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RBI August Bulletin: Monsoon Revival Eases Farm Risk, Growth Seen at a Four-Quarter Low

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Every fact web-verified against primary sources

> *The* **Reserve Bank of India** *released its* **August 2026 Bulletin** *on* **August 25, 2026**. *Its "State of the Economy" article recorded that the southwest monsoon moved from a* **35.4 per cent deficit at end-June** *to a* **1 per cent surplus by end-July**, *and noted agency expectations of Q1 growth easing to a four-quarter low.*

A NECESSARY CAVEAT ON THE GROWTH NUMBER

The widely reported figure of about **7.2 per cent** growth for **Q1 FY27** is described in the Bulletin as a **compilation of forecasts by different agencies**. It is **not an RBI estimate** and **not an actual print**. The official Q1 FY27 GDP release by the **National Statistical Office** falls at the end of August, after this edition.

Write it as expected. Writing it as "the economy grew" would misstate both the source and the status of the number.

Note also that the "State of the Economy" article carries a standing disclaimer that the views expressed are those of its authors and not of the Reserve Bank.

THE MONSOON SWING

INDICATOR	POSITION
Southwest monsoon, end-June	35.4 per cent deficit
Southwest monsoon, end-July	1 per cent surplus
Kharif sowing deficit	Narrowed from about 23 per cent to about 2.9 per cent

A **36-percentage-point swing inside a single month** is the analytically interesting fact here, and it carries a lesson that extends well beyond this season.

GROWTH AND THE MACRO PICTURE

METRIC	FIGURE
Q1 FY27 (April-June 2026) growth, agency forecasts	About 7.2 per cent, a four-quarter low
Q4 FY26 (January-March 2026) growth	7.8 per cent
RBI's FY27 GDP forecast	Raised marginally to 6.7 per cent from 6.6 per cent
July merchandise trade	Double-digit expansion in both exports and imports

The Bulletin's qualitative reading was of "notable resilience to ongoing global headwinds", supported by buoyant domestic demand and rising manufacturing and services activity.

THE INSTITUTIONS BEHIND THE NUMBERS

The Reserve Bank

ATTRIBUTE	DETAIL
Established	April 1, 1935, under the RBI Act, 1934
Recommended by	Hilton Young Commission, formally the Royal Commission on Indian Currency and Finance, 1926
Nationalised	January 1, 1949
Central office	Mumbai

The Monetary Policy Committee

Constituted under **Section 45ZB**, which was **inserted** into the RBI Act, 1934 by the **Finance Act, 2016** along with the rest of Chapter IIIF (Sections 45ZA to 45ZO):

- **Six members**: three from the RBI including the Governor as **ex-officio Chairperson**, and three appointed by the Central Government for **four years**
- The **Governor has a casting vote**; quorum is four; it meets at least **four times a year**
- **Inflation target: 4 per cent CPI with a band of plus or minus 2 per cent**, notified under **Section 45ZA**

- A **failure** is defined as inflation outside the band for **three consecutive quarters**

The Meteorological Frame

TERM	DEFINITION
IMD	India Meteorological Department, established 1875, headquartered in New Delhi
Normal monsoon	96 to 104 per cent of the Long Period Average (LPA)
LPA for June to September	About 87 cm
Key teleconnections	El Nino and La Nina; Indian Ocean Dipole (IOD)
Intra-seasonal driver	Madden-Julian Oscillation (MJO), which drives revivals of the kind seen in July

Kharif crops, sown with the monsoon's onset in June-July and harvested September-October, include paddy, maize, jowar, bajra, tur, moong, urad, cotton, groundnut and soybean.

CRITICAL ANALYSIS

The June-to-July swing is the real story, and it exposes a measurement blind spot. A 35.4 per cent deficit becoming a 1 per cent surplus within a month demonstrates that **seasonal totals conceal the intra-seasonal distribution that actually determines yield**. Policy keyed to the season-end LPA figure is systematically blind to sowing-window risk, which is what nearly materialised this year. A season can end "normal" having destroyed a crop in its first six weeks.

