*State of the Economy**

Global uncertainty remains elevated, although October witnessed a slight pullback after more than a year of continuous increase. Concerns persist about the heightened exuberance in global equity markets, raising questions about its sustainability and its implications for financial stability. The Indian economy showed signs of a further pick up in momentum, despite continuing global headwinds. Available high-frequency indicators for October suggest a robust expansion in both manufacturing and services activities, supported by festive season demand and the ongoing positive impact of the GST reforms. Inflation has moderated to a historic low and remained well below the target rate. Financial conditions remained benign, and the flow of financial resources to the commercial sector increased significantly from a year ago.

Introduction

Global uncertainty remains elevated, although October witnessed a slight pullback after more than a year of continuous increase. World trade and policy uncertainties also retreated. Financial market volatility, which had moderated in October, resurged in November due to concerns over stretched valuations in AI stocks. In this context, concerns persist about the heightened exuberance in global equity markets, raising questions about its sustainability and the financial stability implications of any sharp correction.

The global PMI composite indicated an expansion in business activity, supported by strong growth in services and resilient manufacturing. Reflecting the stifling effect of trade policy uncertainty, most of the major economies continued to witness a contraction in new export orders in October.

Global commodity prices remained subdued on lower food and crude oil prices. Prices of industrial metals rose on fears of a supply shortage and higher imports by China. Gold prices saw a correction from a record high in mid-October in the second half due to reduced safe haven buying and a stronger dollar.

Headline inflation eased in October across most advanced economies (AEs) and emerging market and developing economies (EMDEs). However, it remains elevated in AEs amidst persistent services inflation. Central banks, in November so far, by and large maintained *status quo* on policy rates, awaiting further clarity on the evolving macroeconomic situation.

The Indian economy showed signs of a further pick up in momentum, despite lingering external sector headwinds. Demand conditions exhibited signs of improvement with the revival of urban demand and continued strength in rural demand. High-frequency indicators of overall economic activity remained robust in October, supported by Goods and Services Tax (GST) rate reductions and a pick up in festive spending. GST collections improved over the previous month, indicating a strong pick up in consumer demand. Sowing of all *rabi* crops is progressing well following the harvesting of *kharif* crops. High-frequency indicators for October suggest further broadening of manufacturing activity and continued robust expansion in the services sector.

Merchandise trade deficit widened to an all-time high in October 2025. While exports contracted after remaining in expansion for three months, reflecting

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the adverse impact from global headwinds, imports surged on account of higher gold and silver imports, catering to the festive demand. To mitigate the impact of trade disruptions on exports arising on account of global headwinds, the Reserve Bank implemented various trade relief measures for exporters with immediate effect.[1] Tariff exemptions on some agricultural products by the US on November 14, 2025 will help Indian exports.[2]

Headline consumer price index (CPI) inflation declined by 1.2 percentage points in October to touch an all-time low in the current (2012=100 base year) series. The fall in inflation was driven by a decline in food prices and the GST rate cut on goods and services prices, besides favourable base effects. The deepening of deflation in CPI food in October took it to its lowest point in the current series. Core inflation (CPI excluding food and fuel) moderated marginally. However, excluding the impact of high gold and silver prices, the decline in core inflation was steeper, falling to an all-time low.

Financial conditions remained benign with system liquidity largely in surplus during the second half of October and November. The weighted average call rate – the operating target of monetary policy – was aligned with the policy repo rate. Yields on three-month commercial papers averaged around the same level. At the same time, interest rates on certificates of deposit edged up slightly while that on treasury bills moderated. In the fixed income segment, the yield curve shifted slightly upwards especially at the longer end. During April-October 2025-26, the flow of financial resources to the commercial sector increased significantly compared to the same period a year ago. Non-bank sources, primarily corporate bond issuances, credit by non-banking financial companies and foreign direct investment to India, were the key drivers, even as bank credit growth remained steady.

Indian equity markets gained in October-November amidst positive cues on India-US trade deal and healthy corporate earnings for Q2:2025-26. Primary market mobilisation also recorded a significant increase in October over the previous month. The initial public offerings (IPOs) mobilisation during April-October 2025 was markedly higher than last year, with strong participation from both FPIs and DIIs.

In the midst of continuing uncertainty on global trade policies and concerns about their domestic impact, Indian economy continues to be resilient to external sector shocks, backed by strong services exports, robust remittance receipts, and benign oil prices. Foreign exchange reserves remain adequate to cushion adverse external shocks. External debt as a proportion of GDP remains low and stable. Further, the share of short-term debt in total external debt remains low.

Set against this backdrop, the remainder of the article is structured into four sections. Section II covers the rapidly evolving developments in the global economy. Section III provides an assessment of domestic macroeconomic conditions. Section IV encapsulates financial conditions in India, while Section V presents the concluding observations.

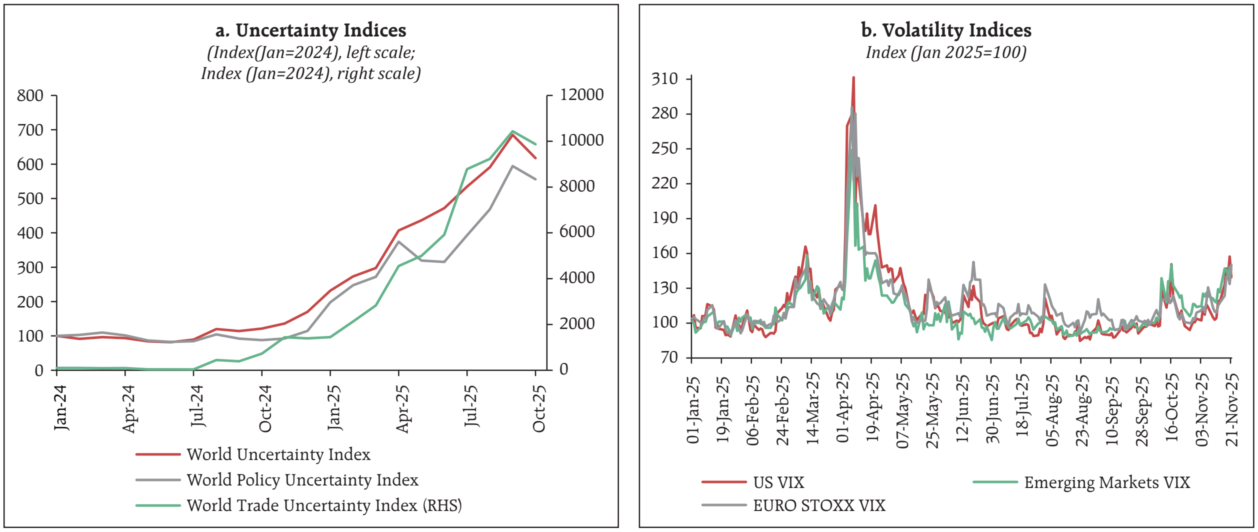
II. Global Setting

Global uncertainty remained elevated in October, although there was a slight pullback, a decline for the first time in over a year. Both world trade and policy uncertainties retreated. Financial market volatility, which had moderated in October, resurged in November due to concerns

[1] https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=61626

[2] India's exports of the exempted commodities at US$ 446.0 million accounted for about 7.6 per cent of India's total agricultural exports to the US in 2024-25.

Chart II.1: Easing World and Economic Policy Uncertainty



Sources: World Uncertainty Index database, and Bloomberg.

over stretched valuations in AI stocks (Charts II.1a and II.1b).

The global PMI composite for October indicated an expansion in business activity, supported by strong growth in services and resilient manufacturing. New export orders for both services and manufacturing contracted signalling continuing weakness in global demand (Table II.1).

Business activity, as indicated by PMI indices, expanded at a faster pace across major AEs, including the US, the UK, Japan, and Eurozone, whereas it continued to contract in France. Among major EMDEs, business activity expanded in India, China and Russia while it contracted in Brazil (Chart II.2a). Major economies continued to witness a contraction in new export orders in October, but India and Russia recorded an expansion (Chart II.2b).

Table II.1: Global PMI Composite Accelerated Further, but Export Orders Weakened

	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
PMI composite	52.3	52.4	52.6	51.8	51.5	52.1	50.8	51.2	51.7	52.5	52.9	52.5	52.9
PMI manufacturing	49.4	50.1	49.6	50.1	50.6	50.3	49.8	49.5	50.4	49.7	50.9	50.7	50.8
PMI services	53.1	53.1	53.8	52.2	51.5	52.7	50.8	52	51.8	53.5	53.3	52.9	53.4
PMI export orders	48.9	49.3	48.7	49.6	49.7	50.1	47.5	48.0	49.1	48.5	48.9	49.7	48.5
PMI export orders: manufacturing	48.3	48.6	48.2	49.4	49.6	50.1	47.3	48.0	49.2	48.2	48.7	49.5	48.3
PMI export orders: services	50.7	51.3	50.3	50.2	50.2	50.1	48.2	47.9	48.7	49.4	49.3	50.1	49.3

50

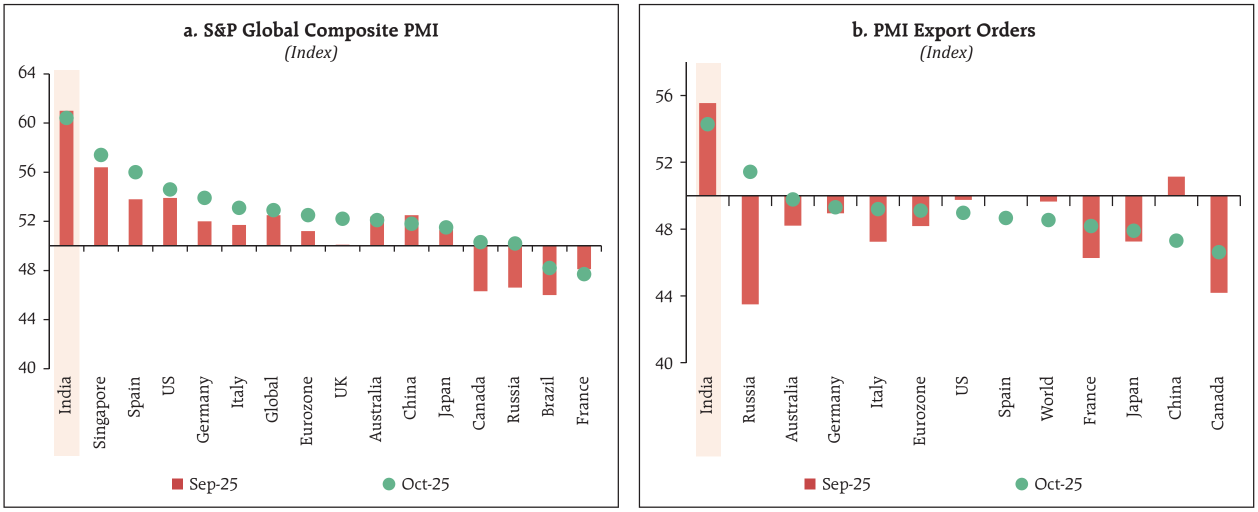
<<<<<<Contraction--Expansion>>>>>>

Notes: 1. The Purchasing Managers' Index (PMI), a diffusion index, captures the change in each variable compared to the prior month, noting whether each has risen/improved, fallen/deteriorated or remained unchanged. A PMI value >50 denotes expansion; <50 denotes contraction; and =50 denotes 'no change'.

2. Heat map is applied on data from April 2023 till October 2025. The map is colour coded–red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Source: S&P Global.

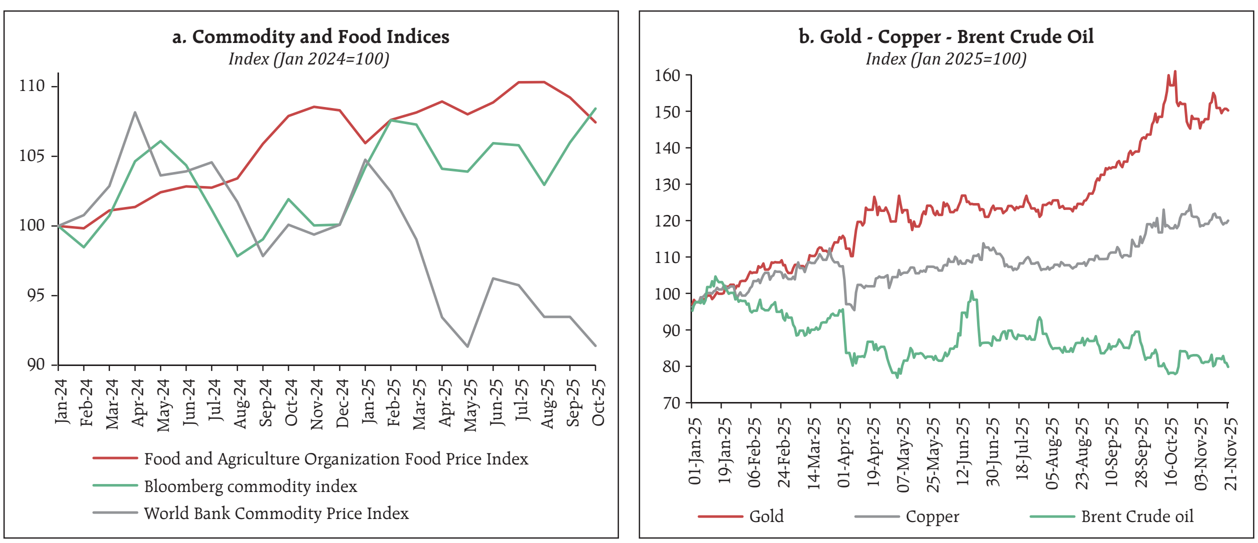
Chart II.2: Purchasing Managers' Index: Comparison across Jurisdictions



Note: A level of 50 indicates no change in activity, while a reading above 50 signals expansion and below 50 suggests contraction.
Source: S&P Global.

Global commodity prices, barring gold and silver, remained subdued. In October, the World Bank Commodity Price Index softened on lower food and crude oil prices. The Food and Agriculture Organization's benchmark for world food commodity prices eased, marking its second consecutive monthly decline, with food prices barring vegetable oils registering a decline (Chart II.3a). Crude oil prices edged up in end-October following US sanctions on Russian oil firms. Thereafter, prices stabilised in November on sluggish demand and the forecast of excess supply conditions[3]. Copper prices edged up on fears of a supply shortage in major producing countries. While gold prices strengthened in the first half of October

Chart II.3: Commodity and Food Prices



Sources: Food and Agriculture Organization; Bloomberg; and World Bank.

[3] International Energy Agency, Oil Market Report.

on safe-haven demand, it showed some decline since the latter half, in the wake of softening in safe-haven demand flowing from the US China trade truce and a strengthening US dollar. However, gold prices exhibited bi-directional movements in November on varying expectations of a Fed rate cut in December (Charts II.3a and II.3b).

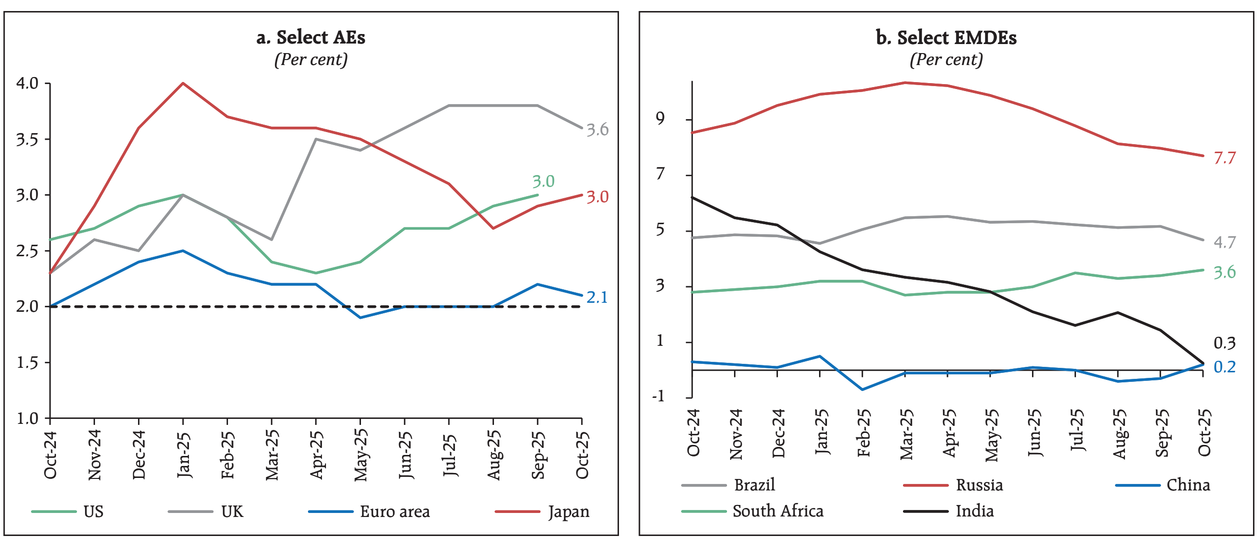
Headline inflation eased in October across most AEs and EMDEs. However, it remains elevated in AEs amidst persistent services inflation. In the Euro area, headline inflation eased slightly in October and continued to hover around the ECB's target. Inflation in the UK eased for the first time in five months (Chart II.4a). Among major EMDEs, inflation in Brazil declined to its lowest level since January while it continued to moderate in Russia. Deflationary pressures in China eased with inflation turning positive reversing a two-month decline (Chart II.4b).

