



## [PREVIEW] RBI Policy Announcement due Friday 6th February at 04:30 GMT / 23:30 EST

- RBI is expected to keep the Repurchase Rate unchanged at 5.25%.
- MPC cut rates by 25bps in December and kept to a neutral stance but with dovish dissent.
- Rhetoric and soft inflation suggest further action cannot be ruled out.

**OVERVIEW:** The RBI is expected to keep its rates unchanged when it concludes its 3-day meeting on Friday, with a recent Reuters poll showing 59 out of 70 economists surveyed expect the Monetary Policy Committee to maintain the Repurchase Rate at 5.25%.

**RBI CUT RATES AT THE LAST MEETING AND MAINTAINED A NEUTRAL STANCE:** The RBI cut the Repurchase Rate by 25bps to 5.25% at the last meeting in December, which was widely expected and with the decision unanimous, while it maintained a neutral stance, but with dovish dissent as MPC member Ram Singh wanted the stance to be changed to accommodative from neutral. RBI Governor Malhotra stated during the policy address that the economy has witnessed rapid disinflation and that it was a rare goldilocks period for the Indian economy, although he acknowledged that the geopolitical and trade environment was weighing on the outlook. Furthermore, he said growth is expected to somewhat soften going ahead, and policy space exists to support growth momentum, as well as noted that headline inflation has eased significantly and the overall decline in inflation has become more generalised, while there are some signs of weakness in a few leading indicators.

**LANGUAGE AND DATA SUGGEST FURTHER ACTION CANNOT BE RULED OUT:** The language from the prior meeting would suggest that more policy action could not be ruled out, even though the central bank had already delivered a cumulative 125bps of cuts throughout last year, while the data could also be seen to support future policy adjustments given that Indian consumer inflation data remained soft in December with CPI at 1.33% vs. Exp. 1.50% (Prev. 0.71%), and although this had steadily rebounded from the record low of 0.25% for October, it still remains below the central bank's 2%-6% tolerance range.

**ANNOUNCEMENT:** The policy announcement is scheduled on Friday at 04:30 GMT / 23:30 EST with the rate decision likely to be unveiled a few minutes into Governor Malhotra's policy address. Participants will also be eyeing whether the central bank maintains its policy stance and any clues on future policy, as well as the central bank's latest view on inflation.

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