Preview: RBI Rate Decision Scheduled for Friday 5th June 2026 at 05:30BST/00:30EDT

- **The RBI is expected to keep the Repurchase Rate unchanged at 5.25% on Friday.**
- **The RBI has paused so far this year after delivering 125bps of cuts in 2025.**
- **Below-target inflation limits the scope for a hike, but record-low INR has policymakers considering options.**

OVERVIEW: The RBI will conclude its three-day policy meeting on Friday, when the Monetary Policy Committee is expected to keep rates unchanged. Ten of 14 market participants surveyed by Moneycontrol expect the Repurchase Rate to be left unchanged for a third consecutive meeting at 5.25%, while the remaining four expect the RBI to begin hiking rates.

RBI HAVE KEPT RATES ON PAUSE SO FAR THIS YEAR AFTER DELIVERING 125BPS OF CUTS IN 2025: The RBI has refrained from any rate adjustments so far this year after delivering 125bps of rate cuts in 2025. The decision to stand pat at the last meeting in April was unanimous, and the RBI also maintained a neutral stance, retaining the flexibility to respond judiciously to incoming information. External MPC member Singh switched his stance from accommodative to neutral to align with the rest of the MPC. RBI Governor Malhotra said during his policy address that global growth faces downside risks and the global economy faces unprecedented challenges, but noted that India's economy is on stronger footing at the current juncture and that, before the outbreak of the West Asia conflict, India's macro fundamentals exuded confidence. He also said the West Asia conflict is likely to impede growth and that upside risks to the inflation outlook have risen.

BELOW-TARGET INFLATION FAVOURS A PAUSE, ALTHOUGH INDIA WAS SAID TO WEIGH OPTIONS TO BOOST THE RUPEE, INCLUDING A HIKE: On recent inflation data, CPI has gradually picked up and printed a 13-month high in April at 3.48% versus expectations of 3.80%, after 3.40% previously. However, it remained softer than expected and below the central bank's 4% target, supporting the case for the RBI to refrain from hiking rates. Still, the prospect of a hike cannot be dismissed after recent reports said India was weighing options to boost the rupee, including a rate hike, with the RBI also considering currency swaps and raising dollars from overseas investors. This follows continued weakness in the rupee, which has recently extended to record lows and moved closer to the psychological 100.00 level against the dollar, prompting the RBI to intervene regularly through state-run banks to defend the currency. The Indian government has also tightened import rules for duty-free gold imports for jewellery, capping imports at 100 kilograms per licence, and raised import tariffs on gold and silver to 15% from 6%, as part of efforts to curb non-essential imports and stem rupee outflows.

ANNOUNCEMENT: RBI Governor Malhotra is scheduled to begin the policy address at 05:30 BST/00:30 EDT on Friday, with the rate decision usually announced a few minutes into the address. Participants will also watch for any change to the neutral stance and the latest inflation and growth projections, while attention will be on any remarks about the currency, given its weakening trend and the central bank's regular intervention to support the rupee.