PHDCCI Analysis of Reserve Bank of India’s Monetary Policy Committee Announcement – August 2026

PHDCCI Research Bureau

Policy Summary

S.No	Announcement	Previous (%) – April 2026	Previous rate (%) – June 2026	New rate (%)- August 2026
1.	**Repo rate**	5.25	5.25	5.25
2.	**Standing Deposit facility (SDF) rate under liquidity adjustment facility (LAF)**	5.00	5.00	5.00
3.	**Marginal Standing Facility (MSF) rate**	5.50	5.50	5.50
4.	**Bank rate**	5.50	5.50	5.50
5.	**Policy Stance**	Neutral	Neutral	Neutral
6.	**Cash Reserve Ratio**	3	3	3

Source: Governor's Statement: August 05, 2026

Macroeconomic Projections and Economic Outlook

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Baseline Assumptions for Projections

Indicator	MPR October 2025	MPR April 2026
Crude Oil	US$ 70 per barrel during H2: 2025-26	US$ 85 per barrel during 2026-27 and US$ 75 per barrel during 2027-28
Exchange rate	₹ 88/US$ during H2: 2025-26	₹94/US$ during 2026-27
Monsoon	Normal for 2026-27	Normal for 2026-27 and 2027-28
Global growth	3.0 per cent in 2025 3.1 per cent in 2026	2.9 per cent in 2026 3.0 per cent in 2027
Fiscal deficit (per cent of GDP)	To remain within BE 2025-26, Centre: 4.4, Combined: 7.4	To remain within BE 2026-27 Centre: 4.3 Combined: 6.8
Domestic macroeconomic/structural policies during the forecast period	GST rationalisation	No major change

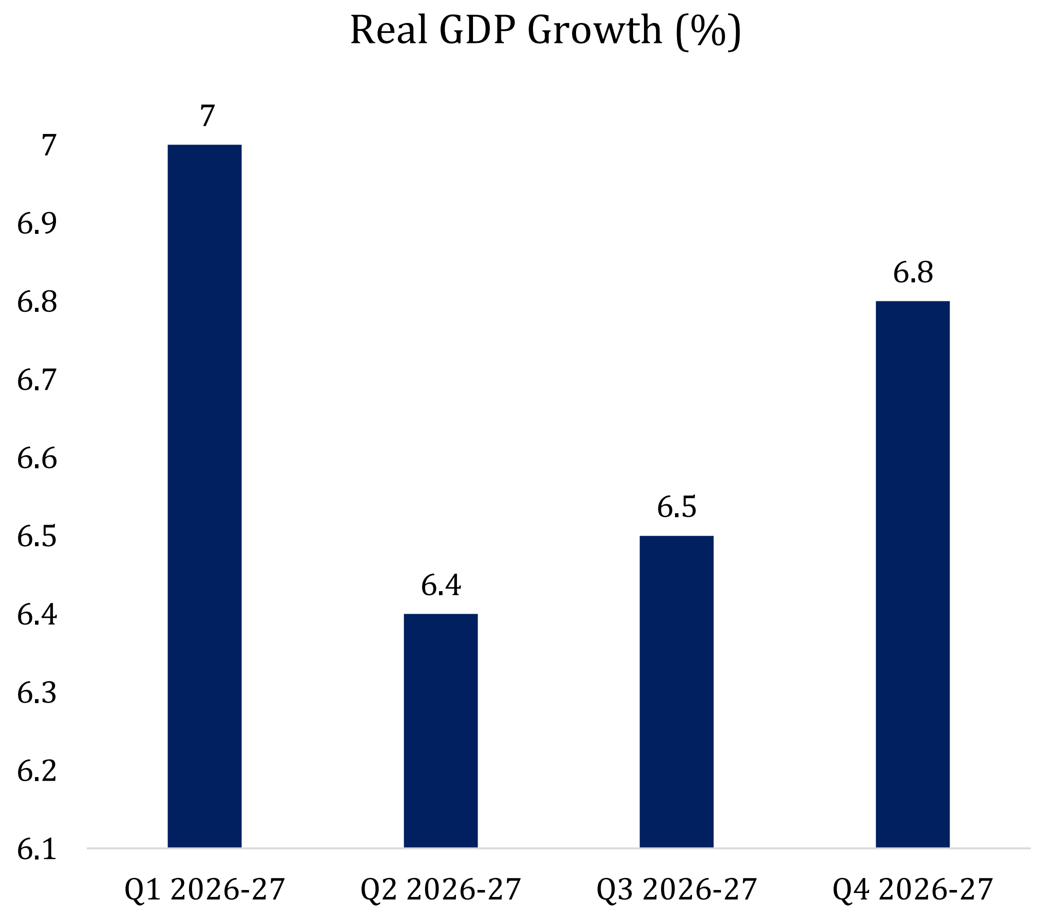
Notes:
1. The assumption on oil is based on Brent crude.
2. The exchange rate path assumed here is for the purpose of generating the baseline projections and does not indicate any ‘view’ on the level of the exchange rate. The Reserve Bank is guided by the objective of containing excess volatility in the foreign exchange market and not by any specific level of and/or band around the exchange rate.
3. BE: Budget estimates.
4. Combined fiscal deficit refers to that of the Centre and States taken together.
Sources: RBI estimates; Budget documents; International Monetary Fund (IMF) and Organization for Economic Co-operation and Development (OECD).

