



PHDCCI Analysis of Reserve Bank of India's Monetary Policy Committee Announcement – October 2026

PHDCCI Research Bureau

Policy Summary

S.No	Announcement	Previous rate (%) – June 2026	Previous rate (%) - August 2026	New rate (%) - October 2026
1.	Repo rate	5.25	5.25	5.50
2.	Standing Deposit facility (SDF) rate under liquidity adjustment facility (LAF)	5.00	5.00	5.25
3.	Marginal Standing Facility (MSF) rate	5.50	5.50	5.75
4.	Bank rate	5.50	5.50	5.75
5.	Policy Stance	Neutral	Neutral	Calibrated Tightening
6.	Cash Reserve Ratio	3	3	3

Source: Governor’s Statement: October 07, 2026

Macroeconomic Projections and Economic Outlook

Baseline Assumptions for Projections

Indicator	MPR April 2026	MPR October 2026
Crude Oil	US\$ 85 per barrel during 2026-27 and US\$ 75 per barrel during 2027-28	US\$95 per barrel during H2: 2026-27 and \$85 per barrel during 2027-28
Exchange rate	₹94/US\$ during 2026-27	₹ 95/US\$ during 2026-27
Monsoon	Normal for 2026-27 and 2027-28	Below normal for 2026-27 and normal for 2027-28
Global growth	2.9 per cent in 2026 3.0 per cent in 2027	3.0 per cent in 2026 3.4 per cent in 2027
Fiscal deficit (per cent of GDP)	To remain within BE 2026-27 Centre: 4.3 Combined: 6.8	To remain within BE 2026-27 Centre: 4.3 Combined: 7.0
Domestic macroeconomic/structural policies during the forecast period	No major change	No major change

Notes:

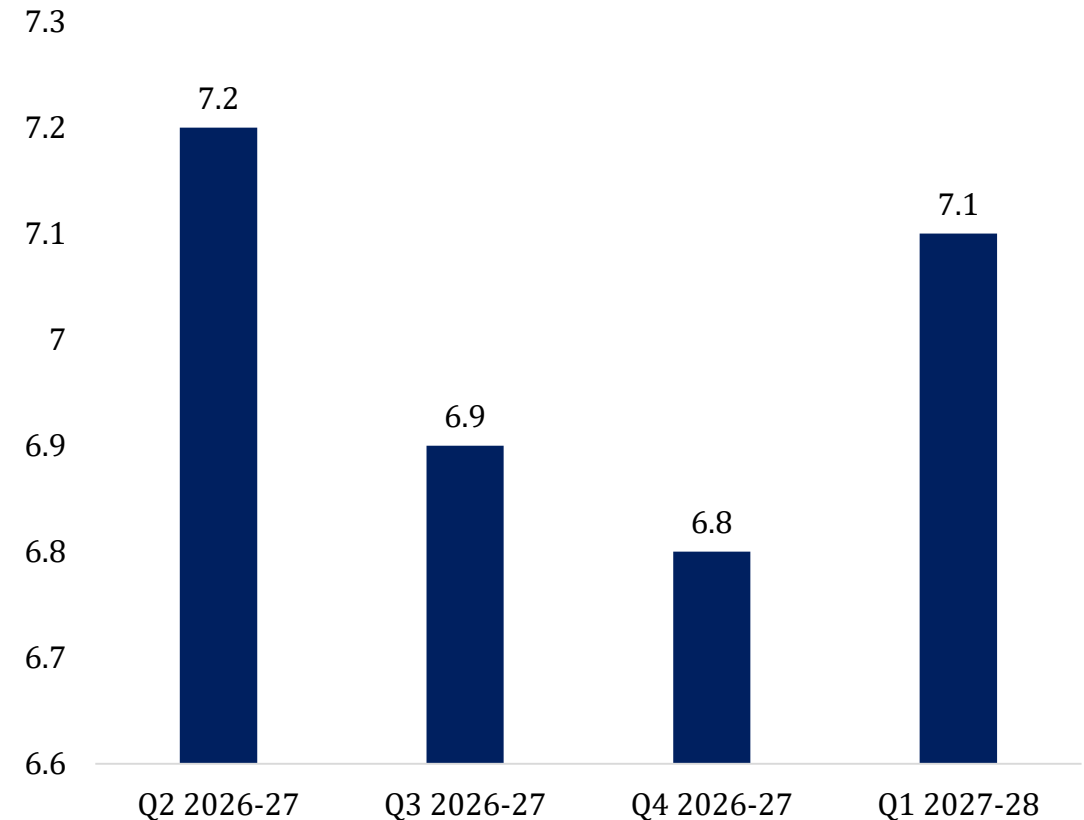
1. The assumption on oil is based on Brent Crude.
 2. The exchange rate path assumed here is for the purpose of generating the baseline projections and does not indicate any 'view' on the level of the exchange rate. The Reserve Bank is guided by the objective of containing excess volatility in the foreign 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; and International Monetary Fund (IMF).

