

The Feb'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 indicated that India is in a 'goldilocks' phase, with growth remaining resilient while inflation stays benign (on adjustment for precious metals). Moreover, for both growth and inflation, the impact of base year revision on data is awaited. Hence members felt it prudent to maintain a pause on rates in this policy with a neutral stance. While all members supported holding the rate, Prof. Ram Singh dissented for the second time and advocated for a shift to an accommodative stance, to decisively support growth momentum. The minutes were broadly aligned with the policy statement. The policy guidance was broadly balanced with dovish streaks with the RBI Governor clearly asserting that *"underlying inflation is expected to remain benign"*. *"Excluding precious metals, inflation outlook is even lower. Precious metals contribute about 60-70 bps to inflation."*

Key themes of MPC minutes:

a. All members expressed optimism on India's growth prospects despite external headwinds

The February 2026 MPC minutes reflect clear optimism on India's GDP growth outlook, while acknowledging that global outlook remains uncertain. Real GDP for FY26 is estimated at 7.4%, driven by strong private consumption and fixed investment, with services remaining buoyant, agriculture resilient, and manufacturing showing revival. High-frequency indicators signal continued resilience, including improving non-retail credit growth, stable capacity utilisation, and robust infrastructure activity. The Union Budget's growth-supportive measures and sustained government capital expenditure are expected to further crowd in private investment. As pointed out by some of the MPC members like Dr Kumar and Prof. Singh, the conclusion of major trade agreements with the European Union and the United States, impact of AI, has significantly improved the external outlook, boosting export prospects and investment flows and thereby inching up India's potential growth rate. Reflecting this strengthening outlook, the MPC revised upward its growth projections for Q1 and Q2 of FY27 to 6.9% and 7.0%, respectively. Members also noted healthy corporate and bank balance sheets, strong service exports, resilient rural consumption alongside improving urban demand, and robust domestic macroeconomic fundamentals, all of which support sustained growth momentum despite global uncertainties.

b. Underlying momentum in inflation remains weak

All the members asserted that underlying price pressures in the economy continue to be subdued despite strong growth momentum. Dr Gupta mentions that overall inflation conditions remain benign with full-year FY26 CPI projected at 2.1% and headline inflation projections to move towards the 4% target in the coming quarters. However, if we exclude precious metals like gold and silver, overall inflation dynamics are well within the comfort zone. Excluding gold and silver, core inflation has remained stable in the range of about 2.3%-2.6%, indicating muted demand-side pressures. Food inflation has been in deflation for several months, supported by healthy kharif output, strong rabi sowing, and adequate buffer stocks. International commodity prices, barring precious metals, remain largely contained, and capacity utilisation at around 74% does not signal overheating. Several MPC members noted that even with GDP growth above 7%, core inflation excluding precious metals has remained well below 4% for multiple quarters, suggesting that strong growth is coexisting with moderate inflation without generating excess demand pressures. Overall, the composition of inflation shows that underlying inflationary momentum in the economy remains weak and range-bound.

c. Transmission of policy easing done till now remains in focus

Liquidity will remain the key policy focus area. The RBI Governor had asserted that *"liquidity management would be pre-emptive with sufficient allowance for unanticipated fluctuations in government balances, changes in currency in circulation, forex intervention, etc."* One of the reasons why Prof. Ram Singh dissented on the stance was that he believes that transmission of past policy rate cuts of 125bps will get a boost in a scenario if another rate cut is implanted by the MPC. It is key to note that liquidity measures will be key for banks and funding markets given that the wedge between credit and deposit growth continues to persist at 200-300bps and is posing structural liquidity deficit pressures on the banking system. If the credit momentum continues to sustain (partly supported by RBI measures announced in Feb'26 and in Oct'25 policy), even as deposit growth is lagging on structural issues (household savings profile shift from debt towards equity instruments, lack of level playing field on taxation in deposits vis-à-vis other asset classes), we may see an upward repricing of both deposit & lending rates in the coming months.

