

# RBI Monetary Policy – February 2026

**6<sup>th</sup> FEBRUARY 2026**

The Reserve Bank of India (RBI), in its February 2026 policy meeting, decided to keep the repo rate unchanged at 5.25% after a 125bps cut in CY2025 and continue with a 'neutral' policy stance. The decision reflects confidence in India's economic growth and comfort with the current inflation situation, even as global conditions remain uncertain.

This policy comes ahead of the release of a new GDP and inflation data series later this month. Given this transition, the RBI has chosen to remain cautious and flexible, preferring to wait for more data before making any changes to interest rates.

## India's Growth Outlook

India's economy continues to perform well. For FY2025–26, GDP growth is estimated at 7.4%, supported mainly by strong consumer spending and higher investment. The services sector remains the main driver of growth, manufacturing activity has improved and agriculture has benefited from good reservoir levels and a healthy rabi crop.

Looking ahead, growth is expected to remain strong in early FY2026–27. Bank lending is growing at a healthy pace, companies are investing more and the government continues to spend on infrastructure. Reflecting these factors, the RBI has raised its growth estimates for the first half of the next financial year, while full-year projections will be shared in April after the new data series is released. Real GDP growth projections for Q1:2026-27 and Q2 are revised upwards to 6.9% and 7.0%, respectively.

## Inflation Situation

Inflation remains well under control. Headline CPI inflation remained low at 0.7% in November and 1.3% in December 2025, mainly due to falling food prices. Adequate food supplies and strong agricultural output have helped keep prices stable.

Core inflation, which excludes food and fuel, has remained largely steady. Some increase has been seen mainly due to higher gold prices which alone added 60-70 bps, but overall price pressures remain limited. The RBI now expects inflation for FY2025–26 to average around 2.1% revised from 2.0%, CPI inflation for Q1 and Q2 in FY2026–27 is projected at 4.0% and 4.2% revised from 3.9% to 4.0% respectively, close to the RBI's target. Importantly, inflation risks are currently balanced.

## RBI's Policy View

With strong growth and low inflation, the RBI believes the current interest rate level is appropriate. While one MPC member preferred a more growth-supportive stance, the committee as a whole chose to stay neutral. This allows the RBI to respond to future changes in inflation or growth without being locked in a particular direction.

Liquidity in the banking system remains comfortable. The RBI has reiterated that it will actively manage liquidity to ensure banks have enough funds to support economic activity.

## Global Environment

Globally, economic growth has been better than expected, supported by government spending and easier financial conditions. However, inflation in many developed countries is still above desired levels, which has made global central banks cautious about cutting rates further. Bond markets remain volatile due to fiscal concerns, while equity markets, especially technology stocks, have continued to perform well.

Geopolitical tensions and trade uncertainties remain key risks. At the same time, recent progress on trade agreements, including India's deal with the European Union and a possible agreement with the United States, is a positive development for India's medium-term growth and exports.

## Conclusion

The February 2026 monetary policy reflects a steady and cautious approach by the RBI. By holding rates and maintaining flexibility, the central bank has reinforced confidence in India's economic outlook while remaining alert to global and domestic risks. While inflation has edged up marginally from recent lows, underlying price pressures remain contained. Growth projections for the first half of FY2026–27 have been revised upwards compared to earlier assessments, indicating improving domestic demand. The retention of a neutral stance suggests the RBI prefers to await further data, particularly ahead of the transition to the new GDP and inflation series.