Equity markets in major economies rallied in October. In the US, renewed investor confidence stemming from a temporary let-up in trade tension with China, strong corporate earnings, the AI-driven rally, and the Federal Reserve's rate cut boosted market exuberance, lifting valuations up. European equities also strengthened on the back of strong corporate earnings. Japan's equity market reached record highs as investors anticipated expansionary fiscal and monetary policies under the newly elected prime minister. China's markets also gained as easing trade tensions improved sentiment. In November, concerns on stretched valuations have triggered some correction in equity markets (Chart II.5a).

In bond markets, US Treasury yields declined until the third week of October on safe-haven demand, a prolonged government shutdown, and Fed rate cut expectations. Yields, however, edged higher from the end of October on Fed Chair's comments tempering further rate cut expectations. The JP Morgan Emerging Markets Bond Index (EMBI) spread narrowed in October, reflecting reduced risk-off pressures and lower risk premia amid improving emerging market fundamentals and easing trade tensions (Chart II.5b).

The US dollar broadly strengthened till early November on increased safe-haven demand amidst

Chart II.4: Inflation Remains Elevated in AEs and Divergent across Economies

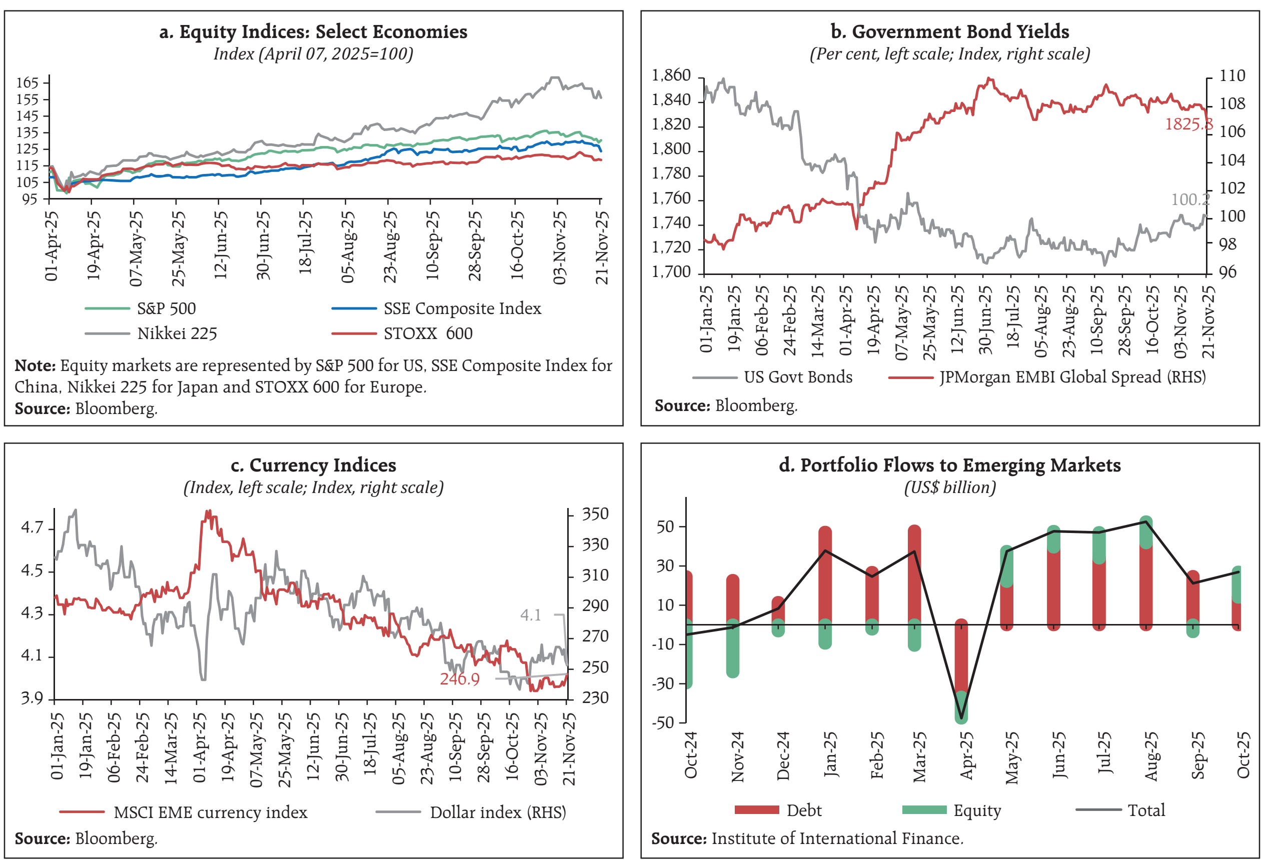


Source: Bloomberg.

the US government shutdown, and lower expectations of Fed rate cut in the December meeting. However, it fell thereafter as markets awaited official data releases post US government reopening. Emerging market currencies remained volatile, in tune with developments in US-China trade negotiations and varying expectations regarding Fed monetary policy (Chart II.5c). Even as debt flows moderated, portfolio flows to major emerging markets improved in October driven by a surge in equity flows on strong macroeconomic fundamentals and elevated expectations of US rate cut (Chart II.5d).

Central bank monetary policy rate actions across AEs and EMDEs presented a mixed picture in October, conditional on the evolving domestic growth inflation balance.[4] In November so far, most of the central banks surveyed held their key policy rates. Among AEs, while the US, Canada, and New Zealand reduced benchmark rates in October due to concerns about a weakening labour market, the European Central Bank, the Bank of Japan, and the Bank of Korea held benchmark interest rates steady, adopting a cautious, data-driven approach amidst ongoing external challenges. Amongst the EMDEs, Philippines, Saudi Arabia and Russia cut their policy rates citing a combination of inflation and deteriorating growth outlook. China, Thailand and Indonesia held the benchmark rates steady, adopting a cautious approach to monitor the impact

Chart II.5: Global Financial Markets



Note: Equity markets are represented by S&P 500 for US, SSE Composite Index for China, Nikkei 225 for Japan and STOXX 600 for Europe.
Source: Bloomberg.

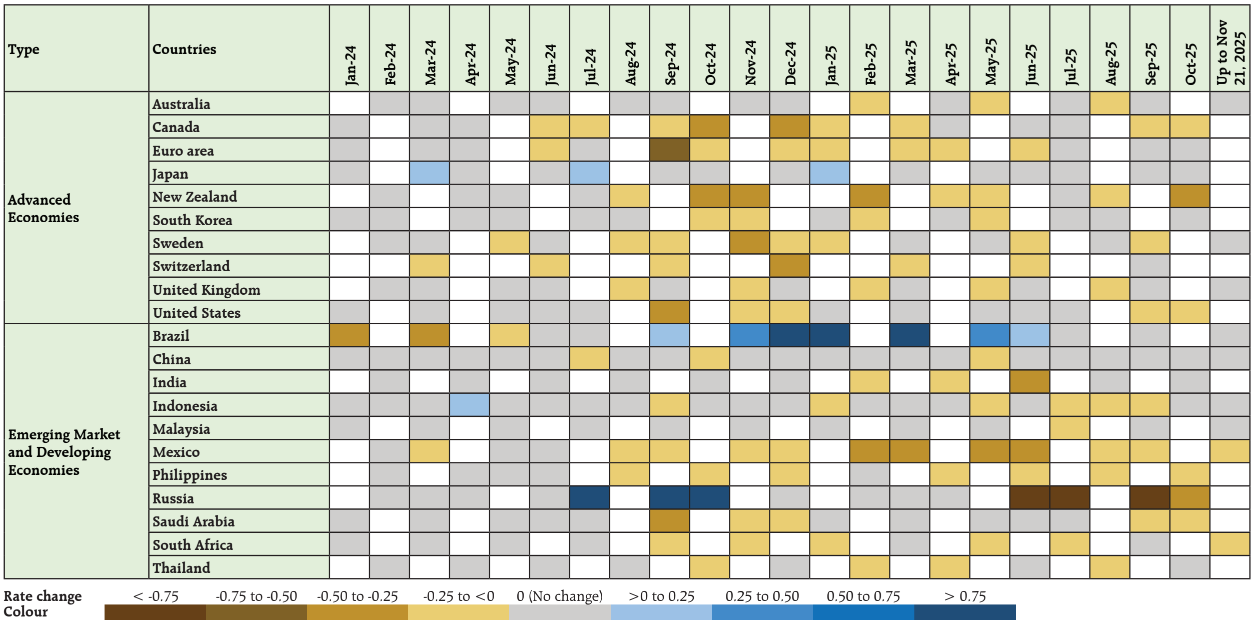
Source: Bloomberg.

Source: Bloomberg.

Source: Institute of International Finance.

[4] Out of the 21 central banks monitored, 18 held the monetary policy meetings in October and November so far. Roughly 60 per cent held the rates unchanged, while others opted for rate cuts, assessing the latest domestic growth and inflation figures.

Chart II.6: Central Banks Opted for *Status Quo* in November



Note: White-coloured blocks indicate an off-policy month.

Source: Bloomberg.

of previous rate cuts amidst significant downside risks to growth. In November so far, the UK, Sweden and Australia from the AEs and Brazil, Indonesia and China from the EMDEs kept the interest rates steady. Malaysia kept the policy rate unchanged over steady economic growth. Central banks of Mexico and South Africa, however, cut rates on growth concerns (Chart II.6).

III. Domestic Developments

The Indian economy showed signs of a further pick up in momentum, despite continuing global headwinds. Quarterly results of listed private companies in manufacturing and services show an uptick in sales growth. Available high-frequency indicators for October suggest a robust expansion in both manufacturing and services activities, supported by festive season demand and the ongoing positive impact of the Goods and Services Tax (GST) reforms. Inflation has moderated to a historic low and remained well below the target rate.

Aggregate Demand

The high-frequency indicators of overall economic activity remained robust in October, supported by Goods and Services Tax (GST) rate reductions and a pickup in festive spending. Despite a reduction in rates, GST collections registered a positive growth, *albeit* at a slower pace than the previous month. Digital payments registered a moderation in growth, in both volume and value, during October 2025 (Table III.1). Recent data on digital transactions also indicate a rising adoption and usage of digital payments across regions and merchant categories, including groceries and supermarkets, and gold purchases.[5] Electricity

[5] Six of the seven north-eastern states recorded the highest growth in UPI payment volumes in October 2025, reflecting the deepening penetration of digital payments across the nation. The increasing volume of transactions within the UPI Person-to-Merchant (P2M) category, reflects a robust growth in adoption of UPI for everyday payments. Within the UPI Person-to-Merchant (P2M) category, the volume of transactions under the 'groceries and supermarkets' and online marketplaces segment grew by close to 40 and 60 cent (y-o-y) in October 2025, respectively. Notably, digital gold purchases have featured among the top 20 merchant categories under UPI P2M over the past six months, indicating evolving consumer preferences in modes of buying gold (Source: Unified Payments Interface Ecosystem Statistics, NPCI and authors' calculations. Retrieved on November 4, 2025, from https://www.npci.org.in/product/ecosystem-statistics/upi).

Table III.1: High Frequency Indicators – Robust Economic Activity

Indicator	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
GST E-way bills	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4	21.0	8.2
GST revenue	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5	9.1	4.6
Toll Collection	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	12.7	4.5	4.6
Electricity demand	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.8	3.4	-5.6
Petroleum consumption	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	1.1	0.5	-4.4	4.8	7.6	-0.4
Of which Petrol	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5	8.0	7.4
Diesel	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2	6.6	-0.3
Aviation Turbine Fuel	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.4	3.3	-2.3	-2.9	-0.8	2.1
Digital Payments - volume	40.3	30.1	33.1	33.0	26.7	30.8	30.0	29.2	28.3	30.9	31.1	28.1	19.0
Digital Payments - value	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.6	17.4	16.6	5.3	13.4	9.1

<<Contraction -- Expansion>>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators.
2. The heatmap is applied to data from April 2023 to October 2025. Digital Payments data for October 2025 is provisional.
3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.

Sources: Goods and Services Tax Network (GSTN); RBI; Central Electricity Authority (CEA); and Ministry of Petroleum and Natural Gas, GoI.

demand declined due to unseasonal rainfall and the early onset of the winter season. Fuel demand presented a mixed picture, with petrol consumption rising due to increased mobility and travel during the festive season, while diesel consumption showed a marginal decline.[6]

During October, overall demand conditions showed signs of improvement. Rural demand steered overall demand, supported by favourable monsoon conditions, strong agricultural activity, GST rate reductions, and increased festive season spending. Rural demand for two-wheelers and automobiles registered a sharp pick up, as sales recorded the highest growth rate for both series. Urban demand also gained momentum, with passenger vehicle sales recording their highest growth in the past nine months (Table III.2). Vehicle registrations recorded strong growth across all major segments compared

Table III.2: High Frequency Indicators- Revival of Urban Demand

	Indicator	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Urban demand	Domestic air passenger traffic	9.6	13.8	10.8	14.1	12.1	9.9	9.7	2.6	3.7	-2.5	-0.5	-2.5	2.8
	Retail Passenger vehicle sales	32.4	-13.7	-2.0	15.5	-10.3	6.3	1.6	-3.1	2.5	-0.8	0.9	5.8	11.4
Rural demand	Retail Automobile Sales	32.1	11.2	-12.5	6.6	-7.2	-0.7	2.9	5.4	4.8	-4.3	2.8	5.2	40.5
	Retail Tractor sales	3.1	29.9	25.8	5.2	-14.5	-5.7	7.6	2.8	8.7	11.0	30.1	3.6	14.2
	Retail Two-wheeler sales	36.3	15.8	-17.6	4.2	-6.3	-1.8	2.3	7.3	4.7	-6.5	2.2	6.5	51.8

<<Contraction -- Expansion>>

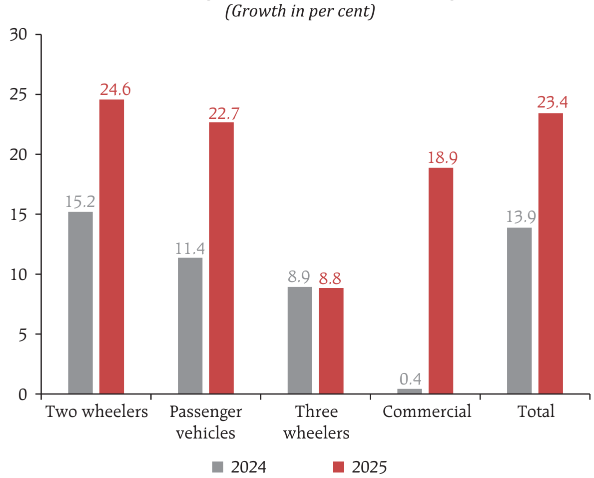
Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators.
2. The heatmap is applied to data from April 2023 to October 2025.
3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.
4. The data on domestic air passenger traffic for October 2025 growth rate is calculated by aggregating daily data.

Sources: Airports Authority of India; Federation of Automobile Dealers Associations (FADA); and Ministry of Rural Development, GoI.

