7th April 2026

The RBI’s Monetary Policy Committee (MPC) meeting scheduled for 6-8 April 2026 will be closely watched as policymakers navigate an increasingly complex macroeconomic environment marked by supply-side inflation pressures, moderating growth momentum, and heightened global uncertainty due to geopolitical tensions. After cumulative 125 basis points (bps) of repo rate cuts during 2025, which brought the policy repo rate down to 5.25%, the MPC is widely expected to keep rates unchanged in April 2026. However, the policy messaging is likely to turn more cautious and calibrated, reflecting rising inflation risks alongside slowing growth indicators.

The current global shock, primarily emanating from geopolitical tensions and disruptions in commodity markets, is predominantly supply-driven rather than demand-driven. This makes the policy challenge particularly complex. Unlike earlier cycles, the present shock represents both a price and volume shock, raising risks of persistent inflation while simultaneously weighing on output.

Policy action: After maintaining policy rates unchanged in the previous review, the MPC is widely expected to hold policy rates steady in the April 2026 meeting, allowing time to assess the evolving macroeconomic environment marked by supply-side inflation pressures and gradually moderating growth momentum. The guidance is likely to retain a broadly neutral stance but with a visibly more cautious and vigilant tone, reflecting rising inflation risks from supply-side shocks and increasing global uncertainty. While the RBI is expected to avoid signalling immediate rate tightening, it is also unlikely to maintain language that appears accommodative, given the evolving inflation trajectory. In the current environment, communication clarity will be more important than policy action, particularly in shaping market expectations that have turned more hawkish.

1. MPC likely to maintain status quo amidst heightened macro and market uncertainty

For the April 2026 meeting of the RBI’s MPC, a status quo on both policy rates and stance appears likely, given the heightened macroeconomic and financial market uncertainty. Financial markets have already experienced notable disruptions, particularly in the Rupee, which remains the primary channel of transmission of external shocks (Pls refer our report ‘What worries the RBI beyond Rupee & Bond yields’). The currency volatility has contributed to tighter financial conditions, with market interest rates already edging higher, effectively delivering a degree of passive tightening even without a policy rate move. The MPC is also likely to be mindful of the potential growth disruptions, especially across vulnerable sectors. MSMEs, particularly export-oriented units, are expected to be among the worst affected, as currency volatility, rising input costs, and uncertain external demand weigh on margins and working capital cycles. Overall, maintaining status quo in April 2026 would allow the MPC to retain policy flexibility while assessing the persistence of external shocks and their spillover into inflation, financial conditions, and growth (Pls refer our report ‘War drives threshold shift in market levels; unconventional policy measures on close watch’).

2. Key question for MPC: Where oil prices settle even if war is probably nearing its end

For the upcoming MPC, the central question is where oil prices will ultimately settle even if the conflict is nearing resolution. The terminal level of oil prices, even after geopolitical tensions ease, will be crucial in shaping the inflation outlook and the RBI’s policy reaction function. Sensitivity analysis shows 10% rise in oil prices (vs $70/bbl. baseline) affects CPI by (+)30bps (assuming no change in excise duty on petrol, diesel). Since 2022 (Russia-Ukraine war year), limited impact of oil price volatility has been witnessed in retail fuel prices as the government absorbed most of the impact via excise duty changes and/or oil marketing companies adjusted margins.

The level at which oil prices eventually stabilize—even as the geopolitical situation appears to be nearing an endgame—remains a critical determinant of the inflation trajectory and, consequently, the monetary policy reaction function. While transient spikes are typically looked through, a sustained elevation in crude prices can feed into inflation through both direct fuel channels and indirect second-round effects, particularly via transportation and input costs. This becomes especially relevant for core inflation, where persistence matters more for policy calibration. If oil prices persist at $75-$80/bbl. level, the macro impact may be capped and mostly absorbed by oil marketing companies. As per the assessment by India’s Chief Economic Advisor, oil @ $90/bbl will increase the headline CPI to ~2%. However, a sharp oil price spike may increase it to ~5.5%.

