RESERVE BANK OF INDIA

BULLETIN

OCTOBER 2025

VOLUME LXXIX NUMBER 10

The Reserve Bank of India Bulletin is issued monthly by the Department of Economic and Policy Research, Reserve Bank of India, under the direction of the Editorial Committee.
The Central Board of the Bank is not responsible for interpretation and opinions expressed. In the case of signed articles, the responsibility is that of the author.

For subscription to Bulletin, please refer to Section 'Recent Publications'

The Reserve Bank of India Bulletin can be accessed at **https://bulletin.rbi.org.in**

CONTENTS

MONETARY POLICY STATEMENT (SEPTEMBER 29-OCTOBER 1) 2025-26

Governor's Statement

*Governor's Statement**

Sanjay Malhotra

Namaskar. Greetings on the last day of Navaratri, and my best wishes for a Happy Dussehra and Gandhi Jayanti tomorrow.

Since the August policy meeting, significant developments on the domestic front amidst a fast-changing global economic landscape have altered the narrative on growth-inflation dynamics in India. Buoyed by a good monsoon, the Indian economy continues to exhibit strength by registering a higher growth in Q1:2025-26. At the same time, there has been a considerable moderation in headline inflation. The rationalisation of the goods and services tax (GST) rates is likely to have a sobering impact on inflation while stimulating consumption and growth. Tariffs on the other hand will moderate exports.

As for the global economy, it has been more resilient than anticipated, with robust growth in the US and China. The outlook, however, remains clouded amidst elevated policy uncertainty. Inflation has remained above respective targets in some advanced economies, posing fresh challenges for central banks as they navigate the shifting growth–inflation dynamics. Financial markets have been volatile. The US dollar strengthened after the upward revision of US growth numbers for the second quarter, and treasury yields hardened recently as expectations of rate cuts by the Federal Reserve ebbed. Equities have remained buoyant across several advanced and emerging economies.

Decisions of the Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) met on the 29th, 30th of September and 1st October to deliberate and decide on the policy repo rate. After a detailed assessment of the evolving macroeconomic conditions and the outlook, the MPC voted unanimously to keep the policy repo rate unchanged at 5.50 per cent; consequently, the standing deposit facility (SDF) rate remains at 5.25 per cent while the marginal standing facility (MSF) rate and the Bank Rate remain at 5.75 per cent. The MPC also decided to continue with the neutral stance.

I shall now briefly set out the rationale for these decisions. The MPC observed that the overall inflation outlook has turned even more benign in the last few months, due to a sharp decline in food prices and the rationalisation of GST rates. The average headline inflation for 2025-26 has been revised lower from 3.7 per cent projected in June and 3.1 per cent in August, to 2.6 per cent. Headline inflation for Q4:2025-26 and Q1:2026-27 too have been revised downwards and are broadly aligned with the target, despite unfavourable base effects. Core inflation for this year and Q1:2026-27 is also expected to remain contained.

The MPC also noted that growth outlook remains resilient supported by domestic drivers, despite weak external demand. It is likely to get further support from a favourable monsoon, lower inflation, monetary easing and the salubrious impact of recent GST reforms. However, growth continues to be below our aspirations. Even though the growth projection for the current financial year is being revised upwards, the forward-looking projections for Q3 and beyond are expected to be slightly lower than projected earlier, primarily due to trade related headwinds, despite being partially offset by the impetus provided by the rationalisation of GST rates.

Summarising, the MPC concluded that there has been a significant moderation in inflation. Moreover, the prevailing global uncertainties and tariff related developments are likely to decelerate growth in H2:2025-26 and beyond. The current macroeconomic conditions and the outlook has opened up policy space for further supporting growth. However, the MPC noted that the impact of the front-loaded monetary policy actions and the recent fiscal measures is still

* Governor's Statement - October 1, 2025.

playing out. The trade related uncertainties are also unfolding. The MPC, therefore, considered it prudent to wait for the impact of policy actions to play out and greater clarity to emerge before charting the next course of action. Accordingly, the MPC unanimously voted to keep the policy repo rate unchanged at 5.5 per cent and decided to retain the stance at neutral.

Assessment of Growth and Inflation

Growth

Economic activity has remained resilient with growth of real gross domestic product (GDP) surprising on the upside at 7.8 per cent and gross value added (GVA) at 7.6 per cent for Q1: 2025-26.[1] As suggested by high frequency indicators available so far, domestic economic activity continues to sustain momentum in Q2:2025-26.[2]

Looking ahead, an above normal monsoon, good progress of *kharif* sowing and adequate reservoir levels have further brightened prospects of agriculture and rural demand. Buoyancy in services sector coupled with steady employment conditions are supportive of demand, which is expected to get a further boost from the rationalisation of GST. Rising capacity utilisation, conducive financial conditions, and improving domestic demand should continue to facilitate fixed investment. However, ongoing tariff and trade policy uncertainties will impact external demand. Prolonged geopolitical tensions and volatility in international financial markets caused by risk-off sentiments of investors pose downside risks to the growth outlook. The implementation of several growth-inducing structural reforms, including streamlining of GST are expected to offset some of the adverse effects of the external headwinds. Taking all these factors into account, real GDP growth for 2025-26 is now projected at 6.8 per cent, with Q2 at 7.0 per cent, Q3 at 6.4 per cent, and Q4 at 6.2 per cent. Real GDP growth for Q1:2026-27 is projected at 6.4 per cent. The risks are evenly balanced.

Inflation

Inflation conditions remained benign during 2025-26 so far with actual outcomes turning out to be significantly lower than projections.[3] Low inflation is primarily attributed to a sharp fall in food inflation,[4] aided by improved supply prospects and measures by the government to effectively manage the supply chain.[5] Core inflation[6] remained largely contained with the August reading at 4.2 per cent, despite continued price pressures on precious metals.[7]

Turning to the inflation outlook, the progress of the southwest monsoon has been satisfactory. Healthy kharif sowing,[8] adequate reservoir levels[9] and

[1] During Q1:2025-26, private final consumption, government consumption, and gross fixed capital formation (GFCF) grew by 7.0 per cent, 7.4 per cent, and 7.8 per cent, respectively. Real GVA of agriculture, manufacturing and services posted a growth of 3.7 per cent, 7.7 per cent and 9.0 per cent, respectively, in Q1.

[2] Tractor and two-wheelers sales grew robustly by 17.3 per cent and 7.9 per cent, respectively, during July-August 2025. According to NielsenIQ, FMCG sales volume increased by 8.3 per cent and 4.1 per cent, respectively, in rural and urban areas during July-August 2025. Domestic air passenger traffic contracted by 1.7 per cent during this period. Consumption of finished steel and production of cement increased by 8.7 per cent and 8.8 per cent, respectively in July-August 2025. Domestic production of capital goods expanded at 5.6 per cent in July-August 2025 following a strong growth during Q1:2025-26 at 9.8 per cent, while imports of capital gods expanded by 5.4 per cent during July-August. Manufacturing PMI surged to a 17.5-year high of 59.3 in August, along with strong business optimism. Services PMI reached a 15-year high of 62.9 in August 2025, led by rising new orders.

[3] The actual outcome for Q1 and projection for Q2 of 2025-26 turned out to be lower by 90 bps and 210 bps, respectively, than what was set out in April policy, primarily on account of the faster than expected decline in food inflation. Core inflation largely evolved as projected.

[4] Food group registered a deflation of -0.8 per cent in July (lowest since January 2019), before closing with zero inflation in August 2025.

[5] Within food group, deflation was observed in prices of vegetables (-15.9 per cent), pulses (-14.5 per cent), and spices (-3.2 per cent) in August. Decline in inflation within cereals sub-group to 2.7 per cent in August 2025 as compared with 7.3 per cent a year ago also contributed to the overall moderation in food inflation.

[6] CPI headline excluding food and fuel.

[7] Core excluding gold and silver recorded a y-o-y inflation on 3.0 per cent in August 2025.

[8] As on September 19, 2025, the area sown under *kharif* crops stood at 11.2 crore hectares, 2.2 per cent over higher than the normal sowing area for the season.

[9] As of September 25, 2025, reservoir levels stood at 90 per cent of total capacity, exceeding the levels recorded a year ago and the decadal average.

comfortable buffer stocks of food-grains[10] should keep food prices benign. The recently implemented GST rate rationalisation would lead to a reduction in prices of several items in the CPI basket. Overall, the inflation outcome is likely to be softer than what was projected in August, primarily on account of the GST rate cuts and benign food prices. Considering all these factors, CPI inflation for 2025-26 is now projected at 2.6 per cent with Q2 at 1.8 per cent; Q3 at 1.8 per cent; and Q4 at 4.0 per cent. CPI inflation for Q1:2026-27 is projected at 4.5 per cent The risks are evenly balanced.

External Sector

India's current account deficit moderated to US$ 2.4 billion (0.2 per cent of GDP) in Q1:2025-26 as compared with US$ 8.6 billion (0.9 per cent of GDP) in Q1:2024-25 due to increased net services surplus and strong remittance receipts despite higher merchandise trade deficit.[11] During July-August 2025, merchandise trade deficit continued to remain elevated. Notwithstanding rising global trade uncertainties, India's services exports, driven by software and business services, witnessed robust growth in July-August 2025.[12] Furthermore, robust services exports coupled with strong remittance receipts is expected to keep the current account deficit (CAD) sustainable during 2025-26.

On the external financing side, net foreign direct investment reached a 38-month high in July 2025, driven by increased gross foreign direct investment and a moderation in repatriation and outward foreign direct investment.[13] However, net FPI recorded outflows of US$ 3.9 billion in 2025-26 so far (April 01-September 29) due to outflows in both equity and debt segments.[14] As on September 26, 2025, India's foreign exchange reserves stood at US$ 700.2 billion, sufficient to cover more than 11 months of merchandise imports.[15] Overall, India's external sector continues to be resilient, and we remain confident of meeting our external obligations comfortably.[16]

Notwithstanding the robust domestic macroeconomic fundamentals, the INR has witnessed some depreciation accompanied by phases of volatility. RBI is keeping a close watch on movements of the INR and will take appropriate steps, as warranted.

Liquidity and Financial Market Conditions

System liquidity, as measured by the net position under the Liquidity Adjustment Facility (LAF), stood at an average daily surplus of ₹2.1 lakh crore since the last MPC meeting in August 2025.[17] Going ahead, the drawdown of government cash balances and the remaining 75 basis points cut in the cash reserve ratio (CRR) during October-November will aid banking system liquidity in the near-term. Through our two-way operations, we will actively manage liquidity to anchor short-term rates.

Money market rates have remained relatively stable amidst comfortable liquidity conditions.[18]

[10] As on September 16, 2025, the Food Corporation of India's wheat stocks were 1.2 times the buffer norms (highest in last 4 years) while rice stocks were 3.5 times the buffer norms.

[11] In this context, it is pertinent to inform that we have reduced the time lag of releasing the quarterly balance of payments data and press release from 90 days to 60 days.

[12] As per provisional figures, India's services exports grew by 6.5 per cent during July-August 2025, while services imports increased by 1.5 per cent during this period. Net services exports grew by 12.2 per cent during July-August 2025.

[13] Gross foreign direct investment (FDI) inflows grew by 33.2 per cent to US$ 37.7 billion in April-July 2025-26 from US$ 28.3 billion during the same period a year ago. Net FDI inflows increased by more than 200 per cent to US$ 10.8 billion in April-July 2025-26 from US$ 3.5 billion a year ago.

[14] During April-September 2025 (till September 29), there were net outflows of US$ 3.3 billion and US$ 0.6 billion in equity and debt segments, respectively.

[15] Based on actual merchandise imports (on a BoP basis) during the four quarters period (Q2:2024-25 to Q1:2025-26), sufficient to cover around nine months of imports of goods and services combined and around 94 per cent of total external debt as on end-June 2025.

[16] India's CAD/GDP ratio moderated to 0.6 per cent in 2024-25 from 0.7 per cent during 2023-24. India's external debt to GDP ratio moderated to 18.9 per cent at end-June 2025 from 19.1 per cent at end-March 2025. The net International Investment position to GDP ratio improved to (-) 8.0 per cent from (-) 8.6 per cent during the same period.

[17] The average daily net absorption under the liquidity adjustment facility (LAF) during June and July stood at ₹2.8 lakh crore and ₹3.1 lakh crore, respectively. The average daily net absorption under the LAF declined to ₹2.9 lakh crore in August 2025 and ₹1.6 lakh crore in September 2025 (up to 29th).

[18] In response to the cumulative policy repo rate cut of 100 basis points (bps) in the current easing cycle (up to September 29), the WACR, the 3-month T-bill rate, the 3-month CP issued by NBFCs, and the 3-month CD rate declined by 92 bps, 105 bps, 118 bps, and 147 bps, respectively.

During February-August 2025, in response to the 100-basis points (bps) cut in the policy repo rate, the weighted average lending rate (WALR) of Scheduled Commercial Banks moderated by 58 bps for fresh rupee loans; 71 bps is on account of interest rate effect. The moderation for outstanding rupee loans is to the extent of 55 bps. On the deposit side, the weighted average domestic term deposit rate (WADTDR) on fresh deposits declined by 106 bps, while that on outstanding deposits softened by 22 bps over the same period. Transmission has been broad-based across sectors. Going forward, adequate liquidity in the system and the remaining CRR cuts will further facilitate monetary transmission.

Financial Stability

The system-level financial parameters related to capital adequacy, liquidity, asset quality and profitability of the Scheduled Commercial Banks (SCBs) continue to remain healthy.[19] Similarly, the system-level parameters of NBFCs too are sound, with adequate capital and improved GNPA ratios[20].

Bank credit growth, despite being lower than last year, continues to be healthy and supportive of real economic activity.[21] I would like to emphasise here that, as other sources of funding are gradually but steadily increasing their footprint, it is the overall flow of financial resources to the economy that is more pertinent for assessing flow of funds to the productive sectors. The total flow of resources from non-bank sources to the commercial sector increased by ₹2.66 lakh crore in 2025-26 so far, more than offsetting the decline in non-food bank credit by ₹0.48 lakh crore).[22]

Additional Measures

I shall now announce a package of twenty two additional measures aimed at strengthening the resilience and competitiveness of the banking sector, improving the flow of credit, promoting ease of doing business, simplifying foreign exchange management, enhancing consumer satisfaction, and internationalisation of Indian Rupee.

Strengthening the resilience and competitiveness of the banking sector

There are four measures for strengthening the resilience and competitiveness of the Indian banks.

The Expected Credit Loss (ECL) framework of provisioning with prudential floors is proposed to be made applicable to all Scheduled Commercial Banks (excluding Small Finance Banks (SFBs), Payment Banks (PBs), Regional Rural Banks(RRBs)) and All India Financial Institutions (AIFIs) with effect from 1st April 2027.

They will be given a glide path (till March 31, 2031) to smoothen the one-time impact of higher provisioning, if any, on their existing books.

Further, it is proposed to make the revised Basel III capital adequacy norms effective for commercial banks (excluding SFBs, PBs and RRBs) from 1st April 2027.

In furtherance of this, a draft of the Standardised Approach for Credit Risk shall be issued shortly. Under

[19] **SCB Parameters:** The outstanding credit and deposit increased by 10.4 per cent and 11.3 per cent on a y-o-y basis, respectively, between June-24 and June-25. The system-level Capital to Risk Weighted Assets Ratio (CRAR) of 17.54 per cent in June 2025 was well above the regulatory minimum level. Ratio of non-performing loans improved further (GNPA ratio at 2.22 per cent in June 2025 vis-à-vis 2.67 per cent in June 2024, NNPA Ratio at 0.51 per cent in June 2025 vis-à-vis 0.60 per cent in June 2024). Liquidity buffers were robust, with an LCR of 132.69 per cent as of end June 2025. The annualised return on assets (RoA) and return on equity (RoE) stood at 1.30 per cent and 13.02 per cent, respectively, in June 2025. Net Interest Margin was 3.25 per cent for June 2025 (3.54 per cent in June 2024).

[20] **NBFC Parameters:** Total CRAR of NBFCs was 25.69 per cent and Tier I CRAR was 23.78 per cent in June 2025, well above the minimum regulatory requirements. GNPA ratio has improved from 2.54 per cent in June 2024 to 2.23 per cent in June 2025, while NNPA ratio also improved from 1.07 per cent in June 2024 to 0.98 per cent in June 2025. RoA for the sector decreased slightly from 2.66 per cent in June 2024 to 2.64 per cent in June 2025. NIM has slightly decreased from 4.85% in June 2024 to 4.50% in June 2025.

[21] Non-food bank credit recorded a year-on-year (y-o-y) growth of 10.2 per cent as on September 5, 2025, compared to 13.3 per cent a year ago.

[22] Among the non-bank sources, issuances of corporate bonds by non-financial entities increased by ₹1.66 lakh crore while net inward FDI increased by ₹0.93 lakh crore.

the revised approach, the proposed lower risk weights on certain segments are expected to reduce the overall capital requirements, particularly for MSMEs and residential real estate (including home loans).

It may be recalled that capital requirements for operational risk have already been finalised (in 2023) whereas the capital requirements for market risk are under finalisation after receipt of comments from the public.

These measures will help align our guidelines with international standards adapted to our national conditions and priorities, and strengthen the capital adequacy framework for banks and AIFIs.

A draft circular on Forms of Business and Prudential Regulation for Investments was issued in October, 2024. It has been finalised after public consultations and will be issued shortly. The proposed regulatory restriction on overlap in the businesses undertaken by a bank and its group entity(ies) is being removed from the final guidelines. The strategic allocation of business streams among group entities will be left to the wisdom of Bank Boards.

It is further proposed to introduce risk-based deposit insurance premium with the currently applicable flat rate of premium as the ceiling. This will incentivise sound risk management by banks and reduce premium to be paid by better rated banks.

Improving the flow of credit

I will announce five measures to improve flow of credit.

One, to expand the scope of capital market lending by banks, it is proposed to provide an enabling framework for Indian banks to finance acquisitions by Indian corporates.

Two, it is proposed to (a) remove the regulatory ceiling on lending against listed debt securities and (b) enhance limits for lending by banks against shares from Rs. 20 lakh to Rs. 1 crore and for IPO financing from Rs. 10 lakh to Rs. 25 lakh per person.

Three, it is proposed to withdraw the framework introduced in 2016 that disincentivized lending by banks to specified borrowers (with credit limit from banking system of Rs.10,000 crore and above).

While the Large Exposure Framework since put in place for banks addresses credit concentration risk to a particular entity or group at an individual bank-level, concentration risk at the banking system level, as and when considered necessary, will be managed through specific macroprudential tools.

Four, to reduce the cost of infrastructure financing by NBFCs, it is proposed to reduce the risk weights applicable to lending by NBFCs to operational, high quality infrastructure projects.

Five, since 2004, licensing for Urban Co-operative Banks (UCBs) had been paused. Considering the positive developments in the sector during the last two decades and in response to the growing demand from the stakeholders, we propose to publish a discussion paper on licensing of new UCBs.

Promoting Ease of Doing Business

I now come to measures related to EoDB. We have seven announcements including those related to FEMA.

First, a large number of circulars and directions totalling about 9000, have been consolidated, subject wise, across 11 types of regulated entities. Drafts of the same shall be issued shortly for public consultation.

Second, it is proposed to provide greater flexibility to banks for opening and maintaining transaction accounts of borrowers (viz. current accounts and CC/OD accounts). This will particularly help borrowers which are regulated by a financial sector regulator. Restrictions with respect to collection accounts are also proposed to be withdrawn.

