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RESERVE BANK OF INDIA

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RBI Bulletin – February 2026

Today, the Reserve Bank released the [February 2026](#) issue of its monthly Bulletin. The Bulletin includes bi-monthly monetary policy statement (February 6, 2026), one speech, three articles and current statistics.

The three articles are: I. State of the Economy; II. Union Budget 2026-27: An Assessment; and III. Retail Inflation Volatility in India: Sources, Determinants, and Implications.

I. State of the Economy

Global economic activity held up despite a pick-up in geopolitical uncertainty. Domestic economy remained resilient with quarterly results of listed private companies showing strengthening of aggregate sales growth. Industrial activity remained strong, and services sector sustained its healthy growth. The Union Budget 2026-27 reaffirmed Government's commitment to fiscal consolidation without diluting the focus on long-term growth with stepped up allocation towards capital expenditure. The headline inflation continues to remain benign as per the first print under the revised CPI series. Foreign portfolio investments and Indian rupee staged a comeback with investor sentiments turning around following the India-EU free trade agreement and the interim India-US trade deal.

II. Union Budget 2026-27: An Assessment

By Akash Raj, Harshita Yadav, Ettem Abhignu Yadav, Aayushi Khandelwal, Anoop K Suresh, and Shromona Ganguly

This article presents an assessment of the Union Budget 2026-27. At a time of global economic uncertainty, the Budget prioritises infrastructure investment, technological self-reliance, and human capital development. It reaffirms the Government's commitment to fiscal discipline while strengthening resilience, innovation and long-term economic growth.

Highlights:

- In 2026-27, the gross fiscal deficit is budgeted to decline to 4.3 per cent of GDP from 4.4 per cent of GDP in 2025-26 (Revised Estimates, RE), keeping in view the Government's medium-term aim to reach a debt to GDP ratio of 50±1 per cent by fiscal year 2030-31.
- Continuing the impetus observed in the previous fiscal years, the Union Budget 2026-27 earmarks ₹12.2 lakh crore (3.1 per cent of GDP) for capital expenditure. The effective capital expenditure is budgeted to increase to 4.4 per cent of GDP in 2026-27 from 3.9 per cent of GDP in 2025-26 (RE). Revenue expenditure is budgeted to be contained at 10.5 per cent of GDP in comparison to 10.8 per cent of GDP in 2025-26 (RE).
- On the receipts side, gross tax revenue is budgeted to increase by 8.0 per cent in 2026-27 over 2025-26 (RE), largely due to the projected accelerated growth in income tax and union excise duties.

III. Retail Inflation Volatility in India: Sources, Determinants and Implications

By Renjith Mohan, Saquib Hasan, Suvendu Sarkar and Joice John

This article, based on the Consumer Price Index-Combined (base 2012=100), examines the sources of headline inflation volatility in India, analyses the volatility spillovers, and assesses the effectiveness of policy interventions.

Highlights:

- The primary source of headline inflation volatility is vegetable prices—specifically tomato, onion, and potato (TOP), along with volatility spillovers emanating from non-TOP vegetables.
- Volatility has eased under the flexible inflation targeting (FIT) framework relative to the pre-FIT period, even amid repeated supply shocks.
- The decline in inflation volatility since 2021–22 suggests that price shocks no longer broadly propagate across the inflation basket, indicating anchoring of inflation expectations.
- Since 2021, the Government's timely and targeted supply-side interventions played a crucial role in dampening the adverse effects of commodity-specific price spikes on headline inflation and its volatility.
- A well-coordinated policy mix, combining monetary policy actions anchoring inflation expectations, along with fiscal interventions mitigating the ill-effects of sporadic supply shocks, is essential for maintaining price stability in an emerging market economy like India.

The views expressed in the Bulletin articles are of the authors and do not represent the views of the Reserve Bank of India.

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(Brij Raj)
Chief General Manager