[6] Petrol consumption increased to 3.6 million tonnes in October 2025 (five-month high) as compared to 3.4 million tonnes in October 2024.

Chart III.1: Surge in Automobile Registrations

(Growth in per cent)



Note: Growth in registration calculated for 45 day festive period beginning with the first day of Navratri, *i.e.*, (September 22 – November 5) in 2025; 2024: October 2 - November 15 in 2024; October 15 – November 28 in 2023.

Source: Vahan dashboard, Ministry of Road Transport & Highways (MoRTH).

with the corresponding festive period last year[7], reflecting strong consumer sentiment and the positive impact of GST rate cuts (Chart III.1).

As per the Quarterly Bulletin of the Periodic Labour Force Survey (released on November 10, 2025), all India unemployment rate (among persons of age 15 years and above) declined to 5.2 per cent in Q2 from 5.4 per cent in Q1 with divergent trends across rural and urban areas. The unemployment rate in rural areas declined while that in urban areas increased slightly[8]. In October, based on the Monthly Bulletin, the all-India unemployment rate remained unchanged at 5.2 per cent, with a marginal decline in rural areas, while the urban unemployment rate increased. Labour force participation rate and worker population ratio increased to their highest level since May, driven by gains in rural areas. The PMI employment indices for both manufacturing and services remained within the expansionary zone. The Naukri JobSpeak Index experienced contraction in October, reflecting subdued momentum in white-collar hiring activity, partly due to the clustering of major festive holidays in the month. Meanwhile, the continuation of contraction in work demand under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) suggests improving rural labour market conditions (Table III.3).

Table III.3: Robustness in High Frequency Indicators for Employment

Indicator	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Unemployment rate (PLFS: All-India)							5.1	5.6	5.6	5.2	5.1	5.2	5.2
Unemployment rate (PLFS: Rural)							4.5	5.1	4.9	4.4	4.3	4.6	4.4
Unemployment rate (PLFS:Urban)							6.5	6.9	7.1	7.2	6.7	6.8	7.0
Naukri JobSpeak Index	10.0	2.0	8.7	3.9	4.0	-1.5	8.9	0.3	10.5	6.8	3.4	10.1	-9.3
PMI Employment: Manufacturing	53.3	52.9	53.4	54.8	54.5	53.4	54.2	54.9	55.1	53.3	53.1	52.1	52.4
PMI Employment: Services	54.3	56.6	55.5	56.3	56.2	52.5	53.9	57.1	55.1	51.4	52.2	51.9	51.4
MGNREGA: Work Demand	-7.6	3.9	8.2	14.4	2.8	2.2	-6.5	4.4	4.4	-12.3	-26.2	-27.1	-35.1

<<Contraction -- Expansion>>

Notes:
1. All PLFS indicators are in the current weekly status and for people aged 15 years and above.
2. The y-o-y growth (in per cent) has been calculated for the Naukri index.
3. The heatmap is applied to data from April 2023 to October 2025.
4. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.
5. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Sources: Ministry of Statistics and Program Implementation (MoSPI), GoI; Info Edge; and S&P Global**.**

[7] The period from September 22 to November 5 has been considered to capture the entire festive season (45 days), beginning with the implementation of GST 2.0 on September 22 - which coincided with the first day of Navratri - and extending through the post-Diwali period. For comparability, the corresponding festive periods in previous years have been taken as October 2 – November 15, 2024, and October 15 – November 28, 2023.

[8] Further, labour force participation rate in Q2: 2025-26 recorded a modest uptick in both rural and urban areas and worker population ratio rose marginally driven by increased participation of women, particularly in rural areas.

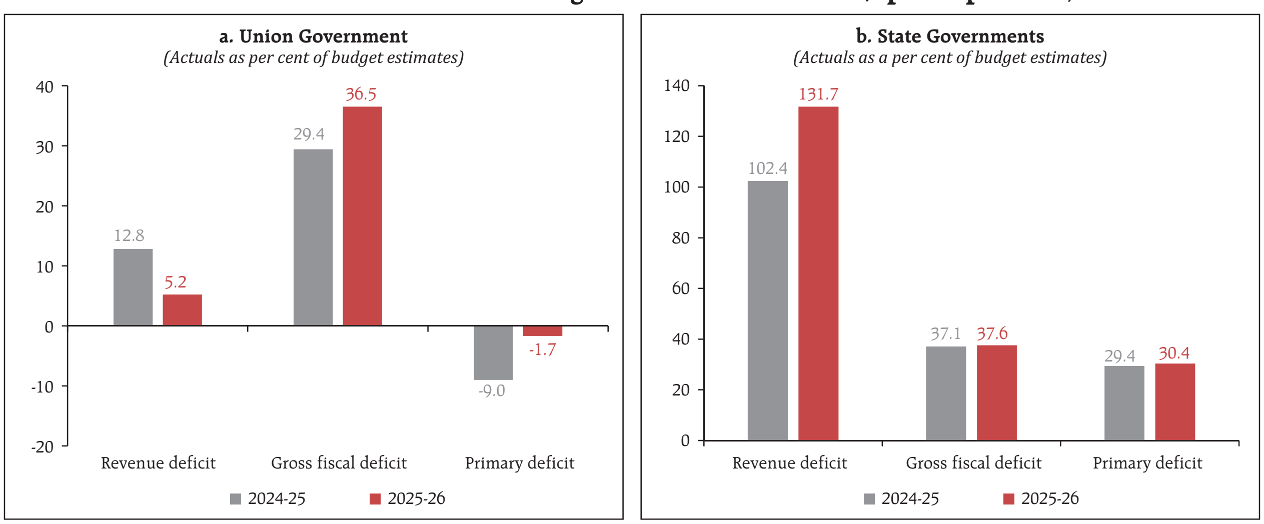
During H1:2025-26 (April-September 2025), the gross fiscal deficit (GFD) of the union government was higher than the corresponding period of the previous year (Chart III.2).[9] This was due to higher growth of capital expenditure[10] accompanied by a contraction in the net tax receipts[11]. The growth in revenue expenditure, on the other hand, decelerated[12]. The decline in net tax receipts reflected a deceleration in growth for both direct and indirect taxes[13]. The slowdown in net tax collections during the period was partially offset by robust growth in non-tax revenue and non-debt capital receipts.

The key deficit indicators of states during H1:2025-26 were higher than last year (Chart III.2b). This was largely on account of subdued revenue growth. While the collection of state goods and services tax and sales tax/VAT moderated, state excise and non-tax revenue registered robust growth. There was also a contraction in grants-in-aid from the centre. On the expenditure front, revenue expenditure growth was moderate, while capital expenditure rebounded sharply.

During the year so far (April-October), the merchandise trade deficit was higher than last year, primarily driven by the gold as well as the non-oil non-gold deficit. India's merchandise exports witnessed a marginal expansion supported by electronic goods, even as imports surged.[14]

In October, the merchandise trade deficit widened to an all-time high[15] in (Chart III.3a)[16]. While exports

Chart III.2: Deficit Indicators Higher than Previous Year (April-September)



Note: Negative primary deficit numbers, as per cent of budget estimates, in Chart 1a indicate primary surplus. In Chart b, data pertains to 23 States/UTs.
Sources: Controller General of Accounts; Comptroller and Auditor General of India; and Union Budget Documents.

9 As per the latest data released by the Controller General of Accounts (CGA).

10 The growth in capital expenditure remained robust at 40.0 per cent and attained 51.8 per cent of its budgeted target for 2025-26 during the first half of the year.

11 Net tax collections registered contraction as the increase in gross tax revenue during the period was more than offset by devolution of tax from Centre to the States.

12 The revenue expenditure recorded a moderate growth of 1.5 per cent during H1:2025-26. The interest payments grew by 12.3 per cent, while the spending on major subsidies contracted by 5.7 per cent during the same period.

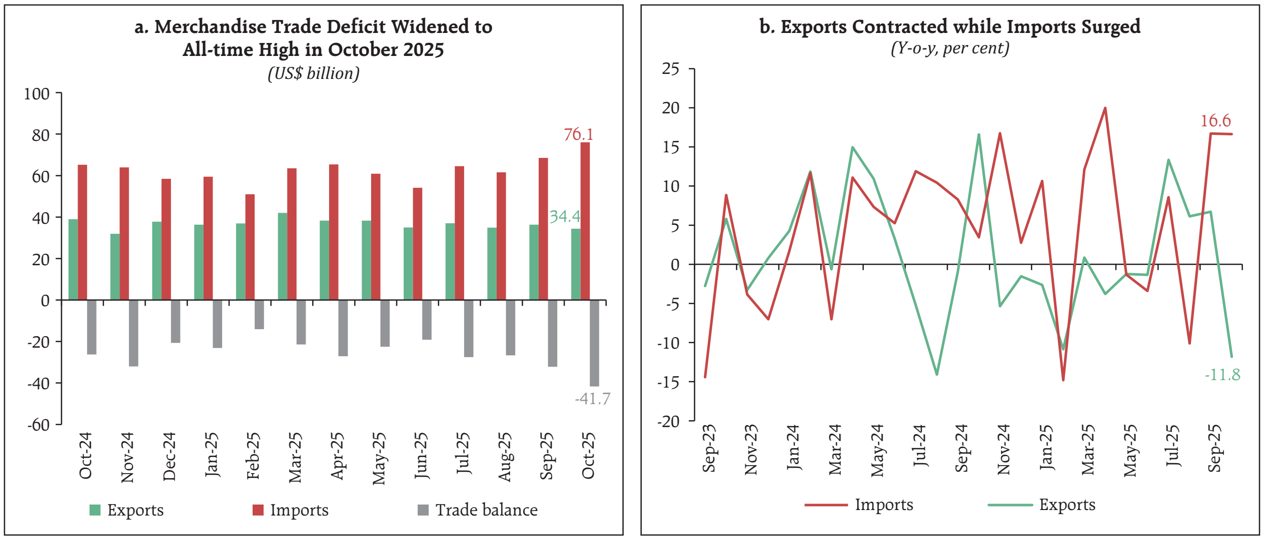
13 The direct and indirect tax growth decelerated from 14.8 per cent and 8.4 per cent in H1:2024-25 to 3.0 per cent and 2.6 per cent in H1: 2025-26, respectively. Within major indirect taxes, only union excise duty registered an acceleration in growth.

14 Electronic goods exports at US$26.3 billion have posted a robust growth of 37.8 per cent (y-o-y) during 2025-26 (April-October)

15 US$41.7 billion in October 2025 from US$26.2 billion in October 2024.

16 The non-oil deficit increased to US$30.8 billion in October 2025, as compared to US$11.8 billion a year ago due to a rise in gold deficit. The share of non-oil deficit in total deficit increased to 74.0 per cent in October 2025 from 44.8 per cent a year ago.

Chart III.3: India's Merchandise Trade



Sources: PIB; and DGCI&S.

contracted after remaining in expansion for three months, reflecting the adverse impact from global headwinds, imports surged on account of higher gold and silver imports catering to the festive demand (Chart III.3b)[17].

Net services exports growth accelerated in September[18] with services exports growing faster and imports emerging out of contraction[19]. Services exports were driven by business services and software services exports (Chart III.4).

Aggregate Supply

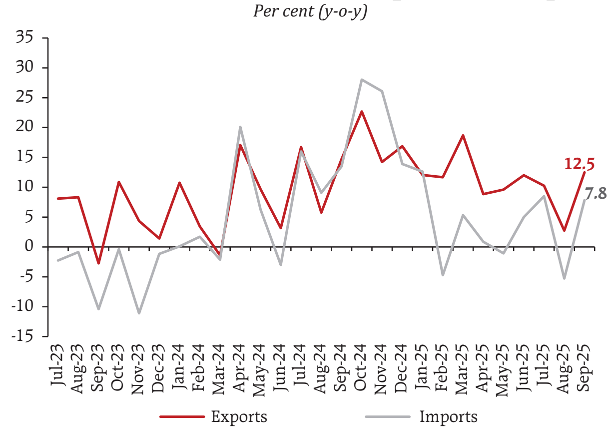
Agriculture

The final estimates for agricultural production in 2024–25 indicate a record output of foodgrains, led by higher production of rice, wheat, maize and *moong*. Oilseeds output also increased, supported by gains in groundnut and soybean.[20]

Excess rainfall conditions were witnessed in the post-monsoon period this year owing to

Chart III.4: Trend in Services Exports and Imports

Per cent (y-o-y)



Source: RBI.

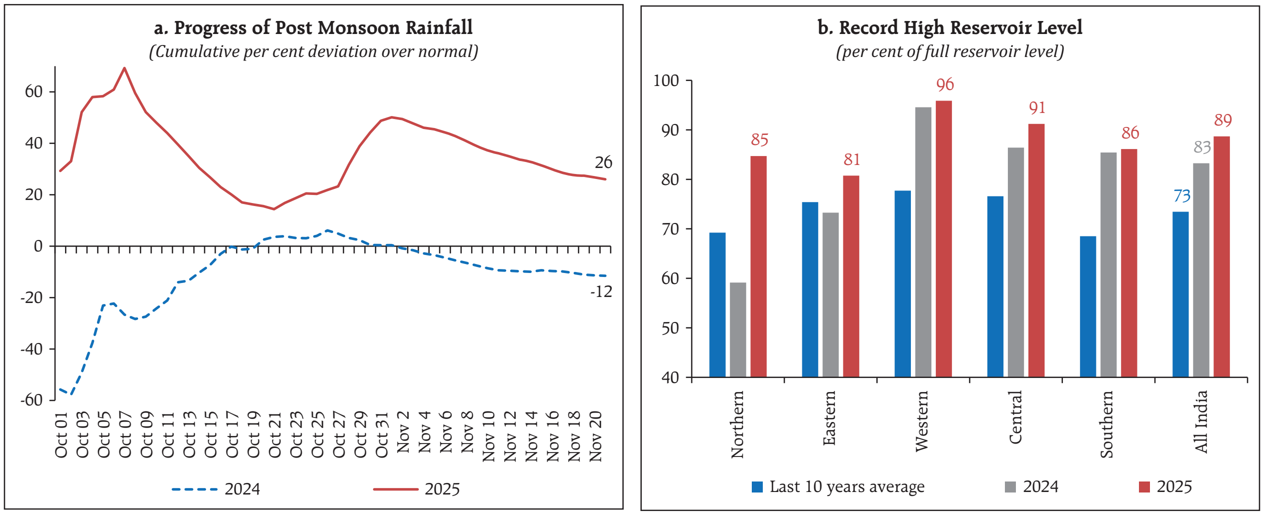
[17] Merchandise exports stood at US$34.4 billion in October 2025 [decline of 11.8 per cent (y-o-y)]. Key segments such as engineering goods, gems and jewellery; chemicals, petroleum products and plastic and linoleum drove the contraction, while electronic goods; meat, dairy and poultry products; marine products, cashew and coffee performed well. Exports to 17 out of top 20 countries contracted, with exports to destinations such as China and Hong Kong growing, while contracting to the US, the UAE and the Netherlands. Merchandise imports stood at US$76.1 billion in October 2025 [growth of 16.6 per cent (y-o-y)]. Gold, silver, electronic goods, fertilisers, crude and manufactured; and machinery, electrical and non-electrical were the major drivers contributing to the increase in import growth during the month. Petroleum, crude and products, iron and steel; pearls, precious and semi-precious; coal, coke and briquettes; and pulses dragged imports down.

[18] Net services exports growth accelerated to 17.3 per cent (y-o-y), reaching US$ 18.8 billion.

[19] Services imports registered annual growth of 7.8 per cent in September, primarily due to a rise in software services and business services imports.

[20] Final estimates were at 357.7 million tonnes, which was 7.7 per cent higher than last year. Oilseeds production grew by 8.4 per cent driven by record production of groundnut and soybean.