The export sector is a vital part of India's economy. To further strengthen the sector and enhance ease of doing business, we shall:

- extend the time period for repatriation from foreign currency accounts of Indian exporters in IFSC, from one month to three months.
- increase the period for forex outlay for Merchanting Trade transactions, from four months to six months; and
- simplify the process of reconciliation of outstanding entries related to exports and imports in the respective reporting portals (EDPMS/IDPMS).

Simplifying foreign exchange management

Sixth, key provisions relating to eligible borrowers, recognised lenders, limits on borrowing, cost of borrowing, end-use and reporting, etc. in ECB regulations, issued under FEMA, are proposed to be rationalised.

Seventh, it is proposed to rationalise FEMA regulations regarding non-residents establishing their business presence in India.

Enhancing consumer satisfaction

I shall now state three consumer centric proposals:

One, the bouquet of services offered to Basic Savings Bank Deposit account holders without levy of minimum balance charges is proposed to be expanded to, inter alia, include digital banking (mobile/internet banking) services.

Two, the Internal Ombudsman mechanism is proposed to be strengthened to make grievance redressal by regulated entities more effective.

Three, the RBI Ombudsman Scheme is also being revised for improved grievance redressal and rural cooperative banks are being included under the ambit of the Scheme.

Internationalising Indian Rupee

We have been making steady progress in the use of Indian Rupee for international trade. Three measures are proposed in this regard:

- First, permit AD banks to lend in Indian Rupees to non-residents from Bhutan, Nepal and Sri Lanka for cross border trade transactions.
- Second, establish transparent reference rates for currencies of India's major trading partners to facilitate INR based transactions.
- Third, permit wider use of SRVA balances by making them eligible for investment in corporate bonds and commercial papers.

Concluding Remarks

Let me now conclude. Despite an external environment that has deteriorated since the August policy, the Indian economy remains poised to register high growth. The sobering of inflation has given greater leeway for monetary policy to support growth without compromising on the primary mandate of price stability. However, the MPC decided to wait for the cumulative impact of recent policy actions to play out before charting the next course of action.

As India strives towards achieving Viksit Bharat by the centenary year of its independence, it would need the coordinated support of fiscal, monetary, regulatory and other public policies to attain its goal. The recent rationalisation of GST rates by the Government is a major step in this direction. Our various policy announcements today will also support the achievement of this goal. In terms of monetary policy actions, we will remain vigilant of the incoming data and stay focussed on our objective of maintaining price stability while supporting growth. In pursuit of this objective, we will be proactive, objective and consistent in our communication while backing it up with credible actions.

Thank you. Namaskar and Jai Hind.

MONETARY POLICY STATEMENT (SEPTEMBER 29-OCTOBER 1) 2025-26

Resolution of the Monetary Policy Committee (MPC)
(September 29-October 1) 2025-26

*Monetary Policy Statement, 2025-26 Resolution of the Monetary Policy Committee (MPC) September 29 to October 1, 2025**

Monetary Policy Decisions

The Monetary Policy Committee (MPC) held its 57th meeting from September 29 to October 1, 2025, under the chairmanship of Shri Sanjay Malhotra, Governor, Reserve Bank of India. The MPC members Dr. Nagesh Kumar, Shri Saugata Bhattacharya, Prof. Ram Singh, Dr. Poonam Gupta and Shri Indranil Bhattacharyya attended the meeting.

After a detailed assessment of the evolving macroeconomic and financial developments and the outlook, the MPC voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.50 per cent; consequently, the standing deposit facility (SDF) rate remains at 5.25 per cent while the marginal standing facility (MSF) rate and the Bank Rate remains at 5.75 per cent. The MPC also decided to continue with the neutral stance.

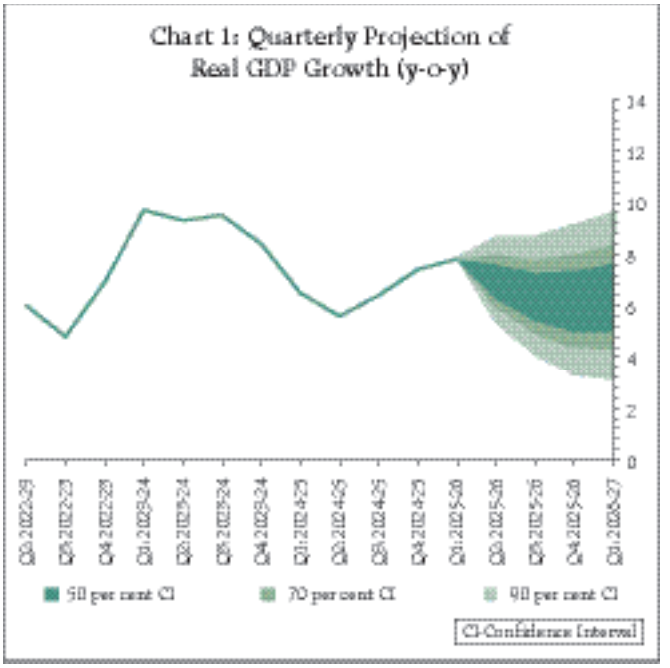
Growth and Inflation Outlook

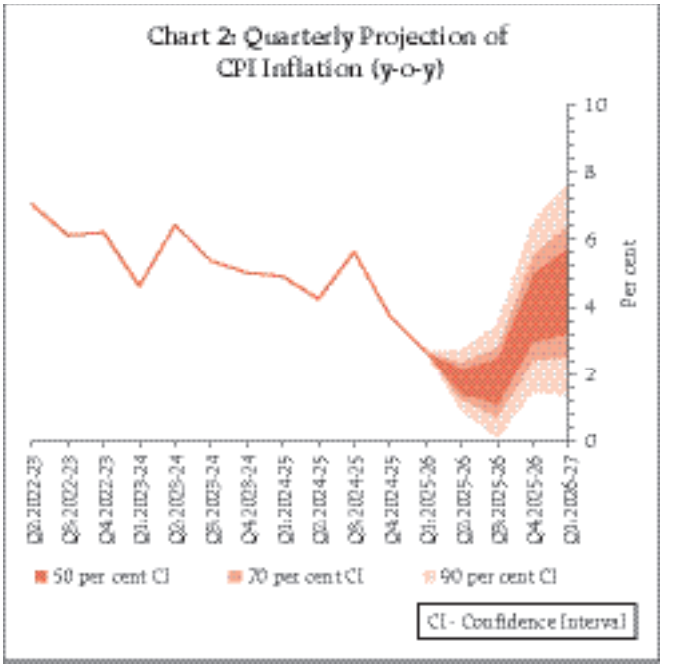
The global economy has been more resilient than anticipated in 2025, with robust growth in the US and China. The outlook, however, remains clouded amidst elevated policy uncertainty. Inflation has remained above their respective targets in some advanced economies, posing fresh challenges for central banks as they navigate the shifting growth-inflation dynamics. Financial markets have been volatile. The US dollar strengthened after the upward revision of US growth numbers for the second quarter, and treasury yields hardened recently tracking changes in policy rate expectations. Equities have remained buoyant across several advanced and emerging market economies.

In India, real gross domestic product (GDP), driven by strong private consumption and fixed investment, recorded a robust growth of 7.8 per cent in Q1:2025-26. On the supply side, growth in gross value added (GVA) at 7.6 per cent was led by a revival in manufacturing and steady expansion in services. Available high frequency indicators suggest that economic activity continues to remain resilient. Rural demand remains strong, riding on a good monsoon and robust agriculture activity, while urban demand is showing a gradual revival. Revenue expenditure of the Union and State Governments registered robust growth during the fiscal year so far (April-July). Investment activity, as suggested by healthy growth in construction indicators *i.e.*, cement production and steel consumption in July-August, is holding up well even though production and import of capital goods witnessed some moderation. Recovery in manufacturing sector continues while services activity is sustaining its momentum.

Looking ahead, an above normal monsoon, good progress of *kharif* sowing and adequate reservoir levels have further brightened prospects of agriculture and rural demand. Buoyancy in services sector coupled with steady employment conditions are supportive of demand, which is expected to get a further boost from the rationalisation of goods and services tax (GST) rates. Rising capacity utilisation, conducive financial conditions, and improving domestic demand should continue to facilitate fixed investment. However, ongoing tariff and trade policy uncertainties will impact external demand for goods and services. Prolonged geopolitical tensions and volatility in international financial markets caused by risk-off sentiments of investors also pose downside risks to the growth outlook. The implementation of several growth-inducing structural reforms, including streamlining of GST are expected to offset some of the adverse effects of the external headwinds. Taking all these factors into account, real GDP growth for 2025-

* Released on October 1, 2025.





26 is now projected at 6.8 per cent, with Q2 at 7.0 per cent, Q3 at 6.4 per cent, and Q4 at 6.2 per cent. Real GDP growth for Q1:2026-27 is projected at 6.4 per cent (Chart 1). The risks are evenly balanced.

Headline CPI inflation declined to its eight-year low of 1.6 per cent (y-o-y) in July 2025 before rising to 2.1 per cent in August – its first increase after nine months. Benign inflation conditions during 2025-26 so far have been primarily driven by a sharp decline in food inflation from its peak of October 2024. Inflation within the fuel group moved in a narrow range of 2.4-2.7 per cent during June-August. Core inflation remained largely contained at 4.2 per cent in August. Excluding precious metals, core inflation was at 3.0 per cent in August.

In terms of the inflation outlook for H2: 2025-26, healthy progress of the south-west monsoon, higher *kharif* sowing, adequate reservoir levels and comfortable buffer stock of foodgrains should keep food prices benign. The recently implemented GST rate rationalisation would lead to a reduction in prices of several items in the CPI basket. Overall, the inflation outcome is likely to be softer than what was projected in the August MPC resolution, primarily on account of the GST rate cuts and benign food prices. Despite the anticipation of moderate momentum during H2, large unfavourable base effects are likely to exert upward pressure on headline CPI inflation, especially in Q4. Considering all these factors, CPI inflation for 2025-26 is now projected at 2.6 per cent with Q2 at 1.8 per cent; Q3 at 1.8 per cent; and Q4 at 4.0 per cent. CPI inflation for Q1:2026-27 is projected at 4.5 per cent (Chart 2). The risks are evenly balanced.

Rationale for Monetary Policy Decisions

The MPC observed that the overall inflation outlook has turned even more benign in the last few months, due to the reasons discussed above. The average headline inflation for 2025-26 is now revised lower from 3.7 per cent and 3.1 per cent projected in June and August policy, respectively, to 2.6 per cent. Headline inflation for Q4:2025-26 and Q1:2026-27 too have been revised downwards and are broadly aligned with the target, despite unfavourable base effects. Core inflation for this year and Q1:2026-27 is also expected to remain contained.

Growth outlook remains resilient supported by domestic drivers, despite weak external demand. It is likely to get further support from a favourable monsoon, lower inflation, monetary easing and the salubrious impact of recent GST reforms. However, growth continues to be below our aspirations. Even though the growth projection for the financial year 2025-26 is being revised upwards, the forward-looking projections for Q3 and beyond are expected to be slightly lower than projected earlier, primarily due to tariff-related developments, despite being partially offset by the impetus provided by the rationalisation of GST rates.

To summarize, there has been a significant moderation in inflation. Moreover, the prevailing global uncertainties and tariff related developments are likely to decelerate growth in H2:2025-26 and beyond. The current macroeconomic conditions and the outlook has opened up policy space for further supporting growth. However, the MPC noted that the impact of the front-loaded monetary policy actions and the recent fiscal measures is still playing out. The trade related uncertainties are also unfolding. The MPC, therefore, considered it prudent to wait for the impact of policy actions to play out and greater clarity to emerge before charting the next course of action. Accordingly, the MPC unanimously voted to keep the policy repo rate unchanged at 5.5 per cent. The MPC also decided to retain the stance at neutral. However, two members - Dr. Nagesh Kumar and Prof. Ram Singh, were of the view that the stance be changed from neutral to accommodative.

The minutes of the MPC's meeting will be published on October 15, 2025.

The next meeting of the MPC is scheduled during December 3 to 5, 2025.

MONETARY POLICY STATEMENT (SEPTEMBER 29-OCTOBER 1) 2025-26

Statement on Developmental and Regulatory Policies

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulations; (ii) Foreign Exchange Management; (iii) Consumer Protection and (iv) Financial Markets.

I. Regulations

1. Expected Credit Loss (ECL) framework for provisioning

With a view to strengthen the resilience of the banking sector, it is proposed to issue the draft Reserve Bank (Asset Classification, Provisioning and Income Recognition) Directions, 2025 for Scheduled Commercial Banks (excluding Small Finance Banks, Payments Banks and Regional Rural Banks) and All India Financial Institutions. The draft directions inter alia, propose to replace the extant framework based on incurred loss with an Expected Credit Loss (ECL) approach, subject to a prudential floor, while retaining the existing asset classification norms. The guidelines are expected to enhance credit risk management practices, promote better comparability of reported financials across institutions. The framework is designed to be implemented in a non-disruptive manner with a suitable glide-path.

2. Basel III Guidelines on Capital Charge for Credit Risk – Standardised Approach

As a part of the broader objective of improving the resilience of the banking sector and aligning the regulatory framework with the best international practices, it is proposed to issue the draft guidelines on implementation of the revised Basel framework on Standardised Approach for Credit Risk for Scheduled Commercial Banks (excluding Small Finance Banks, Payments Banks, and Regional Rural Banks).The revised framework aims to improve the robustness, granularity and risk sensitivity of the standardized approach for calculating the capital charge for credit risk. The draft guidelines shall be issued shortly.

3. Forms of Business and Prudential Regulation for Investments

The draft guidelines on forms of business and investment for banks which was issued in October 2024[1] has been finalised and shall be issued shortly. Based on feedback and review, the proposed bar on overlap in the businesses undertaken by a bank and its group entity is being removed. The circular envisages to streamline the activities being undertaken by banks and their group entities while providing more operational freedom to the banks and NOFHCs for equity investments and setting up group entities respectively.

4. Introduction of Risk Based Premium Framework for Deposit Insurance in India

Deposit Insurance and Credit Guarantee Corporation (DICGC), under the DICGC Act, 1961 has been operating the deposit insurance scheme since 1962 on a flat rate premium basis. At present, the banks are charged a premium of 12 paise per ₹100 of assessable deposits. While the existing system is simple to understand and administer, it does not differentiate between banks based on their soundness. It is, therefore, proposed to introduce a Risk Based Premium model which will help banks that are more sound to save significantly on the premium paid. Detailed notification will be issued shortly, which will be effective from the next financial year.

5. Review of Capital Market Exposures Guidelines for banks

Capital market exposures (CME) of the regulated entities (REs) which include, inter alia, lending against securities to individuals and lending to capital market intermediaries, have been subject to prudential regulations relating to sectoral exposure limits, single borrower limits, margin requirements,

[1] https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58823

etc. Further, bank finance for acquisition of shares has been generally disallowed.

There has been significant growth and development in the capital market structure, along with strengthening of the banking system in recent years. With the objective of rationalising the extant guidelines and broadening the scope for capital market lending by banks and other regulated entities, it is proposed to inter alia:

- provide an enabling framework for banks to finance acquisitions by Indian corporates;
- enhance the limit for lending by banks against shares, units of REITs, units of InvITs while removing the regulatory ceiling altogether on lending against listed debt securities; and
- put in place a more principle-based framework for lending to capital market intermediaries.

The draft guidelines shall be issued shortly.

6. Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism – Withdrawal

The Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism[2] were introduced in August 2016 with an objective to address the concentration risk arising from the aggregate credit exposure of the banking system to a single large corporate and encourage such large corporates to diversify their sources of funding. Upon review, considering, inter-alia, the changes evident in the profile of bank funding to corporate sector since the introduction of the Guidelines, it is proposed to withdraw the guidelines. While the Large Exposures Framework since put in place for banks addresses concentration risk at an individual bank-level, concentration risk at the banking system level, as and when considered as a risk, will be managed through specific macroprudential tools. The draft circular to withdraw these guidelines shall be issued shortly for public comments.

[2] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10574&Mode=0

7. Risk Weights on infrastructure lending by NBFCs

Infrastructure projects that have commenced operations typically exhibit lower risk compared to those under construction. Recognizing this risk differential, the existing capital adequacy norms permit NBFCs to assign a lower risk weight to operational projects under Public-Private Partnerships (PPPs). With a view to further rationalise the risk weights for infrastructure lending by NBFCs in line with the nuanced risk-profile of operational projects, it has been decided to introduce a principle-based framework. The framework aims to align risk weights with the actual risk characteristics of operational infrastructure projects, promoting better risk assessment and capital allocation. Draft regulations in this regard shall be issued shortly for public consultation.

8. Discussion Paper on Licensing Framework for new Urban Co-operative Banks (UCBs)

Since 2004, issuance of fresh license for UCBs had been paused following weak financial health of the UCB Sector. Considering that more than two decades have passed since then and the positive developments in the sector, a discussion paper on licensing of new Urban Co-operative Banks (UCBs) will be issued shortly.

9. Consolidation of Regulatory Instructions

The evolution of regulatory framework administered by the Reserve Bank has resulted in proliferation of several circulars and directions. In order to provide ease of access and reduce the compliance cost faced by the regulated entities, the Reserve Bank has undertaken an exercise of consolidating the regulatory instructions administered by the Department of Regulation of the Reserve Bank into a set of Master Directions on an 'as is' basis The drafts of about 250 Master Directions consolidating extant instructions on up to 30 areas for 11 types of regulated entities shall be placed on the website shortly for comments on their completeness and accuracy.

10. Review of Restrictions on Transaction Accounts

With the objective of enforcing credit discipline among borrowers as well as to facilitate better monitoring by lenders, certain restrictions were placed on the operation of Current Accounts (CA), Cash Credit Accounts (CC) and Overdraft Accounts (OD) ("Transaction Accounts") offered by banks vide various circulars issued from time to time. Based on the experience gained and feedback received, these instructions have been reviewed and it is proposed to ease some of the stipulations and provide greater flexibility to the banks in this regard, particularly in case of borrowers being entities regulated by a financial sector regulator. The draft guidelines shall be issued shortly.

II. Foreign Exchange Management

11. Foreign Currency accounts by Indian exporters-extension of time period for repatriation from accounts held in IFSC in India

In January 2025, RBI had permitted Indian exporters to open foreign currency accounts with a bank outside India for realisation of export proceeds. Funds in these accounts can be used for making import payment or have to be repatriated by the end of next month from the date of receipt of the funds. It has now been decided to extend the time period for repatriation, from one month to three months, in case of such foreign currency accounts maintained in IFSC in India. This will encourage Indian exporters to open accounts with IFSC Banking Units and also increase forex liquidity in IFSC. The amendments to regulations will be notified shortly.

12. Merchanting Trade Transactions (MTT)

Global uncertainties in trade are resulting in supply chain disruptions, making it challenging for Indian merchants to meet their contractual obligations in time. In terms of extant guidelines on MTT, outlay of foreign exchange is allowed upto four months. It has now been decided to increase the period for the forex outlay from four months to six months, in case of MTT. This relaxation is expected to help Indian merchants overcome the challenges they face in completing their business transactions efficiently while maintaining profitability. The amendments to regulations will be notified shortly.

13. Relaxation in compliance requirements for Small Value Exporters/Importers

With a view to ease compliance for exporters/importers, especially of small value goods and services, it has been decided to simplify the process of reconciliation in Export Data Processing and Monitoring System (EDPMS) and Import Data Processing and Monitoring System (IDPMS).

As per the revised guidelines, bills can be reconciled and closed by an AD bank in EDPMS or IDPMS, based on a declaration by the concerned exporter or importer, as the case may be, that the amount has been realised, for a shipping bill, or paid against a Bill of Entry, for entries (including outstanding entries) in EDPMS/IDPMS of value equivalent to INR 10 lakh per bill, or less.

