

# Monetary Policy and Economic Outlook Briefing – Apr 08, 2026

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## Key Policy Rates

	Rate	Change
Repo Rate	5.25%	0 bps
Reverse Repo	3.35%	0 bps
Bank Rate	5.50%	0 bps
MSF Rate	5.50%	0 bps
SDF Rate	5.00%	0 bps
SLR	18.00%	0 bps
CRR	3.00%	0 bps

## RBI GDP Forecast

Period	GDP Growth	Change
<b>FY26E</b>	<b>7.6%</b>	<b>+20 bps</b>
Q1 FY27E	6.8%	-10 bps
Q2 FY27E	6.7%	-30 bps
Q3 FY27E	7.0%	NA
Q4 FY27E	7.2%	NA
<b>FY27E</b>	<b>6.9%</b>	<b>NA</b>

## RBI Inflation Forecast

Period	Inflation	Change
<b>FY26E</b>	<b>2.1%</b>	0 bps
Q1 FY27E	4.0%	0 bps
Q2 FY27E	4.4%	+20 bps
Q3 FY27E	5.2%	NA
Q4 FY27E	4.7%	NA
<b>FY27E</b>	<b>4.6%</b>	<b>NA</b>

Source: RBI, Choice Institutional Equities

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*Open Market Operations to keep System buoyant with Liquidity*

## CIE View & Forecast

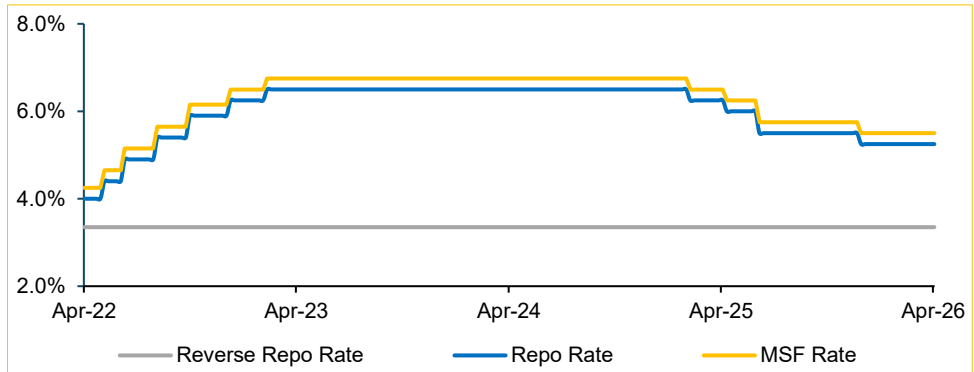
RBI's MPC unanimously voted to **keep the repo rate unchanged**, while reiterating its **neutral stance in line with our expectation**. GDP forecast for **FY26E increased by 20 bps to 7.6%**, whereas **6.9% expected in FY27E** (assuming avg. crude oil at **USD 85/b for FY27E**).

Despite High-Frequency Indicators suggesting continuation of strong economic momentum, we expect growth in **FY27E to remain at 6.8% (vs 7.0–7.2%)**. Growth would be affected by supply-chain disruption, impacting external and domestic demand on account of higher input cost and shipping cost. **We expect credit growth to remain in 13.5%–14.0% range for FY26E and 13.0%–14.0% for FY27E**, driven by negative impact of West Asia conflict on domestic demand. **We believe we are at the end of rate cut cycle and expect a long pause (compared to a 25 bps rate cut by FY27E)**.