Macroeconomic Projections – Real GDP

GROWTH OUTLOOK

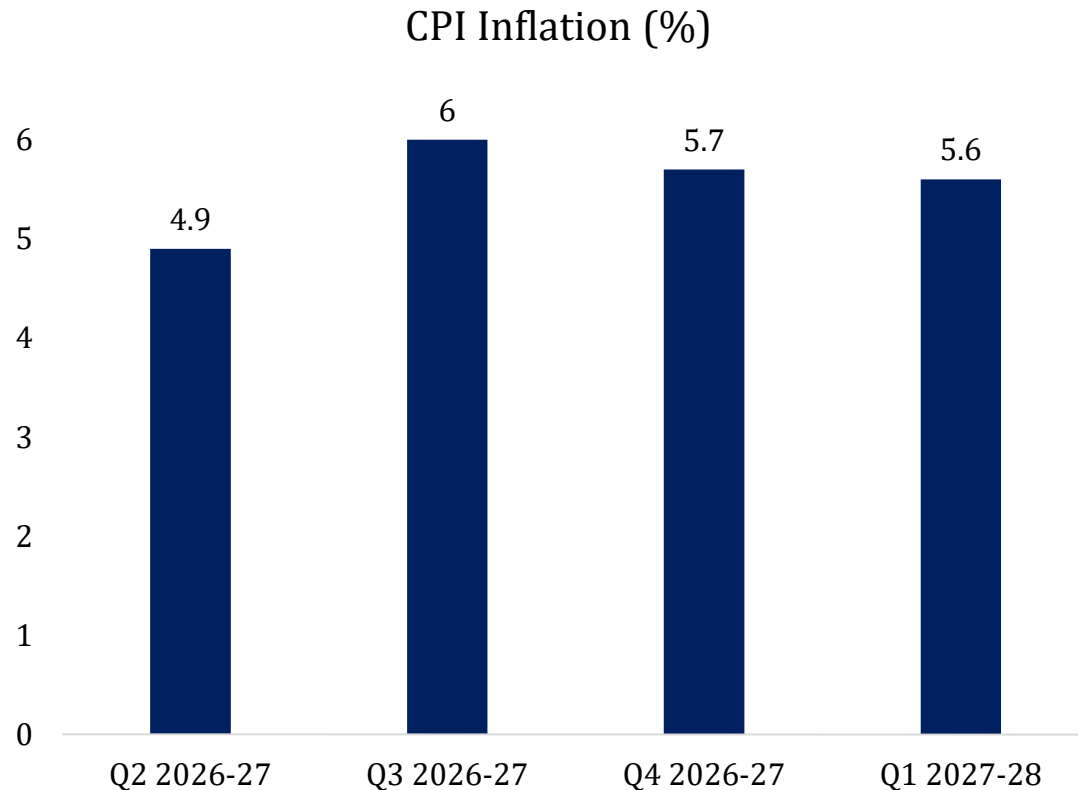
- The real GDP growth is projected to grow at 7.1% in FY2027 against the prior projection of 6.7%, up by 40 bps.
- Below normal southwest monsoon along with strong El Niño conditions are likely to impact the rabi season, affecting food prices and rural demand.
- Though, the Government's continued thrust on infrastructure spending, rebound in private capex and strong credit flows are expected to boost the investment activity. Additionally, the services exports are expected to remain buoyant and merchandise exports are expected to be supported by the operationalized trade agreements.
- Overall, uncertainties amidst geopolitical tensions, elevated international commodity prices, additional frictions in global trade and tightening of global financial conditions may weigh on growth outlook.

