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RBI raises repo rate to 5.50% and turns to calibrated tightening

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On 7 October 2026 the Reserve Bank of India raised the repo rate by 25 basis points to 5.50%, unanimously, and said rate cuts are off the table in the near term.

Country reference

- Country: India (Wave 1 expansion country)
- Authorities: Reserve Bank of India (RBI); Monetary Policy Committee (MPC)
- Topic: Monetary Policy Committee decision, October 2026
- Key date: Decision of 7 October 2026 (meeting 5 to 7 October)
- Law: Reserve Bank of India Act, 1934

What the RBI decided

- Repo rate: 5.50%, up 25 basis points from 5.25%.
- Standing Deposit Facility: 5.25%.
- Marginal Standing Facility and Bank Rate: 5.75%.
- Stance: changed to calibrated tightening.
- Vote: unanimous.

Why

The Governor said inflation and its outlook are not as benign as last year. The RBI points to a weak monsoon, El Nino conditions and volatile oil prices on the supply side, and to strong money and credit growth on the demand side. Growth has held up, with real GDP up 7.8% in the first quarter of 2026-27.

Projections for 2026-27

- CPI inflation: 5.2% for the year, peaking at 6.0% in the third quarter; 5.6% in the first quarter of 2027-28.
- Core inflation: 4.4%.
- Real GDP growth: 7.1%, easing to 6.8% in the fourth quarter.

What it means for finance teams

- Loans linked to the repo rate or external benchmarks will reprice upward at the next reset.
- Deposit and treasury bill yields should rise, helping returns on surplus cash.
- The RBI says future action can only be a hike or a pause, so budgets for 2027 should not assume cuts.

What to do now

- Re-run interest cost forecasts and covenant tests for the rest of the year.
- Review the mix of fixed and floating debt, and hedges on rupee borrowing.
- Watch the December MPC meeting; some economists expect another hike, according to press reports.

Our take

The turn from easing to tightening is the main message. For groups funding Indian subsidiaries, rupee borrowing becomes dearer just as the RBI signals more vigilance on inflation.

Sources

- RBI: Governor's Statement, 7 October 2026
- Business Standard: RBI MPC hikes repo rate by 25 bps to 5.5%

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