The revised procedure will also enable reduction in the realisable value of bills by AD banks based on such declaration. This measure is expected to reduce compliance burden on small value exporters and importers and enhance ease of doing business. The directions will be issued shortly.

14. Review of External Commercial Borrowing Framework

With an objective to rationalise and simplify the regulations governing External Commercial Borrowings (ECB), the Reserve Bank of India has undertaken a review of the existing provisions under the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.[3]

[3] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11441&Mode=0

Based on the review, a revised framework that provides for expansion of eligible borrower and recognized lender base, rationalization of borrowing limits, rationalization of restrictions on average maturity period, removal of restrictions on the cost of borrowing for ECBs, review of end-use restrictions and simplification of reporting requirements, is proposed to be introduced. The draft Framework will be issued shortly.

15. Rationalisation of regulations for Establishment in India of a Branch Office or a Liaison Office or a Project Office or any other place of business

The extant regulations for "Establishment in India of a Branch Office or a Liaison Office or a Project Office or any other place of business"[4] were issued by the Reserve Bank in 2016. The regulations have been comprehensively reviewed. The revised regulations are principle driven and enable delegation of more powers to AD banks and reduction of compliance burden, thereby further enhancing the ease of doing business in India. The draft regulations will be issued shortly.

III. Consumer Protection

16. Review of instructions on Basic Savings Bank Deposit (BSBD) Account

BSBD Account is a savings bank account which was introduced with the objective of promoting financial inclusion. The extant instructions on BSBD account require banks to provide certain minimum facilities free of charge, without the requirement of minimum balance, to the holders of such accounts. The ongoing digitalization in the banking sector necessitates a BSBD account that is in sync with the customer's changing requirements. Therefore, it has been decided to review the extant instructions on BSBD account to provide affordable banking facilities to the public and drive enhanced usage of BSBD accounts to deepen financial inclusion.

17. Measures for strengthening the Internal Ombudsman mechanism in REs

The Reserve Bank has institutionalized the Internal Ombudsman (IO) mechanism in select Regulated Entities (REs) which enables an independent apex level review of complaints that are being rejected by the RE. To further improve upon the efficacy of this mechanism, it is proposed that the IOs be equipped with compensation powers and be allowed access to the complainant, aligning the role of IOs more closely with that of the RBI Ombudsman. Additionally, a two-tiered structure may be introduced within REs for grievance redress prior to escalation to the IO. These measures aim to provide meaningful and timely resolution of customer grievances within the REs, thereby improving service standards and consumer confidence. A draft of the Master Direction, outlining these revisions, is being released shortly for public feedback.

18. Review of the Reserve Bank – Integrated Ombudsman Scheme, 2021

The Reserve Bank – Integrated Ombudsman Scheme (RB-IOS) (the Scheme), 2021 launched on November 12, 2021,[5] provides customers of Regulated Entities (REs) a speedy, cost-effective and expeditious alternate grievance redress mechanism. The REs currently covered under the Scheme include Commercial Banks, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks, Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of ₹50 crore and above, select Non-Banking Financial Companies and Credit Information Companies.

To enable the customers of the rural co-operative banks to access the mechanism of RBI Ombudsman, it has been decided to bring State Co-operative Banks and District Central Cooperative Banks, hitherto with NABARD, within the scope of the RBI Ombudsman Scheme. Notification will be issued shortly in this regard.

[4] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10327&Mode=0

[5] https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52549

Moreover, based on the operational experience, stakeholder feedback, and global best practices, the Reserve Bank has undertaken a comprehensive review of the Scheme. The review seeks to enhance clarity, simplify procedures and reduce timelines to further improve timely, fair, and effective redress. The draft Scheme shall be placed on the Reserve Bank's website shortly for seeking feedback from stakeholders.

IV. Financial Markets

19. Lending in Indian Rupees (INR) by Authorised Dealer (AD) banks to Persons Resident Outside India

In order to promote the settlement of cross border transactions in INR and local currencies, the Reserve Bank of India has been progressively liberalising regulations under the Foreign Exchange Management Act. To take this initiative further, it is essential that INR liquidity is made available and accessible to residents of other countries. As a calibrated step in this direction, it has been decided that AD banks in India and their overseas branches may be permitted to lend in INR to persons resident in Bhutan, Nepal, and Sri Lanka, including a bank in these jurisdictions, to facilitate cross border trade transactions. The amendments to regulations will be notified shortly.

20. Additional Reference Rates to be published by Financial Benchmarks India Limited

Over the years, the development of forex market has facilitated the growing integration of the Indian economy with the rest of the world in terms of trade and capital flows. At present, Financial Benchmarks India Limited (FBIL) publishes reference rates for USD, EUR, GBP and JPY against INR. These rates are widely used for settlement of forex transactions including derivatives. It is now proposed to include select currencies of India's major trading partners in the list of reference rates published by FBIL. This is expected to further deepen the onshore forex market and encourage banks to quote directly in a larger set of currency pairs, thus eliminating the need for multiple currency conversions and making trade more efficient. FBIL has been advised to publish the new reference rates in consultation with the market.

21. Expanding the bouquet of investments for Special Rupee Vostro Accounts (SRVA) holders

To promote exports from India and to support increasing interest of global trading community in INR, RBI had permitted Special Rupee Vostro Accounts (SRVA) in July 2022 to facilitate invoicing, payment, and settlement of exports / imports in INR. The arrangement permitted, inter alia, Rupee surplus balances in SRVA to be invested in government securities including treasury bills. To expand investment opportunities in India for SRVA holders, it has now been decided to permit balances of these accounts to be invested in corporate bonds and commercial papers. The revised regulations will be notified shortly.

MONETARY POLICY STATEMENT (SEPTEMBER 29-OCTOBER 1) 2025-26

Monetary Policy Report - September 29-October 1 2025-26

I. Macroeconomic Outlook

Amidst heightened trade uncertainties, India's economic outlook remains resilient, aided by improved consumption, investment demand and strong macroeconomic fundamentals. GST 2.0 reforms are expected to further boost domestic demand. Inflation is expected to gradually pick up from Q4:2025-26 on unfavourable base effect, despite the moderating impact of GST rationalisation. Against the backdrop of volatile global financial markets, elevated tariff-related risks, and continued geopolitical strife, monetary policy remains focussed on maintaining price stability and sustained economic growth.

I.1 Key Developments since the April 2025 MPR

Since the release of the Monetary Policy Report (MPR) in April 2025, global economic growth has remained steady, but still below its historical average.[1] Trade tensions, aggravated by tariff measures, along with geopolitical tensions continued to weigh on the global outlook. Headline inflation has moderated in several economies. However, it still remains above target in most jurisdictions, even as core inflation pressures eased. As a result, monetary policy pathways continue to diverge across countries. Several central banks moved cautiously into an easing cycle, although lingering inflation pressures necessitated a guarded approach. In contrast, some central banks have adopted a more accommodative stance to counter their slowing growth and rising unemployment.

Financial market volatility persisted, with global equities retreating in April 2025 amidst tariff-related uncertainties. Since then, markets have rebounded and reached new highs. Sovereign bond yields in major advanced economies (AEs) have hardened since April 2025, reflecting investor concerns over fiscal risks. At the same time, gold prices continued their upward trajectory as demand strengthened for safe-haven assets, underscoring persistent uncertainty. The United States (US) Dollar Index fell about 11 per cent from January 2025 till end of June, witnessing its steepest fall in over a decade. With modest rebound in the subsequent months, the index stabilised, though concerns over fiscal risks and expectation of rate cuts continued to exert pressure. In September 2025, US financial markets displayed risk on sentiment with equity markets rallying amidst US Federal Reserve (Fed) rate cut and strong performance by technology companies. Bond yields softened and the dollar weakened in the first half of September following the Fed's rate cut; however, these trends reversed after the release of stronger-than-expected economic data.

Global commodity prices generally softened due to weakening demand and improved supply conditions, although volatility persisted across segments. Industrial metal prices fell sharply in April 2025 on account of demand concerns but firmed up in subsequent months. Agricultural prices eased overall, mainly led by cereals, even as vegetable oils increased on account of tighter supplies and stronger demand. Brent crude prices remained volatile, with a downward bias during this period, in response to shifting demand conditions and supply outlook.

Turning to the domestic economy, India's credit rating was recently upgraded to BBB+ (Stable) by Rating and Investment Information, Inc. (R&I), Japan, and to BBB (Stable) by Standard and Poor's (S&P) Global Ratings, reflecting confidence in the country's strong domestic demand, fiscal discipline, and external stability. Real gross domestic product (GDP) expanded by 7.8 per cent in Q1:2025-26, the fastest pace in seven quarters. Growth was driven by strong private and government consumption and buoyant gross fixed capital formation. On the supply side, real gross

[1] The estimates and projections in the October 2025 MPR are based on statistical information available till September 26, 2025, which may not reflect the latest available data in all cases.

value added (GVA) rose by 7.6 per cent, driven by a 9 per cent expansion in services, and robust growth in manufacturing. Agriculture and allied activities also improved with a 3.7 per cent increase.

Headline Consumer Price Index (CPI) inflation eased to 3.2 per cent in April 2025, from 4.7 per cent in H2:2024-25, aided by favourable base effects and falling food prices. It moderated further to 1.6 per cent in July 2025, the lowest reading in eight years, as food inflation turned negative in June and July 2025. Even in August, inflation remained benign at 2.1 per cent driven down by deflation in vegetables and pulses. Core inflation (*i.e.*, CPI excluding food and fuel), however, largely remained steady around 4 per cent.

The Monetary Policy Committee (MPC) continued its easing cycle, initiated in February 2025, with a 25 basis points (bps) cut in April 2025, followed by a frontloaded cut of 50 bps in June 2025, bringing the repo rate down to 5.5 per cent. The stance of policy was shifted to accommodative in April from neutral in February but reverted to neutral in June indicating the limited policy space for further easing. In addition, the RBI announced a phased 100 bps reduction in the cash reserve ratio (CRR) in four tranches starting September 2025 to ease liquidity conditions. At its August meeting, the MPC kept the repo rate unchanged at 5.5 per cent while retaining the neutral stance, reaffirming its commitment to aligning inflation with the target while supporting growth.

On the brink of the next review of the monetary policy framework due in March 2026[2], the Reserve Bank has issued a discussion paper on August 21, 2025, inviting public comments on four key aspects – the choice between headline and core inflation, the appropriateness of the 4 per cent inflation target, potential revisions to the tolerance band of +/- 2 per cent, and whether to maintain a specific target level or only a range for inflation.

Monetary Policy Committee Meetings: April 2025 – September 2025

The MPC met in April 2025 amidst heightened global uncertainties from trade tariff measures which impeded global growth and inflation prospects. The dollar index declined sharply and equity sell-offs became broad-based especially in emerging markets. On the domestic front, sustained rural demand, higher government capital expenditure, and healthy balance sheet of corporates and banks supported growth and the investment outlook, although the headwinds from global trade disruptions posed downside risks. Consequently, the real GDP growth projection for 2025-26 was revised downwards by 20 bps to 6.5 per cent. Headline CPI inflation declined by 160 bps during January-February 2025, reaching a 21-month low of 3.8 per cent in February 2025 on account of falling food prices. The outlook for food inflation improved with a broad-based seasonal correction in vegetable prices. It was expected to soften further, aided by robust *kharif* arrivals and record wheat production, despite risks from global market uncertainties and adverse weather. Consequently, the CPI inflation projection for 2025-26 was revised downwards to 4 per cent. The MPC noted that there was greater confidence in the durable alignment of headline inflation with the target, but growth still remained on a recovery path. Accordingly, the MPC unanimously voted to reduce the policy repo rate by 25 bps to 6.0 per cent and change the stance from neutral to accommodative to continue supporting growth.

At the time of the June 2025 meeting, uncertainty around the global economic outlook had somewhat

[2] In May 2016, the Reserve Bank of India Act, 1934 was amended to provide a statutory basis for the inflation targeting framework in India. As per Section 45ZA of the Act, the Central Government, in consultation with the Reserve Bank, is required to set the CPI-based inflation target once in every five years. For the first cycle (2016–2021) and the ongoing second cycle (2021-2026), the RBI was tasked with maintaining inflation at 4 per cent, with a tolerance band of +/- 2 per cent. The next review is due by March 2026.

eased, though global sentiments remained weak. Domestic economic activity was, however, expected to maintain momentum in 2025-26, supported by private consumption, traction in fixed capital formation, and the conclusion of the Free Trade Agreement (FTA) with the United Kingdom. Given the expected domestic resilience amid challenging external environment, the projection of real GDP growth for 2025-26 was retained at 6.5 per cent. Headline CPI inflation continued to decline in March and April, led by falling food prices while core inflation remained largely stable. With the outlook for food inflation also staying favourable, CPI inflation projection for 2025-26 was again revised downwards by 30 bps to 3.7 per cent. The MPC noted that the near- and medium-term outlook for inflation gave confidence that headline inflation would remain durably aligned with the target, and might even undershoot it marginally. However, growth remained lower than aspirations. Accordingly, the MPC voted, by a 5-1 majority, to reduce the policy repo rate by 50 bps to 5.5 per cent, frontloading the rate cut to stimulate private consumption and investment through policy levers to step up the growth momentum. One member voted for a smaller 25 bps cut in the policy repo rate. The stance was also changed from accommodative to neutral, recognising that after a cumulative policy rate cut of 100 bps in quick succession, monetary policy had limited space to support growth further.

In the run up to the August 2025 meeting, headline CPI inflation declined for the eighth consecutive month to 2.1 per cent in June 2025, primarily driven by a fall in food prices to new lows. Assuming a normal monsoon, CPI inflation projection for 2025-26 was revised downwards to 3.1 per cent. Domestic growth remained resilient, with private consumption aided by rural demand and fixed investment supported by buoyant government capex. Lower inflation, rising capacity utilisation, and congenial financial conditions continued to support growth outlook. However, prolonged geopolitical tensions, persisting global uncertainties and volatility in global financial markets posed risks. Nonetheless, real GDP projection for 2025-26 was retained at 6.5 per cent. The MPC noted that while growth has held up well, the decline in inflation was largely driven by food prices, especially vegetables. Inflation was expected to firm up from Q4:2025-26. It also underscored that uncertainties on tariffs were still evolving, and the impact of past policy rate cuts were still progressing through the economy. Accordingly, the MPC unanimously voted to keep the repo rate unchanged at 5.5 per cent and to maintain the neutral stance.

The MPC's voting pattern reflects the diversity in individual members' assessments, expectations and policy preferences – a characteristic also reflected in voting patterns of other central banks (Table I.1). With the pace of disinflation slowing down or even reversing in some AEs, central banks are moving cautiously in this easing cycle. Among AEs, the US cut its policy rate for the first time this calendar year while Japan kept its policy rates unchanged over its last four meetings.

Table I.1 Monetary Policy Committees Meetings and Policy Rate Voting Patterns

Country	Policy Meetings: April 2025 - September 2025			
	Total meetings	Meetings with full consensus	Meetings without full consensus	Variation in policy rate (basis points)
Brazil	4	4	0	75
Chile	4	4	0	-25
Colombia	3	1	2	-25
Czech Republic	4	3	1	-25
Hungary*	6	5	0	0
India	3	2	1	-75
Japan	4	3	1	0
South Africa	3	1	2	-50
Sweden	4	3	1	-50
Thailand	3	1	2	-50
UK	4	0	4	-50
US	4	2	2	-25

Notes: 1. Minus sign indicates a reduction in policy rate.
2. *: Total number of meetings happened is six. However, the minutes of last meeting (September 23, 2025) is not published to date.

Sources: Central bank websites.

Factors conditioning the Macroeconomic Outlook

Macroeconomic developments pertaining to inflation and economic activity during H1:2025-26 (April-September 2025) are analysed in Chapters II and III. Going forward, the outlook is premised on a set of baseline assumptions. First, the baseline assumption for crude oil prices (Indian basket) is retained at US$ 70 per barrel for the second half of 2025-26 (Table I.2). International crude oil prices fell sharply in April due to demand concerns stemming from growth-disruptive tariff announcements, and continued its downward trajectory in May as supply outpaced demand, particularly from Organization of the Petroleum Exporting Countries *plus* (OPEC+) economies. In June, however, prices surged intermittently as escalating tensions between Russia and Ukraine, and intensifying conflict between Israel and Iran, heightened the risk premia amidst fears of supply chain disruptions. Since July, crude prices have resumed downward trend, supported by easing geopolitical tensions and improving fundamentals (Chart I.1a). The consistent rise in crude oil inventory levels since Q3:2024, and their sustained elevation through 2025, reflects underlying positive supply-side developments including increased output from

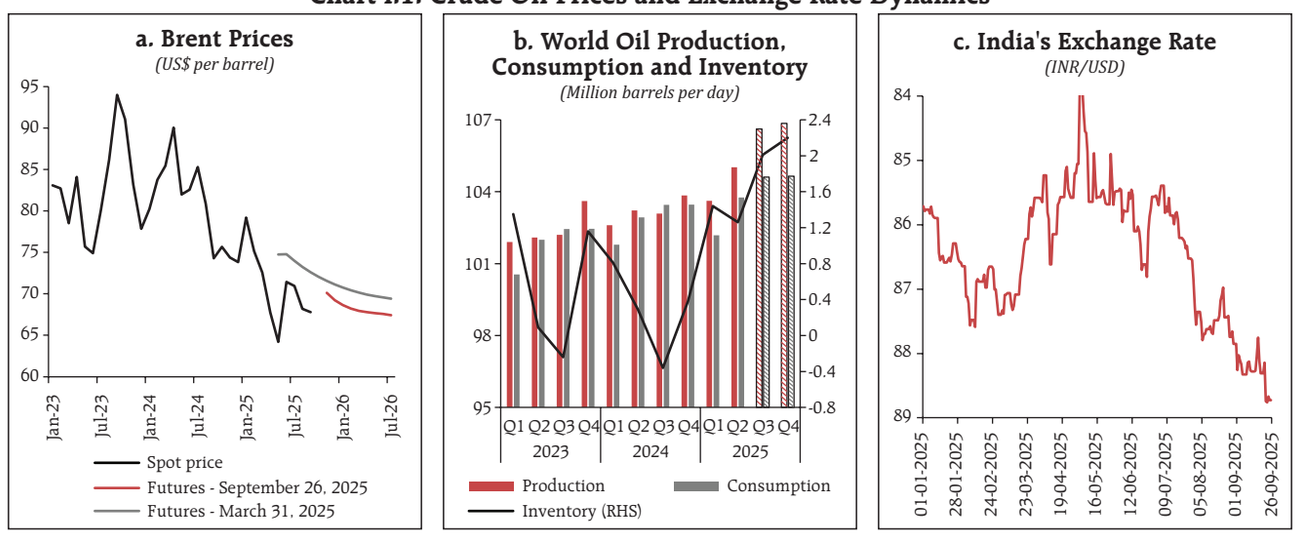
Table I.2: Baseline Assumptions for Projections

Indicator	MPR April 2025	MPR October 2025
Crude Oil (Indian Basket)	US$ 70 per barrel during 2025-26	US$ 70 per barrel during H2: 2025-26
Exchange rate	₹ 86/US$ during 2025-26	₹ 88/US$ during H2: 2025-26
Monsoon	Normal for 2025-26	Normal for 2026-27
Global growth	3.1 per cent in 2025 3.0 per cent in 2026	3.0 per cent in 2025 3.1 per cent in 2026
Fiscal deficit (Per cent of GDP)	To remain within BE 2025-26 Centre: 4.4 Combined: 7.1	To remain within BE 2025-26 Centre: 4.4 Combined: 7.4
Domestic macroeconomic/ structural policies during the forecast period	No major change	GST rationalisation

Notes: 1. The Indian basket of crude oil represents a derived numeraire comprising sour grade (Oman and Dubai average) and sweet grade (Brent) crude oil.
2. The exchange rate path assumed here is for the purpose of generating the baseline projections and does not indicate any 'view' on the level of the exchange rate. The Reserve Bank is guided by the objective of containing excess volatility in the foreign exchange market and not by any specific level of and/or band around the exchange rate.
3. BE: Budget estimates.
4. Combined fiscal deficit refers to that of the Centre and States taken together.

