24th April 2026

The Apr'26 Monetary Policy Committee (MPC) had unanimously voted to keep the policy repo rate unchanged at 5.25% while continuing with a neutral stance. This was in line with our and consensus expectations. Most members were of the view that the West Asia conflict has likely shifted the Indian growth-inflation trade-offs from a Goldilocks state (low inflation and high growth) in Feb'26 to the opposite extreme. The RBI's baseline outlook reflects a carefully balanced macroeconomic scenario, where growth remains resilient but faces external headwinds, while inflation forecast of 4.6% in FY27 is higher versus 4% target. The central bank has emphasized the need for continued vigilance against second round effects from imported inflation and geopolitical spill overs, reinforcing a cautious and data-dependent policy approach going forward. "*The economy is confronted with a supply shock. It is prudent to wait and watch the changing circumstances and the evolving growth-inflation outlook.*"

Key themes of MPC minutes:

a. Moderation but continuity in growth outlook; External risks high and unpredictable

A central theme is the continued resilience of India's domestic economy despite repeated external shocks. Economic activity in FY26 remained robust, supported by healthy consumption and investment demand, favourable financial conditions, and accommodative policy settings. Looking ahead to FY27, growth is expected to remain supported by: Private consumption, aided by improving rural demand; Public infrastructure spending, which continues to crowd in private investment; Private capital expenditure, reflecting improved corporate balance sheets and capacity expansion needs; Services and agriculture, which remain key pillars of growth stability. Overall, these domestic strengths are expected to help India absorb external shocks better than many peer economies. However, "*the West Asia conflict poses challenges to the Indian economy through a number of channels – exports, supply of critical commodities, elevated energy and other commodity prices, remittances, uncertainty, subdued global demand, etc*". These factors collectively pose downside risks to growth while simultaneously increasing inflationary pressures.

b. Inflation dynamics: contained but facing upside risks

Inflation dynamics present a nuanced picture. Headline inflation remained within the target range in early 2026. Core inflation remained benign, indicating contained underlying price pressures. Fuel inflation has been moderate so far due to unchanged domestic retail fuel prices. Food inflation, after a period of deflation, has begun to rise again. Looking ahead, CPI inflation is projected at 4.6% for FY27, but risks remain on the upside due to: elevated global energy prices; rising input costs across sectors; potential weather disruptions linked to El Niño, affecting agricultural output. This balance of contained current inflation and rising future risks is a critical theme in policy assessment. A key analytical theme is the recognition that the current inflation pressures are supply-driven, rather than demand-driven. Monetary policy cannot directly control supply-side disruptions such as oil price spikes or logistics constraints. Premature policy tightening in response to supply shocks may reduce growth without effectively controlling inflation. The main policy risk lies in second-round effects, such as rising wages and inflation expectations. Thus, the policy response must be calibrated carefully to avoid unnecessary economic sacrifice.

c. Policy mistakes are more dangerous than policy delays

The monetary policy response emphasizes prudence and flexibility. Given the uncertainty surrounding the duration and intensity of geopolitical tensions, status quo was maintained. The supply shock may be temporary as inflation expectations remain largely anchored and premature policy action could lead to policy mistakes. "*…the risks of a policy mistake have heightened amidst uncertainty. Arguments for increasing the policy rate in anticipation of higher inflation are as risky as cutting rates in response to a fear of lower growth. The challenge is to determine the extent of the shocks being transitory versus persistently percolating through the economy, and the time expected for both inflation and growth to revert to targets. Domestic financial conditions having tightened significantly, which amounts to a de facto policy tightening. Hence, a status quo at this time is likely to have the lowest cost.*"

d. We maintain our view of prolonged pause on rates in the coming quarters

We remain watchful of geopolitical developments in West Asia, which pose a key upside risk to inflation through commodity channels. The RBI Governor also clearly flagged upside risks to inflation projections assuming crude oil price stabilise at $85/bbl. For the time being, government and oil marketing companies (OMCs) are trying to absorb a significant portion of the increase in crude, LNG, and LPG prices. However, persistent commodity price volatility, supply-side disruptions, especially in energy and war-related uncertainties could materially alter the inflation trajectory. As of now, we maintain our view of prolonged pause on rates with a close watch on inflation trends. However, if oil prices stabilise above $90/bbl, we see possibility of rate hike with FY27 CPI likely to be sharply higher above the 4.5% mark. Hence, we believe there is a case for status quo on rates in the coming quarters.