Macroeconomic Projections and Economic Outlook

Macroeconomic Projections – Real GDP

GROWTH OUTLOOK

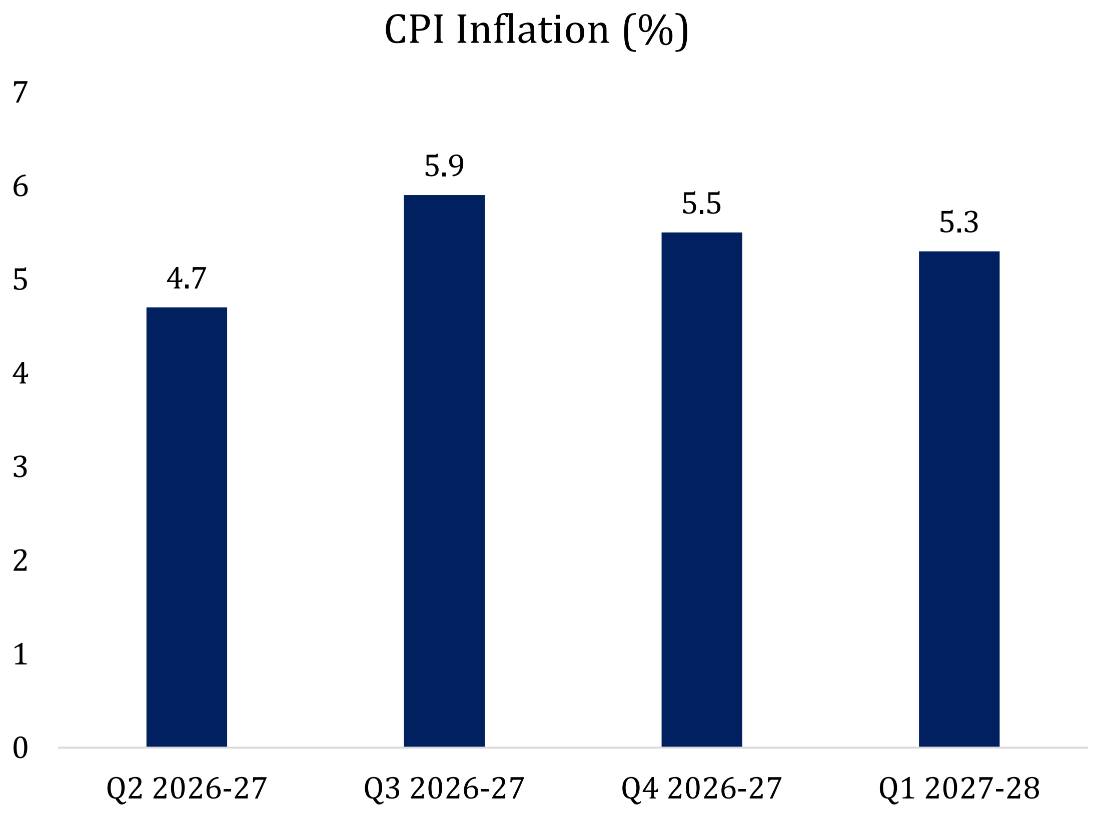
- The real GDP growth is projected to grow at 6.7% in FY2027 against the prior projection of 6.6%.
- The deficient southwest monsoon due to El Nino conditions pose a risk on agriculture. However, the stable reservoir levels and crop diversification initiatives are likely to mitigate this effect.
- The demand is likely to remain stable as rural consumption is expected to be supported by allied sector activities and various government schemes. Additionally, stable employment conditions and robust services sector are likely to support urban consumption.
- External demand is expected to sustain given the operationalization of the bilateral trade agreements and market diversification.
- There are certain risks such as global supply disruptions, volatile international financial markets and weather related risks that might constraint growth.



