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# RBI MPC April 2026 — Repo Rate Held at 5.25% in First FY27 Decision

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# RBI MPC April 2026 — Repo Rate Held at 5.25% in First FY27 Decision

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## WHY IN NEWS

The **Reserve Bank of India's Monetary Policy Committee (MPC)**, chaired by Governor **Sanjay Malhotra**, concluded its **first bi-monthly meeting of FY 2026-27** (April 6-8, 2026) and announced its decision on April 7. The MPC kept the **repo rate unchanged at 5.25%** with a **neutral monetary stance**, pausing after one of the most aggressive easing cycles in RBI history.



## KEY DECISIONS

PARAMETER	DECISION
Repo Rate	<b>5.25%</b> (unchanged)
Standing Deposit Facility (SDF)	5.00%
Marginal Standing Facility (MSF)	5.50%
Bank Rate	5.50%
Cash Reserve Ratio (CRR)	Unchanged
Statutory Liquidity Ratio (SLR)	Unchanged
Stance	<b>Neutral</b>

## CONTEXT — THE EASING CYCLE

PERIOD	ACTION	CUMULATIVE CHANGE
Feb 2025	First rate cut (post-Covid era)	-25 bps
Apr 2025	Second cut	-50 bps total
Jun 2025	Third cut	-75 bps total
Oct 2025	Fourth cut	-100 bps total
Dec 2025	Fifth cut	<b>-125 bps total</b>
Feb 2026	Pause	-125 bps
<b>Apr 2026</b>	<b>Pause (current)</b>	<b>-125 bps</b>

This is the **most aggressive easing cycle since 2019**, with the RBI cutting rates from a peak of 6.50% to the current 5.25% — a 125 basis point reduction over 10 months.



## WHY THE PAUSE?

### 1. West Asia Conflict & Energy Shock

The ongoing **US-Israel-Iran conflict** has pushed crude oil prices above \$100/barrel. India imports ~85% of its crude — a sustained oil price spike directly fuels imported inflation and worsens the current account deficit.

### 2. Rupee Under Pressure

The rupee touched a record low of **~Rs 95/\$** on March 30, 2026. Further rate cuts would widen the interest rate differential with the US Federal Reserve, accelerating capital outflows and rupee depreciation.

### 3. Inflation Risks

While headline CPI inflation remained within the  $4\% \pm 2\%$  target band in early 2026, the FAO Food Price Index rose 2.4% in March, vegetable oils up 5.1%, sugar up 7.2%. Imported food and fuel inflation could push CPI above 6%.

### 4. Growth Resilience

India's GDP growth remained robust at **7.3% (FY26 RBI estimate)** — strong enough that the economy doesn't urgently need further monetary stimulus. The MPC can afford to pause and assess.

## WHAT IS THE MPC?

The **Monetary Policy Committee** was established under the **RBI Act amendment of 2016** to bring transparency and accountability to monetary policy decisions. It replaced the earlier system where the RBI Governor had sole authority.

PARAMETER	DETAILS
Composition	6 members: 3 RBI officials + 3 government appointees
Chair	RBI Governor (currently Sanjay Malhotra)
Voting	Decisions by majority; Governor has casting vote in case of tie
Meetings	At least 4 times a year (currently 6 bi-monthly)
Mandate	Maintain CPI inflation at 4% with $\pm 2\%$ tolerance band
Framework	Flexible Inflation Targeting (FIT) — adopted 2016



## FLEXIBLE INFLATION TARGETING (FIT)

The FIT framework, adopted via the **RBI Act amendment of 2016**, set:

- **Target:** CPI inflation at **4% ± 2%** tolerance band (range: 2-6%)
- **Failure clause:** If inflation breaches 2-6% for 3 consecutive quarters, RBI must explain to Parliament
- **Renewal:** Target reviewed every 5 years

The **government formally retained the 4% target** for the period **April 1, 2026 to March 31, 2031** in March 2026.

## REPO RATE VS OTHER TOOLS

TOOL	FUNCTION	CURRENT RATE
Repo Rate	Rate at which RBI lends to commercial banks	5.25%
Reverse Repo / SDF	Rate at which banks park excess funds with RBI	5.00%
MSF	Emergency lending rate (above repo)	5.50%
CRR	% of deposits banks must keep with RBI	4.0%
SLR	% of NDTL banks must hold in liquid assets	18.0%

The **repo rate** is the most important policy signal — it influences all other interest rates in the economy (home loans, corporate borrowing, fixed deposits).

## UPSC RELEVANCE

### GS Paper 3 — Indian Economy

- Monetary policy framework: MPC, FIT, repo rate transmission
- Inflation targeting and central bank independence
- Currency management and external sector dynamics
- Centre-RBI coordination on inflation target



### Prelims Fast Facts:

- Current repo rate: **5.25%** (unchanged April 2026)
- MPC composition: **6 members** (3 RBI + 3 government)
- Inflation target: **4% ± 2%** (FIT framework, 2016)
- Target renewed: **2026-2031**
- Cumulative cuts since Feb 2025: **125 bps**
- RBI Governor: **Sanjay Malhotra**

## FACTS CORNER

- The **MPC meets 6 times a year** (bi-monthly), not the legally mandated minimum of 4. Each meeting concludes with a 3-day deliberation; the decision is announced on the third day.
- India's **inflation target of 4%** is one of the most stringent among emerging markets — Brazil targets 3% ± 1.5%, Russia 4%, Indonesia 3% ± 1%.
- The **2016 FIT amendment** to the RBI Act was a **landmark institutional reform** — before this, the RBI Governor had sole discretion on rates with no formal accountability mechanism.
- **Sanjay Malhotra** became RBI Governor in **December 2024**, succeeding Shaktikanta Das. He is a 1990-batch IAS officer who previously served as Revenue Secretary.
- The **rupee at Rs 95/\$** is the lowest in India's history — but in real (inflation-adjusted) terms, the rupee has been more stable than emerging market peers like the Turkish lira or Argentine peso.

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