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February 06, 2026

Monetary Policy Statement, 2025-26
Resolution of the Monetary Policy Committee
February 4 to 6, 2026

Monetary Policy Decisions

The Monetary Policy Committee (MPC) held its 59th meeting from February 4 to 6, 2026, under the chairmanship of Shri Sanjay Malhotra, Governor, Reserve Bank of India. The MPC members Dr. Nagesh Kumar, Shri Saugata Bhattacharya, Prof. Ram Singh, Dr. Poonam Gupta and Shri Indranil Bhattacharyya attended the meeting.

2. After a detailed assessment of the evolving macroeconomic and financial developments and the outlook, the MPC voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.25 per cent. Consequently, the standing deposit facility (SDF) rate remains at 5.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate remains at 5.50 per cent. The MPC also decided to continue with the neutral stance.

Growth and Inflation Outlook

3. The global economy showed remarkable resilience in 2025, aided and supported by trade front-loading, a milder-than-anticipated impact of tariffs, broad fiscal stimulus and accommodative monetary policy. Inflation is on a path of gradual decline, although it remains above target in several advanced economies. US yields are trading with an upward bias amidst receding expectations of imminent rate cuts underpinned by firm economic data. Equities, supported by sustained investment in tech stocks, have advanced, even as fiscal strains, geopolitical uncertainty and monetary policy divergence continue to impart volatility to financial markets.

4. On the domestic front, real gross domestic product (GDP), as per the First Advance Estimates (FAE), is estimated to grow at 7.4 per cent (y-o-y) in 2025-26. Private consumption and fixed investment contributed significantly to overall growth. Net external demand, however, continued to be a drag, with imports outpacing exports. On the supply side, real GVA growth of 7.3 per cent is driven by buoyant services sector, resilient agricultural sector and revival in manufacturing activity.

5. Looking ahead, sustained buoyancy in services sector, GST rationalisation, healthy *rabi* prospects, monetary easing and benign inflation environment should support private consumption. Investment activity, supported by high capacity utilisation, conducive financial conditions, healthy balance sheets of financial institutions and corporates, robust credit growth and Government's continued thrust

on capital expenditure, is expected to maintain its momentum. Moreover, robust domestic demand is likely to attract fresh investments by the private sector. While services exports are expected to remain strong, merchandise exports will get a boost from the prospective trade deal with the US. The landmark comprehensive trade pact with the European Union coupled with trade deals with New Zealand and Oman should help diversify exports and strengthen the external sector. On the other hand, headwinds from geopolitical tensions, uncertain global trade environment, volatility in global financial markets and international commodity prices continue to pose downside risks to the outlook. Taking all these factors into consideration, real GDP growth projections for Q1:2026-27 and Q2 are revised upwards to 6.9 per cent and 7.0 per cent, respectively (Chart 1).[1] The risks are evenly balanced.

6. Headline CPI inflation remained low at 0.7 per cent in November and 1.3 per cent in December, 2025. While food group continued to be in deflation, inflation within the fuel group remained moderate in November and December. Core inflation (CPI excluding food and fuel) too remained benign, despite the pick up in prices of precious metals. Excluding gold, core inflation remained stable at 2.6 per cent in December.

7. Near-term outlook suggests that food supply prospects remain bright on the back of healthy *kharif* production, adequate buffer stocks of foodgrains and favourable *rabi* sowing. Core inflation, barring potential volatility induced by prices of precious metals, is expected to be range-bound. Geopolitical uncertainty coupled with volatility in energy prices and adverse weather events are other possible upside risks to inflation. In terms of headline inflation trajectory, unfavourable base effects stemming from large decline in prices observed in Q4:2024-25 would lead to an uptick in y-o-y inflation in Q4:2025-26, despite the anticipated momentum being muted. Considering all these factors, CPI inflation for 2025-26 is now projected at 2.1 per cent with Q4 at 3.2 per cent. CPI inflation for Q1:2026-27 and Q2 are projected at 4.0 per cent and 4.2 per cent, respectively (Chart 2). Excluding precious metals, the underlying inflation pressures remain muted. The risks are evenly balanced.

