

# New CPI series unlikely to reset inflation target framework: RBI gov

FY27 Q1-Q2 inflation forecast may be raised 20-30 bps, says MPC member Saugata Bhattacharya

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The 4 per cent inflation target — with a band of 2 per cent on both sides — for the central bank may not need to change, following the introduction of the new Consumer Price Index (CPI) series, though the revision will help reduce volatility and better reflect household consumption patterns, Reserve Bank of India (RBI) Governor Sanjay Malhotra said on Monday.

The second review of the flexible inflation targeting (FIT) framework is due this financial year. The RBI has released a discussion paper seeking feedback on the existing framework. The government is expected to announce the revised framework ahead of the next monetary policy review scheduled for April 6-8.

Speaking at a joint press conference with Union Finance Minister Nirmala Sitharaman after the central bank's board meeting in New Delhi, Malhotra said the RBI's next inflation projections to be unveiled with the April monetary policy, will incorporate the changes made to the CPI methodology.

"If the methodology changes, the estimates will undergo a revision... We welcome these changes as they better reflect the consumption expenditure patterns of Indian households and help reduce volatility. The



**RBI Governor Sanjay Malhotra said whether a change in the inflation target is necessitated by the CPI base revision is under the government's examination**

revised methodology will also improve the estimation of CPI inflation," he said.

"As to whether the target should be changed or not as a result, that is still under examination by the government. Whether the inflation target itself should be changed as a result of the base revision is under examination by the government... However, the change in the CPI series alone does not warrant a revision of the target. While the changes in methodology, coverage, representativeness, and volatility are material in

direction, they are not substantial enough by themselves to justify altering the target," Malhotra said.

Separately, speaking at an event in Mumbai, Saugata Bhattacharya, a member of the RBI's monetary policy committee, said the inflation forecast for the first two quarters of 2026-27 (FY27) is likely to be revised upwards by 20-30 basis points to reflect the immediate statistical impact of the base year revision.

However, he indicated that the broader impact on the inflation trajectory under the new CPI series would remain limited, largely due to the reduced weight of food.

At its latest meeting, the rate-setting panel revised its CPI inflation projections for the first quarter (April-June/Q1) of FY27 and the second quarter (July-September/Q2) of FY27 to 4 per cent and 4.2 per cent, respectively, from earlier estimates of 3.9 per cent and 4 per cent. The upward adjustment partly reflects the mechanical effects of the new base year, even as underlying price dynamics remain broadly unchanged.

"The immediate effect will be an upward revision, but for the series as a whole, there will be limited impact because the food weight has been reduced," Bhattacharya said. Under the revised CPI series, with 2024 as the new base year replacing 2012, the composition of the consumption basket has

## Malhotra rules out large-scale CBDC rollout, for now

The central bank is working to enable offline access to the central bank digital currency (CBDC), and perfecting the technical and operational details, RBI Governor Malhotra said, stating it would be premature to implement it at a large scale "unless and until the whole bouquet of features" are readied. "A number of further innovations and improvements are being done... CBDC is programmable unlike other payment forms. This is a new feature we are promoting, in partnership with the central government and state governments, wherever we want to make targeted payments," the Governor said.

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shifted materially. The weight of food and beverages has been reduced to 36.75 per cent from 42.86 per cent in the 2012 series. The classification structure has also been expanded, with items reorganised into 12 divisions from six earlier groups, bringing the index closer to international statistical standards.