Sources: RBI estimates; Budget documents; and the International Monetary Fund (IMF).

Chart I.1: Crude Oil Prices and Exchange Rate Dynamics



Notes: 1. In Chart I.1b, shaded area represents projections.
2. In Chart I.1c, exchange rate series has been plotted in an inverted scale.

Sources: Bloomberg; US Energy Information Administration (EIA); and Petroleum Planning & Analysis Cell.

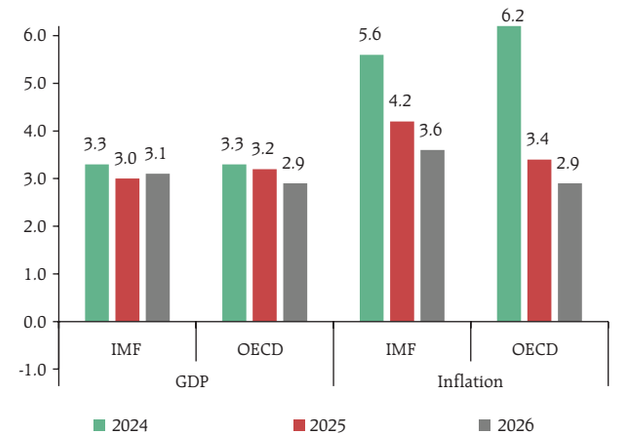
OPEC+ countries[3] (Chart I.1b). Considering the downward shift in the oil futures curve since the April 2025 MPR, along with projections of higher production and continued inventory build-up, the supply-demand outlook for crude oil remains broadly favourable. Upside risks, however, persist due to heightened geopolitical uncertainty.

Second, in view of ongoing uncertainty surrounding the US dollar and the volatility in global capital flows, the baseline assumption for the exchange rate has been increased to ₹88 per US dollar for the second half of 2025-26, from ₹86 per US dollar in the April 2025 MPR. The Indian rupee appreciated by over 1 per cent (month-on-month [m-o-m]) in April 2025, in line with other emerging market currencies, mirroring the weakness of the US dollar amidst rising economic uncertainty in the US (Chart I.1c). Since May and up to the first half of July, the rupee remained largely stable, trading around ₹85 per US dollar, despite elevated trade tensions and geopolitical risks. From mid-July onwards, the rupee exhibited depreciating bias, moving within a range of ₹85.8-₹88.76. This movement was driven by portfolio outflows, increase in US tariff rates on Indian exports, and narrowing interest rate differentials. Nevertheless, India's strong macroeconomic fundamentals and growth prospects continue to provide underlying support to the currency. Overall, in H1:2025-26, the Indian rupee exhibited two-way movement, hovering close to ₹86.4 per US dollar, on average, with volatility lower than that of most other emerging market economy (EME) currencies.[4]

Third, according to the International Monetary Fund (IMF), the global economy is projected to grow at 3.0 per cent in 2025 and 3.1 per cent in 2026. These projections are below the estimated outcome of 3.3 per cent in 2024 and the pre-pandemic historical average of 3.7 per cent (Chart I.2). The slowdown is broad-based, affecting both AEs and emerging market and developing economies (EMDEs). Growth in AEs is expected to decline to 1.5 per cent in 2025 from 1.8 per cent in 2024, while EMDEs are projected to grow at 4.1 per cent in 2025, marginally lower than 4.3 per cent in 2024. In its Economic Outlook (September 2025), the Organisation for Economic Cooperation and Development (OECD) also anticipates a slowdown, despite a marginal upwards revision for 2025. Global GDP growth is projected to decelerate from 3.3 per cent in 2024, to 3.2 per cent in 2025 and 2.9 per cent in 2026, as front-loading ceases and higher tariff rates and still-high policy uncertainty dampen investment and trade. World trade volume (goods and services), as projected by the IMF, is also expected to lose momentum, with growth slowing from 3.5 per cent in 2024 to 2.6 per cent in 2025 and further to 1.9 per cent in 2026. This is because the near-term boost from front-loading of trade flows is expected to wane in the rest of 2025. Global inflation is projected to ease, with

Chart I.2: IMF and OECD projections for Growth and Inflation

(Per cent)



Note: OECD inflation projections are for G-20 countries.
Sources: World Economic Outlook July 2025 Update, IMF; and Economic Outlook September 2025, OECD.

[3] On August 3, OPEC+ members again agreed to accelerate their scheduled production increases. The 2.2 million barrels per day (b/d) of production cuts announced in November 2023 and initially scheduled to be fully unwound by September 2026 will now be fully unwound by September 2025. Also, on September 7, OPEC+ announced that it plans to raise production by 137 thousand b/d in October 2025.

[4] Indian rupee was less volatile, calculated via standard deviation, than MSCI EME currency index during H1:2025-26.

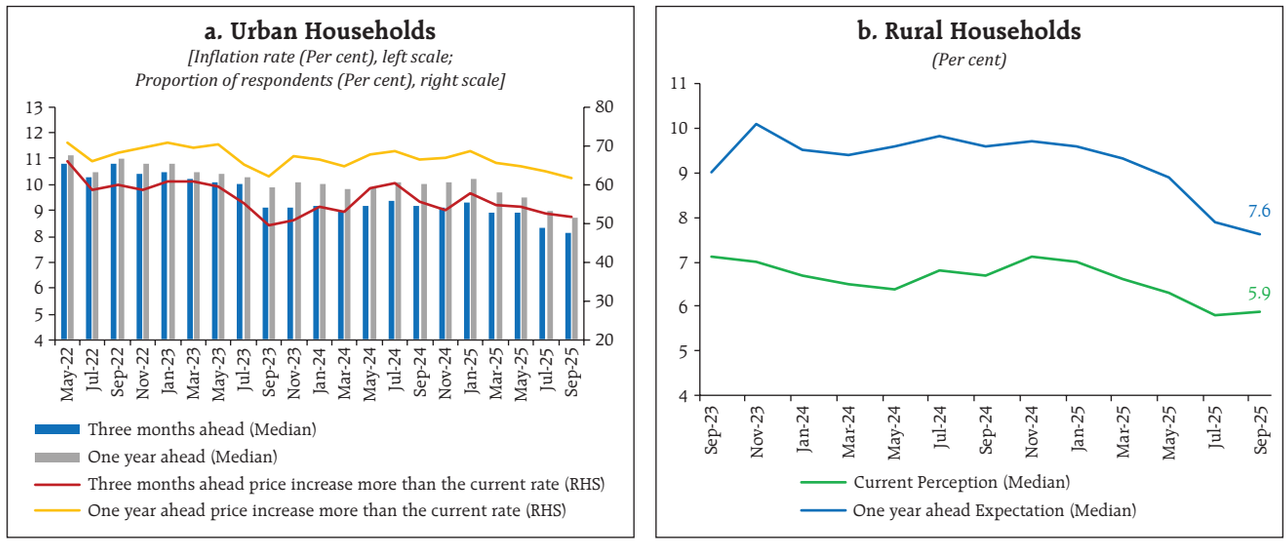
headline inflation expected at 4.2 per cent in 2025 and 3.6 per cent in 2026, supported by softening energy prices and subdued demand conditions. Inflation dynamics are, however, expected to diverge across economies. In the US, tariffs are likely to function as a supply-side shock, gradually passing through to consumer prices and pushing inflation higher in the latter half of 2025. In contrast, higher tariffs are expected to dampen export demand and thereby exert downward pressure on inflation in other regions.

I.2 The Outlook for Inflation

In H1:2025-26 (up to August), headline inflation has remained well below 4 per cent driven by benign food prices and favourable base effects. However, it increased to 2.1 per cent in the month of August as compared to 1.6 per cent in July 2025 which is a first increase recorded after nine consecutive months of decline. In the September 2025 round of the Reserve Bank's bi-monthly households survey[5], the three months and one year ahead inflation expectations of urban households moderated by 20 bps to 8.1 per cent and 30 bps to 8.7 per cent, respectively. The shares of respondents anticipating a rise in inflation declined for the near term and year ahead compared to the previous round (Chart I.3a). Urban households' long-term expectations on inflation have been sequentially declining for the past four survey rounds. Additionally, as per the Reserve Bank's recent bi-monthly Rural Consumer Confidence Survey (RCCS)[6], the current perception of inflation (*vis-à-vis* a year ago) of the rural and semi-urban households inched up by 10 bps to 5.9 per cent in September 2025 as compared with the previous round. However, their year ahead inflation expectations declined by 30 bps to 7.6 per cent (Chart I.3b). Rural households' long term expectations of inflation has been sequentially declining for the past five rounds of survey.

Manufacturing firms polled in the July-September 2025 round of the Reserve Bank's quarterly industrial outlook survey expect pressures from

Chart I.3: Inflation Expectations of Households



Sources: Inflation Expectations Survey of Households; and Rural Consumer Confidence Survey of Households, RBI.

[5] The Reserve Bank's inflation expectations survey of households is being conducted in 19 cities since March 2021 (18 cities in the previous rounds) and the results of the September 2025 round are based on responses from 6,082 households.

[6] The Reserve Bank's rural consumer confidence survey is being conducted across all Indian states and three major UTs since July 2024 and the results of the September 2025 round are based on responses from 8,848 respondents.

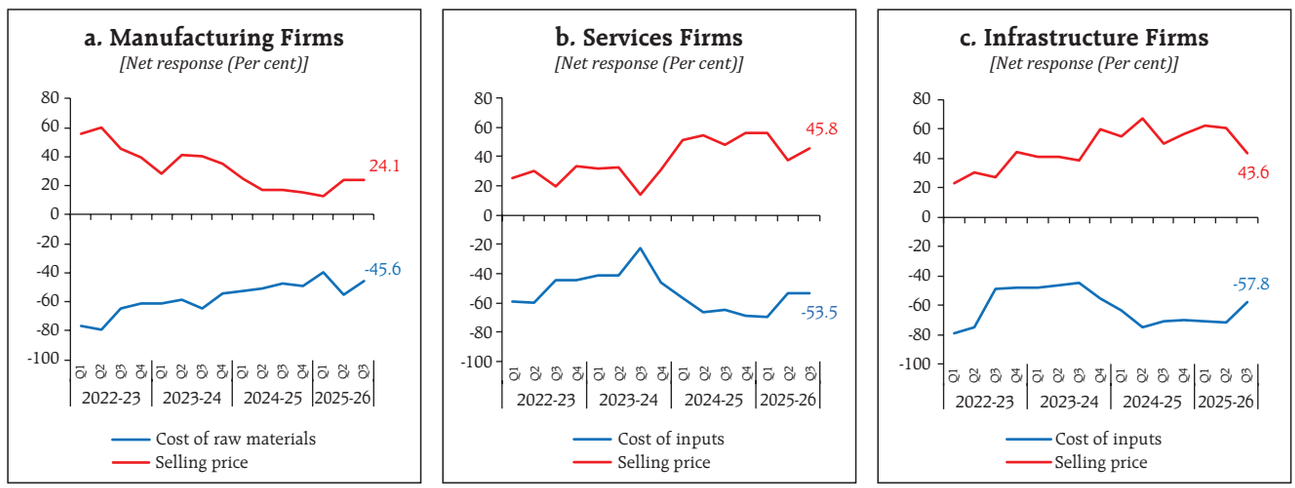
cost of raw materials to ease in Q3:2025-26. The growth in selling prices is expected to be higher *vis-à-vis* the previous quarter (Chart 1.4a).[7] Services firms expect stable input cost pressures but higher growth in selling prices in Q3, while firms from infrastructure sector anticipate easing of cost pressures and expect lower growth in selling prices. (Chart 1.4b and 1.4c).[8] In the Purchasing Managers' Index (PMI) surveys for August 2025, services firms reported a substantial increase in input and output prices *vis-à-vis* the previous month due to higher labour costs and robust demand conditions, while manufacturing firms reported only a marginal increase in both prices.

Professional forecasters surveyed by the Reserve Bank in September 2025 forecasted CPI inflation to decrease from 2.7 per cent in Q1:2025-26 to 1.9-2.0 per cent in Q2 and Q3. It is expected to increase gradually to 3.6 per cent in Q4 and further to 4.2 per cent in H1:2026-27 (Chart I.5a and Table I.3).[9] Core inflation (*i.e.*, CPI excluding food and beverages, pan, tobacco and intoxicants, and fuel and light) is expected to be at 4.2 per cent during Q2:2025-26, thereafter, remain around 4.0 per cent till Q4 and further soften to 3.8-3.9 per cent in H1:2026-27.

Long-run inflation expectations of professional forecasters – measured by their five and ten years ahead expectations – have eased to 4.0 per cent in the current round (Chart 1.5b).

Looking ahead, the inflation outlook will depend upon several factors, both global and domestic. Assuming a normal monsoon and a sustained reduction in food inflation, the quarterly CPI inflation forecasts for 2025-26 have been adjusted downward in RBI staff projections. Nevertheless, inflation is expected to rise from the final quarter of this financial year, yet the recent GST rationalization among other favourable factors will help keep overall inflation low during 2025-26. While the uncertainties surrounding tariffs continue to remain, the impact of previous policy rate reductions are still unfolding.

Chart I.4: Expectations about Cost of Raw Materials/Inputs and Selling Prices



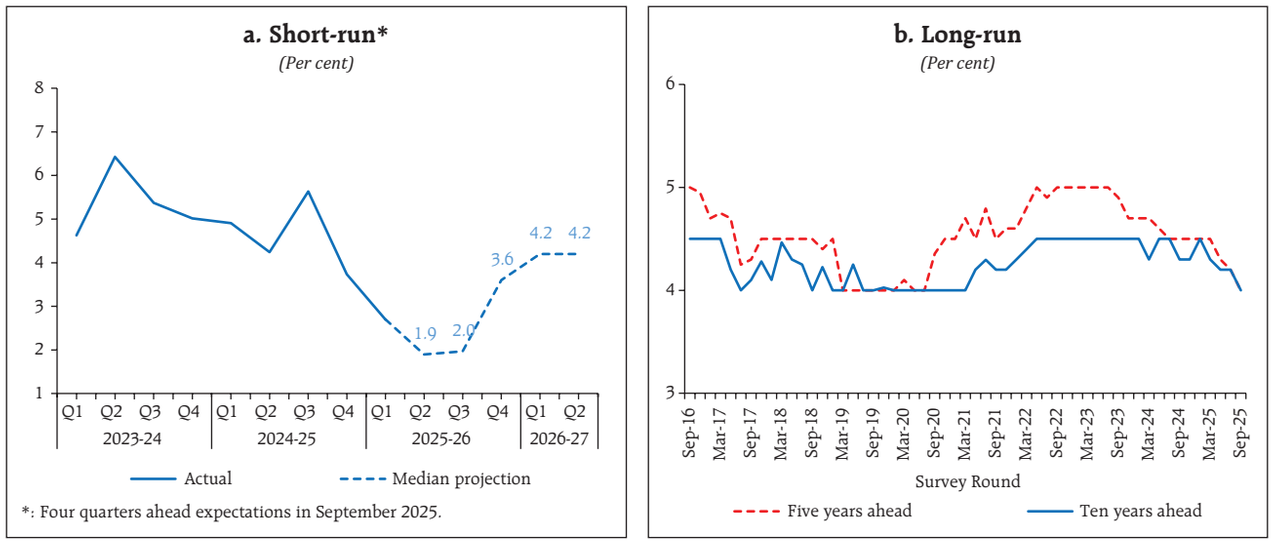
Note: Net response is the difference between the share of respondents reporting optimism and those reporting pessimism. The range is -100 to 100. A positive/ negative value of net response is considered as optimistic/pessimistic from the viewpoint of respondent firms. Therefore, higher positive values of selling prices indicate increase in output prices while lower values for the cost of raw materials/cost of inputs indicate higher input price pressures and vice versa.
Sources: Industrial Outlook Survey and Services and Infrastructure Outlook Survey, RBI.

[7] The results of the July-September 2025 round of the industrial outlook survey are based on responses from 1,106 companies.

[8] Based on 614 services companies and 92 infrastructure firms polled in the July-September 2025 round of the services and infrastructure outlook survey.

[9] Forty-eight panellists participated in the September 2025 round of the Reserve Bank's Survey of Professional Forecasters.

Chart I.5: Inflation Expectations of Professional Forecasters



Sources: Survey of Professional Forecasters, RBI; and National Statistics Office.

Considering the initial conditions, signals from forward-looking surveys and estimates from time-series and structural models[10], CPI inflation is projected to average 2.6 per cent in 2025-26 with 1.8 per cent in both Q2 and Q3 and 4.0 per cent in Q4, with risks evenly balanced (Chart I.6 and Table 1.3). The 50 per cent and the 70 per cent confidence intervals for headline inflation in Q4:2025-26 are

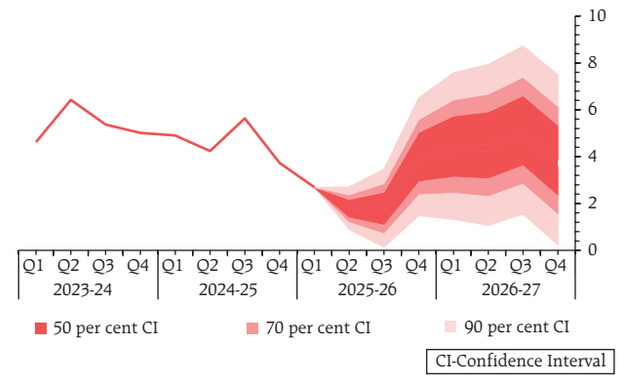
Table I.3: Projections - Reserve Bank and Professional Forecasters

(Per cent)

	2025-26	2026-27
Reserve Bank's Baseline Projections		
Inflation	2.6	4.5
Real GDP growth	6.8	6.6
Median Projections of Professional Forecasters		
Inflation, Q4 (y-o-y)	3.6	-
Real GDP growth	6.7	6.5
Gross domestic saving (per cent of GNDI)	30.0	30.4
Gross capital formation (per cent of GDP)	32.8	33.0
Credit growth of scheduled commercial banks	11.0	11.5
Combined gross fiscal deficit (per cent of GDP)	7.4	7.1
Central government gross fiscal deficit (per cent of GDP)	4.4	4.2
Repo rate (end-period)	5.25	-
Yield on 91-days treasury bills (end-period)	5.5	6.0
Yield on 10-year central government securities (end-period)	6.4	6.5
Overall balance of payments (US$ billion)	7.6	20.0
Merchandise exports growth	0.2	5.0
Merchandise imports growth	2.5	6.0
Current account balance (per cent of GDP)	-0.9	-0.9

Note: GNDI: Gross National Disposable Income.
Source: RBI staff estimates; and Survey of Professional Forecasters (September 2025).

Chart I.6. Projection of CPI Inflation (y-o-y)



Note: The fan chart depicts uncertainty around the baseline projection path. The baseline projections are conditioned upon the assumptions set out in Table I.2. The thick red shaded area represents 50 per cent confidence interval, implying that there is 50 per cent probability that the actual outcome will be within the range given by the thick red shaded area. Likewise, for 70 per cent and 90 per cent confidence intervals, there is 70 per cent and 90 per cent probability, respectively, that the actual outcomes will be in the range represented by the respective shaded areas.
Source: RBI staff estimates.

