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भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI Bulletin – March 2025

Today, the Reserve Bank released the March 2025 issue of its monthly Bulletin. The Bulletin includes four speeches, five articles and current statistics.

The five articles are: I. State of the Economy; II. Spatial Distribution of Monsoon and Agricultural Production; III. Changing Dynamics of India's Remittances – Insights from the Sixth Round of India's Remittances Survey; IV. Decoupling Economic Growth from Emissions: A LMDI Decomposition Analysis; and V. Market Access and IMF Arrangements: Evidence from Across the Globe.

I. State of the Economy

The resilience of the global economy is being tested by escalating trade tensions and a heightened wave of uncertainty around the scope, timing, and intensity of tariffs. While engendering heightened volatility in global financial markets, these have also caused apprehensions about the slowdown in global growth. Amidst these challenges, the Indian economy continues to demonstrate resilience as evident in the robust performance of the agriculture sector and improving consumption. The reverberations of a tumultuous external environment, however, are being reflected in sustained foreign portfolio outflows. India's macroeconomic strength to face these challenges is bolstered by a decline in headline CPI inflation to a seven-month low of 3.6 per cent in February 2025 on account of a further correction in food prices.

II. Spatial Distribution of Monsoon and Agricultural Production

By Abhinav Narayanan and Harendra Kumar Behera

This article analyses the impact of spatial variation of rainfall across districts on production of Kharif crops. It also examines how deficient or excess rainfall during specific periods impact the production of specific crops.

Highlights:

- Extreme weather events such as excessive or insufficient rainfall cause significant crop damages leading to disruptions in production resulting in reduced yields or lower quality of produce.
- The timing of extreme weather events is crucial, as crop production cycles vary.
- Insufficient rainfall in the months of June and July negatively impacts cereal and pulses production, while oilseeds are particularly vulnerable to excessive rainfall during the harvesting period (August-September).

III. Changing Dynamics of India's Remittances – Insights from the Sixth Round of India's Remittances Survey

By Dhirendra Gajbhiye, Sujata Kundu, Alisha George, Omkar Vinherkar, Yusra Anees, Jithin Baby

This article analyses the results of the sixth round of India's remittances survey conducted for 2023-24. It captures various dimensions of inward remittances to India – country-wise source of remittances, state-wise destination of remittances, transaction-wise size of remittances, prevalent mode of transmission, cost of sending remittances and share of remittances transmitted through the digital modes *vis-à-vis* cash.

Highlights:

- India's inward remittances have more than doubled during 2010-11 to 2023-24 and have been a stable source of external financing during this period. Following a pandemic-led contraction during 2020-21, remittances to India in the post pandemic period recorded a significant surge.
- The survey results indicate that the share of inward remittances from advanced economies has risen, surpassing the share of Gulf economies in 2023-24, reflecting a shift in migration pattern towards skilled Indian diaspora.
- Maharashtra, followed by Kerala and Tamil Nadu, continue to be the dominant recipient of remittances.
- The cost of sending remittances to India has moderated significantly, driven by digitalisation, but remains higher than the SDG target of 3 per cent.
- Additionally, on an average, 73.5 per cent of total remittances received by the money transfer operators in 2023-24 were through digital mode.
- Furthermore, fintech companies offer affordable cross-border remittance services, fostering competition among different remittance service providers.

IV. Decoupling Economic Growth from Emissions: A LMDI Decomposition Analysis

By Madhuresh Kumar, Shobhit Goel, Manu Sharma, Muskan Garg

This article examines the drivers behind India's CO_2 emissions growth from 2012 to 2022 using the Logarithmic Mean Divisia Index (LMDI) decomposition method. It breaks down total emissions into key contributing factors, including the impact of GDP growth (activity effect), improvements in energy efficiency (energy intensity effect), shifts in the economic structure (structural effect), changes in the composition of fuel (fuel mix effect), and the growing share of renewable energy in electricity generation, which reduces the carbon intensity of electricity (emission factor effect).

Highlights:

- During 2012-22, energy-related CO2 emissions increased by 706 million tons. The main contributor was economic growth (+1073 Mt), with a smaller impact from the change in fuel mix of the economy (+78 Mt). However, gains in energy efficiency (-399 Mt), structural changes (-15 Mt), and improvements in emission intensity of electricity due to increased use of renewables (-30 Mt) helped curb emissions.

- India's energy efficiency improved by 1.9 per cent annually, exceeding the global average.
- India's growth decoupled from emissions, with a decoupling elasticity of 0.59, comparable to other lower-middle-income countries.
- Renewables have had a small but significant impact on emission reduction over the past decade, with solar and wind accounting for 2.1 percent of total primary energy in 2022-23.
- Going ahead, the emission factor effect is expected to play a more prominent role as renewables increasingly replace fossil fuels and green hydrogen usage expands in industries.

V. Market Access and IMF Arrangements: Evidence from Across the Globe

By Shruti Joshi and PSS Vidyasagar

The article analyses loans availed by various countries from the International Monetary Fund (IMF) during 2000-2023 and finds a negative relation between market access and dependence on IMF’s loan for those countries which resorted to IMF loans.

Highlights:

- During 2000-2023, dependence of Emerging Market and Developing Economies (EMDEs) on IMF resources increased on account of their limited access to international financial markets and alternate sources of funding. Several fast growing large EMDEs, including India and China, however, did not have to take recourse to the IMF loans.
- During the crisis periods, especially the Global Financial Crisis and Euro-Zone Crisis, some Advanced Economies also resorted to IMF loans due to their reduced market access on account of sovereign rating downgrades.
- Among countries that resorted to IMF loans, those which faced a larger country risk premium availed larger funding.
- Access to alternative sources of funding such as Regional Financing Arrangements (RFAs) and swap lines reduces the dependence on IMF loans.

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

(Puneet Pancholy)
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