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Key Statements by members

Member	Key Statements
RBI Governor Shri Sanjay Malhotra	The RBI Governor emphasized that India's economic activity remained strong in FY26, supported by robust consumption, investment, and favourable financial conditions. *"The West Asia conflict poses challenges to the Indian economy through a number of channels – exports, supply of critical commodities, elevated energy and other commodity prices, remittances, uncertainty, subdued global demand, etc."* However, services, agriculture, strong balance sheets, and continued public spending are expected to support growth. GDP growth for FY27 is projected at 6.9%, with downside risks from global and weather-related uncertainties. Inflation remained within target in early 2026, with core inflation staying benign. For FY27, CPI inflation is projected at 4.6%, with upside risks from rising energy prices, input costs, and possible El Niño conditions. As the current shock is supply-driven and underlying inflation pressures remain contained, a wait-and-watch approach is appropriate, especially given the possibility of conflict easing and supply-chain normalisation. Accordingly, the vote is to keep the repo rate unchanged at 5.25% and retain the neutral stance, while closely monitoring evolving developments.
Dr Poonam Gupta	Dr Gupta was of the view that the Indian economy has faced multiple external shocks in recent years - COVID-19 (2020), Russia-Ukraine war (2022), US tariff actions (2025), and the ongoing West Asia conflict - but strong policy frameworks have helped maintain stability. Revised CPI and GDP series are expected to provide more stable and accurate estimates. Using these new series, inflation is projected at 4.6% in FY27, largely due to base effects and higher oil prices, but expected to remain within the tolerance band. GDP growth is projected to moderate to 6.9%, supported by strong capacity utilisation and continued public and private investment. Given heightened global uncertainty, supply-driven inflation pressures, and moderately slower growth, monetary policy should remain supportive while closely monitoring developments. Accordingly, the recommendation is to maintain status quo on the repo rate at 5.25% and retain a neutral, data-dependent policy stance.
Shri Indranil Bhattacharyya	He noted that as per new CPI series, the headline and core inflation remained well within target in early 2026. However, risks have increased due to volatile global energy prices. Higher input costs may gradually pass through to inflation. Food inflation depends on weather developments. *"In this context, it is pertinent to note that supply-driven inflation warrants a distinctly different policy response than a demand-driven one. Monetary policy has limited ability to quell the direct effects of a supply-induced inflation shock; it only has operational relevance once second-round effects are apparent. These effects are manifested in rising prices and wages when inflation expectations get un-anchored, which is not evident at present."* The prudent course is to wait for more data before acting.
Dr Nagesh Kumar	Dr Kumar observed that heightened global uncertainty due to the West Asia conflict has significantly clouded the outlook for both the global and Indian economies. The West Asia conflict has impacted India through multiple channels, particularly disruptions to crude oil, natural gas, and fertilizer supplies, worsened by the blockage of the Strait of Hormuz, which has sharply raised crude prices. Additional risks include weaker global demand, pressure on exports, gas shortages affecting MSMEs, rupee depreciation, and a likely widening of the current account deficit. Assuming average crude prices of $85 per barrel, India's GDP growth projection for FY27 has been lowered to 6.9% from 7.6% in FY26, while headline inflation is expected to rise to 4.6%, largely driven by supply-side shocks rather than demand pressures. *"In the current highly uncertain economic environment, prudence requires a status quo on monetary policy action. One needs to keep an eye on the evolving geopolitical situation in West Asia and its implications for the Indian economic outlook."*
Shri Saugata Bhattacharya	On the growth front, high-frequency indicators still show resilience, but early "nowcast" signals suggest a possible slowdown, with forthcoming corporate results expected to provide clearer signals. On inflation, risks have intensified due to potential El Niño conditions, hotter weather, and rising inflation expectations. Short-term household inflation expectations have risen sharply, and business surveys also indicate higher expected inflation. External sector risks are increasing. Given these uncertainties, quantitative forecasts alone are insufficient to guide policy. Monetary policy cannot directly control energy prices but must support economic adjustment without destabilizing inflation. With domestic financial conditions already tightening, maintaining the repo rate unchanged is seen as the least risky option, avoiding premature tightening or easing. Accordingly, the decision is to maintain status quo on the repo rate and retain the neutral stance, while closely monitoring evolving macro-financial conditions.
Prof. Ram Singh	Prof. Ram noted that the West Asia conflict has sharply altered India's macroeconomic outlook, shifting the economy from a "Goldilocks" phase of strong growth and low inflation toward a more challenging growth-inflation-risk trade-off. Downside risks to growth remain elevated if disruptions persist. Inflation outlook has worsened, primarily due to supply-side pressures from higher energy, freight, and fertiliser costs. Maintaining the repo rate at 5.25% can help support growth while fiscal and regulatory measures address supply-side pressures. External sector risks remain significant, with potential pressure on CAD and rupee due to elevated crude prices and structural dependence on imported energy. These issues require longer-term structural solutions, alongside short-term administrative measures. Amid high uncertainty and unpredictable geopolitical developments, monetary policy should remain data-driven, focused on anchoring inflation expectations while preserving flexibility.

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