At the same time, the MPC’s assessment is increasingly being shaped by the implications of the recent base year revision for both GDP and CPI. The updated GDP series suggests that India’s potential or trend growth is closer to ~7%, providing greater confidence on the durability of growth momentum without necessarily generating overheating pressures. On the inflation front, the revised CPI series indicates a downward shift in core inflation—from around the 4% range to closer to the 3% handle—implying that underlying price pressures may be more benign than previously assessed.

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As per our revised projections under the new base year of 2024, CPI is likely to close FY26 at 2.1% in line with RBI projections. For Q1FY27 and Q2FY27, while MPC has projected 4.0% and 4.2% respectively as per the old base, our estimates using new base year are tracking broadly in line at 3.9% and 4.2% respectively. Kindly note that the MPC will give forecast for the first time using new base year in the April MPC.

3. Macro prudential steps taken for Rupee (worst hit from war); more to likely follow suit in policy announcements

As part of 2013 playbook, the last time when Rupee weakened by more than 10% in a short period, we saw three policy measures taken in 3 steps: (i) Macro prudential related to capital / FX trading controls; (ii) Short term rate hikes & liquidity tightening and (iii) rate hikes. We are at step (i) and if we are close to war endgame then other steps may not follow suit.

Recently, to address excessive depreciation pressure on the Rupee, RBI capped authorised dealers' net open rupee positions at $100 million in the onshore FX market, with compliance required by April 10, 2026. The measure may support the rupee near term as banks unwind long-dollar positions but could trigger mark-to-market losses, reduce liquidity and raise FX volatility. Further, the RBI prohibited authorised dealers from offering non-deliverable rupee derivative contracts to both residents and non-residents, as part of stepped-up measures to support the currency. Banks have also been barred from undertaking FX derivative transactions with related parties. Additionally, RBI has disallowed the rebooking of any cancelled FX derivative contracts—deliverable or non-deliverable—after the issuance of these guidelines.

In MPC, along with policy decision, other steps may be announced like details of a credit guarantee scheme for MSMEs especially exporters hit hard from war along with probably asset classification relief for banks among other macro prudential steps.

4. Liquidity has stayed comfortable yet weaker Rupee calls for tolerance for higher rates, lower liquidity

Banking system liquidity has improved sharply post year-end, moving into a significant surplus of ~Rs 3.68 lakh crore as of 5th April, reversing the March deficit driven by tax outflows and FX intervention. RBI's active liquidity operations, along with government spending have supported this transition helping stabilise short-term rates with WACR aligning closer to the repo rate. At the same time, the rupee remains under pressure (~93–95/USD) amid elevated crude prices and external uncertainties. While RBI's measures have contained volatility, a weaker currency continues to pose imported inflation risks, constraining the central bank's ability to maintain highly accommodative liquidity conditions despite the large surplus. This creates a clear policy trade-off—despite abundant liquidity, RBI is unlikely to allow conditions to remain excessively loose, as surplus liquidity can weigh on the currency and dilute monetary transmission. Markets are already reflecting this shift, with India 10-year yields at ~7.10–7.14% and OIS pricing in the possibility of a rate hike, even as the base case remains a pause in the upcoming MPC.

Going into the policy, the stance is expected to emphasise calibrated liquidity management and tolerance for higher rates, with tools such as VRRR and liquidity absorption used to anchor short-term rates as need for OMOs or swaps is limited post rupee measures. The RBI's CPI inflation outlook will be the key signal, as policymakers balance growth concerns with the need to manage inflation and currency stability in a more uncertain global environment.