Source: Governor's Statement: August 05, 2026

Macroeconomic Projections and Economic Outlook

Macroeconomic Projections – CPI Inflation



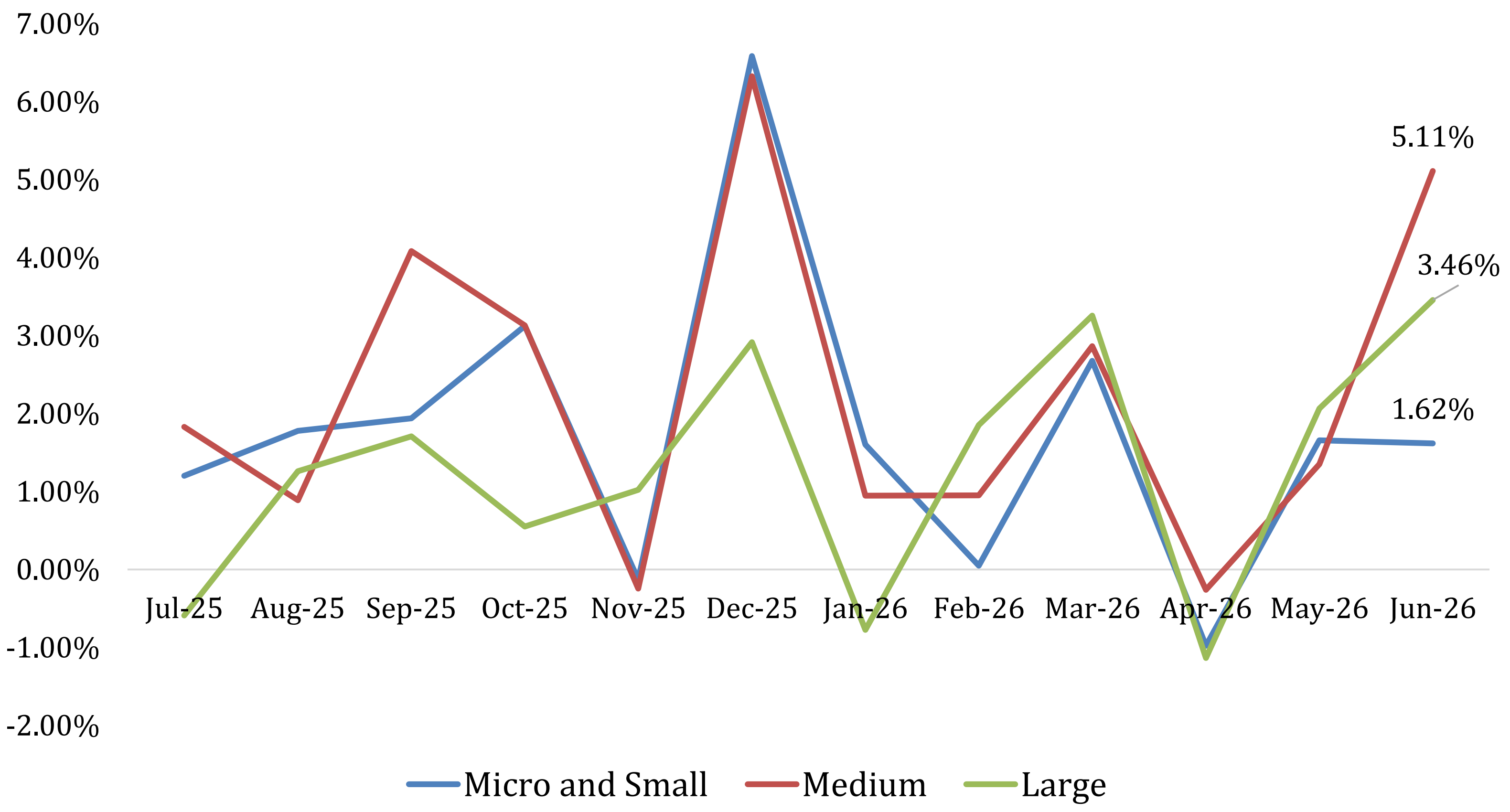
Source: Governor's Statement: August 05, 2026

