INDIAN ECONOMY 07 October 2026

RBI MPC Hikes Repo Rate to 5.50%, Projects FY27 GDP Growth at 7.1%

The RBI Monetary Policy Committee unanimously increased the repo rate by 25 basis points to 5.50% due to persistent global inflationary risks.

The RBI's Monetary Policy Committee determines benchmark interest rates to ensure price stability while sustaining economic growth.

KEY EXAM POINTS

- The Reserve Bank of India (RBI) unanimously hiked the **repo rate** by **25 basis points** from 5.25% to **5.50%**.
- The **Monetary Policy Committee** revised its monetary stance from 'neutral' to '**calibrated tightening**'.
- The real GDP growth for **FY27** is projected at **7.1%** by the Reserve Bank of India.
- This monetary rate hike is implemented after a duration of nearly **three-and-a-half years**.
- Elevated global bond yields and geopolitical friction due to the **West Asia conflict** prompted the decision.

DID YOU KNOW..!?

The Monetary Policy Committee was established under **Section 45ZB** of the **Reserve Bank of India Act, 1934**.

The MPC comprises **6 members**, including 3 internal RBI representatives and 3 external experts appointed by the **Central Government**.

The **RBI Governor** serves as the ex-officio Chairperson of the MPC and holds a **casting vote** in case of a tie.

Urjit Patel Committee recommended the creation of a 6-member Monetary Policy Committee in **2014**.

The **Flexible Inflation Targeting** framework mandates RBI to maintain CPI inflation at **4%** with a tolerance band of +/- 2%.

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

REVISION FLASHCARD

RBI MPC raised the repo rate by 25 bps to 5.50% and projected FY27 real GDP growth at 7.1%.

Syllabus Relevance: High relevance for Unit 6 (Indian Economy) covering monetary policy decisions, interest rate instruments, and inflation targeting.

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