Real GDP Growth (%)



Source: Governor's Statement: October 07, 2026

Macroeconomic Projections – CPI Inflation



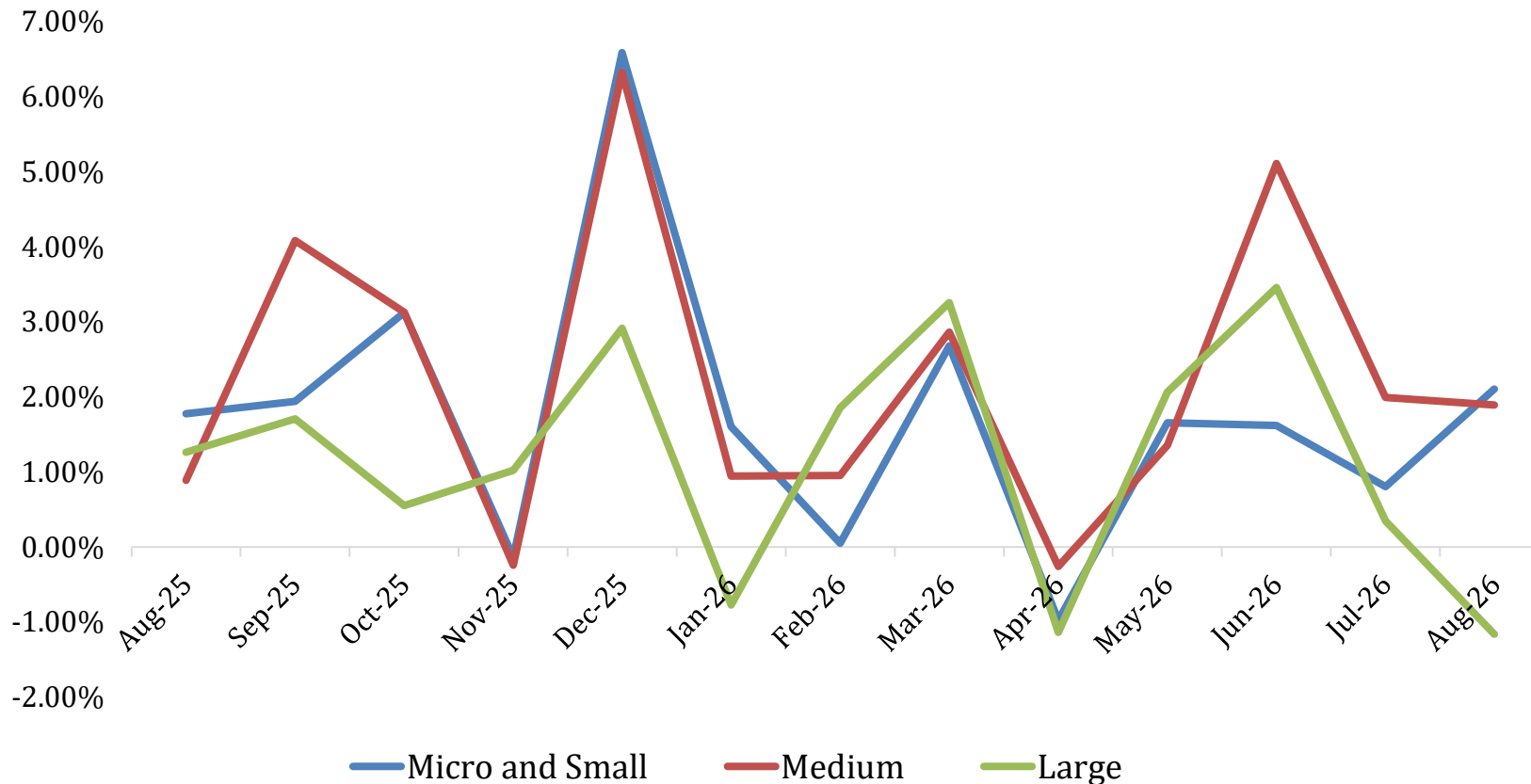
Source: Governor's Statement: October 07, 2026