Chart III.5: Reservoir Level Surged with Excess Post Monsoon Rainfall



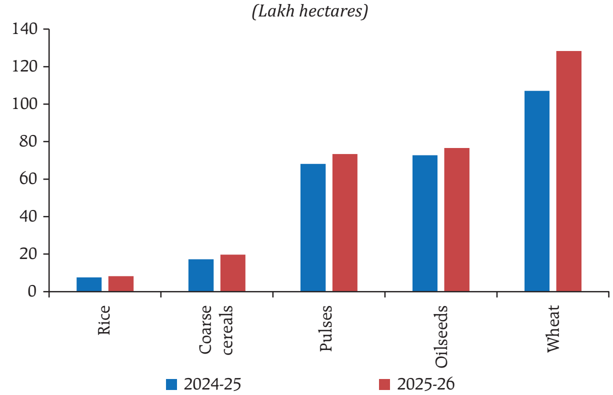
Note: Reservoir levels as on November 20, 2025.
Sources: India Meteorological Department; and Central Water Commission.

cyclone *Montha* and depression in the Arabian sea, which is in sharp contrast to the shortfall witnessed last year (Chart III.5a). Consequently, the average storage level in major reservoirs in the country has reached a historic high compared to the corresponding period in the previous years, which augurs well for the ongoing *rabi* season sowing (Chart III.5b).[21]

Rabi season sowing is progressing well across crops with wheat, rice, pulses, oilseeds

Chart III.6: Progress of *Rabi* Sowing

(Lakh hectares)



Note: Data is as on November 21.
Source: Ministry of Agriculture and Farmers' Welfare.

[21] As on November 20, 2025, the average storage level in 161 major reservoirs in the country has reached 89 per cent of its full capacity.

and coarse cereals recording higher sowing so far (Chart III.6).[22]

Aided by higher production and lower market price, procurement of rice during the *kharif* marketing year 2025-26 so far (September 10 to November 21, 2025) has surpassed last year's level.[23] Consequently, the stock of rice with the Food Corporation of India has reached its highest level in recent years.[24] The stock of wheat also remains comfortable at 1.5 times the buffer requirement (Chart III.7).

Industry and Services

Quarterly results of listed non-government non-financial[25] companies for Q2:2025-26 show an uptick.[26] Sales growth of listed private manufacturing companies inched up despite a

[22] With *rabi* sowing at 306.3 lakh hectares, around 48 per cent of normal area has been covered so far. As on November 21, 2025, sowing is 12.3 per cent higher than the corresponding date last year.

[23] Procurement of rice during the *kharif* marketing year 2025-26 so far (September 10 to November 21, 2025) has been 12.6 per cent higher than the corresponding period last year.

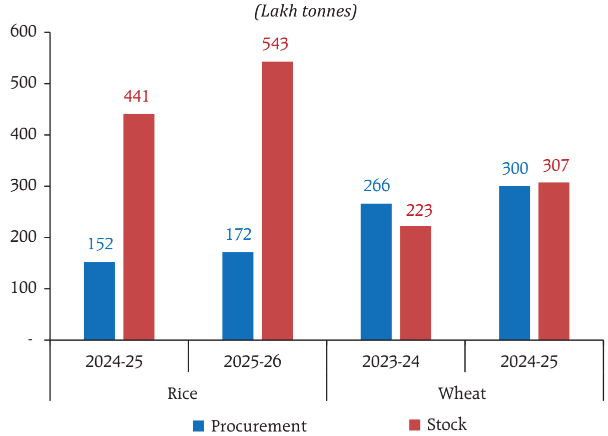
[24] As on November 01, 2025, the stock of rice is 5.3 times the buffer requirement.

[25] Based on 3,118 listed non-government non-financial companies.

[26] Aggregate sales growth increased to 8 per cent (y-o-y) during Q2:2025-26 from 5.5 per cent in the previous quarter.

Chart III.7: Procurement and Stock of Rice and Wheat

(Lakh tonnes)

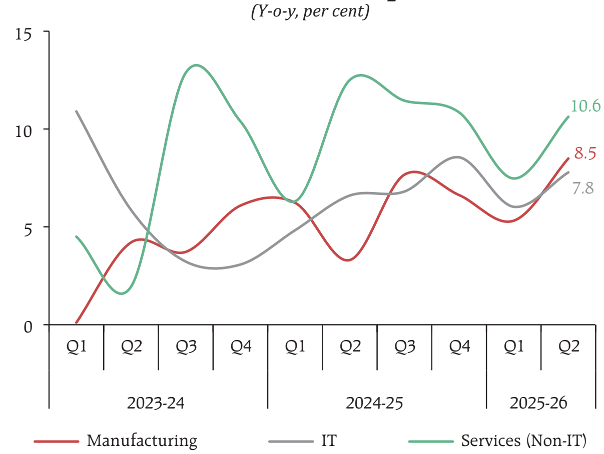


Notes: 1. Rice procurement from September 10 to November 21 and wheat procurement from April to June.
2. Stock as on November 01.

Source: Food Corporation of India.

Chart III.8: Sales Growth - Listed Private Non-Financial Companies

(Y-o-y, per cent)



Note: Data is based on results of 3,118 listed non-government non-financial companies (1,775 manufacturing, 201 IT, and 890 non-IT services).

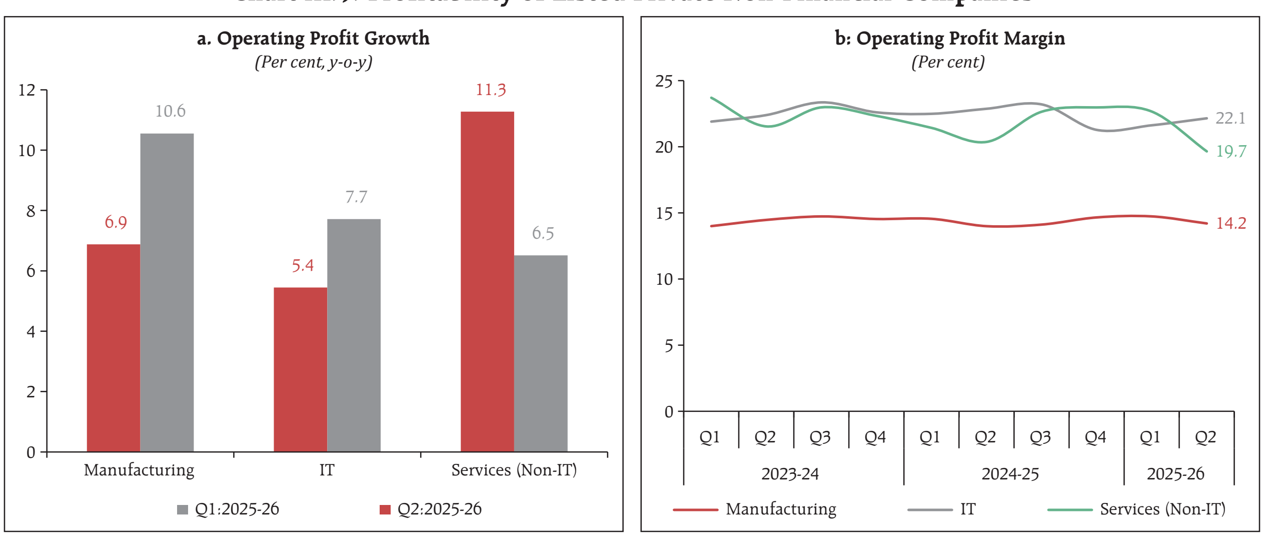
Sources: Capitaline database; and RBI staff calculations.

contraction in the petroleum industry.[27] Sales growth of IT companies and non-IT services companies also inched up (Chart III.8).

Operating profit and operating profit margin of manufacturing companies have risen on a year-on-year basis during Q2:2025-26. However, operating profit margin moderated from the previous quarter. Within the services sector, operating profit and operating profit margin of IT companies expanded sequentially, aided by cost rationalisation, but they moderated for non-IT services companies (Chart III.9).

During Q2:2025-26, revenue growth for listed Indian banking and financial sector companies

Chart III.9: Profitability of Listed Private Non-Financial Companies



Note: Data is based on results of 3,118 listed non-government non-financial companies (1,775 manufacturing, 201 IT, and 890 non-IT services).

Sources: Capitaline database; and RBI staff calculations.

[27] Sales growth of listed private manufacturing companies improved to 8.5 per cent (y-o-y) during Q2:2025-26 from 5.3 per cent in the previous quarter. Excluding petroleum, sales growth stood at 10 per cent during Q2:2025-26

moderated, while net profit growth increased (Chart III.10).

On the investment front, the total cost of capex projects sanctioned by banks and financial institutions (FIs) during Q2:2025-26 surged over the previous quarter pointing to improved investment optimism among private corporates. Power, construction, roads and bridges constituted the majority of the intended investment. Funds raised for capex through external commercial borrowings (ECBs) and initial public offerings (IPOs) also increased compared to the preceding quarter (Chart III.11).

Monthly Indicators of Industrial Activity

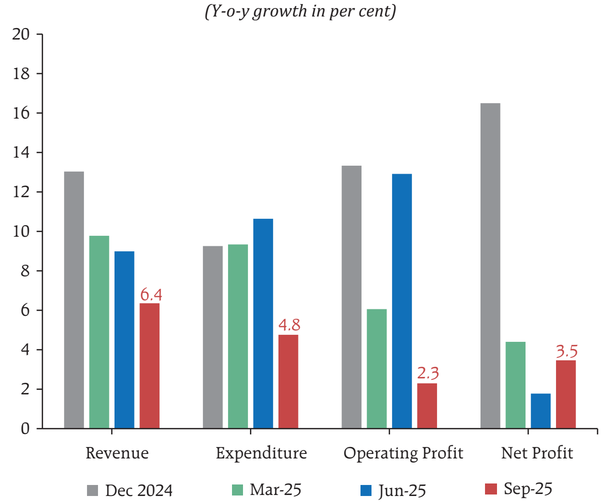
In September, growth in industrial activity, as measured by the year-on-year change in the Index of Industrial Production (IIP), was more or less steady. While electricity continued to expand, mining activity contracted after strong growth in the previous month. Growth in manufacturing activity picked up. Infrastructure/construction goods and consumer durables were the best performers with double-digit growth. In October, the combined index of eight core industries remained unchanged, as growth in steel, cement, fertilisers and refinery products was offset by contractions in coal, electricity, natural gas and crude oil.

The available high-frequency indicators for October point to sustained strength in manufacturing activity. The manufacturing Purchasing Managers' Index (PMI) accelerated during the month, supported by a sharp expansion in output and new orders, underpinned by resilient domestic demand and the continued positive effects of Goods and Services Tax (GST) reforms. Steel output grew strongly, reflecting continued momentum in infrastructure and construction activity. Automobile production showed mixed signals as passenger vehicle segment and three wheelers recorded robust growth while production of two-wheeler declined (Table III.4).

Green energy loans are gaining traction in India as bank credit to the renewable energy sector showed a triple digit growth in September (y-o-y) driven by consistent policy support as well as growing investor and consumer demand (Chart III.12). According to

Chart III.10: Performance of Listed Financial Companies

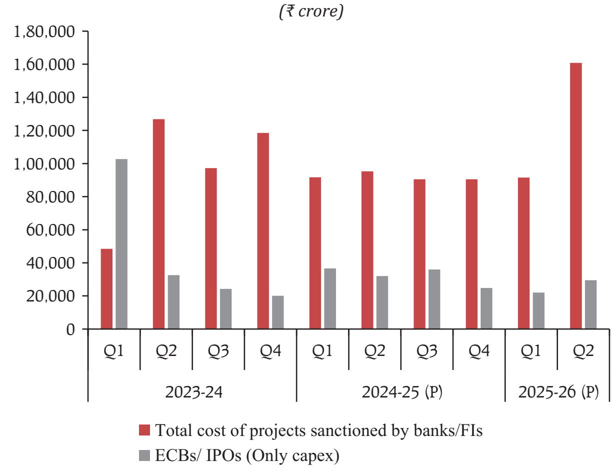
(Y-o-y growth in per cent)



Sources: CMIE prowess; and RBI staff estimates.

Chart III.11: Private Corporates' Investment Intentions

(₹ crore)



Note: Data for 2024-25 and 2025-26 are provisional.
Sources: Data on project finance gathered from banks/FIs by RBI; and RBI staff estimates.

Table III.4: High Frequency Indicators for Industry Showed Robust Growth

Indicator	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
IIP-Headline	3.7	5.0	3.7	5.2	2.7	3.9	2.6	1.9	1.5	4.3	4.1	4.0	
IIP Manufacturing	4.4	5.5	3.7	5.8	2.8	4.0	3.1	3.2	3.7	6.0	3.8	4.8	
IIP capital goods	2.9	8.9	10.5	10.2	8.2	3.6	14.0	13.3	3.0	6.8	4.5	4.7	
PMI Manufacturing	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2
PMI Export Order	53.6	54.6	54.7	58.6	56.3	54.9	57.6	56.9	60.6	57.3	56.1	56.5	54.7
PMI Manufacturing: Future Output	62.1	65.5	62.5	65.1	64.9	64.4	64.6	63.1	62.2	57.6	60.5	64.8	62.3
Eight Core Index	3.8	5.8	5.1	5.1	3.4	4.5	1.0	1.2	2.2	3.7	6.5	3.3	0.0
Electricity generation: Conventional	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.8
Electricity generation: Renewable	14.9	19.0	17.9	31.9	12.2	25.2	28.0	18.2	28.7	26.4	22.7	16.4	
Automobile Production	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1	10.8	-2.8
Passenger vehicle production	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1	16.1	9.8
Tractor production	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4	23.0	13.0
Two-wheelers production	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0	9.8	-5.6
Three-wheelers production	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8	15.9	15.9
Crude steel production	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	13.8	12.8	13.2	9.4
Finished steel production	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.8	13.8	10.0
Import of capital goods	7.0	4.8	6.1	15.5	-0.5	8.6	24.6	15.7	3.4	12.0	-1.4	10.1	8.7

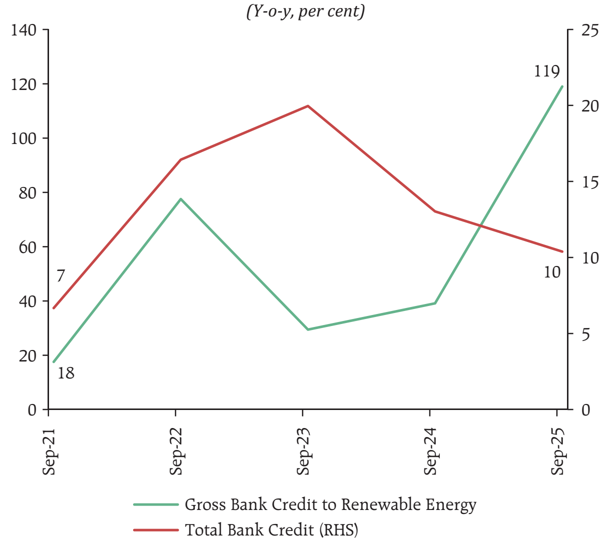
<<Contraction -- Expansion>>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI).
2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.
3. The heatmap is applied on data from April 2023 till October 2025, other than for the IIP and electricity generation: renewable, where the data are till September 2025.
4. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Sources: Ministry of Statistics and Programme Implementation (MoSPI); S&P Global; Central Electricity Authority (CEA), Ministry of Power; Society of Indian Automobile Manufacturers (SIAM); Office of Economic Adviser, GoI; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics; and Tractor and Mechanisation Association.

Chart III.12: Deployment of Gross Bank Credit

(Y-o-y, per cent)



Source: RBI.

the International Energy Agency (IEA)[28], India's clean energy expansion is on track with its renewables market expected to emerge as the world's second largest by 2030.[29]

Electric vehicles industry has been showcasing impressive growth with the total EV registrations reaching an all-time high in October. Within the EV segment, electric two-wheeler category crossed the milestone of one million sales during 2025 so far reflecting a transformative shift towards green mobility.

[28] Renewables Report – October 2025, International Energy Agency.

[29] As at end-September, India's non-fossil energy capacity cumulatively stood at 256 gigawatts (GW) after adding about 28 GW of additional installed capacity in the first half of 2025-26 as compared to 11 GW during the corresponding period of the previous year.