## Repo Rate Maintained with a Neutral Stance; Upside Risk to CPI Inflation

- Both, Repo Rate (short-term rate) and Bank Lending Rate (long-term rate), were kept unchanged unanimously at 5.25% and 5.50%, respectively. Similarly, SDF Rate and MSF Rate (overnight rates) remained unchanged at 5.0% and 5.5%, respectively
- Rates were unchanged as the Monetary Policy Committee believes recent spike in energy price due to West Asia conflict and likely emergence of El Nino conditions pose an upside risk to CPI inflation forecast
- Core inflation pressure remains muted, although supply chain dislocation and the risk of second-round effect renders the future inflation trajectory uncertain

## In the last 15 months, repo rate has been cut cumulatively by 125 bps

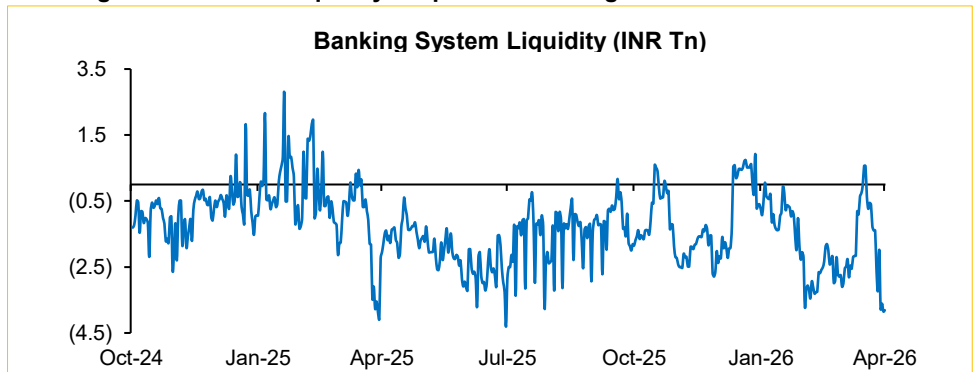


Source: RBI, Choice Institutional Equities

## Systematic Liquidity Maintained at Sustainable Level Since Feb-26 Policy

- Led by RBI's continued liquidity measures, systematic liquidity under the Liquidity Adjustment Facility (LAF), stood at an average daily surplus of ~INR 2.3 Tn since Feb-26 policy. Surplus liquidity has resulted in satisfactory rate transmission in the credit market.

## RBI Targets to Maintain Liquidity Surplus in the Range of 0.6%–1.0% of NDTL



Source: CMIE, RBI, Choice Institutional Equities

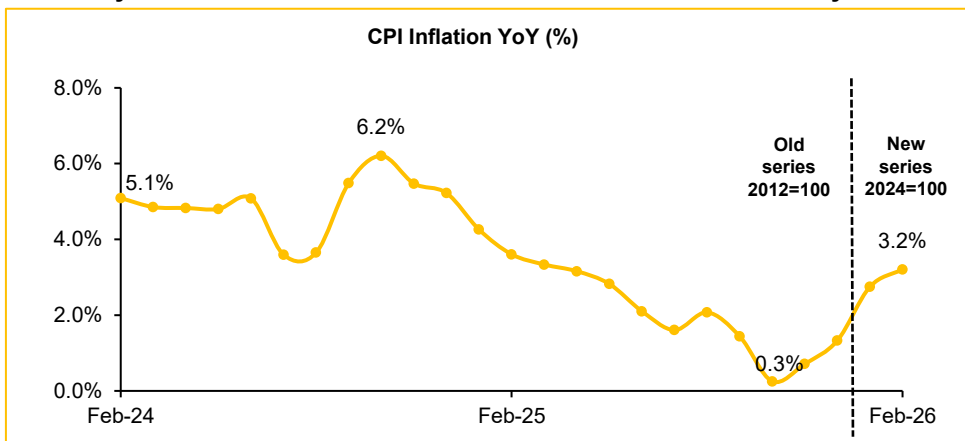
Core inflation (ex. gold) remained benign at 2.1%