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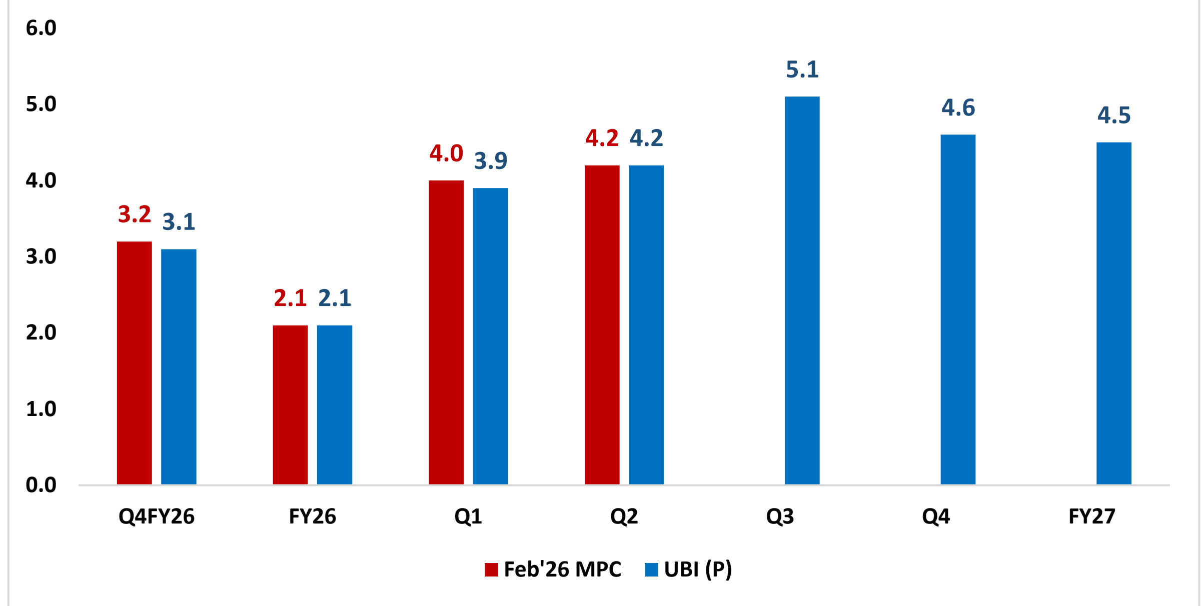
Fig 1: Macro Projections: UBI vs MPC *(% YoY)*

UBI vs RBI MPC Projections				
	GDP		CPI	
	MPC	UBI (P)	MPC	UBI (P)
Q3	-	7.8 (actual)	-	0.8* (actual)
Q4	-	6.5	3.2	3.1
FY26	7.4	7.6	2.1	2.1
Q1	6.9		4.0	3.9
Q2	7.0		4.2	4.2
Q3	-		-	5.1
Q4	-		-	4.6
FY27	-	6.7	-	4.5

*Based on 2011-12 series

*as per old base 2011-12. With new projections as per revised base year, guidance in this regard on close watch.

Fig 2: UBI's CPI projections are marginally below MPC's CPI projections *(% YoY)*



*as per old base 2011-12. With new projections as per revised base year, guidance in this regard on close watch.