INFLATION OUTLOOK

- The CPI inflation is projected at 5.2% for 2026-27 as compared to 5.0% projected earlier.
- Furthermore, Core inflation (CPI inflation excluding food & beverages, and fuel) is projected to be 4.4% for 2026-27.
- The CPI inflation is expected to increase significantly in the third quarter of FY 2027 as the supply side pressures continue to pose risk on account of the deficient Southwest monsoon, El Nino conditions and high volatility in international oil prices.

Bank Credit Analysis

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



Source: RBI data base

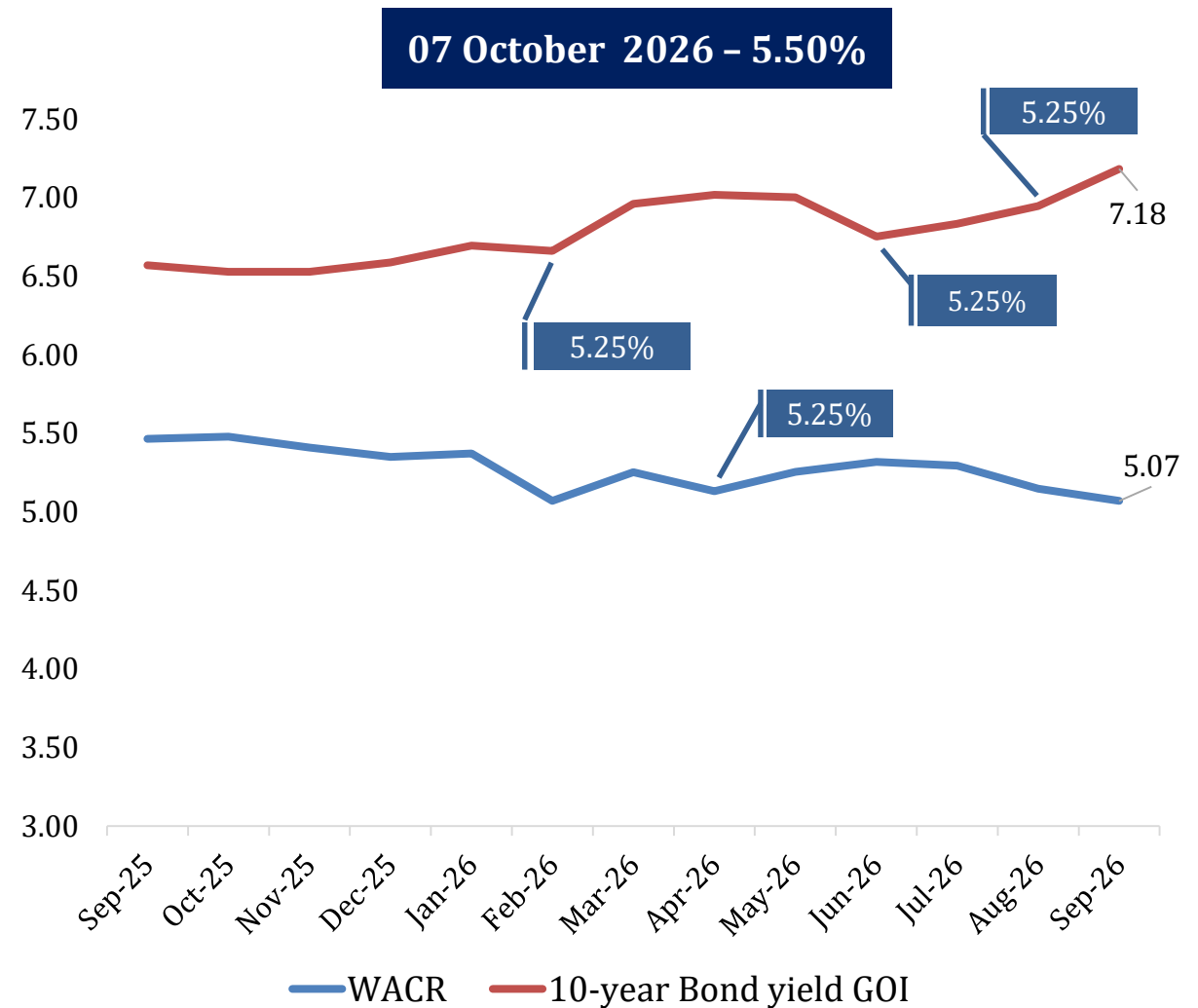
Note:
“Medium Enterprises” under the priority sector include credit to medium enterprises in industry and services sectors.