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

We maintain our view of a prolonged pause on rates given the domestic macro mix and global macro environment. In fact during the post Feb'26 policy meeting conference, the Governor himself had asserted that [rates were already at or slight below neutral levels](#) (real rate of 140-190bps with inflation in FY27 seen in 3.5-4.0% range). 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	<p>The RBI Governor emphasized that India's economy continues to show strong resilience, with real GDP growth projected at 7.4% for FY26, supported by robust domestic demand and growth-supportive measures in the Union Budget. Recent trade agreements with the EU and US have further strengthened the external outlook, leading to an upward revision in growth projections for H1 FY27. On inflation, he noted that CPI inflation has remained benign and below the tolerance band in recent months, with full-year inflation projected at 2.1%, and near the 4% target in H1 FY27. Excluding precious metals, underlying inflation remains subdued. Given the combination of buoyant growth, stable macroeconomic fundamentals, and manageable inflation, he stated that the current policy repo rate of 5.25% is appropriate and supported retaining the neutral stance while remaining data-dependent going forward.</p>
Dr Poonam Gupta	<p>Dr Gupta emphasized that despite global uncertainty and volatility, India's macroeconomic environment remains favourable, supported by improved external prospects following the trade deal with the US and the FTA with the EU. She noted that GDP growth for FY26 is robust at 7.4%, driven by strong private consumption and investment, with early projections for FY27 also revised upward. On inflation, she highlighted that it remains comfortably low, with full-year inflation projected at 2.1%, and core inflation excluding precious metals staying benign around 2.3% (for Dec'25) and, indicating limited demand pressures. With capacity utilization steady and inflation risks contained, she argued that the cumulative 125 bps of rate cuts already delivered are still transmitting through the system, and with new GDP and CPI series awaited, a further rate cut is not warranted at this stage. Accordingly, she supported keeping the repo rate unchanged at 5.25% and retaining the neutral, data-dependent stance.</p>
Shri Indranil Bhattacharyya	<p>He noted that despite intensifying geopolitical tensions and global tariff disputes, India's economic activity has remained resilient, with real GDP growth estimated at 7.4% for FY26, supported by strong domestic demand and improved external prospects following recent trade deals. He observed that CPI inflation has edged up from historic lows but remains below the lower tolerance band, and that the rise is largely driven by precious metals, while core inflation excluding such items remains muted, indicating limited demand-side pressures. Looking ahead, he expects inflation to hover around the 4% target in H1 FY27, with risks broadly balanced. Given anchored inflation expectations, healthy macroeconomic fundamentals, and the flexibility offered by the neutral stance under the flexible inflation targeting framework, he supported keeping the policy repo rate unchanged at 5.25% while maintaining a neutral stance to respond to evolving conditions.</p>
Dr Nagesh Kumar	<p>Dr Kumar observed that India's economic outlook has brightened significantly, supported by the conclusion of key trade agreements with the EU and the US, which have improved sentiment and strengthened prospects for exports, manufacturing, and FDI inflows. He highlighted that growth momentum remains strong, aided by improved manufacturing performance, robust infrastructure spending, resilient rural consumption, and a turnaround in urban demand. He also noted that exporters successfully diversified markets despite earlier tariff challenges. On inflation, he emphasized that it remains benign, with low headline CPI and limited overheating risks, supported by favourable oil price dynamics. While the improved growth-inflation mix may create space for monetary policy to eventually support faster growth from around 7% to 8%, he argued that maintaining the status quo is prudent for now, given ongoing policy transmission and the forthcoming new data series, and therefore voted to keep the repo rate unchanged and retain the neutral stance.</p>
Shri Saugata Bhattacharya	<p>He highlighted that high-frequency indicators point to continued resilience in economic activity, with improving non-retail credit growth, stable capacity utilisation, and signs of fiscal-led consumption potentially supporting a gradual revival in private capex. However, he cautioned that while inflation is projected to rise toward the 4% target in the first half of FY27, risks of further inflationary pressures are building, even though household inflation expectations remain anchored. He also noted that the forthcoming new GDP, CPI, and IIP series will provide a clearer assessment of the growth-inflation balance. Given global geo-economic uncertainties and pending data clarity, he considered the current policy rate appropriate and voted to keep the repo rate unchanged at 5.25% while maintaining the neutral stance.</p>
Prof. Ram Singh	<p>Prof. Ram noted that India's growth momentum remains steady, with real GDP projected at 7.4% in FY26 and strong contributions from consumption and investment, while inflation is expected to stay moderate, with underlying core inflation (excluding precious metals) remaining subdued. He argued that despite +7% growth, there are no signs of overheating, and structural improvements, productivity gains, infrastructure expansion, and technological advances, including AI, may have raised India's potential growth rate above 7.5% without triggering price pressures. While he supported keeping the repo rate unchanged at 5.25% for now, citing ongoing transmission of earlier rate cuts, he contended that the easing cycle may not be over and advocated shifting the stance from neutral to accommodative to better support growth, given robust macro fundamentals, a stable fiscal and external position, and contained inflation risks.</p>

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