[10] Joice John, Deepak Kumar, Asish Thomas George, Pratik Mitra, Muneesh Kapur and Michael Debabrata Patra (2023), "A Recalibrated Quarterly Projection Model (QPM 2.0) for India", *Reserve Bank of India Bulletin*, February, Volume LXXVII(2), pp.59-77.

3.0-5.0 per cent and 2.4-5.6 per cent, respectively. For 2026-27, assuming a normal monsoon, and no further exogenous or policy shocks, structural model estimates indicate that inflation will average 4.5 per cent with 4.5 per cent in both Q1 and Q2, 5.1 per cent in Q3 and 3.9 per cent in Q4. The 50 per cent and the 70 per cent confidence intervals for headline inflation in Q4:2026-27 are 2.4-5.3 per cent and 1.6-6.1 per cent, respectively.

The baseline forecasts are subject to several upside and downside risks. The upside risks emanate from supply disruptions caused by weather-related shocks and prolonged geopolitical conflicts. The downside risks could emanate from an early resolution of geopolitical conflicts and tariff related uncertainties; global growth moderation; softening commodity prices; and improvement in supply conditions.

I.3 Growth Outlook

Domestic economic activity remains resilient, supported by strong private consumption, government consumption and fixed investment. An above-normal southwest monsoon, congenial financial conditions, rising capacity utilisation, the government's continued thrust on capital expenditure, and GST 2.0 reforms augured well for the growth outlook. Improving credit conditions are also likely to spur aggregate demand conditions in the near-term (Box I.1). However, outlook remains uncertain due to external demand uncertainty driven by tariffs; prolonged geopolitical tensions; and volatility in global financial markets.

Turning to the key messages from forward-looking surveys, bi-monthly consumer confidence (the

Box I.1: The Effect of Credit Conditions on Monetary Policy

The interest rate channel is central to the conduct of monetary policy under inflation targeting: the central bank influences the price of credit (interest rates) through its control over the price of bank reserves. This, *ceteris paribus*, affects the quantity of lending and thereby demand conditions in the economy. This is considered the primary channel of macroeconomic stabilization through monetary policy. Yet, this textbook narrative and its underlying assumptions simplify the more sophisticated role played by credit-issuing financial institutions in modern monetary economies.

Changes in funding costs are an important determinant of portfolio management by credit-issuing financial institutions, with loan creation on the asset side being the key indicator of importance from a monetary policy perspective. However, credit supply is also influenced by macroeconomic outlook, financial stability concerns, regulatory requirements, institutional objectives, and broader uncertainties. Thus, the resulting financial strategies can generate shifts in credit supply, at times autonomous of monetary policy. These shifts nonetheless have implications for monetary policy.

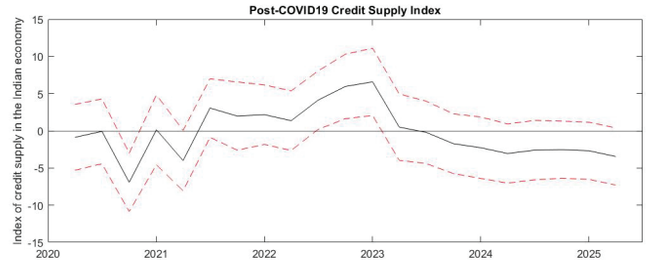
Chart I.1.1.a presents an index of the supply of credit in the Indian economy in the post-Covid19 period, with a higher index indicating tighter credit supply. This index is estimated using India's credit-to-GDP gap series of the *Bank for International Settlements (BIS)*, controlling for aggregate demand conditions and the effects of monetary policy. Credit supply conditions eased substantively in response to counter the economic fallout of the Covid-19 pandemic, but tightened significantly thereafter to control the inflationary fallout of the Russia-Ukraine conflict. Subsequently, credit supply conditions have eased. In this context, the size of recent deviation of the credit supply index from its average value is used here to simulate the macroeconomic impact of shocks to credit supply in the Indian economy using the Quarterly Projection Model (QPM 2.0).

Chart I.1.1.b shows the baseline path and probability distribution of credit conditions of an expansionary shock to credit supply (a negative shock indicates looser credit conditions) as observed in the recent period with an assumption of no further shocks of any kind to the economy. In the baseline case, buoyant credit supply may spur aggregate demand conditions in the near-term (Chart I.1.1.c), with quantity effects moderating in the medium-term. However, such a shock may push up core

(Contd.)

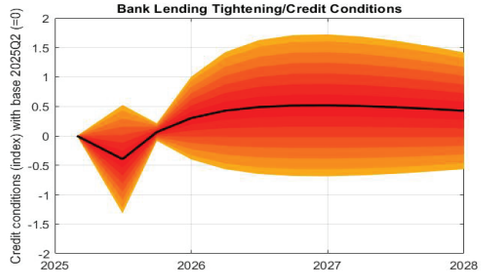
Chart I.1.1: Impact of Credit Conditions

a. An Index of Credit Supply in the Recent Period



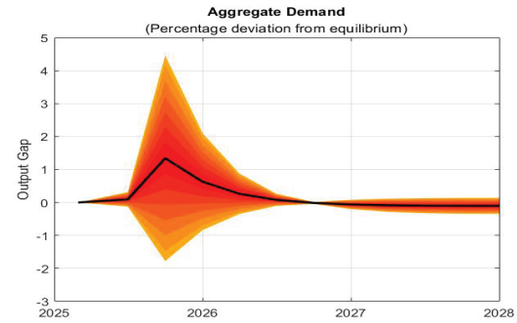
Note: The credit supply index here has been derived econometrically by regressing the credit-to-gdp gap on output gap with appropriate leads and lags. The residual series has been smoothened using a state-space model with stochastic volatility framework, and is an index of credit supply. The dotted lines represent one standard deviation dispersion. Higher index indicates tighter credit supply.

b. Effect of Changes in Credit Supply on Aggregate Credit Conditions

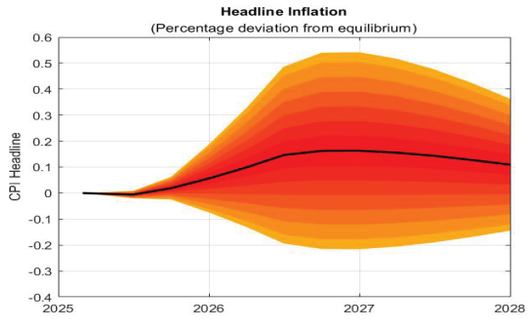


Note: higher index indicates tighter credit conditions. The dark line is the baseline case of expansionary shock to credit supply with the dispersion representing variance conditional on shock size. The subsequent path is under the assumption of no further macroeconomic shocks of any kind.

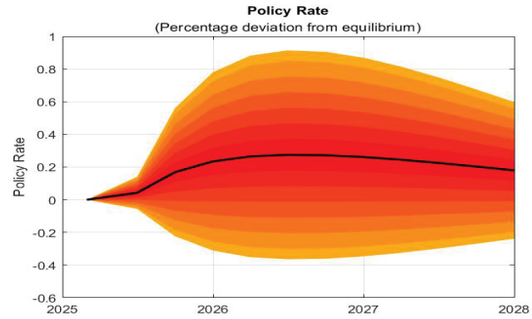
c. Effect of Changes in Credit Conditions on Aggregate Demand



d. Effect of Changes in Credit Conditions on Headline Inflation



e. Effect of Changes in Credit Conditions on the Projected Policy Rate Path



and therefore headline inflation (Chart I.1.1.d), with price rigidities leading to prolonged adjustment. Consequently, the projected policy rate path may harden to counter-cyclically stabilise the economy (Chart I.1.1.e). The spread of the fan charts indicate that the probability distribution in these macroeconomic variables is conditional upon the assumption of balanced risks and the change in credit conditions.

Reference:

Joice John, Deepak Kumar, Asish Thomas George, Pratik Mitra, Muneesh Kapur and Michael Debabrata Patra (2023), "A Recalibrated Quarterly Projection Model (QPM 2.0) for India", *Reserve Bank of India Bulletin*, February, Volume LXXVII(2), pp.59-77.

current situation index) for both urban[11] and rural[12] households improved marginally in September 2025 *vis-à-vis* the previous round on account of improved sentiments across most of the survey parameters. Although it remains in the pessimistic zone for urban households, it is in the optimistic zone for rural households.

Consumers' optimism for the year ahead, measured by the future expectations index, strengthened further for both urban and rural households, remaining in optimistic territory (Chart I.7).

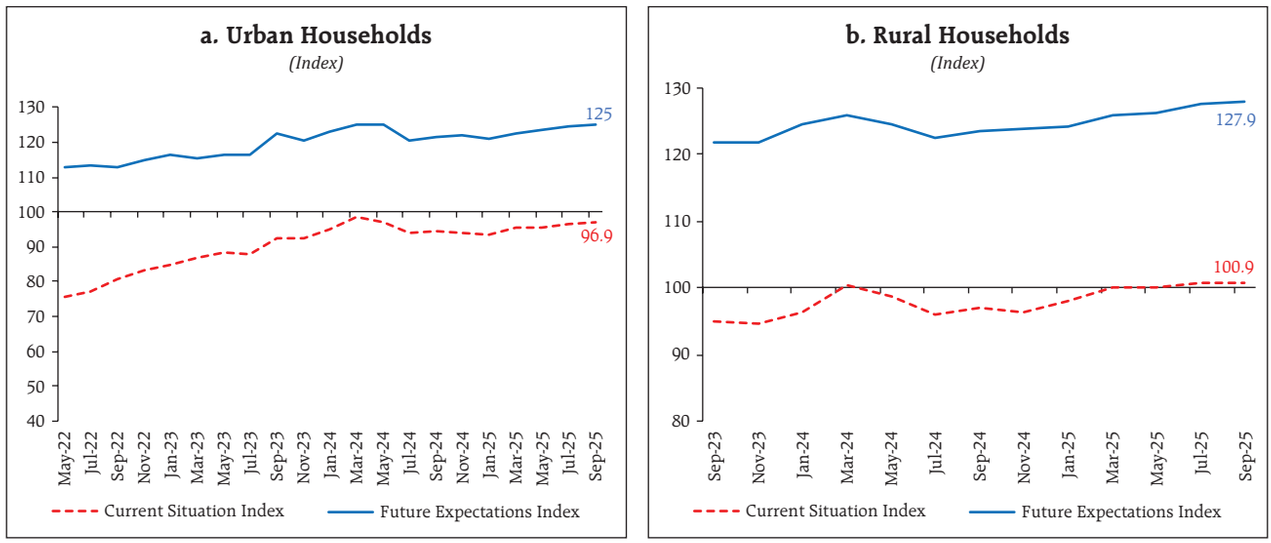
In the Reserve Bank's quarterly industrial outlook survey of July-September 2025, manufacturing firms continued to hold an optimistic business outlook (BAI/BEI)[13] during Q3:2025-26 (Chart I.8a). The services and infrastructure companies also continue to remain optimistic on overall business situation in Q3:2025-26 (Charts I.8b and I.8c).

Recent surveys by other agencies indicate a mixed picture on business expectations relative to the previous round (Table I.4). In the PMI surveys for August 2025, both manufacturing and services firms reported improvements in a year ahead sentiment, driven by expectations of stronger demand.

Professional forecasters polled in September 2025 round of the Reserve Bank's survey projected real GDP growth at 6.8 per cent during Q2:2025-26. Growth is expected around 6.1-6.5 per cent during Q3:2025-26 to Q2:2026-27 (Chart I.9).

Real GDP growth was higher at 7.8 per cent in Q1:2025-26 as compared with 7.4 per cent in Q4:2024-25, mainly driven by robust fixed investment, private and Government consumption. Taking into account the baseline assumptions, survey indicators and model forecasts, real GDP growth is expected at 6.8 per cent in 2025-26 with 7.0 per cent in Q2; 6.4 per cent in

Chart I.7: Consumer Confidence



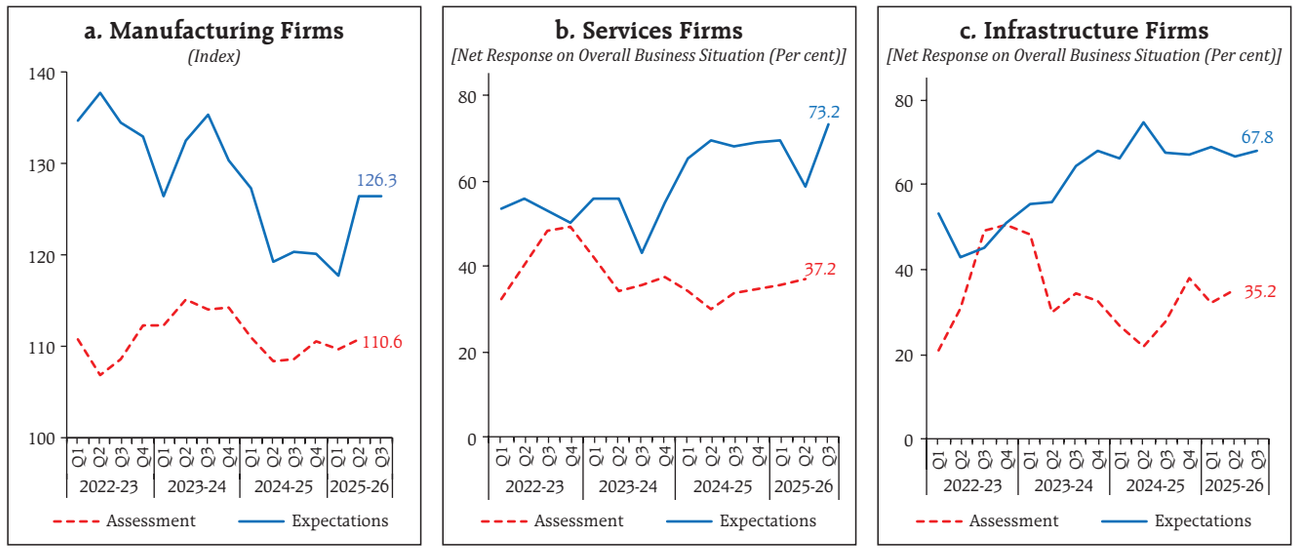
Sources: Urban Consumer Confidence Survey; and Rural Consumer Confidence Survey, RBI.

[11] The Reserve Bank's urban consumer confidence survey is being conducted in 19 cities since March 2021 (13 cities in the previous rounds) and the results of the September 2025 round are based on responses from 6,068 respondents.

[12] The Reserve Bank's rural consumer confidence survey is being conducted across all Indian states and three major UTs since July 2024 and the results of the September 2025 round are based on responses from 8,848 respondents.

[13] Business Assessment Index (BAI)/Business Expectations Index (BEI) gives a snapshot of demand conditions in the manufacturing sector by combining nine parameters – (i) overall business situation, (ii) production, (iii) order books, (iv) inventory of raw material, (v) inventory of finished goods, (vi) profit margin, (vii) employment, (viii) exports and (ix) capacity utilisation. A value above 100 indicates an expansion of the overall business activity and value below 100 indicates contraction.

Chart I.8: Business Assessment and Expectations



Sources: Industrial Outlook Survey; and Services and Infratructure Outlook Survey, RBI.

Q3; and 6.2 per cent in Q4 – and risks evenly balanced around this baseline path (Chart I.10 and Table I.3). Assuming a normal monsoon and no major exogenous or policy shocks, structural model estimates for 2026-27 indicate real GDP growth at 6.6 per cent, with Q1 at 6.4 per cent, Q2 at 6.6 per cent, Q3 at 6.8 per cent and Q4 at 6.5 per cent.

There are upside and downside risks to this baseline growth path. The upside risks emanate from revival in private investment; early resolution of global trade related issues; and sustained softening of global commodity prices. On the contrary, increasing trade fragmentation due to protectionist policies; further escalation in geopolitical tensions; volatility in global financial markets; frequent weather-related disturbances; and supply chain disruptions pose downside risks to the baseline growth path.

Table I.4: Business Expectations Surveys

Item	NCAER Business Confidence Index (August 2025)	Dun and Bradstreet Composite Business Optimism Index (July 2025)
Current level of the index	149.4	117.5
Index as per previous survey	139.3	120.2
% change (q-o-q) sequential	7.3	-2.3
% change (y-o-y)	-0.3	4.8

Notes: 1. NCAER: National Council of Applied Economic Research.
2. Dun and Bradstreet Composite Business Optimism Index is for Q2:2025-26 and NCAER Business Confidence Index is for Q1:2025:26.

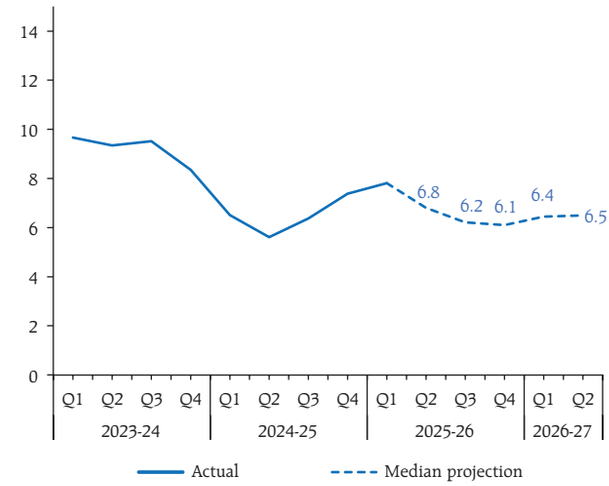
Sources: NCAER and Dun & Bradstreet Information Services India Pvt. Ltd.

I.4 Balance of Risks

The baseline projections of growth and inflation are conditional on assumptions relating to key domestic and global macroeconomic variables that

Chart I.9: Professional Forecasters' Projection of Real GDP Growth

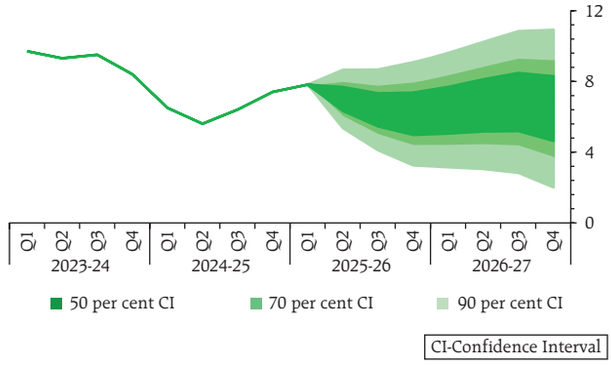
(Per cent)



Sources: Survey of Professional Forecasters, RBI; and National Statistics Office.

Chart I.10: Projection of Growth in Real GDP (y-o-y)

(Per cent)



Note: The fan chart depicts uncertainty around the baseline projection path. The baseline projections are conditioned upon the assumptions set out in Table I.2. The thick green shaded area represents 50 per cent confidence interval, implying that there is 50 per cent probability that the actual outcome will be within the range given by the thick green shaded area. Likewise, for 70 per cent and 90 per cent confidence intervals, there is 70 per cent and 90 per cent probability, respectively, that the actual outcomes will be in the range represented by the respective shaded areas.
Source: RBI staff estimates.

are set out in Table 1.2. These baseline assumptions are subject to uncertainties emanating from US trade policies, protracted geopolitical hostilities, volatility in global financial markets and adverse weather shocks. Against this backdrop, this section explores the balance of risks around the baseline projections of inflation and growth under plausible alternative scenarios.