We believe we are at the end of rate cut cycle and expect a long pause

### Inflation in February 2026 within RBI's comfort band of 2%–6%

- Inflation recovered for the fourth consecutive month in February 2026. Food inflation moved into **positive trajectory** with **Feb-26 print at -3.5%** (as compared to -2.7% in Dec-25 and -3.9% in Nov-25). **Avg. core inflation during January-February 2026 stood at 3.7%**, whereas **core inflation excluding precious metals stood at 2.1%**
- With the base effect kicking in and increase in energy prices (crude oil assumed at USD 85/b), the RBI expects average CPI inflation to improve in FY27E. The RBI projects inflation at **4.0% (+0 bps)** in Q1FY26E, **4.4% (+20 bps)** in Q2FY26, **5.2%** in Q3FY27E and **4.7%** in Q4FY26E
- Similarly, **inflation for FY27E is forecast at 4.6%**
- As the outlook for inflation remains within RBI's comfort band with risks anchored on upside, **we believe we are at the end of rate cut cycle and expect a long pause**

### Recovery in Food Inflation led CPI to come in at 3.2% for February 2026



Source: MOSPI, Choice Institutional Equities

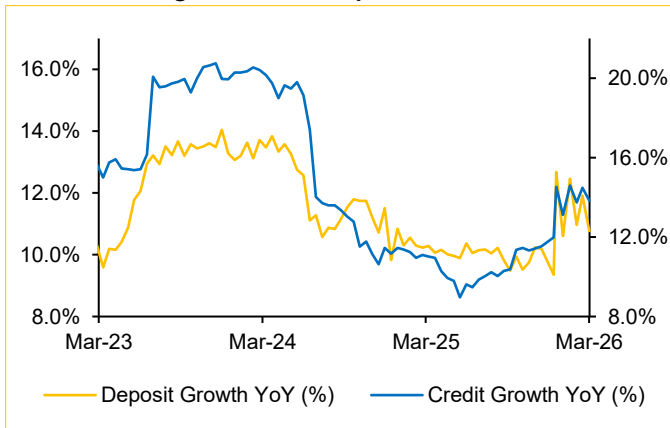
### Credit Growth to Sustain in Double-digits as Rate Transmission Remains Satisfactory

- Credit growth for the fortnight ended March 15, 2026, **stood stronger at 13.8% YoY** as compared to 11.0% a year ago. Further, driven by ongoing rate transmission, we expect credit growth to come in the range of **13.5%–14.0% by FY26E**. **We further expect a growth of 13.0%–14.0% for FY27E**
- The data on sectoral credit deployment indicates that **during Feb-2026**, credit to **sectors — Agriculture, Industry and Services, improved** as compared to the corresponding fortnight of the previous year
- Credit to Agriculture grew by **12.3% YoY (vs 11.4%)**, Industry grew by **13.5% YoY (vs 7.5%)** and Services grew by **16.3% YoY (vs 11.7% YoY)**. Moreover, **credit to MSME grew in double digits**

CIE Credit Growth Expectation  
FY26E: 13.5%–14.0%  
FY27E: 13.0%–14.0%

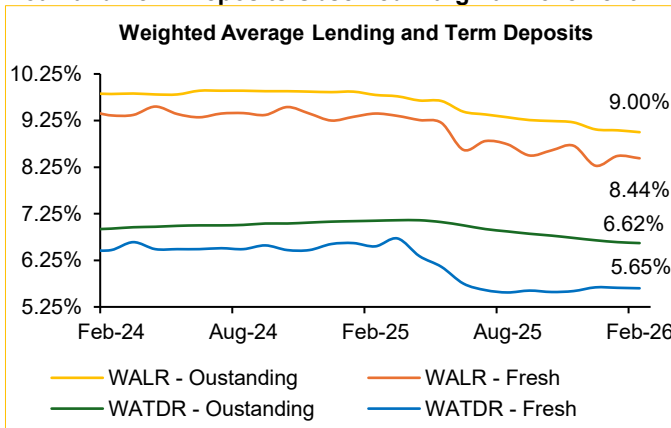
Credit Deployment Across Sectors Grew in Double Digits in Feb-26

