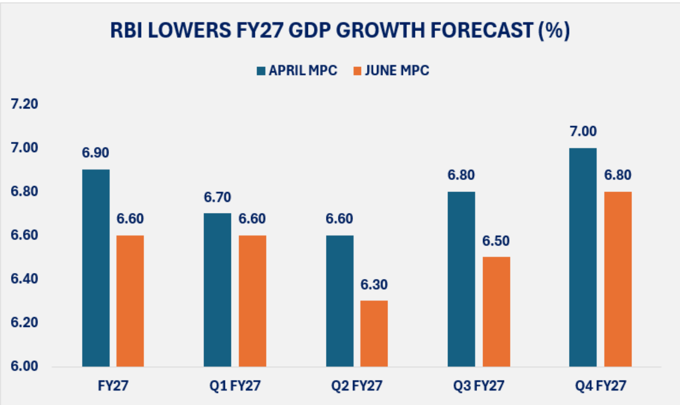
5th JUNE 2026

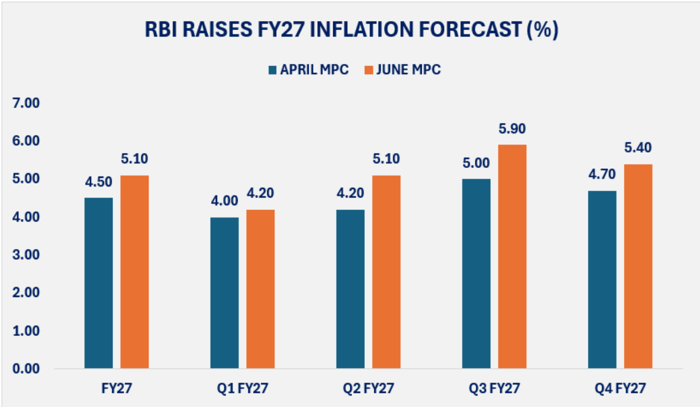
RBI Monetary Policy Update: June 2026

The RBI's Monetary Policy Committee maintained status quo in its June policy meeting, keeping the repo rate unchanged at 5.25% and retaining the neutral stance. While domestic demand remains resilient, rising global uncertainties have prompted the RBI to lower its growth forecast and raise its inflation projections for FY27.

Growth Outlook Moderates

The RBI revised its FY27 real GDP growth forecast downwards to 6.6% from 6.9% projected in the April policy. The downgrade reflects concerns around elevated energy prices, global supply chain disruptions and weaker external demand. Nevertheless, resilient domestic consumption, continued government capital expenditure and strength in the services sector are expected to support economic activity. Over the last two policy meetings, the RBI has lowered its FY27 growth forecast by a cumulative 80 basis points, highlighting the impact of increasing global uncertainties on the domestic economy.





**Source: RBI Press Release*

Inflation Expected to Rise

The RBI simultaneously raised its FY27 CPI inflation forecast to 5.1% from 4.5% projected in April. Higher crude oil prices, recent increases in domestic fuel prices and concerns around below normal monsoon are expected to exert upward pressure on inflation over the coming quarters. Inflation is projected to peak at 5.9% in Q3 FY27 before moderating thereafter. Notably, the RBI highlighted that recent fuel price hikes alone could add approximately 36 basis points to headline inflation, with second round effects posing additional risks. Over the last two policy meetings, the FY27 inflation forecast has been revised upwards by a cumulative 90 basis points.

In addition to the policy decision, the RBI announced several measures aimed at strengthening foreign capital inflows and supporting the rupee amid heightened global uncertainty. In addition to the policy decision, the RBI announced a series of measures aimed at attracting foreign capital and supporting the rupee. These include broader access for FPIs to government securities under the Fully Accessible Route (FAR), including longer tenor bonds, and the removal of certain investment restrictions. The measures complement the government's recent exemption of long-term capital gains tax on government securities held by FPIs for more than 1 year, enhancing the attractiveness of Indian debt markets for foreign investors

Expanded FPI Access to Government Securities

The RBI widened investment avenues for Foreign Portfolio Investors (FPIs) by allowing greater participation in government securities under the Fully Accessible Route (FAR), including longer tenor bonds. This is expected to improve foreign participation in India's debt markets and enhance the attractiveness of government securities.

Higher Participation Limits for NRIs and OCIs

The central bank also eased investment norms for Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs), allowing greater participation in domestic equity instruments without additional registration requirements. The move aims to facilitate broader overseas investor participation in Indian financial markets.

Measures to Encourage Foreign Currency Inflows

To support foreign exchange liquidity, the RBI announced concessional forex swap facilities for public sector entities raising external commercial borrowings (ECBs) and extended support for fresh FCNR(B) deposits. These measures are intended to encourage foreign currency inflows and strengthen India's external position.

Faster Repatriation of Export Proceeds

The RBI restored the maximum timeline for realization of export proceeds to nine months. Faster conversion of export earnings into foreign exchange could help improve dollar liquidity in the domestic market and provide additional support to the rupee.

While the RBI refrained from changing policy rates, the June policy statement highlighted a clear shift in the macroeconomic outlook. Growth forecasts were revised, lower and inflation projections raised, underscoring the challenges posed by rising commodity prices and external uncertainties. The accompanying measures to boost capital inflows and support the rupee further signal the RBI's focus on maintaining financial stability. The trajectory of inflation and the progress of the monsoon will remain key variables to watch ahead of the next MPC meeting scheduled from August 3 to 5, 2026.

Website: www.privus.in | Email: research@privus.in | Landline: +91 22 4896 5600