INFLATION OUTLOOK

- The CPI inflation is projected at 5.0% for 2026-27 as compared to 5.1% projected earlier.
- Core inflation is projected to be 4.3% for 2026-27. Core inflation excluding precious metals is projected to be lower, though it is likely to align with core inflation from Q4.
- Below normal Southwest monsoon amidst El Niño conditions set upward risk on the major component of CPI inflation, the food inflation. Though, the adequate food grains stocks and reservoir levels may provide some relief.
- The recent geopolitical conditions have resulted in high volatility in the global fuel prices, posing as constraint for near term outlook on the fuel inflation.
- The second round effects of higher food, fuel and other input prices transmitting into broader price increases remains a critical risk.

Bank Credit Analysis

Deployment of Bank Credit – Share of MSME and Large Industry (M-o-M growth)



Source: RBI data base
Note:
"Medium Enterprises" under the priority sector include credit to medium enterprises in industry and services sectors.

- Credit to industry recorded a robust y-o-y growth of 19.2 per cent in June 2026 (6.3 per cent in June 2025). All subsectors, viz. 'Micro and Small', 'Medium' and 'Large' industries displayed a broad-based expansion.
- Medium Industry recorded the highest growth rate of 5.11% in June 2026 as compared to May 2026.
- After declining sharply in April 2026, the credit to Large industry has rebounded as it increases by 3.46% in June 2026.
- Credit to Micro and Small industry also records positive growth, increasing by 1.62% in June 2026 on m-o-m basis.