Agriculture's macro weight far exceeds its GDP share. At roughly **18 per cent of gross value added** but employing about **45 per cent of the workforce**, a kharif failure transmits simultaneously through rural demand, food inflation and MGNREGA work demand. This is precisely why the RBI treats the monsoon as a monetary variable rather than merely a farm one.

Deceleration in a resilient economy is normalisation, not slowdown. Easing from 7.8 to about 7.2 per cent does not indicate distress. What it does do is narrow the space for fiscal consolidation and raise the salience of **private capital expenditure**, which has lagged public capex throughout this cycle.

"Global headwinds" requires specifics to be an argument. The transmission channels are tariff and trade-policy uncertainty, energy price volatility and capital-flow reversals. India's buffers are high foreign exchange reserves and a domestic-demand orientation; the pressure points to watch are the current account and external debt.

UPSC RELEVANCE

GS Paper 3 (Economy): Indian economy, growth and development; agriculture and monsoon dependence; monetary policy.

Prelims focus: RBI's establishment date and the Hilton Young Commission; MPC under Section 45ZB inserted by the Finance Act, 2016, its composition and casting vote, and the Section 45ZA inflation target; the definition of failure as three consecutive quarters outside the band; the 96 to 104 per cent definition of a normal monsoon; IMD's 1875 founding; that GDP is released by the NSO under MoSPI.

Mains angle: Argue that **monsoon risk is distributional in time, not merely in volume**. A season that ends normal can still destroy a crop if the rain arrives after the sowing window closes. The policy implication is that forecasting and advisory must operate at block level and in extended range, not at national-seasonal level.

Way forward: Expand IMD's block-level and extended-range forecasting so sowing advisories are actionable; deepen **PMFBY** crop insurance uptake and accelerate claim settlement; diversify kharif away from water-intensive paddy in deficit-prone tracts; and complete the GDP base-year revision so policy rests on current-structure data.

FACTS CORNER — KNOWLEDGEPEDIA

THE BULLETIN:

- RBI August 2026 Bulletin released August 25, 2026
- Monsoon: 35.4 per cent deficit at end-June to a 1 per cent surplus by end-July
- Kharif sowing deficit narrowed from about 23 per cent to about 2.9 per cent
- Q1 FY27 growth of about 7.2 per cent is a compilation of agency forecasts, NOT an RBI estimate or an actual print
- Q4 FY26 growth: 7.8 per cent; RBI's FY27 forecast raised to 6.7 per cent from 6.6 per cent

RESERVE BANK OF INDIA:

- Established April 1, 1935 under the RBI Act, 1934, on the Hilton Young Commission's recommendation
- Nationalised January 1, 1949; central office Mumbai

MONETARY POLICY COMMITTEE:

- Constituted under Section 45ZB, inserted into the RBI Act, 1934 by the Finance Act, 2016 as part of Chapter IIIF (Sections 45ZA to 45ZO)
- Six members; Governor is ex-officio Chairperson with a casting vote; quorum four; meets at least four times a year
- Inflation target 4 per cent CPI, band plus or minus 2 per cent, under Section 45ZA
- Failure: inflation outside the band for three consecutive quarters

MONSOON:

- IMD established 1875, headquartered New Delhi
- Normal monsoon: 96 to 104 per cent of the Long Period Average; June-September LPA about 87 cm
- Teleconnections: El Nino, La Nina, Indian Ocean Dipole; MJO drives intra-seasonal revivals

OTHER RELEVANT FACTS:

- GDP estimates released by the NSO under MoSPI; current base year 2011-12, revision to 2022-23 under way
- Agriculture is roughly 18 per cent of GVA but employs about 45 per cent of the workforce

Sources: RBI, Business Standard

Source: RBI August Bulletin: Monsoon Revival Eases Farm Risk, Growth Seen at a Four-Quarter Low — Ujiyari.com | Free UPSC & State PCS Current Affairs

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