RBI raises repo rate by 25 basis points to 5.50%

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News

On 7 Oct 2026 the Monetary Policy Committee (MPC) led by Governor Sanjay Malhotra unanimously raised the repo rate by 25 basis points from 5.25% to 5.50% – the first hike since February 2023. The stance moved from 'neutral' to 'calibrated tightening'. Reasons: volatile crude prices after the West Asia conflict flared up again, and energy- and food-driven inflation.

Key facts

Repo rate	5.25% → 5.50%
SDF	5.25%
MSF / Bank Rate	5.75%
Stance	Neutral → calibrated tightening
Vote	Unanimous (6–0)
FY27 projections	GDP growth 7.1%; CPI inflation 5.2%

Background

- Repo rate is the rate at which the RBI lends short-term to banks against government securities. SDF is the rate at which it absorbs banks' surplus without collateral (floor of the corridor); MSF is emergency borrowing (ceiling).

- 1 basis point = 0.01%, so 25 bps = 0.25%. A repo hike raises loan rates and EMIs, cools demand and curbs inflation (contractionary policy).
- MPC: RBI Act 1934, Section 45ZB (2016 amendment); 6 members – 3 from the RBI including the Governor and 3 external members named by the Centre; the Governor has a casting vote; at least 4 meetings a year.
- Inflation target: CPI 4% (±2%), set by the Central Government in consultation with the RBI.
- History: on the Hilton Young Commission's (1926) advice the RBI began on 1 April 1935, first in Kolkata and in Mumbai from 1937; nationalised on 1 Jan 1949. Sanjay Malhotra is the 26th Governor (Dec 2024).

Tamil Nadu link: Dr C. Rangarajan, born in Tiruchirappalli, was RBI Governor (1992–97) and later chaired the PM's Economic Advisory Council. The RBI has a regional office in Chennai.

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