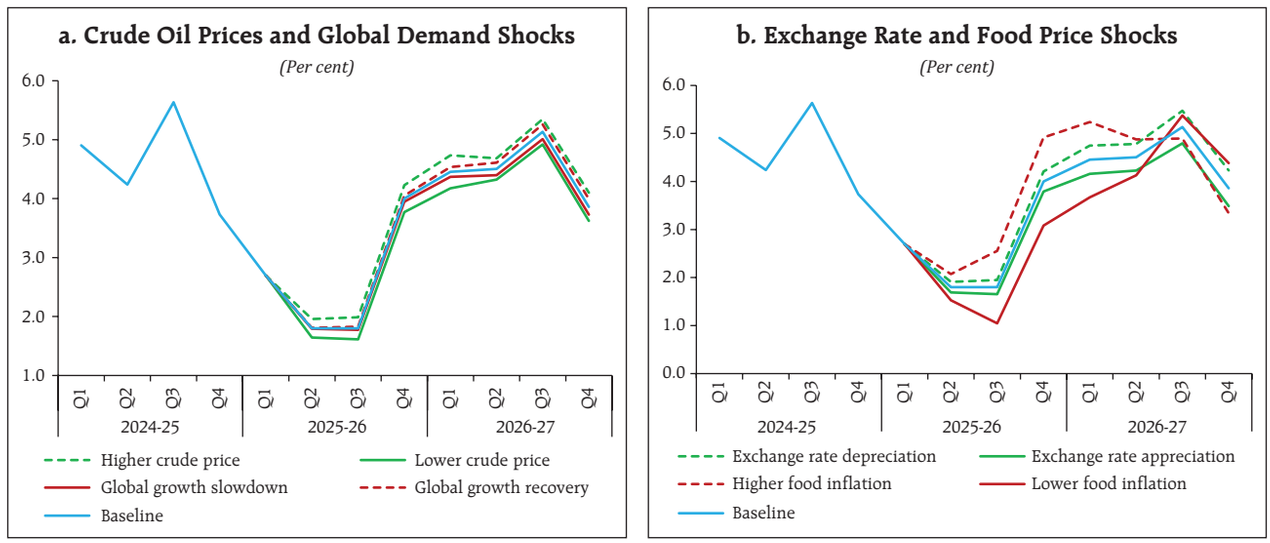
(i) Global Growth Uncertainties

Global economic activity remained steady in H1:2025, but the driver of growth was mainly the frontloading of exports. The economic landscape worldwide remains in flux amidst shifting trade pattern and persisting uncertainty about US trade policies with key partners, posing considerable downside risks to global growth prospects. Additionally, heightened geopolitical tensions could further disrupt global supply chains and exacerbate upward pressure on commodity prices. Wider fiscal imbalances or a shift towards greater risk aversion could push up long-term interest rates and tighten global financial conditions. Along with concerns on geo-economic fragmentations, such developments may spark volatility in global financial markets with spillover effects in emerging market economies (EMEs). The persistent inflation pressures could prompt major central banks to keep rates elevated despite weak growth. Global economic outlook is also subject to headwinds from adverse weather shocks and technological disruptions. Given this backdrop, if global growth turns out to be 100 bps below the baseline, domestic growth and inflation could be lower by around 30 bps and 15 bps, respectively. On the upside, a more constructive outcome from trade negotiations resulting in reduced tariffs and a stable framework could bolster global growth. Moreover, growth could improve if major economies work together on policies that stabilise prices and strengthen fiscal position, and push forward structural reforms. On the positive side, if global growth is higher by 50 bps relative to the baseline, domestic growth and inflation could turn out to be higher by around 15 bps and 7 bps, respectively (Charts I.11a and I.12a).

(ii) International Crude Oil Prices

Global crude oil prices exhibited a declining trend with Brent crude falling from a high of US$ 77 per barrel in early-April 2025 to US$ 68 per barrel during September 2025. Protracted geopolitical tensions resulting in reduced supply, sanctions on major oil producing countries, supply shortages due to lower investment in new oil projects owing to energy transitions and faster than expected recovery in global demand may put upward pressure on crude oil prices. In this scenario, if crude oil prices are higher by 10 per cent than the baseline, and assuming full pass-through to domestic product prices, inflation could turn out to be higher by 30 bps and growth may be lower by around 15 bps. Conversely, weak global demand conditions as discussed above, unwinding of production cuts by OPEC+ countries given effective spare capacity in major producing countries, and quicker resolution of geopolitical conflicts may dampen crude oil prices. If crude oil prices are lower by 10 per cent relative to the baseline, inflation could be lower by around 30 bps and boosting GDP growth by 15 bps (Charts I.11a and I.12a).

Chart I.11: Impact of Risk Scenarios on the Baseline Inflation Path

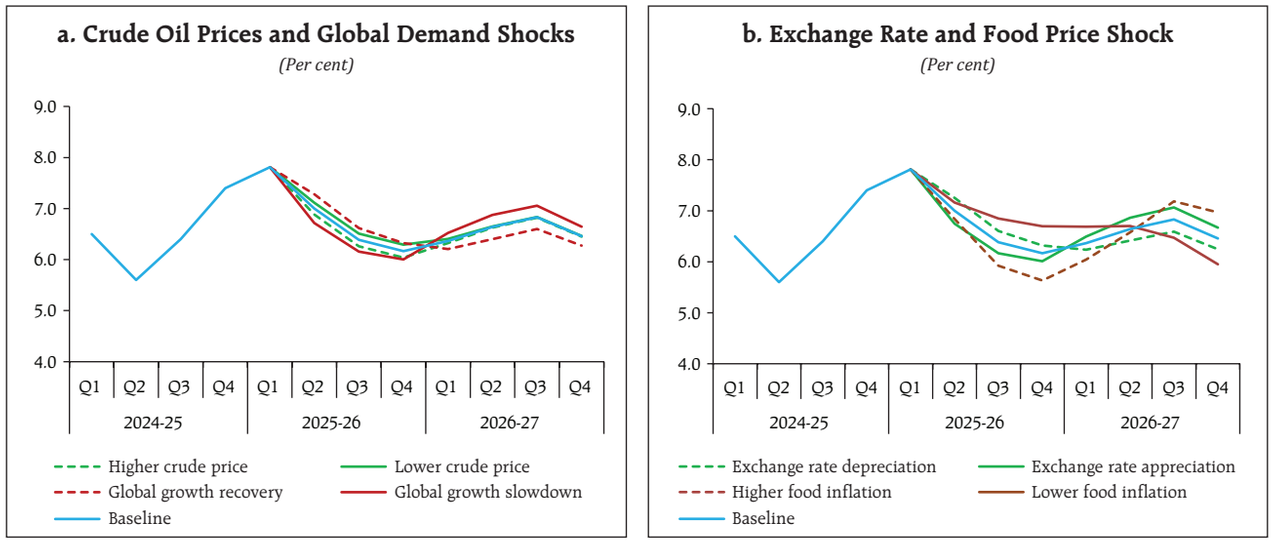


Sources: RBI staff estimates.

(iii) Exchange Rate

Notwithstanding intermittent phases of appreciation, the Indian Rupee (INR) depreciated *vis-à-vis* the US dollar during April-September 2025, largely owing to global trade uncertainties and capital outflows. Going ahead, volatility in global financial markets owing to slowing global trade and demand may exert downward pressure on the currency. This may be exacerbated by growing risk aversion on EMEs among global investors. Strengthening of the US dollar may also lower the attractiveness of EME assets. Higher international crude oil prices due to sanctions and persisting geopolitical tensions may also contribute to weakening of the INR. In this scenario, if INR depreciates by 5 per cent over the baseline, inflation could be higher by around 35 bps and GDP growth

Chart I.12: Impact of Risk Scenarios on the Baseline Growth Path



Sources: RBI staff estimates.

may benefit by around 25 bps through the exports channel in the short term. On the other hand, the Indian rupee has been the least volatile among EMDE currencies, drawing confidence from stable inflation and resilient growth outlook. Going ahead, these positive sentiments along with greater than expected monetary policy accommodation by the major central banks and improved trade outlook may attract capital inflows, lending support to the INR. In this scenario, an appreciation of 5 per cent of the INR relative to the baseline would lead to a moderation in inflation and GDP growth by around 35 bps and 25 bps, respectively (Charts I.11b and I.12b).

(iv) Food Inflation

Food prices turned deflationary in recent months due to a sharp fall in vegetable prices owing to subdued seasonal uptick, supported by government's effective supply side measures, and favourable base effect. Soft prices prevailed across food categories, with pulses and spices continuing to remain in deflation, while cereal inflation exhibited a pronounced moderation. The strong monsoon and the resultant robust *kharif* sowing, large buffer stocks, and improved prospects for *rabi* crops from adequate reservoir levels could keep pressures on food inflation muted. In such a scenario, headline inflation may moderate by around 50 bps relative to the baseline. On the other hand, higher than expected momentum in the prices of perishable food items and lower agricultural production owing to adverse weather events may increase food prices. These circumstances may result in higher headline inflation by 50 bps *vis-à-vis* the baseline (Charts I.11b and I.12b).

I.5 Conclusion

Domestic economic activity remains resilient and is expected to maintain momentum, supported by domestic drivers, despite weak external demand. The GST 2.0 reforms are expected to boost private consumption and domestic demand. Rising capacity utilisation, strong corporate and bank balance sheets, and favourable financial conditions are likely to further support investment and growth. India's recent credit rating upgrades reflect growing global confidence in the country's economic resilience and growth prospects. Headline inflation has seen significant moderation during H1:2025-26 (up to August), mainly due to a sharp correction in food prices. Inflation expectations of households and professional forecasters have also eased. Inflation is expected to remain broadly aligned with the target, despite edging up from Q4:2025-26 as favourable base effects wane and demand strengthens on the back of policy action. Core inflation is also expected to remain contained. Nonetheless, risks from adverse weather events, evolving tariff actions, and volatile global financial markets pose headwinds to growth and inflation. However, India's robust macroeconomic fundamentals, along with a strong external position, provide resilience against such shocks.

II. Prices and Costs

Headline CPI inflation continued on a declining trajectory during H1:2025-26, except for the pick-up in August. The decline in inflation was driven by the food group as favourable weather conditions and increase in production augmented supply. Core inflation remained rangebound around 4 per cent despite rising gold prices exerting significant upside pressures. Overall cost conditions remained benign, with industrial and farm input cost pressures staying soft and wage pressures remaining muted.

II.1 Introduction

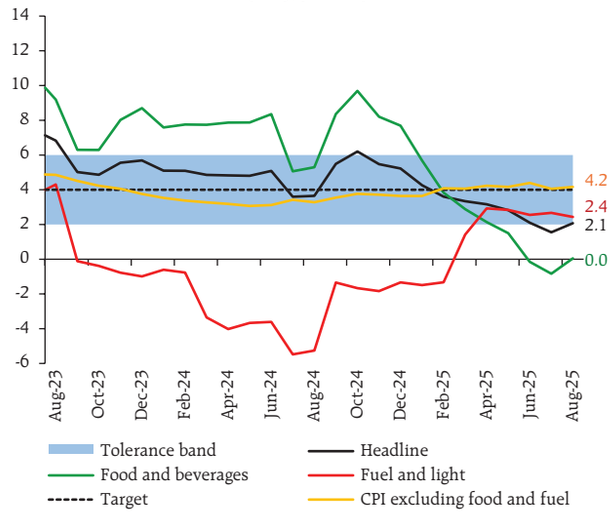
Headline consumer price index (CPI) inflation[1] declined for nine consecutive months to reach an 8-year low of 1.6 per cent in July 2025 before edging up to 2.1 per cent in August (Chart II.1). The decline in inflation was driven by the food group, as its contribution declined from a large positive to zero between October 2024[2] and August 2025 (Chart II.2). The contribution of the fuel group turned marginally positive from marginally negative while that of the core group (CPI excluding food and fuel)[3] registered a moderate increase during this period.

In terms of monthly trajectory of headline CPI during 2025-26, a positive momentum[4] was observed across successive months during April-August. Up to July, favourable base effects, however, offset its impact, leading to a moderation in y-o-y inflation (Chart II.3). In the absence of any base effects, y-o-y inflation recorded an increase in August.[5]

The April 2025 MPR projected inflation at 3.8 per cent in Q4:2024-25 and 3.6 per cent in Q1:2025-

Chart II.1: CPI Inflation

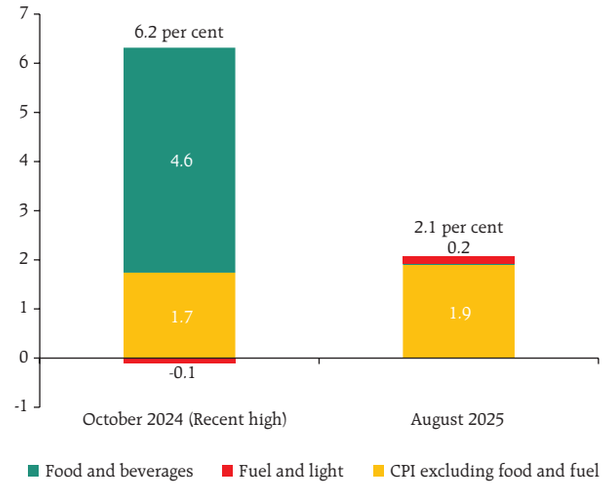
(Y-o-y, per cent)



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

Chart II.2: Contributors to Decline in Headline Inflation

(Percentage points)



Sources: NSO; and RBI staff estimates.

[1] Headline inflation is measured by year-on-year (y-o-y) changes in the all-India consumer price index (CPI) published by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation, Government of India.

[2] CPI inflation recorded an intra-year peak of 6.2 per cent in October 2024.

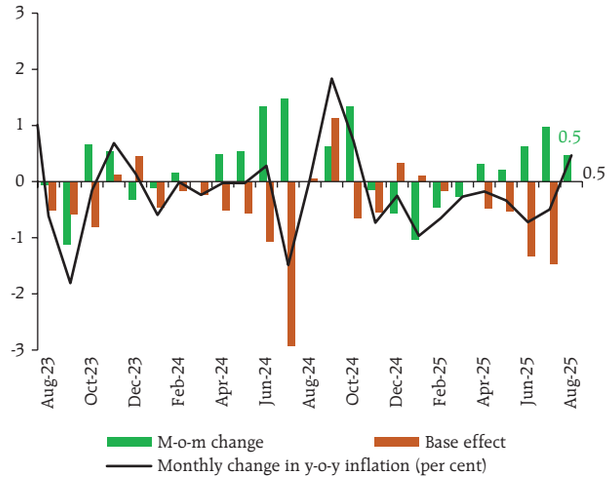
[3] Core group CPI, *i.e.*, CPI excluding food and fuel is worked out by eliminating the groups 'food and beverages' and 'fuel and light' from the headline CPI.

[4] A change in CPI year-on-year (y-o-y) inflation between any two months is the difference between the current month-on-month (m-o-m) change in the price index (momentum) and the m-o-m change in the price index 12 months earlier (base effect). For more details, see Box I.1 of the MPR, September 2014.

[5] Headline CPI remained unchanged between July and August 2024, leading to no base effect for August 2025.

Chart II.3: Change in CPI Headline Inflation: Momentum and Base Effects

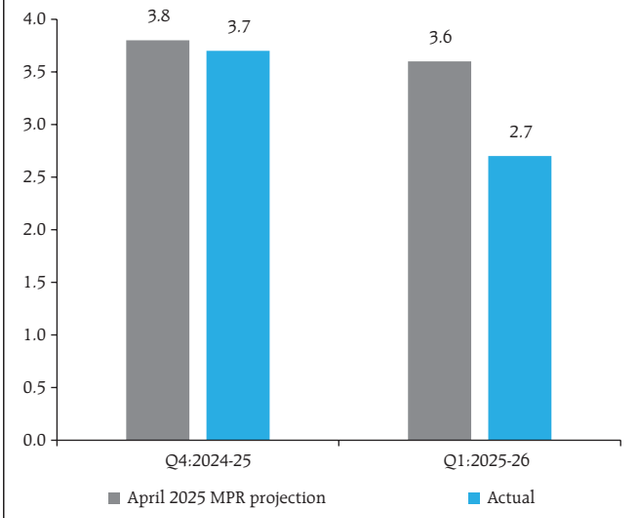
(Percentage points)



Sources: NSO; and RBI staff estimates.

Chart II.4: CPI Inflation: Projection *versus* Actual

(Y-o-y, per cent)



Sources: NSO; and RBI staff estimates.

26 (Chart II.4).[6] The actual outcomes turned out to be lower than projections for Q1:2025-26 by 90 bps. Realised inflation lower than projections was primarily on account of faster than expected as well as a more protracted decline in food prices during the winter, which extended up to April, the longest (9 months) and steepest (10.5 per cent) consecutive decline in prices in the current CPI series. Thereafter, milder than usual summer temperatures dampened the extent of price reversals during the summer months, as reflected in below historical average price build-up leading to lower-than-expected realised inflation in Q1 and Q2:2025-26 so far.

II.2 Developments across Major Components of the CPI

CPI Food Group

Food and beverages group[7] witnessed a sharp decline in inflation from a peak of 9.7 per cent (y-o-y) in October 2024 to (-) 0.8 per cent (y-o-y) in July 2025. The decline in food inflation for nine consecutive months up to July, a first in the current CPI series (CPI:2012=100), was the largest both in terms of magnitude and duration (Table II.1). This was marked by two distinct phases. During November 2024-April 2025, prices declined in absolute levels (negative momentum), which drove the overall decline in CPI headline inflation. Since May, although food prices recorded a seasonal pick-up, large favourable base effects offset the muted positive momentum to keep y-o-y inflation on a declining trajectory (Chart II.5a). In August, a positive momentum and an unfavourable base effect

Table II.1: Major Episodes of Decline in Food Inflation

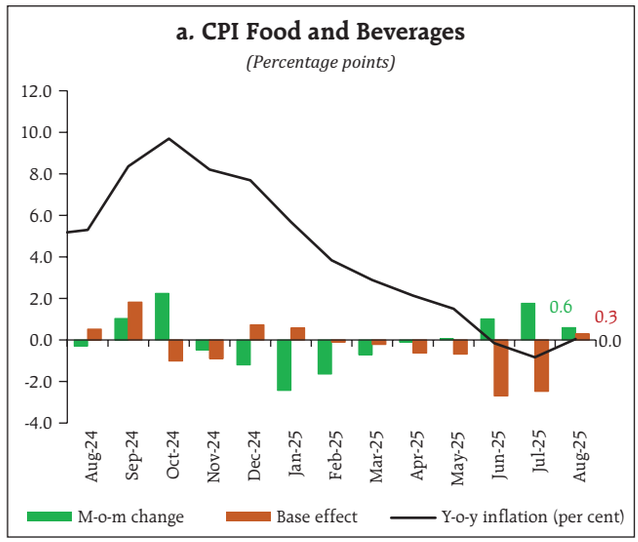
Period*	Cumulative Decline (Percentage points)	No. of Months
Nov-2024 to July-2025	-10.5	9
Dec-2013 to Feb-2014	-8.5	3
Nov-2020 to Jan-2021	-7.4	3
Aug-2014 to Nov-2014	-6.7	4
Aug-2016 to Jan-2017	-6.6	6

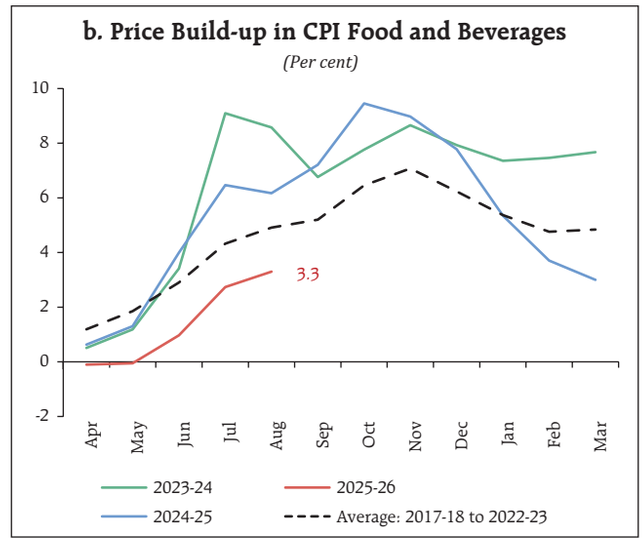
Note: *Includes episodes with more than 5 per cent cumulative decline.
Sources: NSO; and RBI staff estimates.

