



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल/email : helpdoc@rbi.org.in



संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

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RBI Bulletin – May 2025

Today, the Reserve Bank released the [May 2025](#) issue of its monthly Bulletin. The Bulletin includes two speeches, four articles and current statistics.

The four articles are: I. State of the Economy; II. Economic Activity and Banknotes: New Approaches; III. Digital Footprints: Decoding India's Inbound Tourism through Internet Searches; and IV. Impact of Weather Anomalies on Vegetable Prices in India.

I. State of the Economy

Persistent trade frictions, heightened policy uncertainty, and weak consumer sentiment continue to create headwinds for global growth. Amidst these challenges, the Indian economy exhibited resilience. Various high frequency indicators of industrial and services sectors sustained their momentum in April. A bumper *rabi* harvest and higher acreage for summer crops, coupled with favourable southwest monsoon forecasts for 2025, augur well for the agriculture sector. Headline CPI inflation fell for the sixth consecutive month to its lowest since July 2019, primarily driven by the sustained easing in food prices. Domestic financial market sentiments, which remained on edge in April, witnessed a turnaround since the third week of May.

II. Economic Activity and Banknotes: New Approaches

by Gautham Udupa, Pradip Bhuyan, Dileep Kumar Verma and Nirupama Kulkarni

This article investigates the impact of economic activity on banknotes in circulation, with a particular focus on the role of the formal sector. Leveraging high-frequency monthly nightlights data as a proxy for total economic activity and tax collection data as a measure of formal economic activity, the analysis isolates the effect of formalisation on Notes in Circulation (NiC), controlling for aggregate economic output.

Highlights:

- The growth rate in NiC (in value terms) during 2014 - 2024 was significantly lower as compared to that in the previous two decades.
- The growth in NiC was noticeably higher than that in GDP during 1994 - 2004; the gap, however, has significantly reduced in the next two decades.

- There exists positive relationship between nightlights and taxes and also between nightlights and GDP.
- The article finds strong evidence that formal economic activity reduces the use of banknotes.

III. Digital Footprints: Decoding India's Inbound Tourism through Internet Searches

By Lokesh and A R Jayaraman

This article explores Destination Insights with Google (DIG), a non-traditional high-frequency data source, to track inbound tourism in India. DIG monitors global tourism trends through travel-related searches. The study examines the linkage between foreign tourist arrivals (FTA) and Google searches made for travel to India from the rest of the world.

Highlights:

- There is a strong association between FTA and travel-related search volume index.
- The index captures directional changes in FTA reasonably well.
- The index Granger causes FTA implying its ability to serve as a leading indicator to predict FTA.

IV. Impact of Weather Anomalies on Vegetable Prices in India

By Nishant Singh and Love Kumar Shandilya

Vegetable prices exhibit high volatility and play a major role in driving India's food and headline inflation. The volatility in vegetable prices is often exacerbated by supply-side disturbances, predominantly driven by weather shocks warranting regular monitoring of evolving weather conditions. This study investigates how weather anomalies, particularly in rainfall and temperature, affect vegetable prices in India.

Highlights:

- After controlling for seasonality in vegetables prices as well as movements in market arrivals and reservoir levels, empirical estimates suggest that weather anomalies add to price pressures in vegetables with temperature anomalies having a more immediate impact.
- Moreover, the impact of temperature anomalies has increased in recent periods, highlighting the need for faster adoption of temperature-resistant crop varieties to support the objective of price stability.

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

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(Puneet Pancholy)
Chief General Manager