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

RBI's Stance → **Neutral**

Key Highlights:

- Repo rate maintained at 5.25%.
- Monetary policy stance remains 'Neutral'.
- SDF & MSF stood at 5.00% and 5.50%, respectively.
- For FY26, MPC revised projected inflation at 2.1% as against 2.0% forecasted earlier.
- For FY26, RBI has raised India's FY26 GDP growth estimates to 7.4% from the previously projected 7.2%.
- The RBI added that the current growth momentum is likely to be sustained in the coming period, signaling confidence in the near- term economic outlook.

Policy Rates / Reserve Ratio	05 Dec '25	06 Feb '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%	↔

RBI's MPC unanimously voted to keep the policy repo rate unchanged at 5.25% after a cumulative cut of 125 basis points since February 2025. The MPC noted that since the last policy meeting, external headwinds have intensified though the successful completion of trade deals augurs well for the economic outlook. With the signing of a landmark trade deal with the European Union and the US trade agreement in sight, growth momentum is likely to be sustained for a longer period.

Growth Outlook:

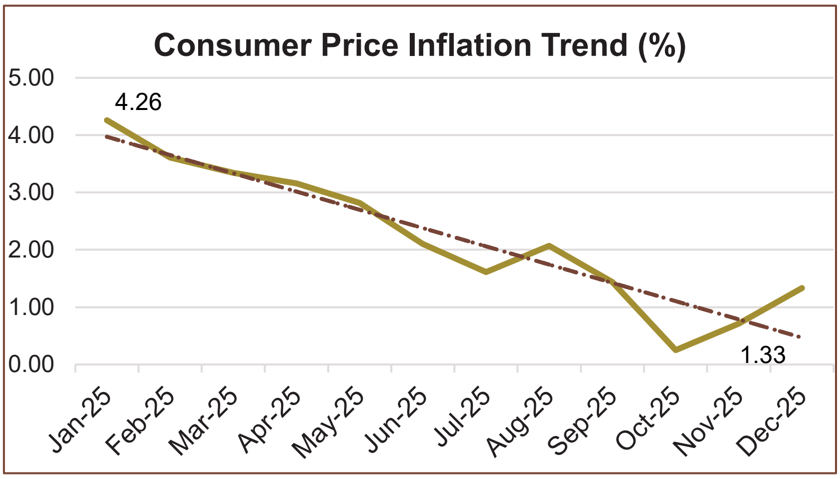
- The **Indian economy continues on a steadily improving trajectory, with real GDP poised to register significantly higher growth of 7.4% in FY26, as compared to the previous year.** On the supply side, growth in real GVA, on the back of a strong contribution from the services sector and revival in manufacturing activity, is estimated at 7.3% in FY26.
- **Going forward, economic activity is expected to hold up well in 2026-27. Agricultural activity will be supported by healthy reservoir levels, robust rabi sowing, and improvement in crop vegetation conditions**
- On the demand side, **the momentum in private consumption is expected to sustain in 2026-27**. Rural demand remains steady, **with improving agricultural activity and rural labour market conditions**. Recovery in urban consumption should further strengthen with continued support from GST rationalisation and monetary easing.
- Several measures announced in the Union Budget should also be conducive for growth. **The recently concluded India-EU free trade agreement (FTA) and the prospective India-USA trade deal along with several other trade agreements will support exports over the medium-term.**
- Services exports should remain resilient. **The spillovers emanating from geopolitical tensions, volatility in international financial markets and shifting trade patterns pose risks to the outlook.**
- Considering all these factors, **Real GDP growth projections for Q1FY27 & Q2FY27 are revised upwards to 6.9% and 7.0%, respectively.**

	Date	FY26	Q1FY27	Q2FY27
Growth Projections	06-Feb-26	7.4%	6.9%	7.0%
	05-Dec-25	7.3%	6.7%	6.8%

Source: RBI Governor's Policy Statement 06 Feb 2026. News articles

Inflation Outlook:

- **Domestic inflation conditions remain comfortable. Core inflation (CPI headline excluding food and fuel)** remained stable at 2.6% in December. Excluding precious metals, core inflation remains well below 4.0%.
- In terms of **inflation outlook**, that food supply prospects remain bright on the back of healthy kharif production, sufficient buffer stocks of foodgrains, favourable rabi sowing and adequate reservoir levels.
- **Geopolitical uncertainty coupled with volatility in energy prices and adverse weather events pose upside risks to inflation.**



Source: MOSPI

	Date	FY26	Q4FY26	Q1FY27	Q2FY27
CPI Inflation Projections	06-Feb-26	2.1%	3.2%	4.0%	4.2%
	05-Dec-25	2.0%	2.9%	3.9%	4.0%

Source: RBI Governor's Policy Statement 06 Feb 2026. News articles

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**. Liquidity management would be pre-emptive with sufficient allowance for unanticipated fluctuations in government balances, changes in currency in circulation and forex intervention.

Summary:

In line with market expectations, the RBI kept the repo rates unchanged. RBI Governor said that "the policy rates will continue to be at low levels for a long period of time (and) they will go down even further." He clarified, however, that decisions on rates will be taken by the MPC. Moreover, addressing the impact of India's recent trade deals, RBI Governor said these agreements, along with other factors, could contribute around 20 basis points to the country's GDP growth.

Global growth, supported by tech-investments, accommodative financial conditions and large-scale fiscal stimulus, is expected to be marginally stronger in 2026 than projected earlier. Lower tariffs could strengthen India's external position by improving Balance of Payments (BOP), supporting the rupee, drawing FIIs back and adding stability to interest rates.

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