Fig 3: WACR shot up on year end, now below SDF as liquidity eased

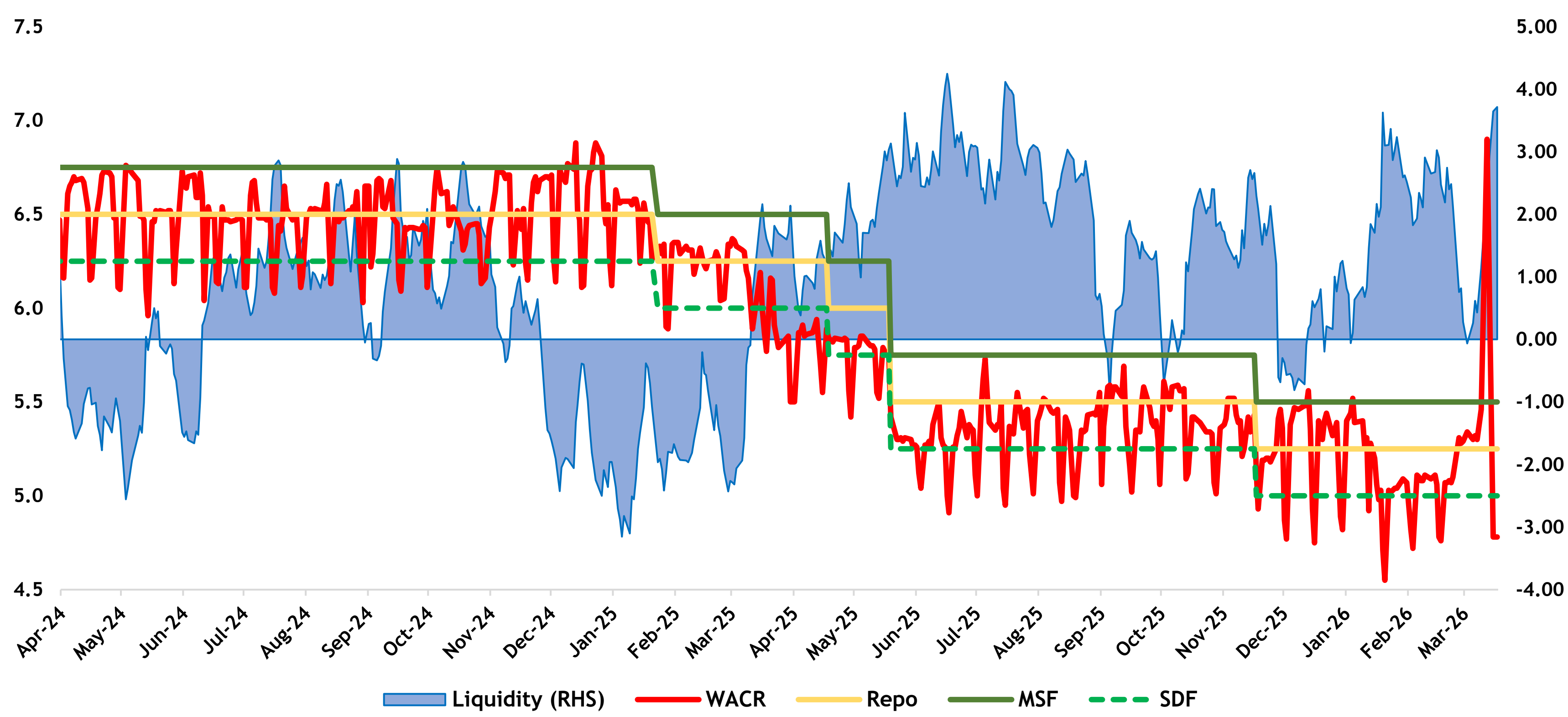
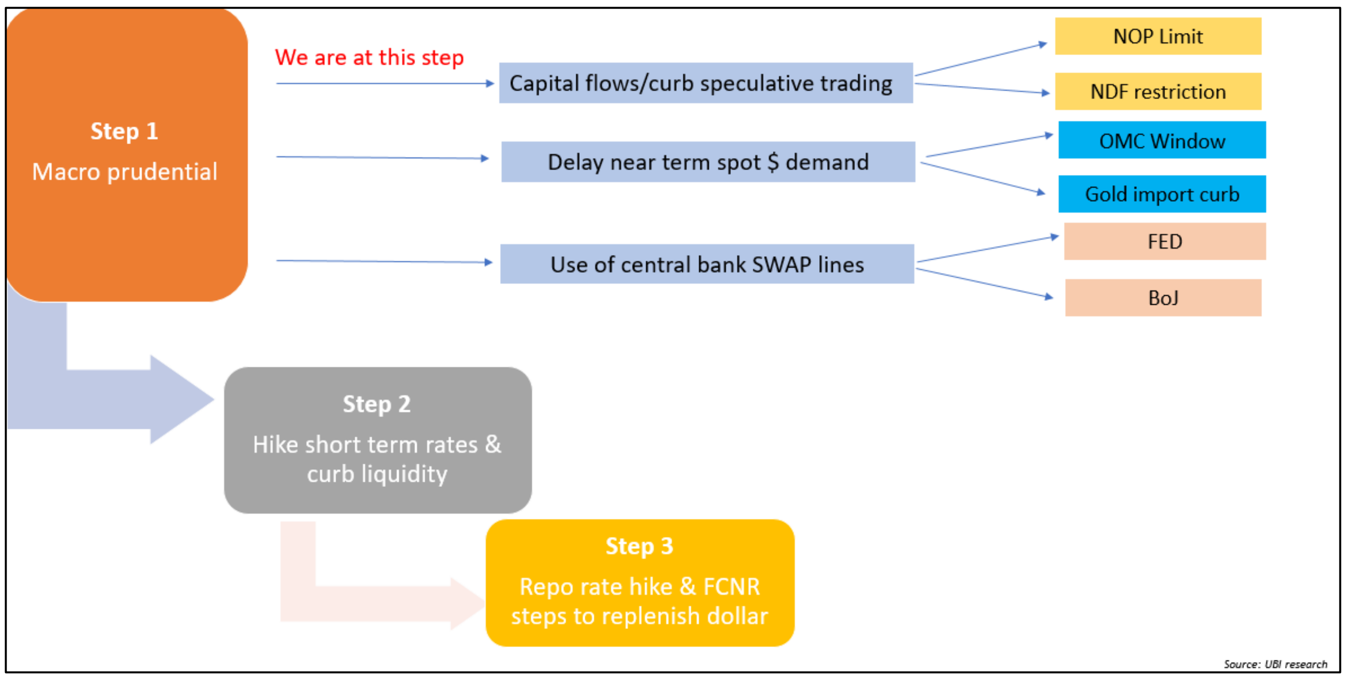


