RBI MPC Meeting Highlights: Repo rate rises to 5.5%, first hike since Feb 2023

RBI raises FY27 inflation forecast to 5.2 percent while lifting the GDP outlook to 7.1 percent, as global oil prices, a weaker rupee and geopolitical risks add to the inflation challenge.



The RBI raised the repo rate by 25 bps to 5.50% on October 7, 2026, the first hike in nearly four years under Governor Sanjay Malhotra. Photo by Punit P...

The Reserve Bank of India's (RBI's) Monetary Policy Committee (MPC) has raised the repo rate by 25 basis points to 5.5 percent and changed its stance to calibrated tightening. The decision marks the RBI's first rate hike since February 2023. The MPC's move comes as inflationary pressures broaden and global conditions remain uncertain.

Consumer Price Index (CPI) inflation rose to 4.8 percent in August from 4.5 percent in July, while core inflation increased to 4.2 percent. The RBI has raised its FY27 CPI inflation forecast to 5.2 percent from 5 percent in August.

At the same time, the central bank raised its FY27 GDP growth forecast to 7.1 percent from 6.7 percent, with Governor Sanjay Malhotra saying domestic economic activity remains resilient despite global headwinds. Q1 GDP growth stood at 7.8 percent.

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The MPC said rate cuts are off the table in the near term. Malhotra said future policy action can only be a rate hike or a pause, depending on how growth and inflation evolve.

The repo rate was cut by a cumulative 125 basis points in 2025, from 6.5 percent to 5.25 percent, where it remained for four consecutive meetings before Wednesday's increase. Brent crude has also moved above $100 a barrel, adding to inflation risks.Governor Sanjay Malhotra announced the MPC's decision at 10 am, followed by a press conference at noon.

Follow *Forbes India* for live updates from the policy announcement and the governor's press conference.

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RBI shift to calibrated tightening points to higher borrowing costs: Rajeev Sharan, Brickwork Ratings

"The RBI has made a clear hawkish turn, raising the repo rate by 25 basis points to 5.50% and shifting its stance to calibrated tightening," said Rajeev Sharan, Head of Research, Brickwork Ratings.

He said borrowing costs for rate-sensitive sectors such as housing, autos and NBFCs will edge higher, while resilient demand should cushion the impact. "Bond yields are likely to reprice upward, while a firmer rate differential should lend the rupee some support against a strong dollar and help steady portfolio flows," Sharan said.