[6] The Reserve Bank of India (RBI) Act, 1934 (amended in 2016) enjoins the RBI to set out deviations of actual inflation outcomes from projections, if any, and explain the underlying reasons thereof.

[7] With a weight of 45.9 per cent for food and beverages group in the overall CPI-Combined basket, developments in food inflation have a major impact on the overall inflation trajectory.

Chart II.5: CPI Food Inflation





Sources: NSO; and RBI staff estimates.

together led to food prices coming out of deflation, recording near-zero inflation. Overall, during 2025-26 (up to August), the build-up in prices has been below both last year's trend and historical average (Chart II.5b).

A combination of favourable supply-side factors, such as comfortable stocks of foodgrains on higher domestic production, wholesale market arrivals, favourable trade policies and proactive supply management, led the decline in food inflation. Notably, the absence of extreme weather events till August restricted the extent of volatility typically associated with food inflation. An analysis of food price cycles in India shows that there are considerable swings in food inflation, with downturns being longer than upswings, while the amplitudes of upward movements are greater than those of downward movements (Box II.1).

Box II.1: Sharp Rise and Slow Fade: Nature of Food Inflation Cycles in India

Food prices in India exhibit significant volatility while witnessing periods of booms and slumps.[8] A number of studies have characterised the nature of food price volatility in the Indian context, although very few have covered on the nature of cycles in food price inflation in India (Sekhar *et al.*, 2018). Based on identified turning points using cycle dating literature (Bry and Boschan, 1971) and subsequent refinements (Cashin *et al.*, 2002; World Bank, 2025), the nature of food inflation cycles in India is examined for the period January 2012 to June 2025. Turning points for food inflation cycles are identified through estimating local peaks and troughs by the following equations:

$P_{t,peak} = max(P_{t\pm k})$, k = 1, 2, ….,m, where m is set to 12

$P_{t,trough} = min(P_{t\pm k})$, k=1, 2, ….,m, where m is set to 12

Based on the local peaks and troughs, duration and amplitudes of phases (booms and slumps) and full cycles [peak-to-peak (PP) and trough-to-trough (TT)] are marked off. Boom is defined as the duration in months between trough to peak, while slump is the duration in months between peak to trough. The full cycle PP is

(Contd.)

[8] Boom refers to price spikes.

defined as slump followed by boom, while a cycle TT is defined as boom followed by a slump. Amplitude is the magnitude of price movements during the phase of boom and slump measured as log differences.

Price Cycles and Turning Points

Since January 2012, food inflation in India has exhibited recurrent cycles, witnessing five troughs and four peaks (Chart II.1.1a). At any particular month, certain food sub-groups' prices may be in a boom phase while others may be in a slump phase. A weighted share of sub-groups in slumps and booms reveals that, on average, 45 per cent were in a boom phase while 55 per cent were in a slump phase in any given month (Chart II.1.1b). Over the sample period, however, this exhibited large variation, with the share of food sub-groups in the boom phase peaking at 86 per cent in July 2012, while the slump phase share surpassed 91 per cent in May 2017 and June 2025.

Duration and Amplitude of Cycles

Booms last an average of 18 months while slumps persist for 21 months (Chart II.1.2a). Factors such as productivity gains that lead to increased supply over time, which in turn results in sustained low inflation could contribute to larger duration of slumps (World Bank, 2025). Conversely, booms are often sharp but transient, as they are frequently induced by sudden supply-side disruptions such as extreme weather events or geopolitical shocks. Full cycles are characterised as PP and TT, with an average duration of 40 months each. Booms have an average amplitude of 17 per cent, far surpassing the slumps' amplitude of 9 per cent (Chart II.1.2b). The amplitudes of TT and PP are comparable for full cycles, and the wide interquartile ranges signify variable intensities of full cycles.

Cycle Characteristics across Food Sub-groups

Booms are characterised by a greater amplitude than slumps across all sub-groups. Pulses and products, and vegetables have experienced a larger amplitude and substantial variation. Slumps endure longer than booms across different food sub-groups, barring pulses and products, vegetables, spices, and fruits. Full cycle durations show that PP cycles across various food sub-groups exceed the duration of TT cycles.

Overall, the nature of food price cycles shows that downturns typically surpass upswings in terms of duration, but the amplitudes are greater for upward *vis-à-vis* downward movements. For most food sub-groups, downturns persist longer than upturns, barring pulses and products, fruits, spices and vegetables, which record

Chart II.1.1a. CPI Food and Beverages Inflation
(Y-o-y, per cent)

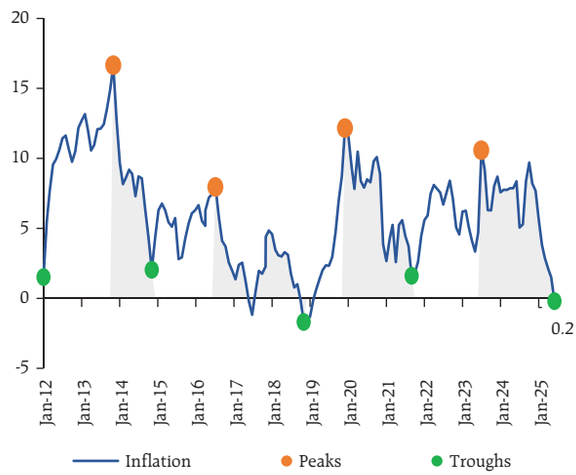
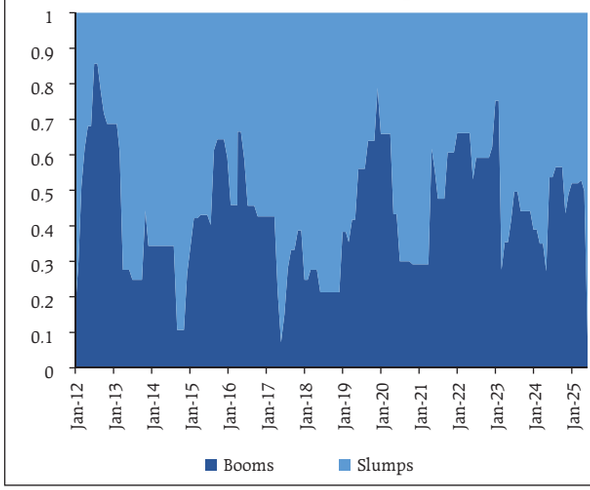


Chart II.1.1b. Weighted Share of Sub-groups in Booms and Slumps



Note: Data is from January 2012 to June 2025. Sample includes 12 CPI Food subgroups.
Sources: NSO; and RBI staff estimates.

(Contd.)

Chart II.1.2a. Duration of Phases and Full Cycles
(Months)

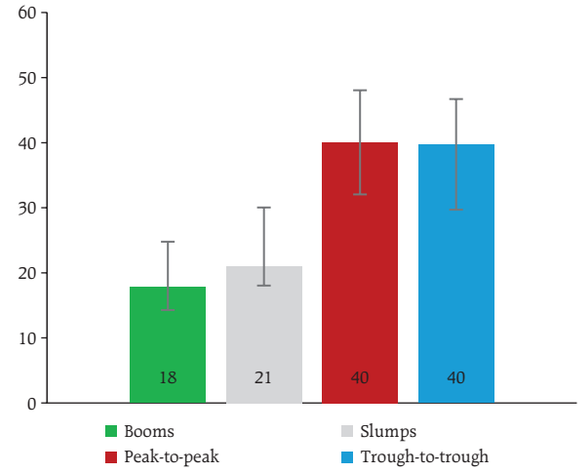
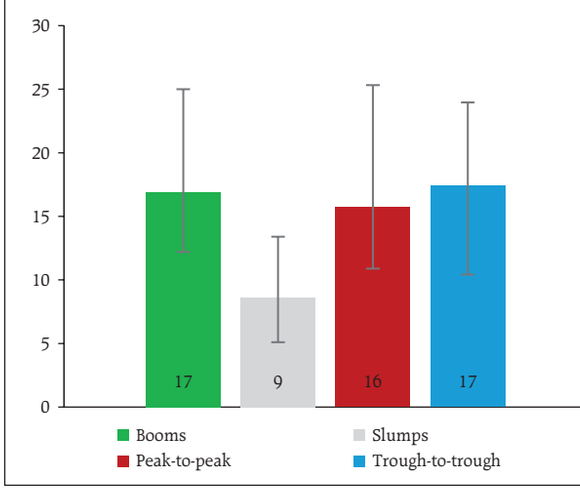


Chart II.1.2b. Amplitude of Phases and Full Cycles
(Per cent)



Note: Black whiskers indicate interquartile range.
Sources: NSO; and RBI staff estimates.

prolonged boom phases. Boom amplitudes consistently exceed slumps across all sub-groups. Intensity of price fluctuations across various sub-groups could be driven by divergent factors *viz.*, weather patterns for vegetables, temperature variations for eggs and poultry and global price cycles for edible oils, and pulses where our import dependency is high.

References

Bry, G. and Boschan, C. 1971. Programmed Selection of Cyclical Turning Points. In *Cyclical Analysis of Time Series: Selected Procedures and Computer Programs*, G. Bry and C. Boschan, 7-63. Cambridge, MA: National Bureau of Economic Research.

Cashin, P., McDermott, C. J. and Scott, A. 2002. Booms and Slumps in World Commodity Prices. *Journal of Development Economics*, 69 (1):277-96.

Sehkar, C.S.C., D. Roy, and Y. Bhatt. 2018. Food Inflation and Volatility in India: Trends and Determinants. *Indian Economic Review*, 53 (1/2): 65-91.

World Bank (2025). Post Pandemic Commodity Cycles, A New Era? Special Focus, *Commodity Markets Outlook*, April.

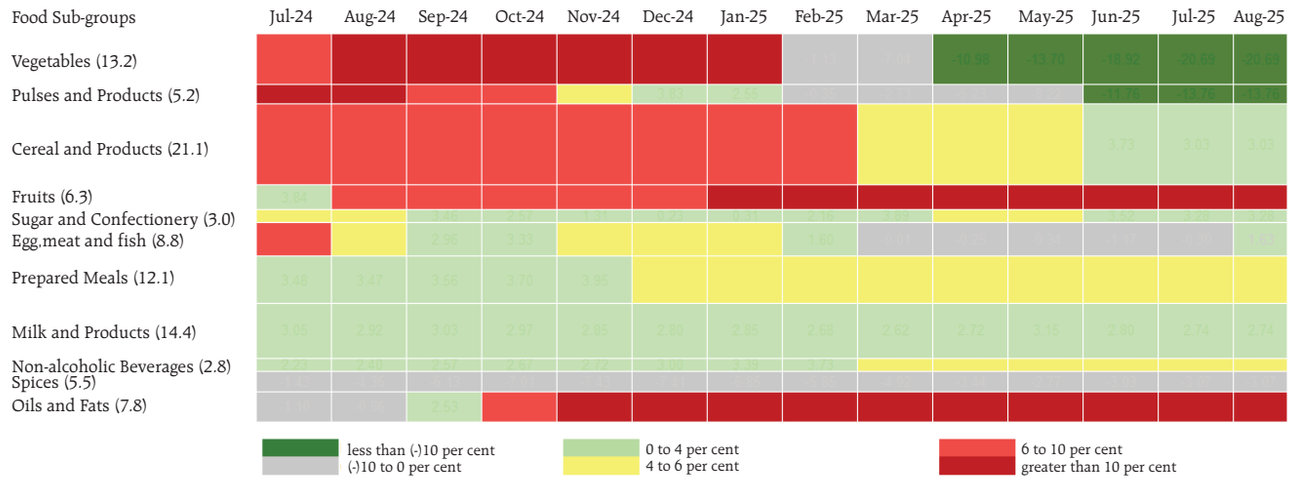
At the sub-group level, vegetables, pulses and cereals witnessed a sharp moderation in inflation (Chart II.6). Vegetables sub-group[9] exhibited an unusually muted and delayed summer season uptick in prices, not just confined to TOP (tomatoes, onions and potatoes), but also other vegetables, resulting in a y-o-y deflation of (-) 15.9 per cent in August (Chart II.7a). Robust domestic production in 2024-25[10] of longer-duration crops and record high fresh arrivals in wholesale markets for short-duration crops, bolstered by favourable weather conditions, such as a less intense summer, further contributed to the precipitous decline in vegetables inflation (Chart II.7b).

Among key vegetables, *viz.*, TOP[11], prices were significantly lower during April-August 2025 as compared with a year ago.[12] Fewer weather

[9] Vegetables sub-group has a weight of 6.0 per cent in the overall CPI and 13.2 per cent in the food and beverages group.
[10] 6.0 per cent higher for vegetables, over 2023-24, as per Second Advance Estimates (AE).
[11] Tomato, onion and potato together constitute 36.5 per cent of CPI vegetables index.
[12] Tomato, onion and potato prices were 21.5 per cent, 24.6 per cent and 27.3 per cent lower, respectively, during April-August 2025 as compared with the corresponding period of the previous year.

Chart II.6: Food Sub-group-level Inflation

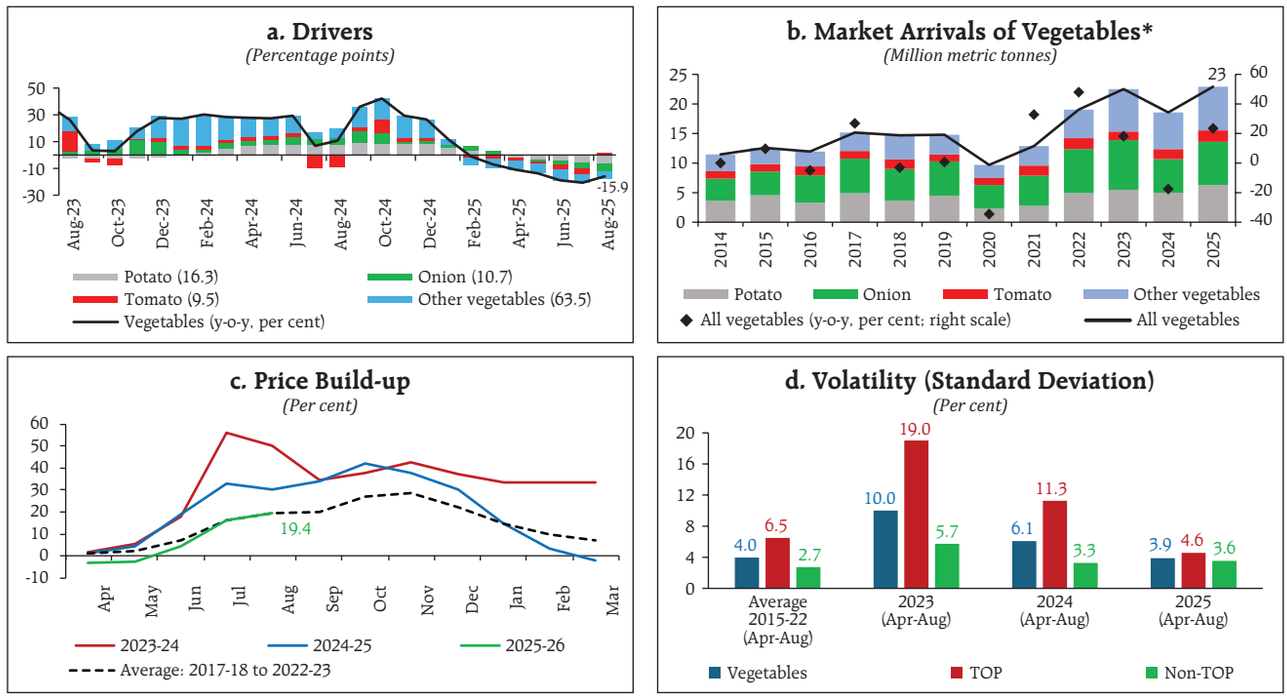
(Per cent)



Note: Width of each row reflects the corresponding weight in the CPI food and beverages group (given in parantheses).
Sources: NSO; and RBI staff estimates.

disruptions led to steady availability of tomatoes in wholesale markets.[13] The price build-up among vegetables in 2025-26 so far was also lower in comparison to last two years (Chart II.7c).

Chart II.7: CPI Vegetables Inflation



Notes: 1. *: Data pertain to cumulative arrivals during April-August for each year.
2. Other vegetables include beans, brinjal, cabbage, carrot, cauliflower, *dhania*, garlic, ginger, gourd, green chillies, okra, lemon, *parwal*, peas and spinach.
3. Figures in parentheses indicate items' weights in CPI-Vegetables sub-group.
Sources: NSO; Agmarknet; and RBI staff estimates.

[13] Although there are reports of crop losses on account of flash floods in many producing areas such as Himachal Pradesh, daily data on retail prices from Department of Consumer Affairs (DCA) is yet to show any significant pick-up in prices in September.

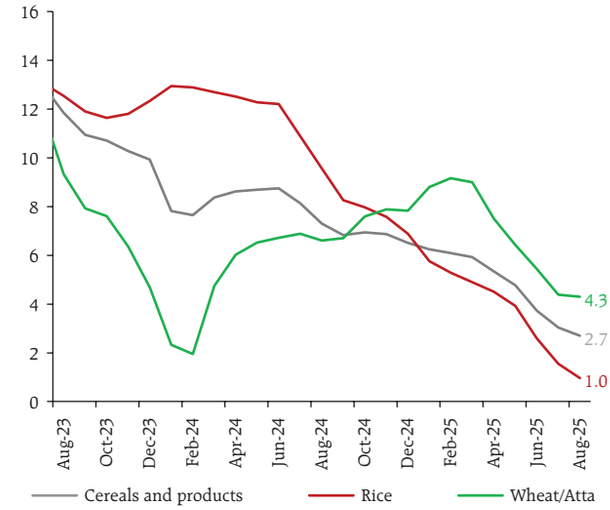
The price volatility in vegetables sub-group and TOP during April-August 2025 was also low (Chart II.7d).

Pulses[14], the primary source of plant-based protein, was the other sub-group which recorded a double-digit deflation [(-)14.5 per cent in August 2025]. Pulses inflation has corrected on a sustained basis from June 2024 amidst augmented availability, primarily supported by government interventions and imports. According to Directorate General of Commercial Intelligence and Statistics, imports of pulses scaled a record 7.3 million metric tonnes in 2024-25, a 54 per cent increase from a year ago. Higher domestic production (4.1 per cent increase in 2024-25) and ample stocks also contributed to the moderation in prices. Pulses prices continued to correct during 2025-26 so far, contrary to the gradual pick-up witnessed during the previous years (Chart II.8).

