (MSF) / Bank Rate:** 5.50%

▶ **Cash Reserve Ratio (CRR) & Statutory Liquidity Ratio (SLR):** No changes announced

2. Inflation Outlook & Projections

Current Status

- ▶ Inflation characterized as **"benign"** – headline CPI at 1.33% in December 2025, below the tolerance band
- ▶ RBI expects inflation to **normalize towards 4% target** in H1 FY27 as base effects fade
- ▶ **New CPI series** (2024 base year) to be released mid-February, may mechanically add 20-40 bps due to higher core/services weights

Updated CPI Inflation Projections

Period	New Projection	Previous Projection	Change
FY26 (Full Year)	2.1%	2.0%	+10 bps
Q4 FY26	3.2%	2.9%	+30 bps
Q1 FY27	4.0%	3.9%	+10 bps
Q2 FY27	4.2%	4.0%	+20 bps

Key Takeaway: Core inflation (excluding precious metals) expected to remain range-bound. Full-year FY27 inflation projection deferred to April MPC meeting pending new series release.

3. Growth Outlook & Economic Assessment

Current Growth Momentum

- ▶ **FY26 Real GDP Growth:** 7.4% (Real GVA: 7.3%)
- ▶ Growth described as "**strong and durable**", supported by resilient domestic demand
- ▶ India remains among **fastest-growing major economies** in a "Goldilocks" scenario of strong growth with low inflation

Revised GDP Projections for FY27

Period	New Projection	Previous Projection	Change
Q1 FY27	6.9%	6.7%	+20 bps
Q2 FY27	7.0%	6.8%	+20 bps
FY27 (Full Year)	Deferred to April policy – new GDP series to be released later in February		

Growth Drivers: Private consumption, fixed investment, healthy rural and improving urban demand, manufacturing revival. **Risks:** Evenly balanced according to RBI.

4. Liquidity Management & Financial Conditions

RBI's Liquidity Stance

- ▶ Policy focus has **shifted from rate cuts to liquidity management** after 125 bps of cumulative easing
- ▶ System liquidity has tightened despite earlier injections (₹2 lakh crore OMO + \$10 billion FX swap in Dec 2025–Jan 2026)
- ▶ RBI committed to ensuring "**adequate, not excessive**" liquidity to support monetary transmission
- ▶ **No fresh large-scale liquidity operations** (OMO calendar, CRR cut) announced today

Government Bond Market

- ▶ RBI acknowledged **cautious sentiment and hardening yields** driven by fiscal concerns and external volatility
- ▶ Central bank will use **full toolkit** (OMOs, variable rate repos, FX operations) to maintain orderly conditions
- ▶ Emphasis on smoothing liquidity rather than aggressive intervention

Prior Liquidity Support (Dec 2025–Jan 2026): ₹2 lakh crore OMO purchases (4 tranches of ₹50,000 crore) + \$10 billion USD/INR buy-sell swap (3-year tenor).

5. External Sector & Rupee Dynamics

- ▶ **FX Reserves & External Position:** Described as comfortable, supporting currency stability
- ▶ **Rupee Performance:** Relatively stable, reflecting strong macro fundamentals
- ▶ **Trade Policy Tailwinds:** India-US trade deal and India-EU FTA expected to support exports over medium term
- ▶ **Global Risks:** Heightened geopolitical tensions, policy uncertainty, financial market volatility flagged as key external headwinds

6. Monetary Transmission & Forward Guidance

Transmission Progress

- ▶ With **125 bps of cuts** delivered since February 2025, RBI wants to ensure better transmission to lending and deposit rates
- ▶ Prior liquidity deficits and bond yield movements have constrained banks' ability to lower rates fully
- ▶ RBI's message: **Space for further aggressive cuts is limited** given inflation normalizing towards 4%

Forward Guidance

RBI Signal: "Prolonged pause" expected. Policy remains data-dependent with flexibility to move either way. Future rate decisions will depend on:

- Inflation trajectory (especially after new CPI series)
- Growth momentum sustainability
- Global economic and financial market conditions
- Effectiveness of monetary transmission

7. Key Macro Context Highlighted

Supportive Factors

- ▶ Strong domestic demand (consumption + investment)
- ▶ Healthy rural demand, improving urban consumption
- ▶ Manufacturing and services sectors resilient
- ▶ Trade agreements (US, EU) providing export boost
- ▶ Benign inflation creating policy space

Risk Factors

- ▶ Global growth uncertainty
- ▶ Geopolitical tensions and trade frictions
- ▶ Financial market volatility (bonds, FX)
- ▶ Inflation expected to rise toward 4% in FY27
- ▶ External demand challenges (imports > exports)

Implications for Clients

- ▶ **Loan Borrowers:** No immediate EMI relief. Future rate cuts likely gradual and data-dependent, not imminent.

▶ **Fixed-Income Investors:** Policy supportive but not aggressively dovish. "Pause for longer" suggests stability in short-to-medium duration strategies. Focus on smooth liquidity management rather than fresh rate-cut cycle.

▶ **Equity Investors:** RBI endorses strong growth narrative (7.4% FY26, improving FY27). Macro backdrop remains constructive despite external risks.

▶ **Deposit Holders:** Deposit rates likely to remain relatively stable in near term. Further meaningful declines unlikely unless RBI resumes rate-cutting cycle.