Policy Rate Transmission

Policy Transmission & Liquidity

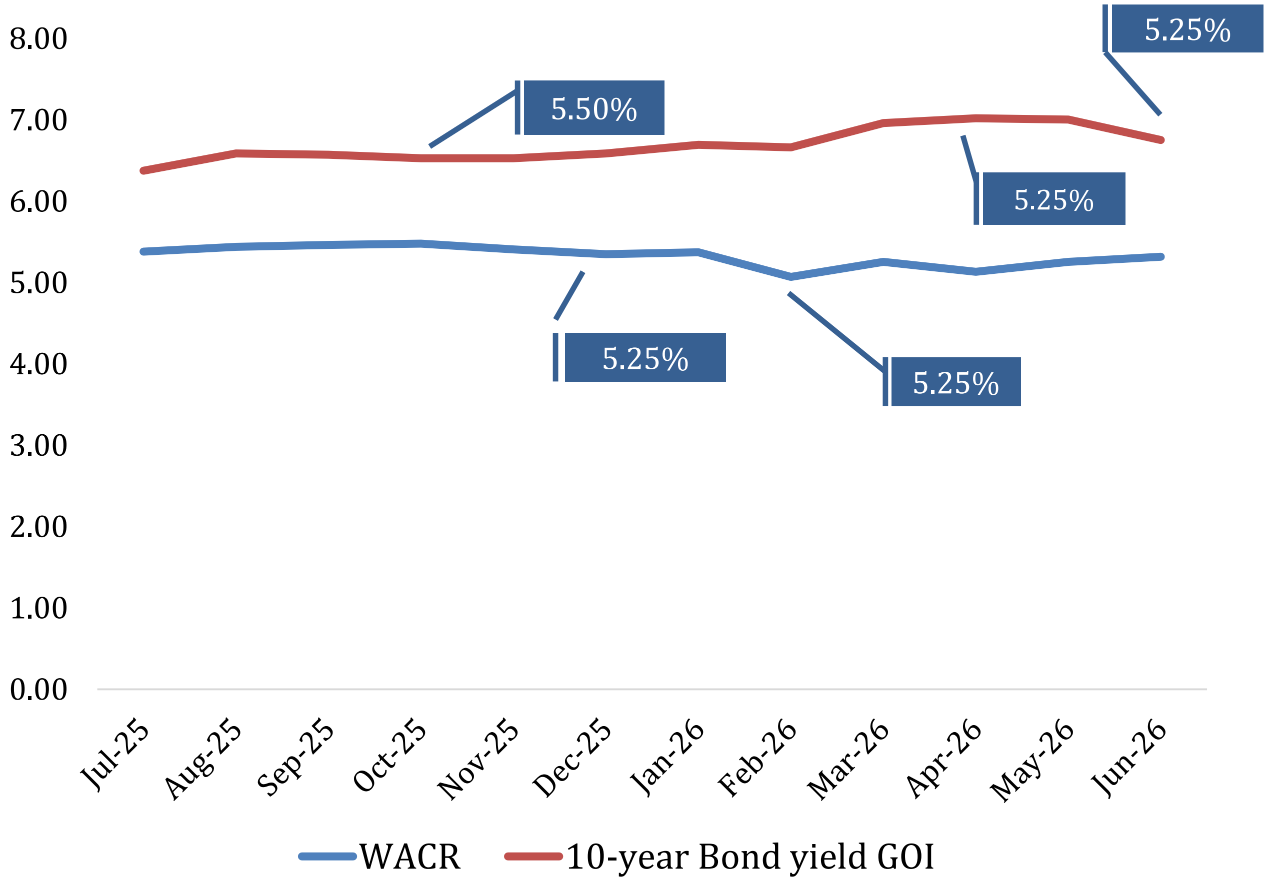
- System liquidity, as measured by the net position under the LAF, stood at an average daily surplus of ₹1.0 lakh crore since the last MPC meeting in June 2026.

- The **weighted average call rate** traded within the policy corridor averaging 5.31 per cent. Furthermore, the short-term money market rates, especially rates of commercial papers and certificates of deposit, moderated in July.

- G-Sec yields, buoyed by measures undertaken by the Government and the Reserve Bank to attract foreign capital into Indian debt markets, eased across maturities during June and July.

- Transmission in the credit market, however, moderated during May-June with hardening of deposit and lending rates.

05 August 2026 – 5.25%



Note: Boxes represent repo rate

Non-Monetary Measures

Developmental and Regulatory Policies	
Draft guidelines for licensing of Urban Co-operative Banks (UCBs)	Following a two decade pause on issuance of fresh licenses, it has been decided to resume licensing of UCBs on 'on tap' basis
Review of Guidelines on Concentration Risk Management – Rural Co-operative Banks	Prudential norms on Concentration Risk Management of Rural Co-operative Banks (RCBs) are governed by the Credit Monitoring Arrangement (CMA) instructions issued in 2008. As the banking sector in general, and co-operative banking sector in particular, have undergone significant expansion and changes since then, it has been decided to review these instructions, keeping in view the objectives of developing a vibrant co-operative sector while addressing the prudential concerns arising from concentrated lending.
Review of Guidelines on Interest Rates on Advances	The Reserve Bank proposes to rationalise the regulatory framework on interest rates for all Regulated Entities (REs) on a principle-based basis. The proposed rationalisation aims to: (i) harmonise the guidelines across REs while maintaining proportionality; (ii) address certain operational aspects of the current framework on MCLR and EBLR; and (iii) standardise certain divergent market practices concerning interest charging, including day count convention and benchmark reset dates. These measures seek to ensure uniformity, enhance transparency in loan pricing, strengthen monetary transmission and bolster consumer protection.

Note - Draft guidelines and directions will be issued shortly by RBI for stakeholder consultations.

Disclaimer

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Thank You