Table III.5: High Frequency Indicators for Services Showed Resilience

Indicator	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
PMI Services	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9
International Air Passenger Traffic	10.3	10.7	9.0	11.1	7.7	6.8	13.0	5.0	3.4	5.5	7.7	7.3	9.6
Domestic Air Cargo	8.9	0.3	4.3	6.9	-2.5	4.9	16.6	2.3	2.6	4.8	7.1	2.8	
International Air Cargo	18.4	16.1	10.5	7.1	-6.3	3.3	8.6	6.8	-1.2	4.2	4.5	2.3	
Port Cargo Traffic	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5	12.0
Retail Commercial vehicle sales	6.4	-6.1	-5.2	8.2	-8.6	2.7	-1.0	-3.7	6.6	0.2	8.6	2.7	17.7
Hotel Occupancy	-5.3	11.1	-0.2	1.2	0.6	1.9	7.2	-2.8	-0.3	-2.4	-3.2	-0.6	
Steel Consumption	8.1	9.5	5.2	10.9	10.9	13.6	6.0	8.1	9.3	7.3	10.0	8.9	4.7
Cement Production	3.1	13.1	10.3	14.3	10.7	12.2	6.3	9.7	8.2	11.6	5.4	5.0	5.3

<<Contraction -- Expansion>>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI).
2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.
3. The heatmap is applied to data from April 2023 to October 2025, other than for domestic and international air cargo, and hotel occupancy, where the data are till September 2025.
4. The data on international air passenger traffic for October 2025 growth rate is calculated by aggregating daily data.
5. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Sources: Federation of Automobile Dealers Associations (FADA); Indian Ports Association; Airports Authority of India; HVS Anarock; Joint Plant Committee; Office of Economic Adviser; and S&P Global.

Monthly Indicators of Services Activity

India's services sector demonstrated sustained expansionary momentum, supported by robust festive demand and GST relief. However, unseasonal rains led to some sequential softening in activity in October. Sales of retail commercial vehicles rose to near three-year high. Growth in port traffic accelerated, led by an uptick in petroleum, oil & lubricants and containerised cargo. Growth in cement production improved, while steel consumption moderated (Table III.5).

Inflation

Headline CPI inflation declined in October to touch an all-time low in the current (2012=100 base year) series. Headline CPI inflation, moderated to 0.3 per cent in October 2025 from 1.4 per cent in September.[30] The fall in inflation was driven by the deepening of deflation in food prices and impact of the GST rate cut on goods and services prices, amid large favourable base effects (Chart III.13).[31]

The deflation in the food group deepened on account of a decline in the prices of vegetables, pulses and spices.[32] Inflation in sub-groups such as cereals, meat and fish, milk and products, eggs, oils and fats, fruits, prepared meals, and non-alcoholic beverages moderated (Chart III.14).

Fuel and light inflation remained at 2.0 per cent in October, the same as in September. Inflation continued to remain elevated for LPG while it remained low and steady in electricity.

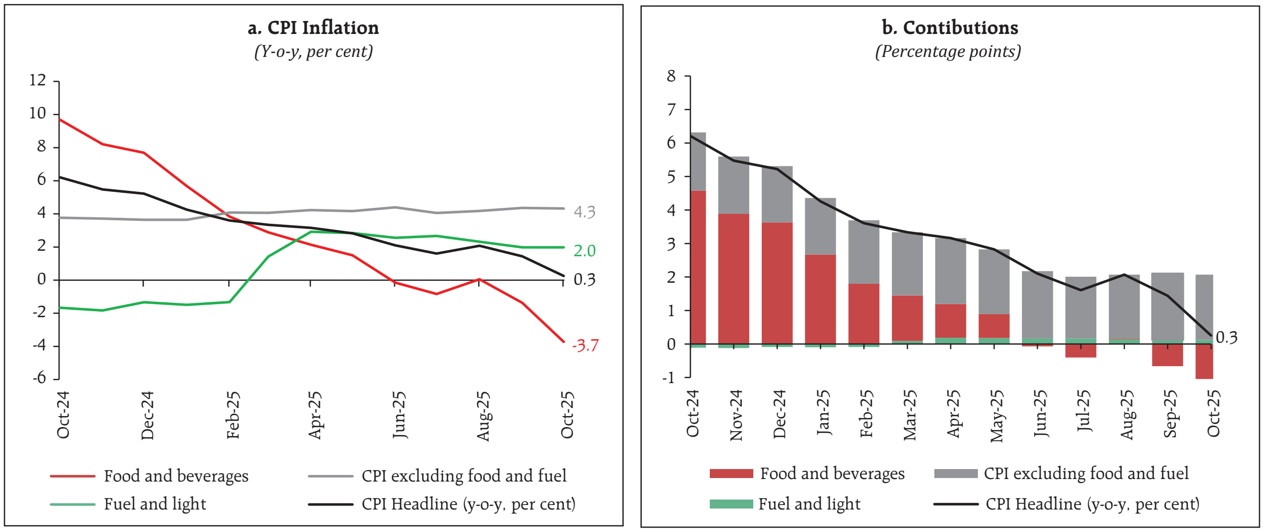
Core (*i.e.*, CPI excluding food and fuel) inflation moderated to 4.3 per cent in October 2025 from

[30] As per the provisional data released by the National Statistics Office (NSO) on November 12, 2025.

[31] The decline in inflation by about 120 bps was on account of a large favourable base effect of around (-)135 bps which offset a positive price momentum of around 15 bps.

[32] Food deflation deepened to 3.7 per cent in October from 1.4 per cent in the previous month.

Chart III.13: Easing Food Inflation Drove the Decline in Headline Inflation

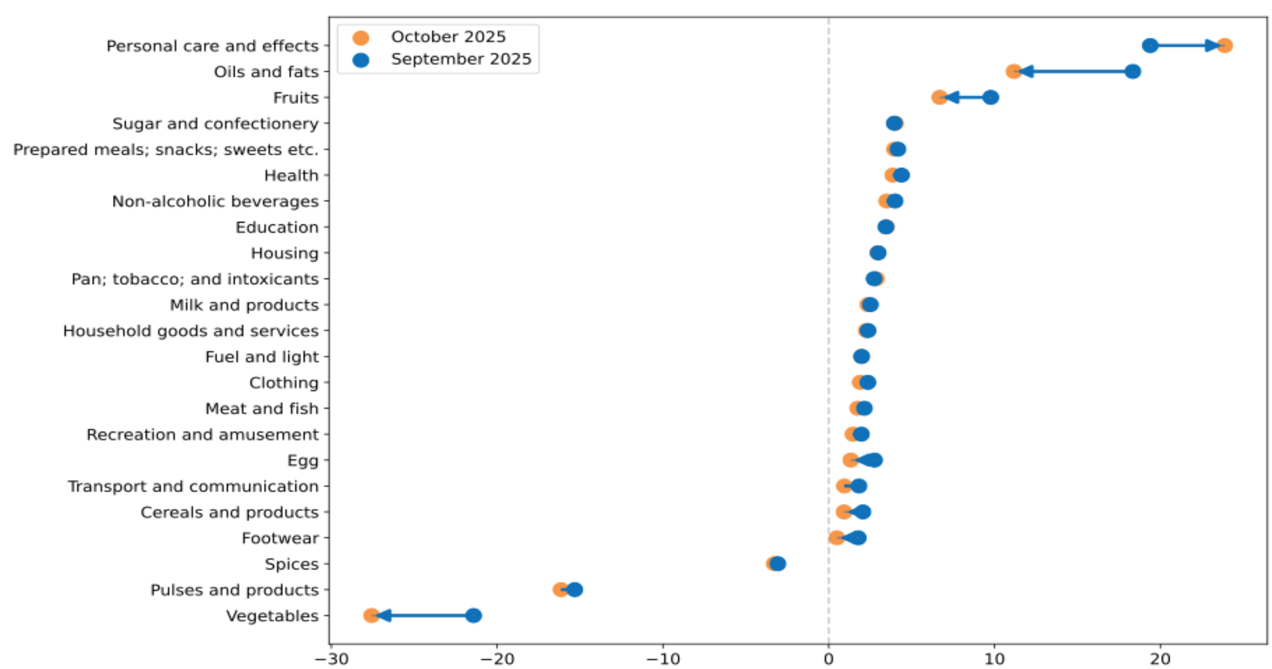


Sources: National Statistics Office (NSO); and RBI staff estimates.

4.4 per cent in September driven by clothing and footwear, health, recreation and amusement, and transport and communication subgroups. Education, pan, tobacco and intoxicants, and personal care and effects subgroups recorded an increase in inflation. Excluding precious metals, the core component recorded a decline of 0.1 per cent from the previous month, reflecting the impact of GST rate cuts.

Chart III.14: Key Drivers of the Decline in Inflation: Vegetables, and Oils and Fats

(Y-o-y, Per cent)



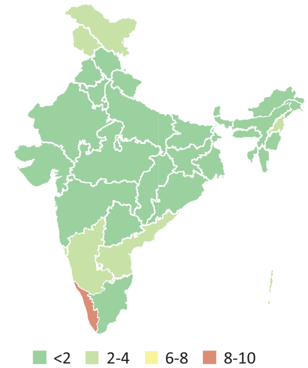
Sources: NSO; and RBI staff estimates.

Inflation in both rural and urban areas eased in October with the former registering deflation of 0.3 per cent while the latter recording inflation of 0.9 per cent. While inflation ranged from (–) 2.9 per cent to 8.6 per cent across states/UTs, majority of states recorded inflation below 2 per cent. Overall, a broad-based moderation in state-level inflation was observed, as it declined or remained stable in 35 out of 37 states/UTs (Chart III.15).

High-frequency food price data for November so far (up to 21st) point towards a moderation in cereal prices. Among pulses, prices moderated for gram and moong dal while it increased marginally for *tur/arhar* dal. Within edible oils, sunflower oil prices increased, groundnut oil prices eased, and mustard oil prices stayed stable. Prices of key vegetables (tomato, onion, and potato) hardened (Chart III.16).

Chart III.15: Moderation in State-level CPI Inflation

(Y-o-y, per cent)



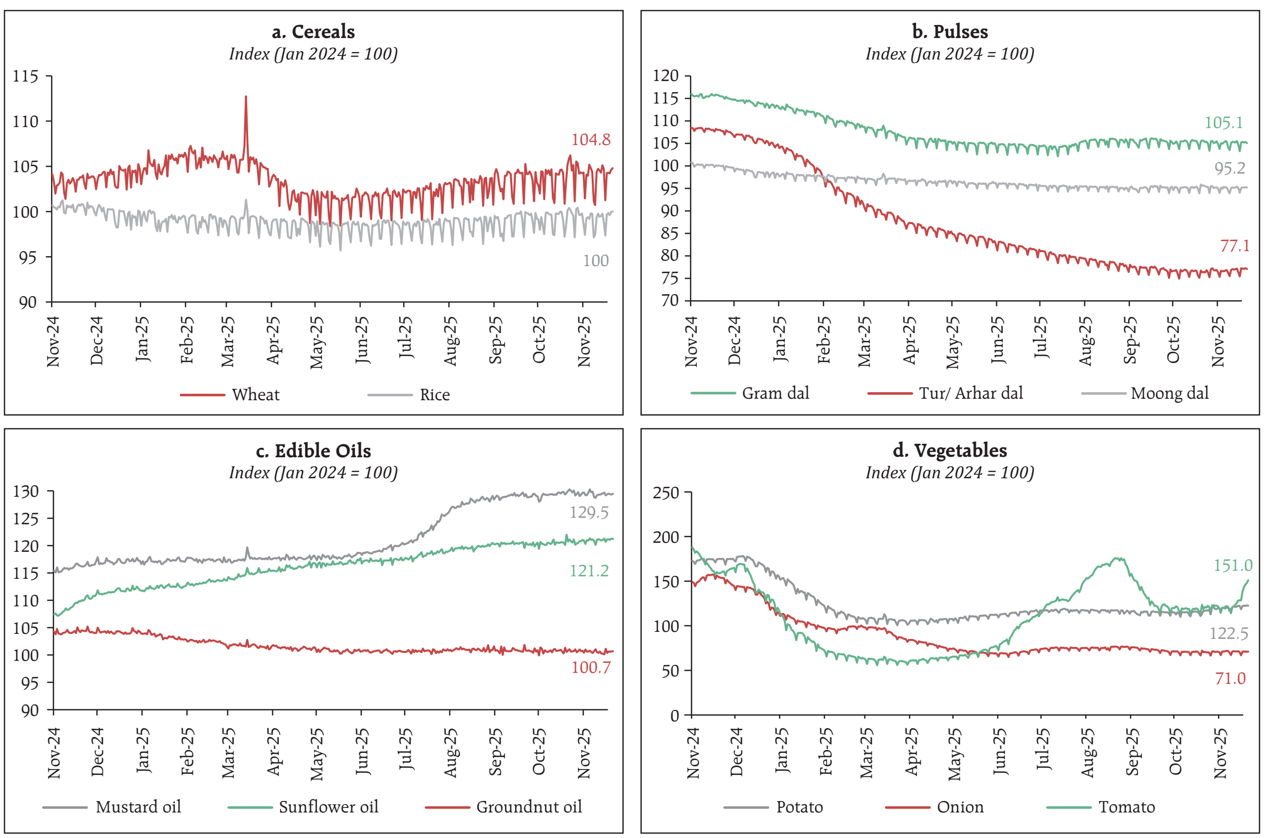
Inflation Range	Number of States/UTs
<2	29
2-4	6
4-6	0
6-8	1
8-10	1

Inflation Trend	Number of States/UTs
Decline or Stable	35
Increase	2

Notes: 1. Map is for illustrative purposes only.
2. Lakshadweep and Kerala experienced above 6 per cent inflation.

Sources: NSO; and RBI Staff estimates.

Chart III.16: Food Price Remained Stable in November



Sources: Department of Consumer Affairs, GoI; and RBI staff estimates.

Table III.6: Petroleum Products Prices

Item	Unit	Domestic Prices			Month-over-month (per cent)	
		Nov-24	Oct-25	Nov-25^	Oct-25	Nov-25^
Petrol	₹/litre	100.99	101.1	101.1	0.0	0.0
Diesel	₹/litre	90.45	90.5	90.5	0.0	0.0
Kerosene (subsidised)	₹/litre	43.4	45.4	45.4	3.4	0.0
LPG (non-subsidised)	₹/cylinder	813.3	863.3	863.3	0.0	0.0

^: For the period November 1-21, 2025.
Note: Other than kerosene, prices represent the average Indian Oil Corporation Limited (IOCL) prices in four major metros (Delhi, Kolkata, Mumbai and Chennai). For kerosene, prices denote the average of subsidised prices in Kolkata, Mumbai and Chennai.
Sources: IOCL; Petroleum Planning and Analysis Cell (PPAC); and RBI staff estimates.

Retail selling prices of petrol, diesel, kerosene and LPG remained unchanged in November (up to 21st) [Table III.6].

In October, the PMIs for manufacturing recorded a moderation in the rate of expansion of both input and output prices with a sharper fall in the former. For services, deceleration was seen in both input prices and selling prices due to GST reforms (Chart III.17).

IV. Financial Conditions

Overall financial conditions remained benign in October and November (up to 21st), primarily due to easing in the equity and corporate bond markets (Chart IV.1).