- Bank Credit to industry recorded a year-on-year growth of 18.2 per cent in August 2026. While credit to ‘large’ and ‘medium’ industries grew at an accelerated pace, ‘micro and small’ industries sustained steady expansion (y-o-y basis).
- Micro and Small Industry recorded the highest growth rate of 2.10% in August 2026 as compared to July 2026.
- Large industry recorded a further decline in the credit, by about 1.16% in August 2026 over July 2026.
- Credit to Micro and Small industry grew by 1.89% in August 2026 on month-on-month basis.

Policy Rate Transmission

Policy Transmission & Liquidity

- During August and September, system liquidity increased substantially on account of the recent measures undertaken to attract capital inflows. As measured by the net position under the LAF, system liquidity stood at an average daily surplus of ₹5.9 lakh crore since the last MPC meeting in August 2026.
- In view of the surplus liquidity conditions, the **weighted average call rate** largely traded in the lower half of the policy corridor in the recent period. Short-term money market rates, especially rates of commercial papers and certificates of deposit moderated significantly in August-September.
- G-sec yields hardened from mid August to September amidst renewed geopolitical tensions in West Asia, rise in global bond yields and increase in crude oil prices.
- Transmission in the credit market reflected dissimilar movements in deposit and lending rates during July-August.



Note: Boxes represent repo rate

Developmental and Regulatory Policies	
Measures to Enhance the Customer Convenience through the Account Aggregator Framework	RBI has decided to implement interoperability among NBFC-Account Aggregators (NBFC-AA) to enhance customer convenience. This will enable customers to access and share their financial information, across different Financial Information Providers, through any NBFC-AA of their choice. Additionally, Depositories regulated by the Securities and Exchange Board of India are being facilitated to include information related to bank deposit accounts in their Consolidated Account Statement (CAS) through the NBFC-AAs. This will enable demat account holders to view information relating to their demat account holdings and bank deposit accounts at one place in the CAS. Customers, including those who do not have demat accounts, can continue to obtain a consolidated view of their financial information and share the same through the NBFC - AAs also.
Constitution of a Technical Consultative Committee for Financial Markets	The Reserve Bank has decided to constitute a Technical Consultative Committee for Financial Markets in response to the rapidly evolving financial market dynamics. The Committee will serve as a forum for structured engagement with market participants and stakeholders by the Reserve Bank on policy and operational matters related to money, government securities and foreign exchange markets as well as the respective derivative markets and infrastructure.

- Notes -
1. Measures to enhance customer convenience are expected to be implemented by December 31, 2026.
 2. The composition and the terms of reference for the Technical Consultative Committee shall be separately notified.

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Thank You