HSBC Projects RBI Repo Rate Hike to 5.75% in FY27

HSBC Global Investment Research report projects RBI to raise repo rate by 50 bps in FY27 following higher Q2 GDP growth and persistent inflation.

An economic projection analyzing RBI's monetary policy trajectory, inflation trends, and liquidity management in response to strong GDP growth data.

KEY EXAM POINTS

- HSBC expects RBI to raise the **repo rate** by 25 basis points twice in FY27, taking the policy rate to **5.75 per cent**.
- The second quarter GDP growth for FY2026-27 exceeded RBI's forecast of **7 per cent**, while Q1 growth stood at **7.8 per cent**.
- **Headline inflation** is projected to average above **5 per cent** over the next nine months against RBI's 4 per cent target.
- HSBC projects RBI to absorb **Rs 5-6 trillion** of excess liquidity using durable measures like **Open Market Operation (OMO)** sales.
- **El Nino** conditions in December quarter and rebounding Brent oil prices are expected to drive food and **core inflation** towards 5 per cent.

DID YOU KNOW..!?

Reserve Bank of India was established on **April 1, 1935** under the Reserve Bank of India Act, 1934 based on **Hilton Young Commission** recommendations.

Reserve Bank of India was nationalised on **January 1, 1949** and functions as India's central banking institution.

Statutory **Monetary Policy Committee (MPC)** was constituted under **Section 45ZB** of the Reserve Bank of India Act, 1934.

Monetary Policy Committee consists of **six members** and is chaired by the **Governor** of the Reserve Bank of India.

Flexible Inflation Targeting (FIT) framework sets CPI inflation target at **4 per cent** with a tolerance band of **+/- 2 per cent**.

Open Market Operations (OMO) refer to the buying and selling of government securities by RBI to adjust market liquidity.

Core Inflation measures inflation excluding volatile price items such as food and energy components.

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HSBC expects RBI to raise repo rate by 50 bps to 5.75% in FY27 due to inflation and high GDP growth.

Syllabus Relevance: High relevance for Group 1, 2, 2A & 4 under Unit 6 (Indian Economy - Reserve Bank of India, Repo Rate, Monetary Policy Committee, Inflation Targets).

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