

RBI MONETARY POLICY

June 2026

RBI keeps repo rate unchanged;
revises inflation & growth
outlook amid West Asia war



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



Key Highlights:

- Repo rate maintained at 5.25%.
- Stance remains ‘Neutral’.
- India’s CPI inflation projections for FY27 raised to 5.1% from 4.6% earlier.
- FY27 growth forecast cut to 6.6% from 6.9% earlier.
- SDF & MSF stood at 5.00% and 5.50%, respectively.
- To attract foreign capital, several measures were announced: expanding FAR-eligible G-secs to include 15-year, 30-year, and 40-year tenors.

Policy Rates / Reserve Ratio	08 Apr ‘26	05 Jun ‘26	Status
Repo Rate	5.25%	5.25%	↔
Standing Deposit Facility Rate (SDF)	5.00%	5.00%	↔
Marginal Standing Facility Rate (MSF)	5.50%	5.50%	↔
Bank rate	5.50%	5.50%	↔
Fixed Reverse Repo Rate	3.35%	3.35%	↔
Cash Reserve Ratio (CRR)	3.00%	3.00%	↔
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	↔

The MPC kept policy rates on hold and left stance unchanged. This was almost wholly as expected, with the macro-economic environment becoming increasingly challenging, amid the adverse impact of the US- Iran war in West Asia on domestic growth and inflation dynamics. This has triggered a sharp rise in crude oil prices, adding pressure on India’s inflation outlook and contributing to rupee depreciation.

The Governor highlighted few measures to attract dollar inflows:

1. All new issuances of 15- year, 30- year & 40- year government bonds will be a part of the fully accessible route.
2. Limits on investment in other government securities will be removed.
3. Limits for investments by Non-Resident Indians and Overseas Citizens of India are being increased and extended to all individual persons residing outside India.
4. RBI will provide a facility of concessional forex swap for about four months till September 30.
5. RBI will restore time for realisation for export proceeds to nine months.
6. The central government said it would exempt foreign institutional investors and the Bank for International Settlements from capital gains tax on receipts arising from interest or sale of government securities.

Source: RBI Governor’s Policy Statement 05 June 2026. News articles

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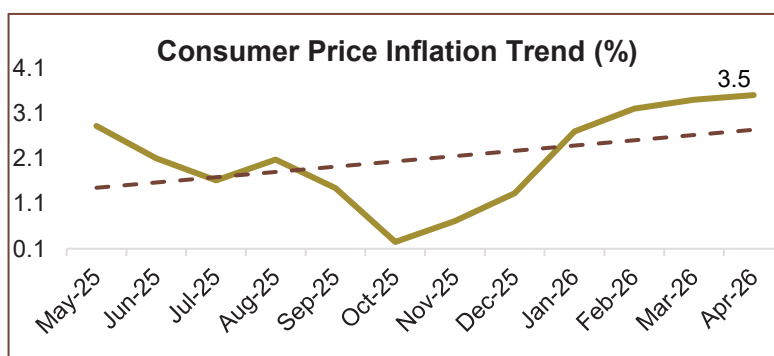
Growth Outlook:

- As per several high frequency indicators, domestic economic activity remained largely steady since the outbreak of the conflict. **Private consumption has been resilient, while fixed investment maintained its momentum despite cost pressures. Looking ahead, elevated energy and other commodity prices coupled with continued supply disruptions are likely to affect economic activity.** While import diversification in affected commodities has helped in improving supply, it comes at a higher cost. The full impact, however, will depend on the duration of the conflict, time taken for normalisation of supply chains and the burden-sharing approach among the stakeholders.
- Strong capacity utilisation, sustained credit flows from bank and non-bank sources, and the government’s capex are expected to support investment activity. **While weak global demand and elevated freight and insurance costs are headwinds for merchandise exports, services exports are expected to remain steady.**
- Several measures undertaken by the Government, including support to MSME and export sectors, efforts to ramp up domestic gas and crude supplies, encouraging use of domestically produced alternatives.**
- Taking all these factors into consideration, real GDP growth for FY27 is projected at 6.6%, with Q1 at 6.6%; Q2 at 6.3%; Q3 at 6.5%; and Q4 at 6.8%. Further escalation and wider spread of the conflict, heightened volatility in global financial markets and weather-related events, however, weigh on the domestic growth outlook.

	Date	FY27	Q1FY27	Q2FY27	Q3FY27	Q4FY27
Growth Projections	05-Jun-26	6.6%	6.3%	6.3%	6.5%	6.8%
	08-Apr-26	6.9%	6.8%	6.7%	7.0%	7.2%

Inflation Outlook:

- Headline inflation inched up 3.5% in April 2026 primarily due to higher food inflation.** Since May, however, retail fuel prices have been raised cumulatively by 7.4% for petrol and 8.4% for diesel.



	Date	FY27	Q1FY27	Q2FY27	Q3FY27	Q4FY27
CPI Inflation Projections	05-Jun-26	5.1%	4.2%	5.1%	5.9%	5.4%
	08-Apr-26	4.6%	4.0%	4.4%	5.2%	4.7%

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Liquidity Measures:

RBI did not announce a major liquidity injection measure such as CRR cut or a large- scale OMO purchase program in this policy meet. The central bank indicated it will continue to manage liquidity through its existing frameworks to ensure orderly market functioning. Focus shifted towards supporting the rupee and attracting foreign capital inflows rather than adding substantial domestic liquidity.

Impact of West Asia Conflict on the Indian Economy:

The global environment has deteriorated since the last policy meeting with the conflict lingering amidst a fragile truce. The adverse implications of the extended disruption in supply chains and elevated energy prices are reflected in the moderation of growth and increase in inflation projections from the June policy.

Summary:

In line with market expectations, the RBI kept the repo rates unchanged. Given the global uncertainty associated with the evolving geopolitical crisis, especially in West Asia, there are upside risks to inflation on account of supply chain dependencies around energy, fertiliser and other commodities. The MPC has therefore rightly decided unanimously to keep the interest rate unchanged with a neutral stance.

Source: RBI Governor's Policy Statement 05 June 2026. News articles

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