Fig 4: Will 2013 policy playbook come back? 3-steps involved



Source: RBI, CEIC, UBI research

High frequency indicators signal resilience in Q4 FY26

MACRO-ECONOMIC DASHBOARD												
Industrial Sector	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
IIP (YoY Gr%)	2.6	1.9	1.5	4.3	4.1	4.6	0.5	7.2	8.0	5.1	5.2	
Mining (YoY Gr%)	-0.2	-0.1	-8.7	-7.2	6.6	-0.4	-1.8	5.8	6.9	4.3	3.1	
Manufacturing (YoY Gr%)	3.1	3.2	3.7	6.0	3.8	5.6	2.0	8.5	8.4	5.3	6.0	
Electricity (YoY Gr%)	1.7	-4.7	-1.2	3.7	4.1	3.1	-6.9	-1.5	6.3	5.1	2.3	
Core Infra Growth (YoY Gr%)	1.0	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	4.7	4.7	2.3	
Cement Production (YoY Gr%)	6.3	9.7	8.2	11.6	5.4	5.0	5.2	14.6	13.7	11.3	9.3	
Steel Production (YoY Gr%)	4.4	7.4	9.7	16.6	13.6	14.4	5.9	6.7	10.1	11.5	7.2	
Petroleum Products (YoY Gr%)	-4.5	1.1	3.4	-1.1	3.0	-3.7	4.6	-0.9	-1.0	0.0	-1.0	
Fertilizers Production (YoY Gr%)	-4.2	-5.9	-1.2	2.0	4.6	1.6	7.4	5.6	4.1	3.7	3.4	
Coal Production (YoY Gr%)	3.5	2.8	-6.8	-12.3	11.4	-1.2	-8.5	2.1	3.6	3.1	2.3	
Capital Goods Production (YoY Gr%)	14.0	13.3	3.0	6.8	4.5	5.4	2.1	10.1	8.3	4.1	12.5	
PMI Manufacturing	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9
PMI Services	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.2
Banking Sector	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Bank Credit (YoY Gr%)	10.3	9.0	9.5	10.0	10.0	10.4	12.5	11.5	14.5	14.6	15.4	
Agriculture Credit (YoY Gr%)	9.2	7.5	6.8	7.3	7.6	9.0	8.9	8.7	12.1	11.4	12.3	
Industry Credit (YoY Gr%)	6.6	4.8	5.9	6.0	6.5	7.3	10.0	9.6	13.3	12.1	13.5	
Services Credit (YoY Gr%)	10.5	8.7	9.2	10.6	10.6	10.2	13.0	11.7	15.3	15.5	16.3	
Retail Credit (YoY Gr%)	11.9	11.1	11.7	11.9	11.8	11.7	14.0	12.8	14.4	14.9	15.2	
Bank Deposits (YoY Gr%)	9.8	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	
Demand (YoY Gr%)	6.0	19.2	18.1	17.7	12.5	17.4	22.7	16.9	27.4	17.6	19.1	
Time (YoY Gr%)	10.3	8.6	8.9	9.2	8.9	8.3	9.3	9.3	10.7	9.7	10.3	
C-D Ratio (%)	79.7	78.9	78.9	79.2	79.0	80.2	80.2	80.5	81.8	82.3	82.4	
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.3	9.2	8.6	8.8	8.7	8.4	8.6	8.7	8.3	8.5	8.4	
Weighted Average Deposit Rate (%)	7.1	7.1	7.0	6.9	6.9	6.8	6.8	6.7	6.7	6.6	6.6	
Banking Sector	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
UPI (No. in Cr)	1789	1868	1840	1947	2001	1963	2070	2047	2163	2170	2039	2264
IMPS (No. in Cr)	44.9	46.4	44.8	48.2	47.7	39.4	40.4	36.9	38.0	37.4	33.6	36.6
NPCI Retail Transaction value (YoY Gr%)	15.9	16.7	14.9	15.7	14.4	6.0	-0.4	7.8				
NPCI Retail transactions volume (YoY Gr%)	30.1	30.0	28.5	31.0	30.2	23.8	17.9	25.9				
Inflation	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
CPI (YoY Gr%)	3.2	2.8	2.1	1.6	2.1	1.4	0.3	0.7	1.3	2.7	3.2	
Core CPI (YoY Gr%)	4.1	4.2	4.4	4.1	4.1	4.3	4.4	4.3	4.6	3.4	3.4	
WPI (YoY Gr%)	0.9	0.1	-0.2	-0.6	0.5	0.2	-1.0	-0.1	1.0	1.8	2.1	
Consumer	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Electricity Consumption (YoY Gr%)	2.8	-4.8	-2.3	2.6	3.8	3.5	-5.8	-0.6	5.8	3.8	1.0	
Petroleum Consumption (YoY Gr%)	-4.1	6.9	-1.0	6.0	9.9	-8.0	-3.4	0.6	5.5	9.9	-3.2	
Consumer Durables (YoY Gr%)	6.2	-0.9	2.8	7.3	3.5	10.0	-1.3	11.2	12.4	7.2	7.3	
Consumer Non Durables (YoY Gr%)	-2.7	-1.0	-0.9	0.5	-6.4	-0.3	-5.2	8.0	8.5	-2.3	-0.6	
Trade	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Merchandise Export (YoY Gr%)	-3.8	-1.2	-1.3	13.3	5.7	6.0	-12.5	18.7	1.3	0.6	-0.8	
Merchandize Import (YoY Gr%)	20.0	-1.3	-3.4	9.1	-9.5	17.7	16.9	-1.9	8.7	19.8	24.1	
Service Export (YoY Gr%)	8.9	9.6	12.0	10.4	2.8	12.6	2.2	6.7	13.0	9.8	9.7	
Service Import (YoY Gr%)	1.0	-1.0	5.1	8.5	-5.3	7.9	2.9	-2.1	7.4	-0.5	16.2	
Logistics	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
E Way bill generated (Nos. in Cr)	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3	
Air Freight (YoY Gr%)	11.5	5.0	0.2	4.4	5.5	2.5	-2.3	15.6	9.4	8.5	17.9	
Fiscal	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
GST Collection (YoY Gr%)	12.6	16.4	6.2	7.5	6.5	9.1	4.6	-4.0	1.3	2.0	2.8	2.1
Govt. Expenditure (YoY Gr%)	10.0	40.3	37.4	3.3	-9.9	-8.0	-11.1	12.4	-7.3	-8.5	9.7	

Source: CEIC, UBI research

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