

Inflation may stay benign: RBI deputy guv

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India's retail inflation, which has stayed below the Reserve Bank of India's (RBI's) 4 per cent target in recent times, is likely to remain benign in the coming months, RBI Deputy Governor Poonam Gupta (pictured) said in a speech on Friday, which was uploaded on the central bank's website on Tuesday.

Headline inflation dipped to multi-year lows of around 1.5-2.8 per cent in late 2025. Latest data under the updated series showed retail inflation was at 2.75 per cent in January 2026. Under the revised Consumer Price Index (CPI) series, with 2024 as the new base year replacing 2012, there has been a marked shift in the composition of the consumption basket. The weight of food and beverages has been lowered to 36.75 per cent from 42.86 per cent in the 2012 series.

Speaking at the 14th Foundation Day Lecture of the Centre for Development Studies (CDS), Gupta said: "Inflation has both moderated over time and become more stable, especially under the flexible inflation targeting (FIT) regime. Average annual CPI inflation in India



The growth story

Annual average real GDP growth (%)

1980-81 to 1989-90	5.7	<div style="width: 57%;"></div>
1990-91 to 1999-2000	5.8	<div style="width: 58%;"></div>
2000-01 to 2009-10	6.3	<div style="width: 63%;"></div>
2010-11 to 2019-20	6.6	<div style="width: 66%;"></div>
2022-23 to 2025-26*	7.7	<div style="width: 77%;"></div>

Note: * Excluding 2020-21 (Covid years) and 2021-22
Sources: NSO and staff calculations

has declined from close to 10 per cent in the 1990s to about 6 per cent a year in the subsequent two decades; to below 5 per cent in the last four years; and is likely to remain benign in the coming months."

She further said there has been a steady improvement in the economy's underlying growth momentum, with the trend growth rate rising by an average of 0.03 percentage points every year over the past four and a half decades. As a result of this gradual but sustained acceleration, growth increased from an average of 5.7 per cent in the 1980s to 5.8 per cent in the 1990s, strengthened to 6.3 per cent in the 2000s and to 6.6 per cent in the 2010s, and accelerated sharply to

7.7 per cent over the past four years.

"Looking at the pace of economic growth in India since the 1980s, it is easily observable that the Indian economy has slowly but surely accelerated, at the pace of 0.03 percentage points a year on average, during the past four and a half decades," she said.

Gupta said that India's macroeconomic fundamentals have remained resilient and supportive of sustainable growth, supported by a significant moderation in inflation and continued structural reforms.

She said economic outcomes have also become less volatile over time. Growth has become more stable and

range-bound across sectors while inflation volatility has declined. Structural changes, including diversification of the production base and reduced oil intensity of gross domestic product (GDP), have lowered vulnerability to external shocks.

The deputy governor further said that an economy is generally considered macro-economically stable when key indicators — such as inflation, current account deficit (CAD), fiscal deficit, quality of public debt, and financial sector metrics — are sustainable, supportive of growth, and do not signal excessive risks or overheating. In India's case, most of these parameters have remained within a comfortable range over the past four decades.

On the external front, she said CAD has remained within a moderate range of 0.5-2.2 per cent of GDP since 1990. Over the past six years, CAD has averaged around 0.75 per cent of GDP, roughly half its long-term average between 1980-81 and 2019-20. She attributed this resilience to diversified sources of inflows, particularly robust services exports and remittances, which have helped cushion the economy against global shocks.