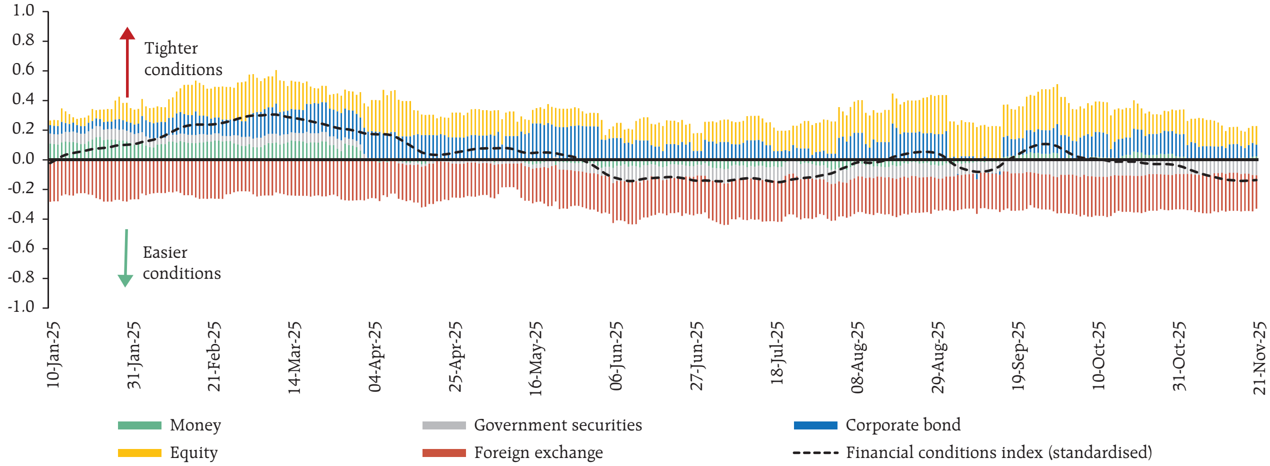
System liquidity remained in surplus during the second half of October and November (up to 21st), though temporary increases in government cash balances and a rise in currency-in-circulation due to festival-related demand led to some episodes of liquidity deficit in the second half of October. Overall, average net absorption under the liquidity adjustment facility increased marginally to ₹1.3 lakh crore during October 16 to November 21, from ₹1.0 lakh crore in the preceding one-month period, supported by CRR cuts (Chart IV.2). To offset the transient liquidity tightness during this period, the Reserve Bank conducted 11 variable rate repo auctions (overnight to 7-day maturity). With an improvement in overall liquidity conditions, a 3-day VRRR was conducted on November 14 which absorbed surplus liquidity of around ₹0.57 lakh

Chart III.17: Pace of Input and Output Price Expansion eased for both Manufacturing and Services Firms

Note: A level of 50 corresponds to no change in activity, and a reading above 50 denotes expansion and *vice versa*.
Source: S&P.

Chart IV.1: Benign Financial Conditions

(Standard deviation from average since 2012)



Note: The financial conditions index, when at zero, corresponds to a financial system operating at the historical average level of all the financial indicators included in the index. To present the results, a standardised index is used.[33]

Source: RBI staff estimates.

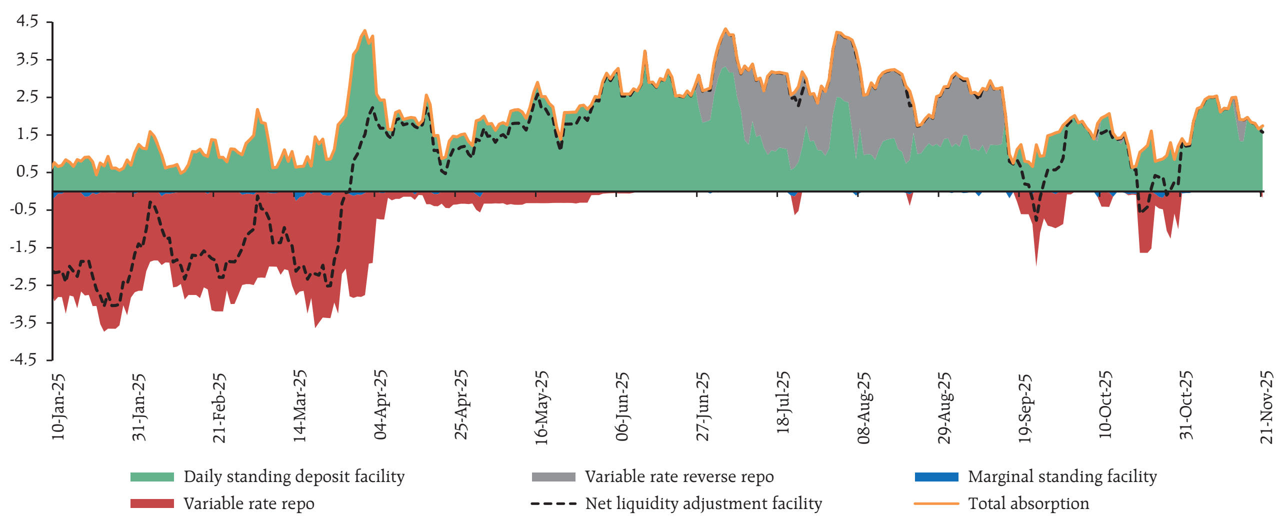
crore against the notified amount of ₹1.0 lakh crore. Average balances under the standing deposit facility remained marginally higher, and banks' recourse to the marginal standing facility remained unchanged.[34]

Money Market

The weighted average call rate (WACR) remained broadly aligned with the policy repo rate in October and November, despite some temporary liquidity squeezes in the second half of October. The WACR

Chart IV.2: Comfortable Liquidity Conditions

(₹ lakh crore)

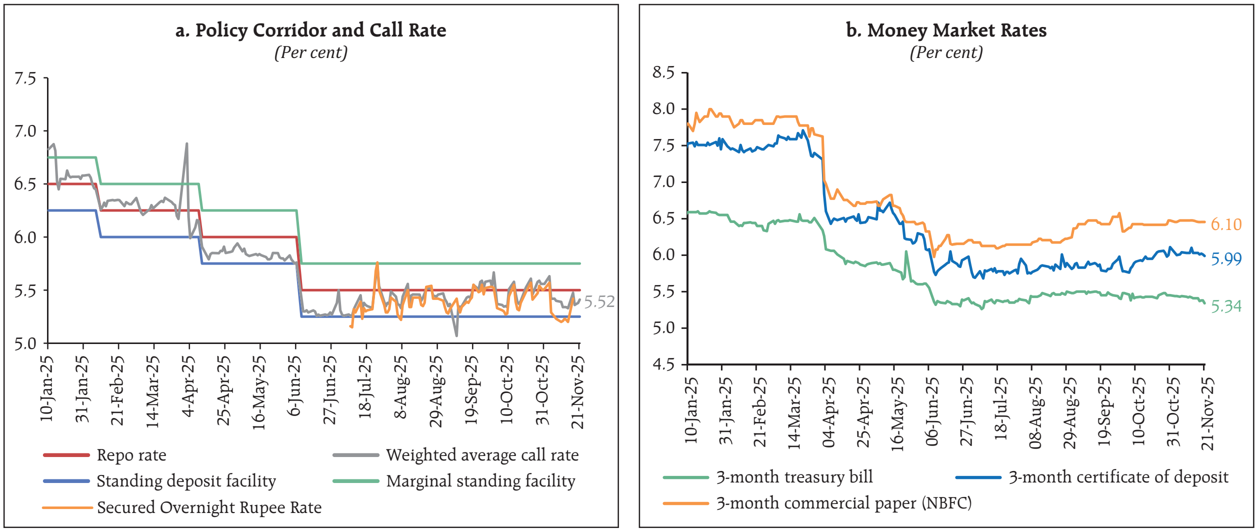


Source: RBI.

[33] For detailed methodology see https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=23451

[34] Balances under the standing deposit facility increased modestly to ₹1.6 lakh crore during October 16 to November 21, 2025 from ₹1.4 lakh crore in the preceding one-month period. Borrowings from the marginal standing facility averaged ₹0.03 lakh crore during this period.

Chart IV.3: Money Market Rates Remained Stable



Sources: RBI; and Bloomberg.

hovered within the policy corridor as liquidity conditions improved since the beginning of November. Overall, the WACR remained unchanged on an average at 5.5 per cent during October 16 to November 21, 2025, compared with the preceding one-month period (Chart IV.3a). Overnight rates in the collateralised segments – as measured by the benchmark secured overnight rupee rate – moved in tandem with the uncollateralised rate. Yields on three-month commercial papers issued by non-banking financial companies averaged around the same level. At the same time, interest rates on certificates of deposit edged up slightly on account of rising credit-deposit ratio, while that on treasury bills moderated (Chart IV.3b).[35] The average risk premium in the money market (the spread between the yields on 3-month commercial paper and 91-day treasury bill) recorded a mild uptick.[36]

Government Securities (G-Sec) Market

In the fixed income segment, the yield curve slightly shifted upwards especially at the longer end, during the second half of October and into November (up to 21st).[37] The average term spread (the difference between the yields of 10-year G-sec and 91-day treasury bill) inched up marginally during the period (Charts IV.4a and IV.4b).[38]

Corporate Bond Market

Corporate bond yields generally softened across tenors and rating spectrum (Table IV.1). New corporate bond issuances increased in September compared to August. On a cumulative basis, too, total issuances were marginally higher in the current financial year compared to the previous year.[39]

[35] The average yields on 3-month certificates of deposit hardened by 6 bps during October 16 to November 21, 2025, as compared to the period from September 16 to October 15, 2025. During the same period, the average yields on 3-month treasury bills decreased by 3 bps.

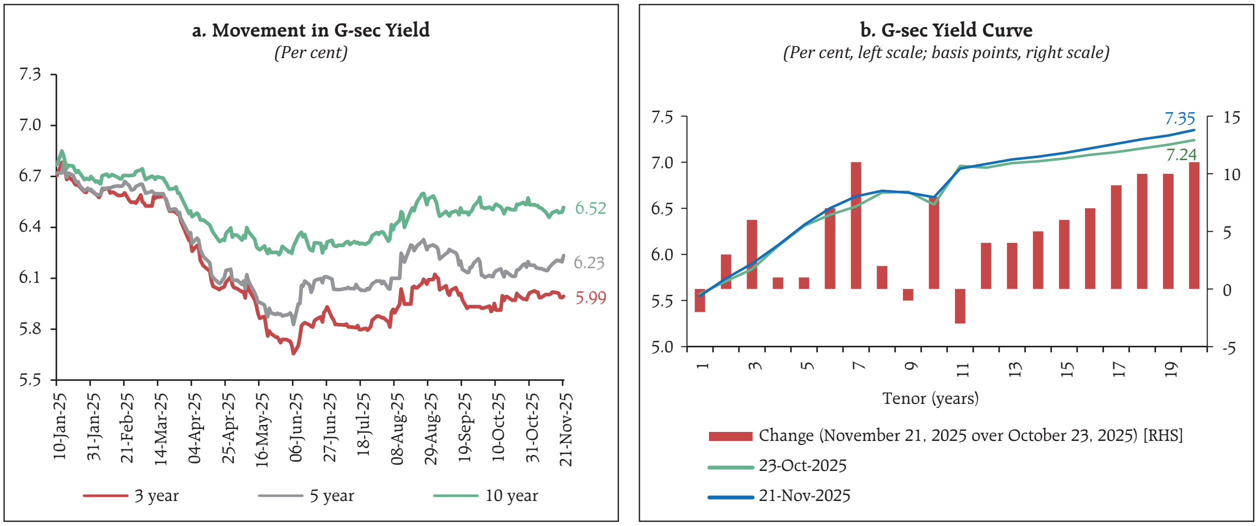
[36] Rose to 102 bps during the period from 16 to November 21, 2025, from 99 bps in the preceding one-month period.

[37] The yield on the 10-year benchmark G-sec (6.33 per cent GS 2035) firmed to 6.57 per cent on November 21, 2025, as against 6.48 per cent on October 15.

[38] The average term spread between the 10-year G-sec and 91-day treasury bill increased by around 3 bps during October 16 to November 21, 2025 as compared to the period from September 16 to October 15, 2025.

[39] Increased to ₹0.74 lakh crore in September 2025, compared to ₹0.43 lakh crore in August 2025. On a cumulative basis (April to September), it stood at ₹4.7 lakh crore in 2025-26, up from ₹4.6 lakh crore in the corresponding period of the previous year.

Chart IV.4: Upward Shift in Longer End of G-sec Yield Curve



Sources: Bloomberg; and RBI staff estimates.

Money and Credit

During November so far (up to 14th), reserve money growth declined, tracking the movements in currency in circulation.[40] The moderation of growth in currency in circulation was primarily due to the waning of festive demand. The growth in money supply (M3) remained steady (Chart IV.5).[41]

Credit growth of scheduled commercial banks (SCBs) picked up further in October. Deposit growth, on the other hand, remained steady. With the pace of credit expansion outpacing deposit growth, the wedge between credit and deposit growth widened to 160 bps from 90 bps in last month (Chart IV.6).[42,43]

Table IV.1: Corporate Bonds - Yields and Spreads

Instrument	Interest Rates (Per cent)			Spread (bps) (Over Corresponding Risk-free Rate)		
	September 16, 2025 – October 15, 2025	October 16, 2025 – November 20, 2025	Variation	September 16, 2025 – October 15, 2025	October 16, 2025 – November 20, 2025	Variation
1	2	3	(4 = 3-2)	5	6	(7 = 6-5)
(i) AAA (1-year)	6.69	6.72	3	104	108	4
(ii) AAA (3-year)	7.05	7.01	-4	108	103	-5
(iii) AAA (5-year)	7.21	7.20	-1	92	85	-7
(iv) AA (3-year)	8.18	8.08	-10	221	208	-13
(v) BBB- (3-year)	11.86	11.76	-10	590	572	-18

Note: Yields and spreads are computed as averages for the respective periods.
Source: FIMMDA.

40 Reserve money (adjusted for the first-round impact of changes in the cash reserve ratio) grew by 7.8 per cent (y-o-y) as on November 14, 2025 [8.6 per cent (y-o-y) as on October 17, 2025]. Currency in circulation grew by 8.1 per cent (y-o-y) as on November 14, 2025 [8.8 per cent (y-o-y) as on October 17, 2025].

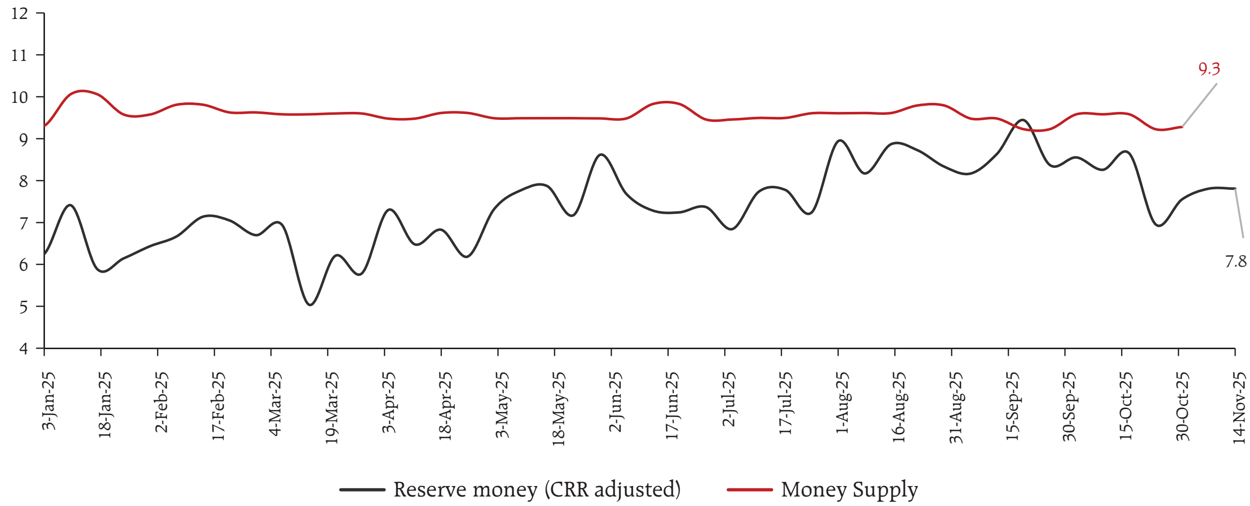
41 Money supply grew by 9.3 per cent (y-o-y) as on October 31, 2025 [9.2 per cent (y-o-y) as on September 19, 2025].

42 Credit growth of scheduled commercial banks was 11.3 per cent (y-o-y) as on October 31, 2025 [10.4 per cent (y-o-y) as on September 19, 2025]. Deposit growth was 9.7 per cent (y-o-y) as on October 31, 2025 [9.5 per cent (y-o-y) as on September 19, 2025]. The outstanding credit of scheduled commercial banks was at ₹193.9 lakh crore as on October 31, 2025 (₹189.0 lakh crore as on September 19, 2025)

43 The wedge was computed as the difference between credit and deposit growth rates on October 31, 2025, and September 19, 2025.

