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RBI Keeps Repo Rate Unchanged; Cuts Growth Forecast and Raises Inflation Outlook

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RBI's MPC kept the repo rate unchanged at 5.25%.?

The MPC retained a neutral monetary policy stance.

GDP growth forecast for FY27 was reduced from 6.9% to 6.6%.

Inflation projection was increased from 4.6% to 5.1%.

RBI cited risks arising from:

Rising crude oil prices

West Asia conflict

Weakening rupee

Global economic uncertainty

Weather-related risks affecting food inflation.

The decision implies that loan EMIs and borrowing costs are likely to remain unchanged for now.

What is Repo Rate?

Repo Rate is the rate at which RBI lends short-term funds to commercial banks against government securities.

When the repo rate increases:

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Loans become costlier.

Inflation tends to moderate.

When the repo rate decreases:

Borrowing becomes cheaper.

Economic activity gets a boost.

Current Repo Rate: 5.25%.

Monetary Policy Committee (MPC):

Established under the Reserve Bank of India Act, 1934 (amended in 2016).

Consists of 6 members:

RBI Governor (Chairperson)

Deputy Governor in charge of Monetary Policy

One RBI nominee

Three members appointed by the Central Government

Meets at least four times a year.

Decides the policy repo rate.

Inflation Targeting Framework

Introduced in 2016.

RBI's inflation target:

4% CPI Inflation

Tolerance Band: 2%–6%

Objective: Maintain price stability while supporting growth.

RBI Policy Corridor

Rate: Current Level

Repo Rate: 5.25%

Standing Deposit Facility (SDF): 5.00%

Marginal Standing Facility (MSF): 5.50%

Bank Rate: 5.50%

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About RBI

Established: 1 April 1935

Nationalised: 1 January 1949

Headquarters: Mumbai

Governor: Sanjay Malhotra

Why is it Important?

The repo rate is RBI's primary tool for controlling inflation and supporting economic growth.

The revised forecasts indicate that inflation risks have increased while economic growth prospects have weakened.

The decision impacts bank lending rates, home loans, vehicle loans, business credit, and investment sentiment.

Exam Focus Points (Quick Revision Notes)

Repo Rate ? 5.25%

Policy Stance ? Neutral

GDP Growth Forecast FY27 ? 6.6% (earlier 6.9%)

Inflation Forecast FY27 ? 5.1% (earlier 4.6%)

Decision-Making Body ? Monetary Policy Committee (MPC)

RBI Governor ? Sanjay Malhotra

Inflation Target ? $4\% \pm 2\%$

Main Concerns ? Crude Oil Prices, West Asia Conflict, Weak Rupee

Effect on EMIs ? Likely unchanged