### Led by Sustained Demand, System Credit Growth Remained Higher than Deposit Growth Domestic



Source: RBI, Choice Institutional Equities

### Q4 NIMs are Expected to Remain Stable as Weighted Avg. Loan and Term Deposits Observed Marginal Movement

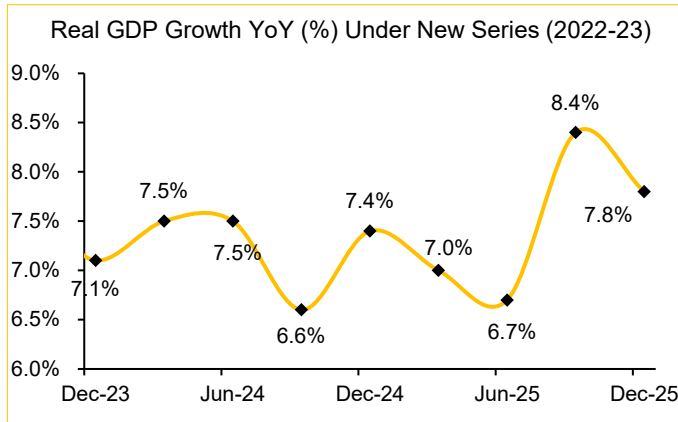


Source: RBI, Choice Institutional Equities

### Regulatory Proposals

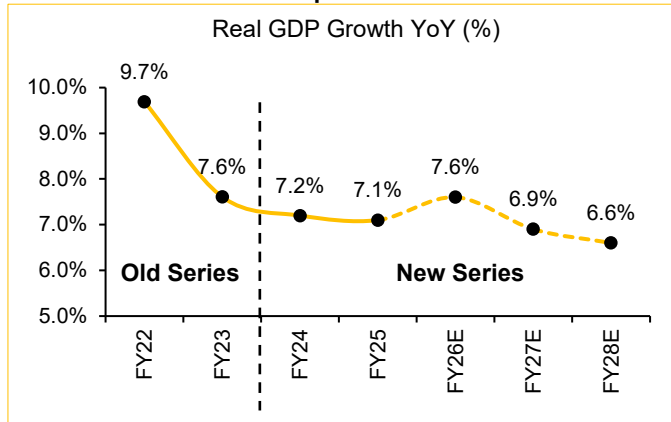
- To dispense with the Investment Fluctuation Reserve (IFR) requirement for commercial banks
- To simplify the onboarding process of MSMEs in Trade Receivables Discounting System (TReDS)

### Led by Stronger Private Consumption, Real GDP Growth Remained Robust



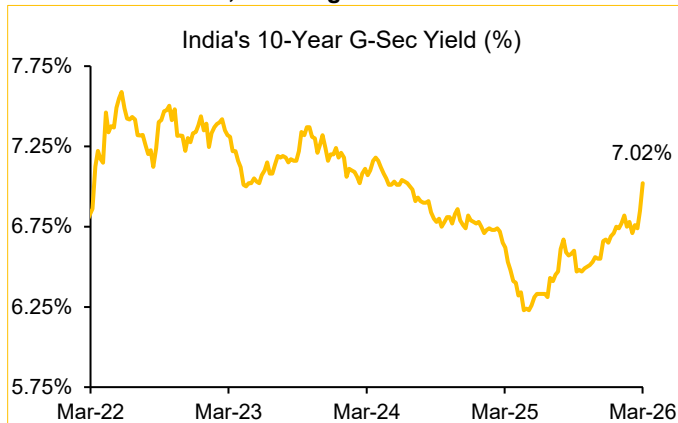
Source: MOSPI, Choice Institutional Equities