Chart IV.5: Reserve Money Growth Moderated from Last Month amid Stable Money Supply (M3) Growth

(Y-o-y, per cent)

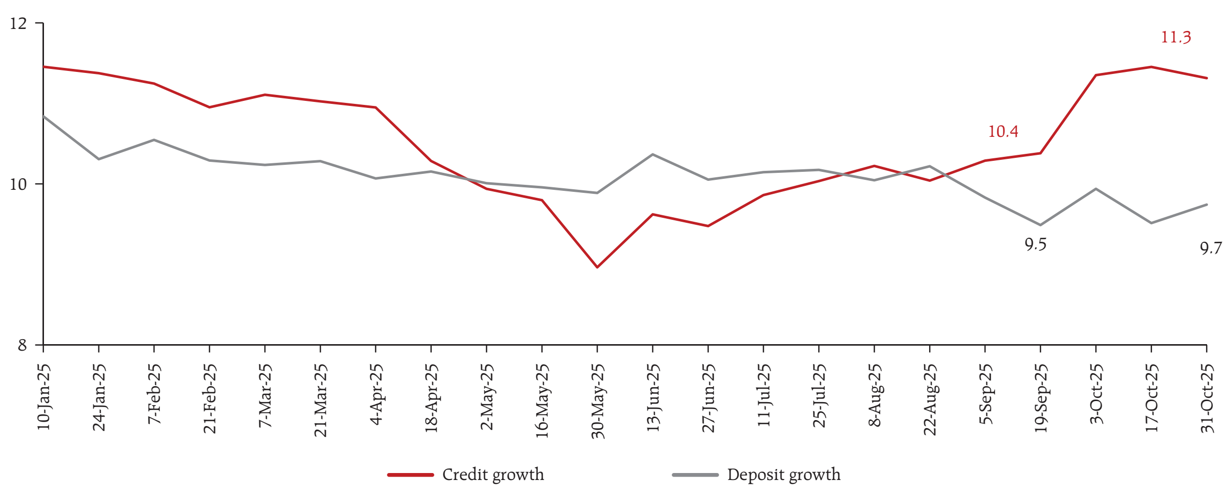


Sources: RBI.

During 2025-26 so far (up to October 31), total flow of financial resources to commercial sector increased to ₹20.1 lakh crore from ₹16.2 lakh crore a year ago. Non-bank sources – corporate bond issuances, credit by non-banking financial companies and foreign direct investment to India – showed a marked increase in the year so far (Table IV.2). As on October 31, the total outstanding credit to commercial sector rose by 13.0 per cent from 12.0 per cent last year, with non-bank sources registering a growth of 17.2 per cent compared to 12.4 per cent a year ago (Table IV.3).[44]

Chart IV.6: Scheduled Commercial Banks: Credit Expansion Surpassing Deposit Growth

(Y-o-y, per cent)



Note: Scheduled commercial banks' data are inclusive of regional rural banks. Data include the impact of the merger of a non-bank with a bank.
Source: Fortnightly Section 42 Returns, RBI.

44 For details, see Current Statistics Table No. 18(a) and 18(b).

Table IV.2: Flow of Financial Resources to Commercial Sector in India

(₹ crore)

Source	April-March		Up to October 31	
	2023-24	2024-25	2024-25	2025-26 P
A. Non-Food Bank Credit	**21,40,243**	**17,98,321**	**9,80,394**	**11,12,687**
B. Non-Bank Sources (B1+B2)	**12,63,721**	**17,10,459**	**6,43,105**	**8,95,813**
B1. Domestic Sources	10,20,302	13,85,609	5,04,612	6,70,531
B2. Foreign Sources	2,43,419	3,24,850	1,38,493	2,25,282
C. Total Flow of Resources (A+B)	**34,03,964**	**35,08,780**	**16,23,499**	**20,08,500**

P: Provisional.
Note: For detailed notes, please refer to Current Statistics Table No: 18(a).
Sources: RBI; SEBI; and AIFIs; and RBI staff estimates.

Across key sectors, bank credit continued to exhibit steady growth in September, led by personal loans, services, and industry (Chart IV.7).[45,46] Personal loans sustained double-digit growth, with housing credit registering a modest increase, even as growth in vehicle and gold loans moderated. Credit to the services sector witnessed a marginal deceleration in growth. Non-banking financial companies (NBFCs) – the largest recipients of services sector credit – and commercial real estate, however, recorded improvements. Within the industrial sector, infrastructure and engineering segments observed a rise in credit growth. The credit to the micro, small, and medium enterprises (MSMEs) segment accelerated further, and it continued to be the key driver of industrial credit growth. The agriculture sector also witnessed an improvement in credit flow.

Deposit and Lending Rates

In response to the cumulative 100 basis points reduction in the policy repo rate since February 2025, the one-year marginal cost of funds-based lending rate of scheduled commercial banks declined by 45 basis

Table IV.3: Outstanding Credit to Commercial Sector in India

(₹ crore; Figures in parentheses are y-o-y percentage changes)

Source	At End-March		As on October 31	
	2024	2025	2024	2025 P
A. Non-Food Bank Credit	**1,64,09,083** **(20.2)**	**1,82,07,441** **(11.0)**	**1,73,89,477** **(11.7)**	**1,93,20,128** **(11.1)**
B. Non-Bank Sources (B1+B2)	**77,56,314** **(4.2)**	**88,85,434** **(14.6)**	**81,00,470** **(12.4)**	**94,90,483** **(17.2)**
B1. Domestic Sources	56,59,037 (4.9)	66,37,411 (17.3)	59,73,684 (15.8)	71,54,605 (19.8)
B2. Foreign Sources	20,97,277 (2.4)	22,48,023 (7.2)	21,26,786 (3.8)	23,35,877 (9.8)
C. Total Credit (A+B)	**2,41,65,397** **(14.5)**	**2,70,92,875** **(12.1)**	**2,54,89,947** **(12.0)**	**2,88,10,611** **(13.0)**

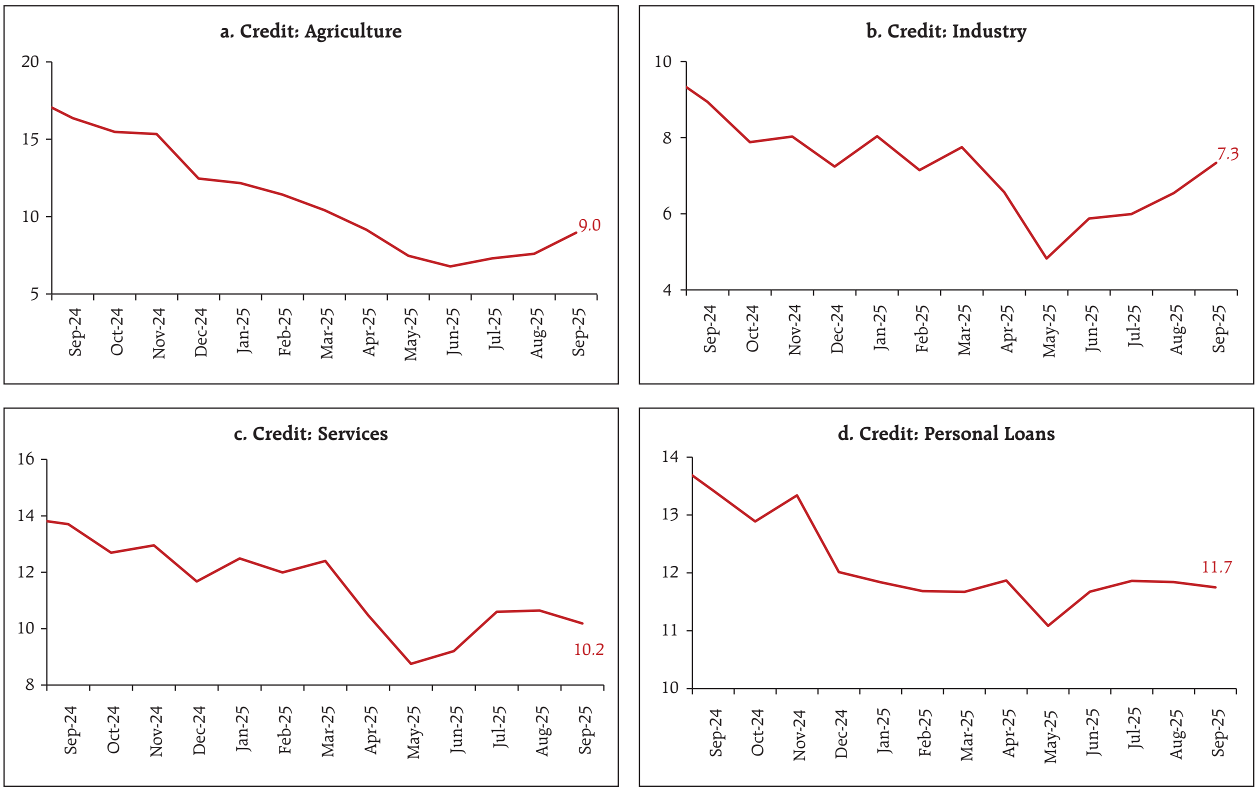
P: Provisional.
Notes: For detailed notes, please refer to Current Statistics Table No: 18(b).
Sources: RBI; SEBI; and AIFIs; and RBI staff estimates.

[45] As at end-September, growth in non-food bank credit stood at 10.2 per cent (y-o-y). Non-food credit data are based on fortnightly Section-42 return for the last reporting Friday of the month, which covers all scheduled commercial banks. Sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 95 per cent of total non-food credit extended by all scheduled commercial banks, pertaining to the last reporting Friday of the month. Data are provisional. The bank groups covered under the SIBC return are – Public Sector Banks, Private Sector Banks, Foreign Banks, and Small Finance Banks. Data includes the impact of the merger of a non-bank with a bank.

[46] In terms of contribution to overall credit growth.

Chart IV.7: Acceleration in Credit Growth to Agriculture and Industry

(Y-o-y, per cent)



Source: RBI.

points during February-October 2025. The weighted average lending rates on both fresh and outstanding rupee loans also registered a decline during February-September 2025. On the deposit side, banks reduced rates on fresh term deposits. However, given the relatively longer maturity profile of term deposits, the outstanding deposits have moderated, although to a lesser extent (Table IV.4).

Table IV.4: Monetary Transmission to Banks' Deposit and Lending Rates

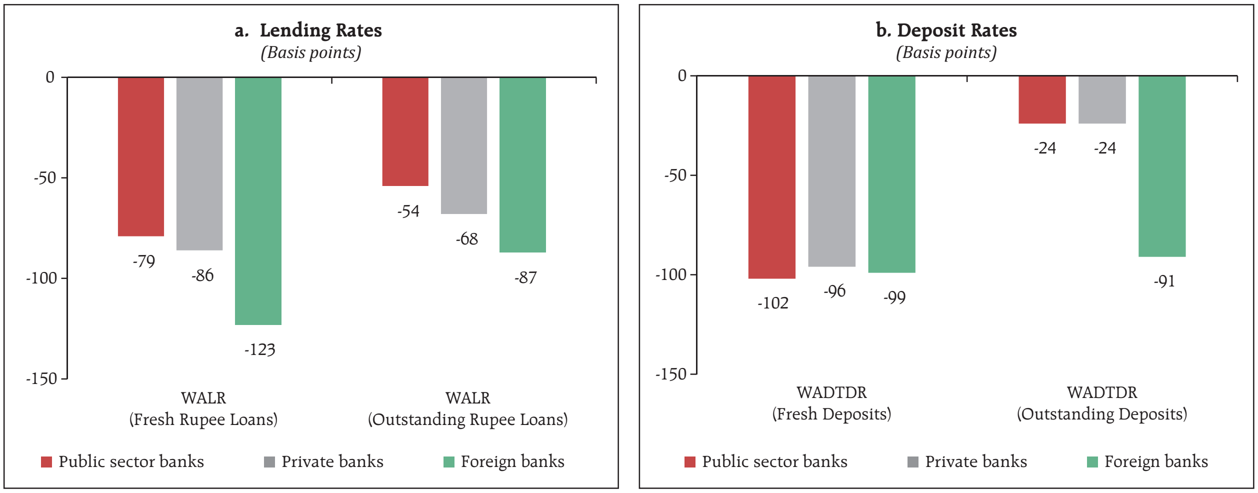
(Variation in basis points)

Period	Repo Rate	Term Deposit Rates: WADTDR-Fresh Deposits	Term Deposit Rates: WADTDR-Outstanding Deposits	Lending Rates: EBLR	Lending Rates: 1-Year MCLR (Median)	Lending Rates: WALR - Fresh Rupee Loans: Overall	Lending Rates: WALR - Fresh Rupee Loans: Interest Rate Effect #	Lending Rates: WALR-Outstanding Rupee Loans
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Tightening Period May 2022 to Jan 2025	+250	259	206	250	175	182	191	115
Easing Phase Feb 2025 to Sep* 2025	-100	-102	-27	-100	-45	-83	-73	-61

Note: 1. Data on EBLR pertain to 32 domestic banks.
2. *Data on MCLR as in October 2025. **#:** At constant weight.

WALR: Weighted average lending rate; WADTDR: Weighted average domestic term deposit rate.
MCLR: Marginal cost of funds-based lending rate; EBLR: External benchmark-based lending rate.

Chart IV.8: Transmission across Bank Groups (February 2025 – September 2025)



Note: Transmission during February to September 2025 is calculated by subtracting the weighted average lending and deposit rates of January 2025 from those of September 2025.
Source: RBI.

The decline in the weighted average lending rate on fresh and outstanding rupee loans was higher in the case of private banks relative to public sector banks (Chart IV.8). On the deposit side, transmission was higher for public sector banks compared to private banks.

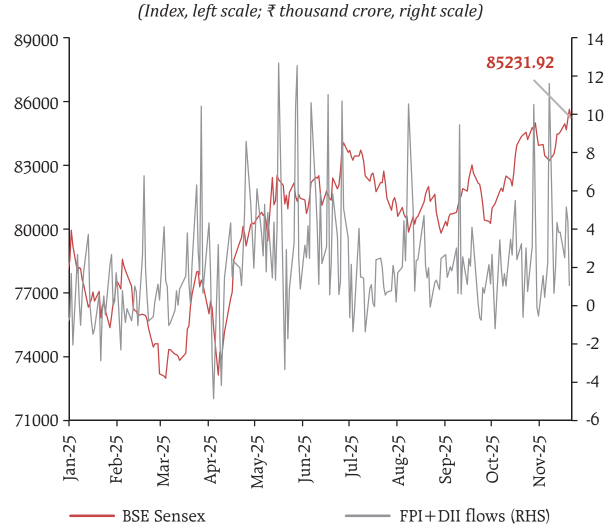
Equity Markets

Indian equity markets gained in October-November as optimism surrounding India-US trade deal and corporate earnings for Q2:2025-26 offset the drag from uncertainty surrounding US-China trade negotiations. Domestic equity markets were also supported by a moderation in crude oil prices and a policy rate cut by the US Federal Reserve. Realty, oil and gas, and telecom emerged as the top-performing sectors during October. In equity markets, domestic institutional investors (DIIs) continued to be net buyers, while foreign portfolio investors (FPIs) turned net buyers in October after a phase of three consecutive months (Chart IV.9).

Fund mobilisation through Initial Public Offers (IPOs) in the primary market remained strong in the current financial year, reflecting greater investor participation. Consistent with this trend, both FPIs and DIIs recorded positive cumulative flows in the primary market (Chart IV.10a).[47] In contrast, in the

Chart IV.9: Revival in Domestic Equity Markets

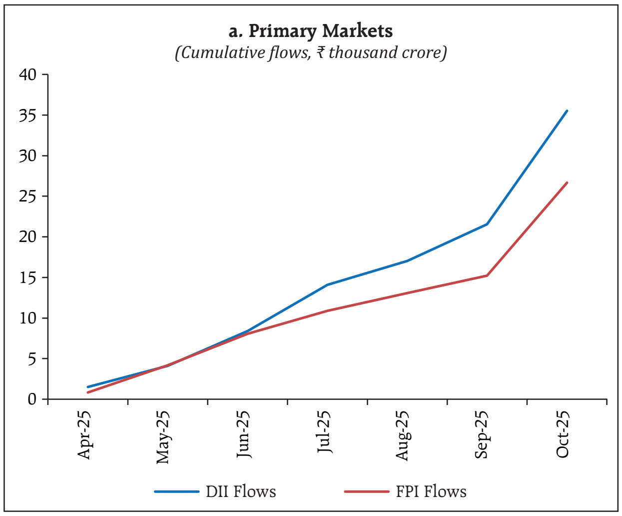
(Index, left scale; ₹ thousand crore, right scale)

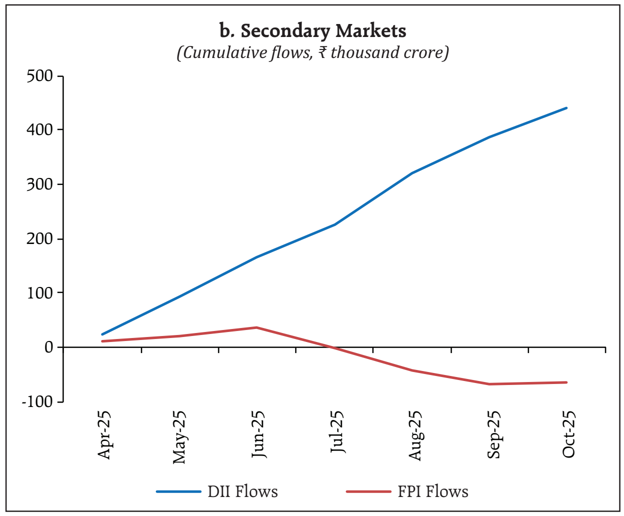


Source: Bloomberg; and Capitaline.

