RBI Monetary Policy: August 3-5 2026

Policy Highlights:

Reserve Bank of India (RBI) Governor Sanjay Malhotra on August 5, 2026 announced that the MPC voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.25 per cent. Consequently, the standing deposit facility (SDF) rate remains at 5.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate remains at 5.50 per cent. The MPC also decided to continue with the neutral stance.

Outlook:

The global economic outlook in 2026 so far has been characterised by sharp and frequent market swings, persisting inflation concerns and shifting policy expectations. Relief from the temporary ceasefire in West Asia has quickly dissipated amidst resumption of conflict in July. Persistent inflation has prompted several central banks to raise rates while others remain vigilant. The US dollar appreciated, supported by elevated yields, a hawkish Federal Reserve tone, and a relatively buoyant US economy riding on AI driven productivity gains. The global equity market remained volatile as investors repriced their exposure to AI-related stocks. Conflict in West Asia volatile oil prices, sticky inflation expectations, and fragile public finances in systemic economies pose significant downside risks to the outlook. The Indian economy has remained resilient amidst persisting global headwinds. Private consumption remained robust. Looking ahead, the turbulent global economic environment is likely to have some bearing on domestic economic activity. Energy prices and supply chain pressures remain elevated and uncertain. Furthermore, sustained momentum in services, continuing impact of GST rationalisation, and broadly stable employment conditions should continue to support urban demand. Taking all these factors into consideration, real GDP growth for 2026-27 is projected at 6.7 per cent, with Q1 at 7.0 per cent; Q2 at 6.4 per cent; Q3 at 6.5 per cent; and Q4 at 6.8 per cent. Real GDP growth for Q1:2027-28 is projected at 7.3 per cent. The risks are evenly balanced.

While CPI inflation increased to 4.4 per cent in June 2026 after remaining below the target for 16 consecutive months, it turned out to be lower by 30 basis points than what was earlier projected for Q1:2026-27. The increase in June was primarily due to higher food and fuel inflation. Global oil prices have remained volatile with sharp two-way movements triggered by geopolitical developments, blurring the near-term outlook. Although generalised inflation pressures continue to remain modest so far, the risks of higher food, fuel and other input prices translating into a broad-based increase in inflation persist. Considering all these factors, CPI inflation for 2026-27 is projected to be 5.0 per cent with Q2 at 4.7 per cent Q3 at 5.9 per cent and Q4 at 5.5 per cent. Inflation for Q1:2027-28 is projected at 5.3 per cent with risks being evenly balanced. Core inflation is projected at 4.3 per cent for 2026-27. Even though headline inflation is projected to increase, it is primarily on account of supply side pressures caused by food and fuel; it is not getting broad-based; core inflation remains moderate and is expected to decline after peaking in Q3. Growth, albeit resilient, is expected to be lower in 2026-27. Accordingly, the MPC voted to keep the policy rate unchanged. The MPC also decided to retain the neutral stance to respond appropriately to macroeconomic developments.

Policy Rates								
Y-O-Y Growth (%)	**Jan-26**	**Feb-26**	**Mar-26**	**Apr-26**	**May-26**	**Jun-26**	**July-26**	**Aug-26**
Repo	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Reverse Repo	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
CRR	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Inflation								
Y-O-Y Growth (%)	**Nov-25**	**Dec-25**	**Jan-26**	**Feb-26**	**Mar-26**	**Apr-26**	**May-26**	**Jun-26**
Inflation (WPI)	-0.59%	0.30%	1.19%	2.18%	3.98%	8.36%	9.68%	9.87%
Inflation (CPI)	0.71%	1.33%	2.74%	3.21%	3.40%	3.48%	3.94%	4.38%
GDP Growth								
Y-O-Y Growth (%)	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**	**Q3FY26**	**Q4FY26**
GDP (% Growth)	7.46%	6.59%	7.36%	6.98%	6.82%	8.35%	7.96%	7.83%
GVA (% Growth)	7.62%	6.54%	7.81%	7.12%	7.09%	8.57%	7.98%	7.88%