### RBI Forecast Real GDP Growth at 6.9% for FY27E, based on Crude Oil Assumption of USD 85/b



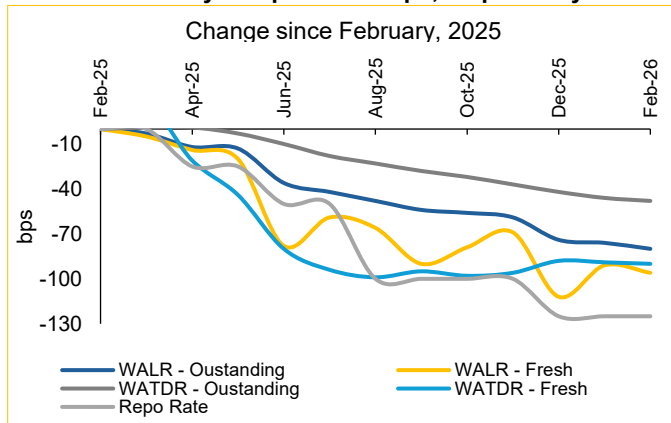
Source: RBI, Choice Institutional Equities

### Despite Rate Cuts, India's 10-Yr G-Sec has Experienced Adverse Movement, reaching 7% Mark in Mar-26



Source: RBI, Choice Institutional Equities

### Weighted Avg. Loans (Fresh) and Term Deposits (Fresh) Rates Reduced by 96 bps and 90 bps, respectively



Source: RBI, Choice Institutional Equities

### Economic High-frequency Indicators (% YoY Growth)

High Level Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
GST Revenue	12.6	16.4	6.2	7.5	6.5	9.1	4.6	3.6	6.1	6.2	8.1
Toll Collection	16.6	16.4	15.5	14.8	12.7	4.5	4.6	2.9	0.4	-1.8	-8.7
Electricity Demand	2.8	-4.8	-2.3	2.6	3.8	3.4	-5.6	-0.6	5.8	3.8	1.5
Petroleum Consumption	0.2	1.1	0.5	-4.4	4.8	7.0	-1.5	0.6	4.6	2.8	5.8
IIP-Headline	2.6	1.9	1.5	4.3	4.1	4.6	0.5	7.2	8.0	4.8	NA
IIP Manufacturing	3.1	3.2	3.7	6.0	6.6	-0.4	-1.8	5.8	6.9	4.3	NA
IIP - Eight Core Index	1.0	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	4.7	4.7	2.3
Electricity Generation: Conventional	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.0	4.4	2.2	-1.6
Automobile Production	-1.7	5.2	1.2	10.7	8.1	10.8	-2.8	22.3	37.1	15.0	22.1
Crude steel production	9.3	11.0	12.6	13.8	12.8	13.7	8.9	11.1	10.8	10.5	10.2
Finished steel production	6.6	7.0	10.9	13.8	13.8	14.0	7.2	12.4	10.9	11.0	8.0
PMI Manufacturing	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9
PMI Export Order	57.6	56.9	60.6	57.3	56.1	56.5	54.7	54.1	54.0	54.1	53.2
PMI Services	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1
Unemployment rate (All-India)	5.1	5.6	5.6	5.2	5.1	5.2	5.2	4.7	4.8	5.0	4.9
Retail Consumption Indicator	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Domestic Air Passenger Traffic	9.7	2.6	3.7	-2.5	-0.5	-2.5	3.5	7.0	-4.9	3.1	-0.4
Retail Passenger Vehicle Sales	1.6	-3.1	2.5	-0.8	0.9	5.8	10.7	19.7	26.6	7.2	26.1
Retail Commercial Vehicle Sales	-1.0	-3.7	6.6	0.2	8.6	2.7	21.1	17.0	24.6	15.1	28.9
Retail Automobile Sales	2.9	5.4	4.8	-4.3	2.8	5.2	40.5	2.1	14.6	17.6	25.6
Retail Tractor Sales	7.6	2.8	8.7	11.0	30.1	3.6	14.2	56.5	15.8	22.9	36.4
Retail Two Wheeler Sales	2.3	7.3	4.7	-6.5	2.2	6.5	51.8	-3.1	9.5	20.8	25.0

Source: RBI, MOSPI, Choice Institutional Equities

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<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap  
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