

# RBI maintains status quo, sees FY27 growth at 6.9% with downside risks

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Hours after the declaration of a two-week ceasefire in the West Asia conflict, the six-member monetary policy committee of the Reserve Bank of India (RBI) announced that the key policy rate remains unchanged at 5.25 per cent, and maintained a neutral stance, in line with what the street was expecting.

“The ceasefire, to some extent has been taken into account,” RBI Governor Sanjay Malhotra said in a media conference after unveiling the MPC’s policy decisions. “The whole implication... we will come to know. But the ceasefire has been taken into account in the monetary policy decision.”

After cutting the repo rate by 25 basis points (bps) between February and December 2025, the MPC has now kept the policy rate unchanged in the two bi-monthly reviews since then.

Observing that geopolitical uncertainties have heightened significantly since the February MPC meet, Malhotra noted that upside risks to the inflation outlook, driven by increased energy price pressures, among other factors, have increased even though core inflation remains muted. At the same time, supply chain dislocations and the risk of



**“.. IT’S QUITE POSSIBLE THAT EVEN IN THE SHORT TO MEDIUM TERM, WE WILL CONTINUE TO HAVE LOW RATES”**

**Sanjay Malhotra**  
Governor, Reserve Bank of India

second-round effects render the future inflation trajectory uncertain, he remarked.

For the first time ever, the MPC shared projections for core inflation,

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**World Bank ups India’s FY27 growth forecast to 6.6%**

The World Bank on Wednesday upgraded its forecast for India’s GDP growth in FY27 by 30 bps to 6.6 per cent compared to its October 2025 forecast of 6.3 per cent, even as it expects inflation to inch up due to high energy prices.

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**India’s banking system resilient, safe and strong: RBI Governor**

India’s banking system is resilient, safe, and strong, said RBI Governor Sanjay Malhotra on Wednesday. He added that central-bank regulations, along with its supervisory framework, helped keep the banking system robust.

▶ **RBI proposes scrapping IFR**

which excludes prices of volatile energy and food items, in the April monetary policy statement. While headline inflation is projected at 4.6 per cent through 2026-27 (FY27), relative to 2.1 per cent estimated for FY26, core inflation rate has been estimated at 4.4 per cent this year.

The central bank assessed that elevated energy and other commodity prices due to the West Asia conflict and other supply disruptions are likely to impact growth in 2026-27, and it projected a real GDP growth of 6.9 per cent in FY27, down from the 7.6 per cent uptick expected in FY26.

“Further escalation and wider spread of the conflict, heightened

volatility in global financial markets and weather-related events, however, weigh on the domestic growth outlook. Risks to the baseline projections are tilted to the downside, with uncertainty remaining elevated due to the ongoing West Asia conflict,” Malhotra said, noting that the FY27 GDP growth projection was way lower than the FY26 estimate.

When asked about the thinking on interest rates staying lower for longer as indicated during the February policy, Malhotra said it is quite possible that rates remain low in the near to medium term, but it will depend on how conditions evolve.

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Malhotra acknowledged that the Rupee depreciated more in FY26 than the average decline in previous years. The Indian unit depreciated over 4 per cent in March following the West Asia conflict.

This prompted the central bank to unveil regulatory measures like capping net open position of banks in the onshore onshore deliverable and barred banks to offer non-deliverable contracts to their clients. Following these steps, the rupee changed trajectory and has appreciated 2.4 per cent.

“The RBI stands committed to this [exchange rates are market determined] policy, and would judiciously contain excessive or disrup-

tive volatility to ensure that self-fulfilling expectations do not exacerbate currency movements beyond what is warranted by fundamentals,” Malhotra said.

“Out of the eight statements by the current governor, this statement is the most cautious/hawkish in our opinion, but that does not mean a rate hike is imminent,” said State Bank of India Group Chief Economic Adviser Soumya Kanti Ghosh. “We expect a prolonged pause as the natural outcome under current uncertain global environment,” he said in a note.

Economists at Barclays concurred that there may not be a rate hike any time soon.

“The MPC seems convinced that higher inflation is, in fact, a supply shock outcome. We do not expect it to respond in any hurry via a rate hike, especially as the two-week ceasefire offers relief,” they said in a note.

The governor noted that Indian banks remain resilient and system-level financial parameters related to capital adequacy, liquidity, asset quality and profitability of Scheduled Commercial Banks (SCBs) continue to remain healthy. He said bank credit maintained its upward trajectory and remained broad based.

The next meeting of the MPC is scheduled for June 3 to 5, 2026.