[47] The primary market issuances (including Initial Public Offers, Follow-on Public Offers and Offer for Sale) increased from ₹13 thousand crore in September 2025 to ₹45 thousand crore in October 2025, while the number of issuances moderated from 25 to 10 during this period (Source: Prime Database).

Chart IV.10: Rising Capital Flows to Primary Equity Markets





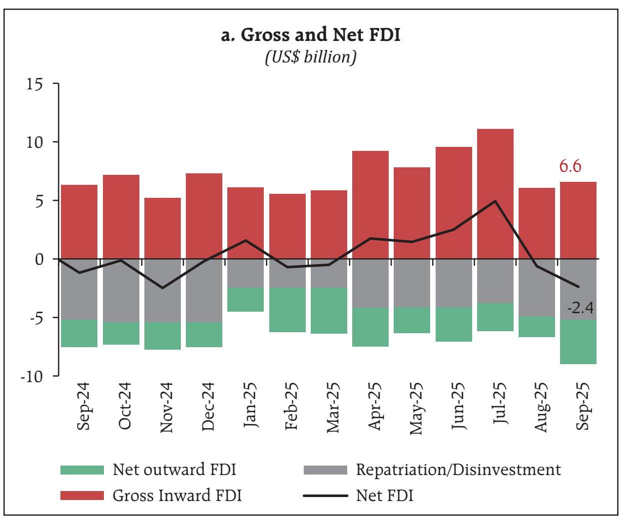
Note: In chart a, data pertains to only mainboard IPOs.
Sources: Prime Database, Capitaline, Bloomberg and RBI staff estimates.

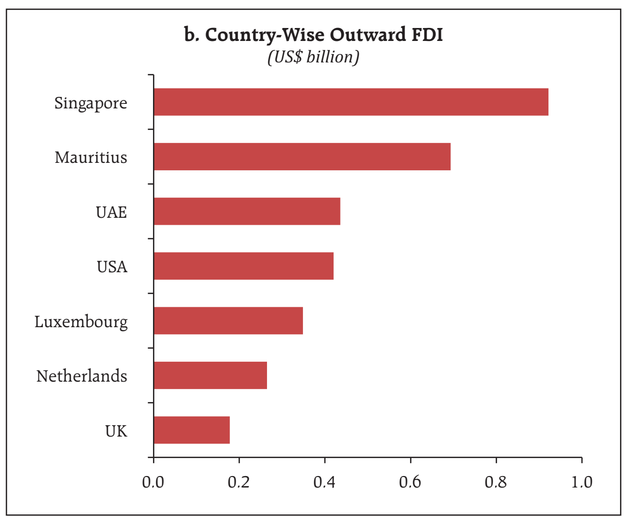
secondary market, FPIs remained net sellers, while DIIs continued to register strong net purchases (Chart IV.10b).

External Sources of Finance

During April-September 2025, FDI was higher than the same period last year on both gross and net basis.[48] Gross inward FDI remained robust in September, with Singapore, Mauritius, the UAE, Luxembourg, and Qatar together accounting for about 78 per cent of total inflows (Chart IV.11a). The major recipient sectors were manufacturing, retail & wholesale trade, communication services, financial services and computer services. However, net FDI

Chart IV.11: Steady Gross Foreign Direct Investment Inflows





Source: RBI.

48 Net FDI rose to US$ 7.6 billion from US$ 3.4 billion last year. Similarly, gross inward FDI at US$ 50.4 billion, registered a growth of 16.1 per cent (y-o-y).

turned negative for the second consecutive month due to a rise in outward FDI and repatriation.[49] For outward FDI, the key destinations were Singapore, Mauritius, the UAE and the US, while major sectors included financial services, insurance & business services, agriculture & mining and manufacturing (Chart IV.11b).

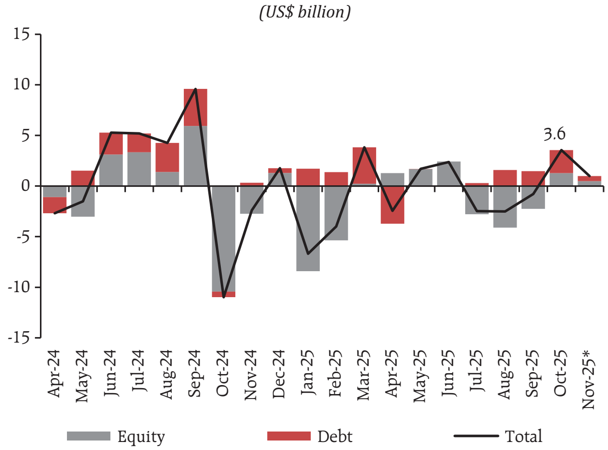
During 2025–26 so far (up to November 20), net FPI registered inflows driven largely by the debt segment while equity registered net outflows.[50] The debt segment continued to witness net inflows, supported by expectations of a US Fed rate cut and favourable yield differentials. In October, net FPI flows turned positive after three consecutive months of outflows, supported by robust quarterly earnings, improved valuations, and IPO issuances (Chart IV.12). In November so far (up to 20th), net FPI flows remained positive supported by both equity and debt segment.

The registrations of external commercial borrowings (ECBs) moderated during April - September 2025. Despite this slowdown, inflows continued to outpace outflows resulting in net inflows of US$ 8.0 billion (Chart IV.13). Notably, 45 per cent of the total ECBs registered during this period were raised for capital expenditure.

Amidst global trade policy uncertainties and external sector headwinds, India's economy is turning out to be more resilient to external shocks over time, backed by strong services exports, remittances receipts and oil prices becoming less detrimental to the current account sustainability. The increasing share of renewables in India's energy mix is adding further resilience. Key external vulnerability indicators improved as of end-June from their levels at end-March 2025 (Table IV.5). The current account deficit to GDP ratio remained modest in Q1:2025-26. The external debt to GDP ratio also stayed at a comfortable level and the ratio of short-term debt to total external debt, and to total reserves remained low.[51] In addition, the ratio of volatile capital flows

Chart IV.12: Foreign Portfolio Investors Turned Net Buyers in October

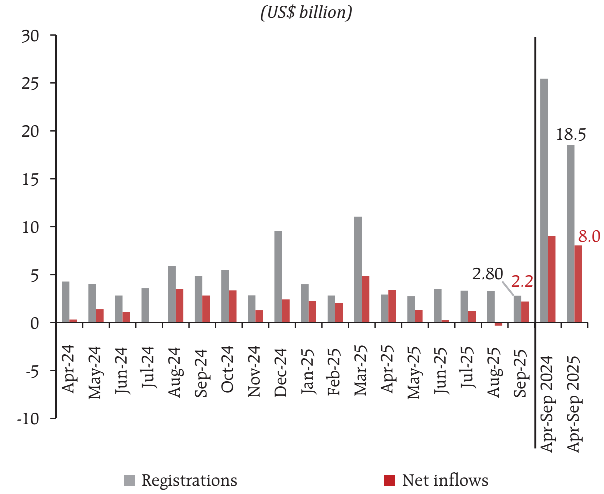
(US$ billion)



Notes: 1. Debt also includes investments under the hybrid instruments.
2. *: Data up to November 20.
Source: National Securities Depository Limited (NSDL).

Chart IV.13: External Commercial Borrowings - Registrations and Flows Moderated

(US$ billion)



Source: Form ECB, RBI.

[49] Net outward FDI, on a year-on-year basis, increased by 64.5 per cent in September 2025 as against 78.4 per cent in September 2024.

[50] Net FPI inflows amounted to US$ 0.4 billion during 2025–26 so far (up to November 20).

[51] The ratio of short-term debt (residual maturity) to total external debt and to total reserves stood at 40.7 per cent and 43.6 percent, respectively, as of end-June 2025.

Table IV.5: External Vulnerability Indicators

Item	End-March 2013 (Pre-Taper Talk)	End-March 2024	End-March 2025	End-June 2025
Current account balance (per cent of GDP)	-4.8	-0.7	-0.6	-0.2
External Debt (per cent of GDP)	22.4	18.5	19.1	18.9
Short-term Debt (per cent of Reserves)	59.0	44.9	45.4	43.6
International Investment Position (per cent of GDP)	-17.8	-10.1	-8.6	-8.0
Reserve cover for imports (in months)	7.0	11.3	11.0	11.4
Reserve to External Debt (per cent)	71.3	96.7	90.8	93.4
Volatile capital flow (per cent of Reserves)	96.1	69.8	69.0	66.6

Note: The import cover data is based on annualised merchandise imports as per the balance of payments statistics.
Source: RBI.

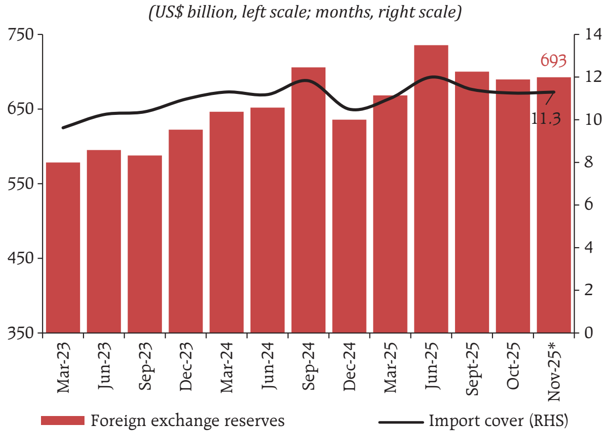
(comprising cumulative portfolio inflows and outstanding short-term debt) to foreign exchange reserves has also declined.[52] India's foreign exchange reserves remain adequate to cushion the impact of any external shocks to the balance of payments (Chart IV.14).[53]

Foreign Exchange Market

The Indian rupee (INR) depreciated slightly against the US dollar in October, reflecting the impact of a stronger US dollar following the US Fed's policy announcement around the end of the month. In mid-October, however, the INR registered a brief but sharp appreciation, supported by optimism over India-US trade talks and renewed net FPI inflows (Chart IV.15). Consequently, rupee volatility increased marginally during the month, although it remained relatively contained compared with most major currencies. In November so far (up to 21st), the INR appreciated slightly by 0.1 per cent over its end-October level.

Chart IV.14: India's Foreign Exchange Reserves Adequate

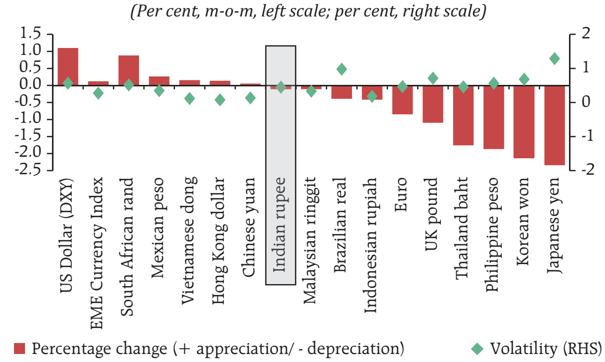
(US$ billion, left scale; months, right scale)



Notes: 1. *: As on November 14, 2025.
2. The import cover data is based on annualised merchandise imports as per the balance of payments statistics.
Source: RBI.

Chart IV.15: Movement of Major Currencies against the US Dollar in October

(Per cent, m-o-m, left scale; per cent, right scale)

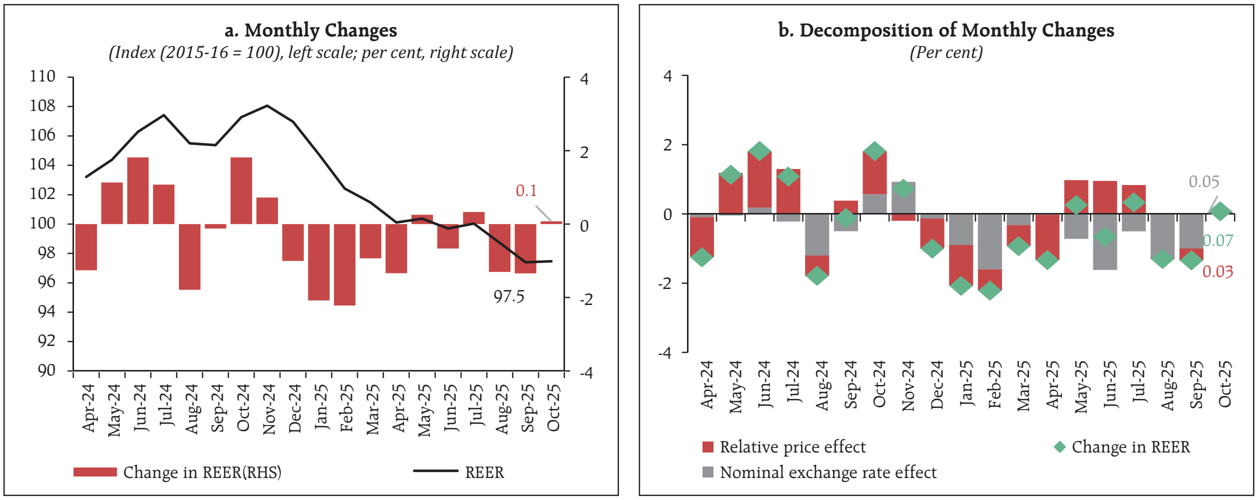


Notes: 1. Appreciation/depreciation (m-o-m) calculated using monthly average exchange rates.
2. US dollar (DXY) measures the movements of the US dollar against a basket of major currencies (Euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc).
3. For each currency, volatility is measured as the coefficient of variation (100*Standard Deviation/Mean) using daily exchange rate data for October 2025.
Sources: FBIL; Thomson Reuters; and RBI staff estimates.

[52] Ratio of volatile capital flows to foreign exchange reserves declined from 69.0 per cent at end-March 2025 to 66.6 per cent at end-June 2025.

[53] India's foreign exchange reserves provide a cover for more than 11 months of goods imports, 9 months of import of goods and services combined, and around 93 per cent of the external debt outstanding as at end-June 2025.

Chart IV.16: Movements in the 40-Currency Real Effective Exchange Rate



Note: Positive change indicates an appreciation of the nominal and real exchange rate and negative change indicates a depreciation.
Source: RBI.

In real effective terms, the Indian rupee appreciated marginally in October mainly driven by appreciation in nominal effective exchange rate (Chart IV.16).

V. Conclusion

The month of October has seen a further pick up in demand conditions pointing towards a resilient growth outlook. Headline inflation has fallen to a historic low in October, significantly helped by favourable supply-side factors, including the prospects of a good *kharif* season and the reduction of GST rates. The external sector's capacity to absorb shocks has also improved over time, building resilience amid global trade policy uncertainties.

The World Bank's Financial Sector Assessment (FSA) report of October 2025 highlighted a financial system growing in resilience and strength. Improved macroeconomic frameworks and outcomes have not only enhanced the ability of financial institutions to support the macroeconomy but also allowed the Reserve Bank to better calibrate regulatory measures, to improve the efficiency of financial intermediation and augment the flow of credit to the broader economy. The fiscal, monetary, and regulatory measures undertaken so far this year should pave the way for a virtuous cycle of higher private investment, productivity, and growth, leading to long-term economic resilience.