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RESERVE BANK OF INDIA

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RBI Bulletin – September 2026

Today, the Reserve Bank released the September 2026 issue of its monthly Bulletin. The Bulletin includes seven speeches, three articles and current statistics.

The three articles are: I. State of the Economy; II. Credit-Deposit Divergence: A Balance Sheet Decomposition; and III. Private Corporate Investment: Growth in 2025-26 and Outlook for 2026-27.

I. State of the Economy

With geopolitical tensions re-escalating in West Asia, the global economy is again confronted with rising energy prices, and increased volatility across various segments of the financial markets. Notwithstanding the ongoing global turbulence, the Indian economy recorded robust growth of 7.8 per cent in Q1:2026-27. The economy also demonstrated resilience through August as evident from high frequency indicators. Supported by strong export growth, the merchandise trade deficit narrowed. Headline inflation inched up to 4.8 per cent in August, driven by the food and beverages group along with a pickup in fuel and core components. System liquidity surplus surged following FCNR(B) deposit flows. A moderate current account deficit in Q1:2026-27 and strong FDI flows supported the external sector, and foreign exchange reserves reached an all time high.

II. Credit-Deposit Divergence: A Balance Sheet Decomposition

By Saurabh Ghosh, Prabhat Kumar, Madhuresh Kumar and Monica

Since FY2023, growth in bank credit has majorly outpaced that of aggregate deposits, pushing the credit-deposit (CD) ratio above 80 per cent. The widening gap has raised concerns regarding the sustainability of credit growth. Against this backdrop, the present article examines the factors driving the CD ratio.

Highlights:

- In the modern monetary system, deposits are created simultaneously when banks lend or invest. Banking system may not necessarily need to mobilise liabilities (such as deposits) before extending credit. Therefore, deposits might not be a binding constraint for credit creation.

- Subsequently, however, profitability considerations, inter-bank mobility of deposits and prudential regulation would converge credit growth in sync with underlying economic conditions.
- Ultimately, banks decide to extend credit based on their profitability considerations, within the regulatory architecture. Where lending offers a better risk-adjusted return than the alternative uses of funds, banks continue to expand credit. The finding of this study further indicates that CD ratio, by itself, may not be an appropriate metric to gauge funding vulnerability of a banking system that is experiencing high credit growth.
- Further, the recent rise in CD ratio in India also coincides with a growing economy and sound banking system, where prudential targets are adequately satisfied at system level. The high CD ratio as at end-March 2026 was on account of liability side adjustments such as higher borrowings at lower cost than earlier periods, and higher capital. Moreover, changes in composition of assets, by redeploying reserves and other balances, also supported credit flow.

III. Private Corporate Investment: Growth in 2025-26 and Outlook for 2026-27

By Purnendu Kumar, Snigdha Yogindran, Sukti Khandekar, and Bhavyashree K

Investment activities by private corporate sector play a significant role in driving economic growth. Using data on phasing plans of capital expenditure (capex) indicated by the private corporate sector, this article provides an assessment of the investment intentions as well as the near-term outlook of private corporates.

Highlights:

- The total cost of projects as well as the number of projects sanctioned by banks and financial institutions (FIs) increased during 2025-26 as compared to previous year, indicating improvement in investment activities of private corporates.
- Infrastructure sector continued to attract major share of envisaged capital investment, led by ‘Power’ sector.
- Phasing plans indicate that aggregate capex intended by private corporate sector in 2025-26, increased as compared to the planned capex during the previous year.
- The phasing profile of the pipeline projects based on all channels of financing taken together, suggests that the envisaged capex is estimated at ₹3.2 lakh crore in 2026-27, indicating sustained momentum in private investment.

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

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