

# FY26 promising for economy on govt capex and demand revival: RBI

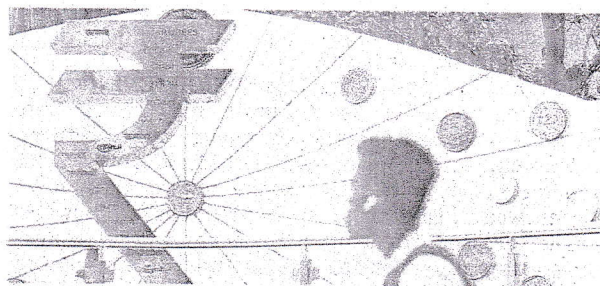
**Our Bureau**  
Mumbai

The outlook for the Indian economy remains promising in FY26, supported by a revival in consumption demand and the government's continued capex thrust while adhering to the path of fiscal consolidation, according to the RBI's Annual Report.

Healthy corporate and bank balance-sheets, easing financial conditions, continuing resilience of the services sector and strengthening of consumer and business optimism, as also sound macroeconomic fundamentals should support the promising outlook and sustain India's position as the fastest growing major economy.

However, uncertainty about global trade post-protectionist measures, protracted geopolitical tensions and global financial market volatility pose downside risks to the growth outlook and upside risks to the inflation outlook. The Annual Report emphasised that the benign inflation outlook and moderate growth warrant the monetary policy to be growth supportive, while remaining watchful about the rapidly evolving global macroeconomic conditions.

"Going forward, domestic



**ILL WINDS.** Global trade uncertainties post-protectionist measures, geopolitical tensions and global financial market volatility pose downside risks to the growth outlook REUTERS

economic activity is expected to strengthen from the lows of H1FY25. Headline inflation is expected to ease and move further towards the target in FY26. Monetary policy is committed towards achieving durable price stability, which is a necessary prerequisite for high growth on a sustained basis," it said.

## EYE ON LIQUIDITY

The RBI said it will undertake liquidity management operations in sync with the monetary policy stance and keep system liquidity adequate to meet the needs of the productive sectors.

The Report cautioned that rising input cost pressures in the manufacturing sector, coupled with global headwinds such as protectionist trade policies, persistent geopolitical tensions and subdued global demand,

continue to pose risks to growth.

Food inflation is likely to soften on the back of a better rabi crop, leading to gradual moderation in headline inflation. The disinflationary process is subject to uncertainties and warrants continuous vigil and careful monitoring of the evolving dynamics.

## REGULATIONS

RBI said it will make efforts to rationalise and harmonise regulations across regulated entities; issue prudential guidelines on climate risk for banks; and prepare a framework for responsible and ethical adoption of AI in financial sector. It also proposes to strengthen liquidity stress tests of banks, and examine the migration of UCEs/NBFCs to risk-based supervision.