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RBI Bulletin – December 2025

Today, the Reserve Bank released the [December 2025](#) issue of its monthly Bulletin. The Bulletin includes bi-monthly monetary policy statement (December 2025), four speeches, four articles and current statistics.

The four articles are: [I. State of the Economy](#); [II. Government Finances 2025-26: A Half-Yearly Review](#); [III. Composite Leading Indicator for GVA - Manufacturing for India](#); [IV. Decoding Safe Asset Volatility Amid Geopolitical Risks Using Neural Networks](#).

I. State of the Economy

Global uncertainty retreated further from its highly elevated levels. Major equity markets experienced volatile movements due to concerns about stretched market valuations. The Indian economy, supported by resilient domestic demand in Q2:2025-26, grew at its fastest pace in the last six quarters. High-frequency indicators for November suggest that overall economic activity has held up with demand conditions remaining robust. Headline CPI inflation edged up but continued to remain below the lower tolerance level. Financial conditions remained benign, and the flow of financial resources to the commercial sector remained robust. India's current account deficit moderated in Q2:2025-26 over the same period last year, supported by a lower merchandise trade deficit, robust services exports, and strong remittance receipts.

II. Government Finances 2025-26: A Half-Yearly Review

By Amrita Basu, Akash Raj, Harshita Yadav, Debapriya Saha, Aayushi Khandelwal, Anoop K Suresh, Shromona Ganguly and Atri Mukherjee

This article presents a review of Government finances for the first half of 2025-26. It analyses the trends in receipt and expenditure as well as gross fiscal deficit and its financing by the Centre and States. Estimates on general government (Centre plus States) finances for Q1 and Q2 of 2025-26 are also presented.

Highlights:

- The receipts for the Centre during H1:2025-26 were broadly in line with their budget estimates. The moderation in tax receipts was partially offset by robust non-tax revenue as well as non-debt capital receipts. On the expenditure front, the Centre had contained its revenue expenditure while the growth in capital expenditure turned out to be consistently robust.
- The growth in States' revenue receipts during H1:2025-26 was on account of both tax and non-tax sources, while there was a contraction in grants from the Centre.

On the expenditure front, States sustained the pace of revenue expenditure during H1:2025-26, while their capital expenditure recorded improvement.

- Both the Centre and States witnessed improvement in the quality of their expenditure, as reflected in a lower revenue expenditure to capital outlay ratio.

III. Composite Leading Indicator for GVA - Manufacturing for India

By Anirban Sanyal, Shivangee Misra and Sanjay Singh

The manufacturing sector accounts for nearly 17 per cent of India's gross value added and plays a pivotal role in the country's growth dynamics. Leading business cycle indicators serve as important tools for providing advance signals of turning points in economic activity. In this context, the article introduces a composite leading indicator (CLI) for the manufacturing sector at a quarterly frequency, designed to anticipate shifts in the sector's business cycle and strengthen short-term economic assessment.

Highlights:

- The CLI has been developed through a two-stage process based on the growth-rate-cycle methodology.
- The leading indicator draws on a set of variables capturing domestic demand, inflation dynamics, survey-based sentiments, industrial credit flows, uncertainty metrics, and global macroeconomic trends.
- The high-frequency indicators, selected through Random Forest and XGBoost models and aggregated using inverse-standard-deviation weights, exhibit a stable leading relationship with the GVA-manufacturing growth-rate cycle.
- The turnaround points of the business cycle of the proposed CLI shows a leading property with the growth rate cycle of GVA manufacturing by one quarter. The leading property of the proposed CLI shows robustness in the pre-COVID period and post-pandemic recovery period.

IV. Decoding Safe Asset Volatility Amid Geopolitical Risks Using Neural Networks

By Ankon Ghosh, Bipul Ghosh and Sandhya Kuruganti

Safe haven assets such as gold, silver, crude oil, and US Treasuries have long served as anchors of stability during periods of market turbulence. In recent years, rising geopolitical tensions have reshaped how these assets respond to uncertainty, leading to new patterns in their volatility behaviour. This study explores how major safe assets react to geopolitical shocks and examines the effectiveness of neural network models in forecasting these complex, non-linear dynamics.

Highlights:

- Crude oil price volatility is the most sensitive to geopolitical disturbances, reflecting its dependence on global supply routes and vulnerability to regional conflicts.
- Gold continues to demonstrate strong price stability, underscoring its enduring reputation as a trusted safe haven in times of financial stress.

- Silver and US Treasury securities exhibit moderate responses, balancing industrial demand factors and the traditional investor shift toward safety.
- Neural network-based models, particularly those that integrate country-specific geopolitical risk indices, provide more accurate forecasts of asset volatility than conventional econometric approaches.

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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(Brij Raj)
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