Chart 1: Quarterly Projection of Real GDP Growth (y-o-y)

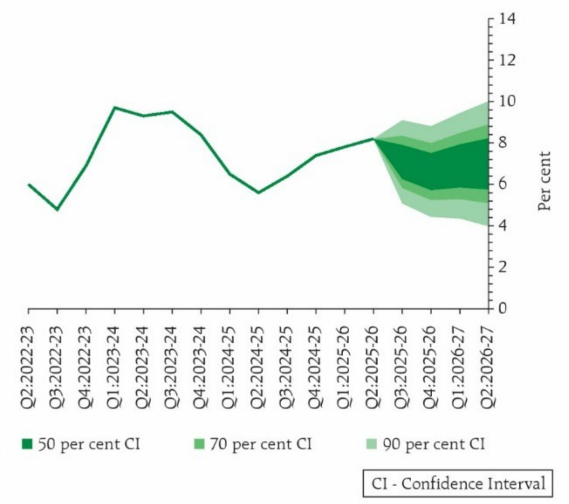
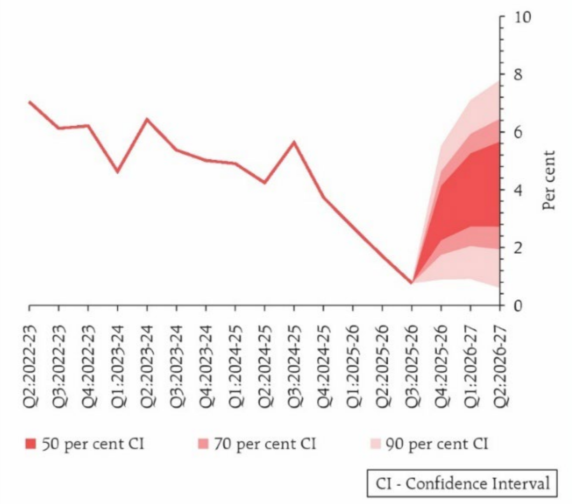


Chart 2: Quarterly Projection of CPI Inflation (y-o-y)



[1] Projections for full year 2026-27 will be set out in the Monetary Policy Resolution to be announced in April 2026 after incorporating the new GDP and CPI series (base 2024=100) to be released on February 27 and February 12, 2026, respectively.

Rationale for Monetary Policy Decisions

8. The MPC noted that since the last policy meeting, external headwinds have intensified though the successful completion of trade deals augurs well for the economic outlook. Overall, the near-term domestic inflation and growth outlook remain positive.

9. Headline inflation during November-December remained below the tolerance band of the inflation target. The outlook for CPI inflation in Q1:2026-27 and Q2 continues to be benign and near the inflation target. The slight upward revision in the inflation outlook is primarily due to increase in prices of precious metals, which contribute about 60-70 basis points. The underlying inflation continues to be low.

10. On the growth front, economic activity remains resilient. The First Advance Estimates suggest continuing growth momentum, driven by domestic factors amidst a challenging external environment. The growth outlook remains favourable.

11. Based on a comprehensive review of the domestic macroeconomic conditions and the outlook, the MPC is of the view that the current policy rate is appropriate. Accordingly, the MPC voted to continue with the existing policy rate. The MPC also agreed to retain the neutral stance. However, Prof. Ram Singh retained his view that the stance be changed from neutral to accommodative. Going forward, the MPC will be guided by the evolving macroeconomic conditions and the outlook based on data from the new series in charting the future course of monetary policy.

12. The minutes of the MPC's meeting will be published on February 20, 2026.

13. The next meeting of the MPC is scheduled for April 6 - 8, 2026.

(Brij Raj)
Chief General Manager

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