Cereals[15] was the third major sub-group which contributed to the fall in food inflation, as inflation in this category declined to 2.7 per cent in August 2025 (lowest since December 2021) from 7.3 per cent a year ago (Chart II.9). Record rice production (higher by 8.2 per cent in 2024-25) and high buffer stocks (3.5 times the norm as on September 16, 2025), contributed to the moderation in inflation. Wheat inflation softened from a recent high of 9.2 per cent in February 2025 to 4.3 per cent in August, aided by record production (3.7 per cent increase in 2024-25), comfortable buffer

Chart II.9: Cereals Inflation

(Y-o-y, per cent)

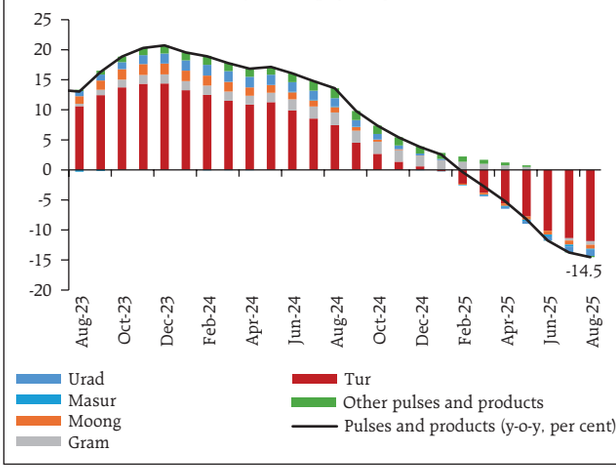


Sources: NSO; and RBI staff estimates.

Chart II.8: CPI Pulses and Products Inflation

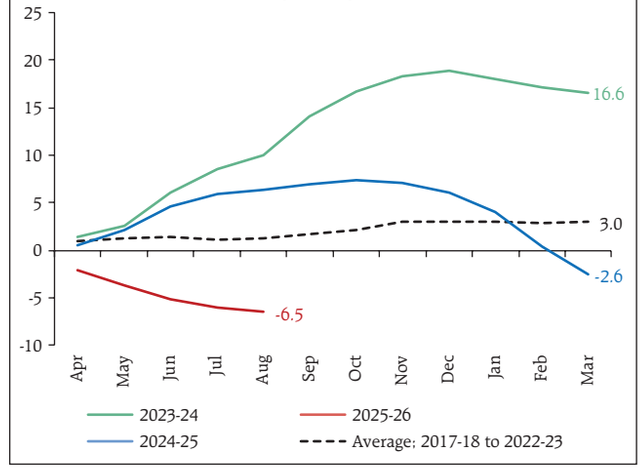
a. Contribution of Major Items

(Percentage points)



b. Cumulative Price Build-up

(Per cent)

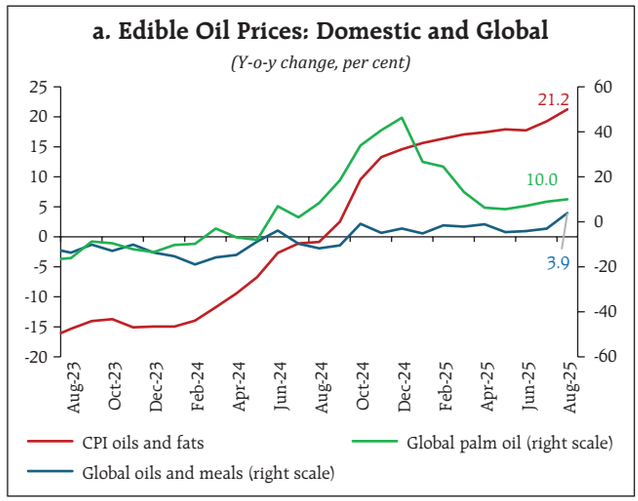


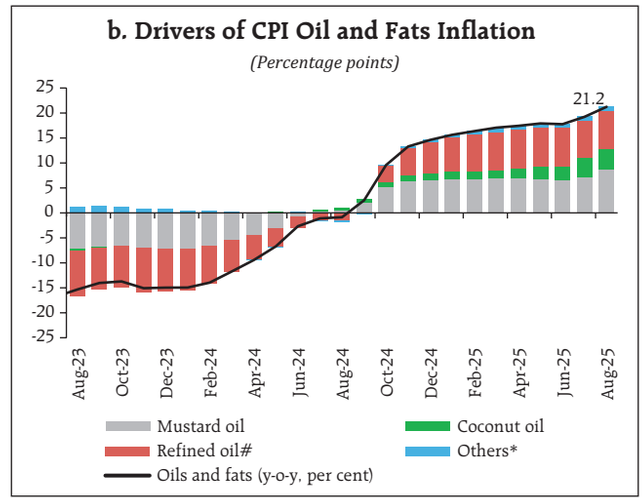
Sources: NSO; and RBI staff estimates.

[14] Pulses sub-group has a weight of 2.4 per cent in the CPI and 5.2 per cent in the food and beverages group.

[15] Cereals sub-group has a weight of 9.7 per cent in the CPI and 21.1 per cent in the food and beverages group.

Chart II.10: CPI Edible Oils and Fats Inflation





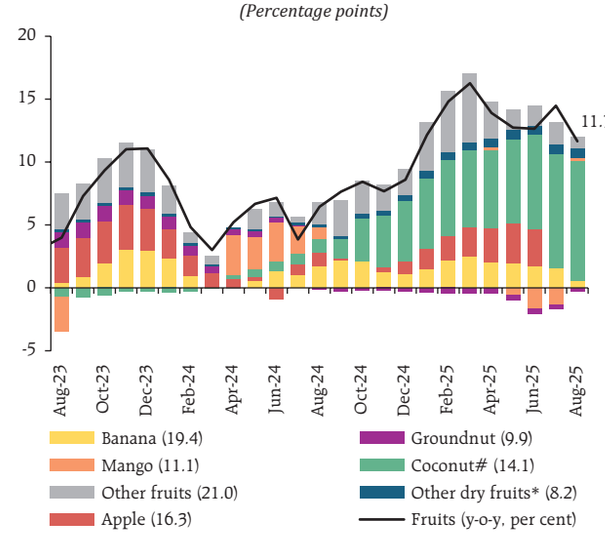
Notes: 1. #: Refined oil includes sunflower, soybean, saffola etc.
2. *: Includes groundnut oil and fats (ghee, butter, vanaspati / margarine)
Sources: World Bank Pink Sheet; NSO; and RBI staff estimates.

stocks (1.2 times the norm as on September 16, 2025) and continued export restrictions.

While overall food inflation remained on a declining trajectory, 'oils and fats' and fruits sub-groups witnessed a contrarian trend. 'Oils and fats'[16] inflation rose significantly to 21.2 per cent in August 2025 (Chart II.10). This was primarily driven by an increase in international palm oil prices, partly on account of an increased bio-diesel mandate in Indonesia exacerbating global demand-supply imbalance. Despite a 10-percentage points import duty cut on crude edible oil effective from the end of May 2025, prices did not witness any major correction as supply concerns amid geopolitical escalations offset the impact. Among domestically produced oilseeds, mustard and rapeseed and coconut recorded a decline in production in 2024-25[17], adding to the price pressure. Ghee and butter price inflation, however, remained relatively moderate, driven by lower inflation in milk prices.

Fruits[18] sub-group recorded double-digit inflation consistently since January 2025. The price pressures were predominantly from coconut, as high temperatures and unseasonal rains led to lower production. Apple prices have also hardened during December 2024 to July 2025 (Chart II.11).

Chart II.11: Drivers of CPI Fruits Inflation



Notes: 1. #: Includes coconut, green coconut, and copra.
2. *: Includes dates, cashewnut, walnut, other nuts, raisin *etc.*
3. Figures in parantheses indicate items' weights in CPI-Fruits sub-group.
Sources: NSO; and RBI staff estimates.

[16] With a weight of 3.6 per cent in the CPI and 7.8 per cent within the food and beverages group.

[17] Mustard and rapeseed production declined by (-) 4.9 per cent in 2024-25 as per third AE of crop production. Coconut production declined by (-) 4.6 per cent in 2024-25 as per Second AE of horticulture production.

[18] With a weight of 2.9 per cent in the CPI and 6.3 per cent within the food and beverages group.

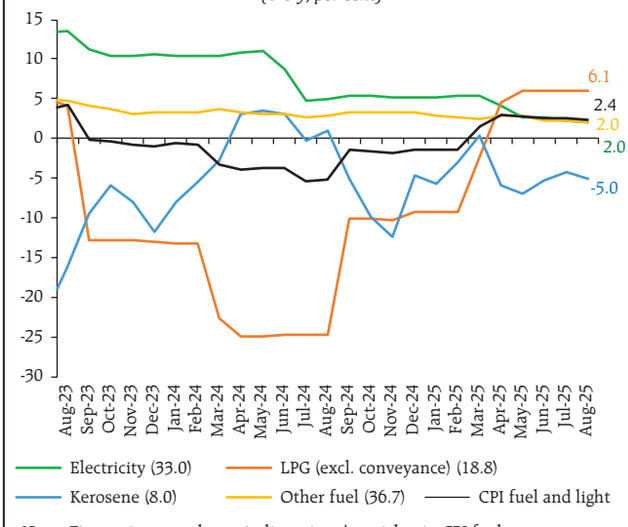
Among other food items, spices continued to remain in deflation. Animal-based protein inflation declined marginally driven by lower prices of egg and meat. Prepared meals and non-alcoholic beverages, on the contrary, have registered a gradual increase in inflation during April-August 2025 over the corresponding period of last year.

CPI Fuel Group

CPI fuel group came out of deflation in March 2025, recording a first positive print of y-o-y inflation after 18 months (Chart II.12). Despite a subsequent uptick in CPI fuel inflation on account of the hike in LPG prices by ₹50 per cylinder effective April 8, 2025, inflation remained in the range of 2.4-2.9 per cent during April-August 2025. Kerosene group largely remained in deflation, reflecting subdued international prices. Subsidised kerosene prices in metro cities were lowered thrice during April-June but were hiked again in July and August (Chart II.13). In May 2025, electricity tariff announcements by a number of states led to a spike in the electricity index. On a y-o-y basis, however, it moderated from 5.4 per cent in March to 2.0 per cent in August 2025 as the magnitude of increases were lower than that in the previous year.

Chart II.12: CPI Fuel Group Inflation

(Y-o-y, per cent)



Note: Figures in parentheses indicate item's weights in CPI-fuel group.
Sources: NSO; and RBI staff estimates.

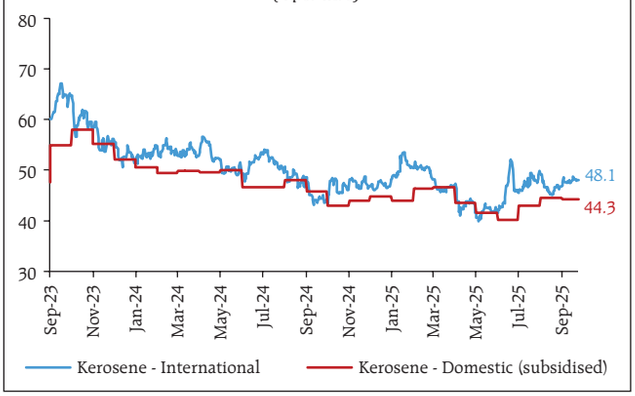
Core CPI (CPI excluding Food and Fuel)

Core inflation (CPI excluding food and fuel) during April-August 2025 averaged 4.2 per cent, higher than 3.2 per cent recorded a year ago. In terms of monthly trajectory, it edged up to 4.2-4.4 per cent in April-June 2025 from 4.1 per cent in March, before moderating to 4.1-4.2 per cent in July-August. A major driver of core inflation this year has been the

Chart II.13: Domestic and International Fuel Prices

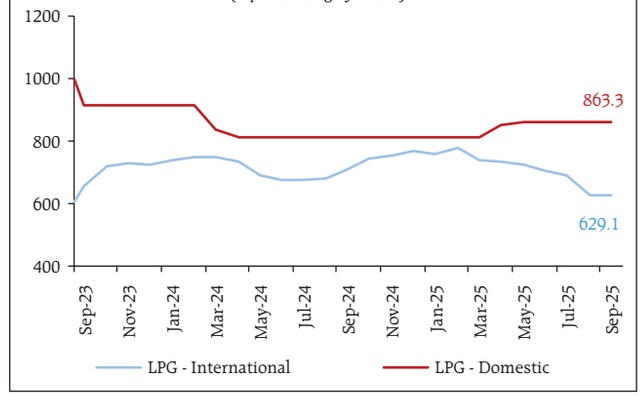
a. Kerosene

(₹ per litre)



b. LPG

(₹ per 14.2 kg cylinder)



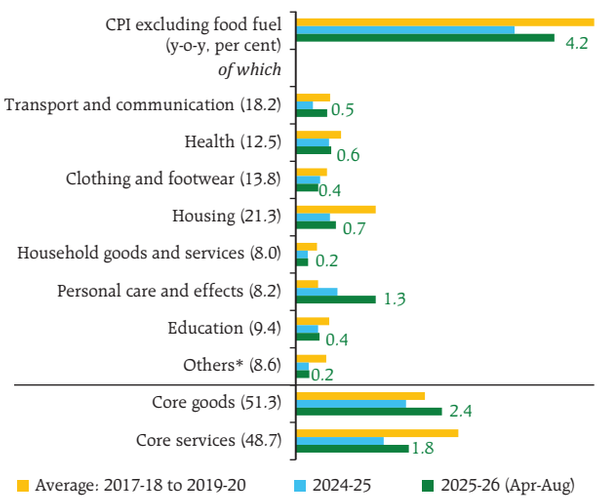
Notes: 1. The international price for LPG is based on spot prices for Saudi Butane and Propane, combined in the ratio of 60:40 respectively. These international product prices are indicative import prices. Further details are available at www.ppac.org.in.
2. The indicative international price for kerosene is the Singapore Jet Kero spot price.
3. The domestic prices of LPG and kerosene represent the average prices of four and three metros, respectively, as reported by Indian Oil Corporation Limited (IOCL).
Sources: Bloomberg; IOCL; and RBI staff estimates.

rise in gold prices, which is part of the 'personal care and effects' sub-group. Between March and August 2025, gold prices rose by 14.7 per cent pushing its contribution to core inflation to 117 bps in August. Rise in international gold prices, driven by heightened global economic and geopolitical uncertainty that encouraged safe haven buying and sustained demand for gold as a financial asset by central banks and investors, drove domestic price increases. Housing, health, and transport and communication remained the other major contributors to core inflation (Chart II.14).

Although core inflation during April-August 2025 was higher than a year ago, its volatility remained comparable to last year. Both the level and variability of core inflation, however, remained below those seen in the immediate post-COVID years (Chart II.15). Other exclusion-based measures of underlying inflation, which exclude items such as petrol, diesel, gold and silver in addition to food and fuel recorded a similar trajectory (Table II.2). Inflation in CPI excluding food, fuel, petrol, diesel, gold and silver components eased

Chart II.14: Contribution to CPI Core Inflation

(Percentage points)

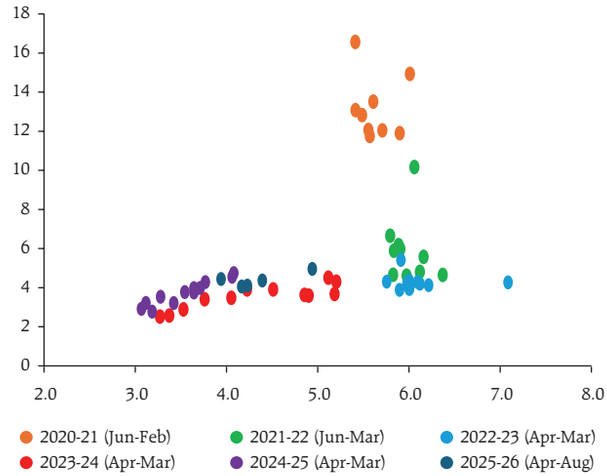


Notes: 1. Figures in parentheses indicate weights in CPI excluding food and fuel.
2. *: Includes Pan, tobacco and intoxicants; and Recreation and amusement.

Sources: NSO; and RBI staff estimates.

Chart II.15: CPI Inflation excluding Food and Fuel: Persistence

[Inflation (y-o-y, per cent), x-axis; cross-sectional standard deviation, y-axis]



Note: Each dot represents a month, plotting the y-o-y inflation level (x-axis) against the cross-sectional standard deviation across all items (y-axis). Dots with the same colour correspond to months within the same financial year.

Sources: NSO; and RBI staff estimates.

to 3.1 per cent in August, 103 bps below conventional core inflation (*i.e.*, excluding food and fuel).

Decomposing CPI inflation excluding food, fuel, petrol, diesel, gold, and silver into its goods and services components[19] shows that goods inflation

Table II.2: Exclusion-based Measures of Inflation (y-o-y, per cent)

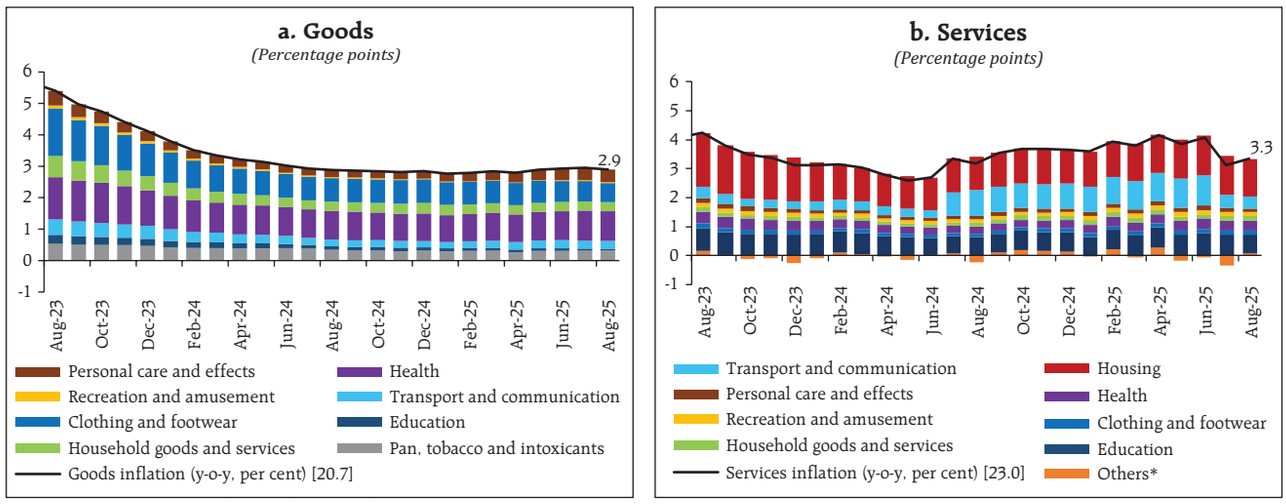
Period	CPI excluding food and fuel (47.3)	CPI excluding food fuel petrol diesel (45.0)	CPI excluding food fuel petrol diesel gold silver (43.8)
Aug-24	3.3	3.5	3.0
Sep-24	3.5	3.8	3.2
Oct-24	3.8	4.0	3.3
Nov-24	3.7	3.9	3.3
Dec-24	3.6	3.9	3.3
Jan-25	3.6	3.9	3.2
Feb-25	4.1	4.3	3.4
Mar-25	4.1	4.3	3.3
Apr-25	4.2	4.4	3.5
May-25	4.2	4.3	3.4
Jun-25	4.4	4.6	3.5
Jul-25	4.1	4.2	3.2
Aug-25	4.2	4.3	3.1

Notes: 1. Figures in parentheses indicate weights in CPI.
2. Derived as a residual from headline CPI.

Sources: NSO; and RBI staff estimates.

[19] Goods component in CPI excluding food, fuel, petrol, diesel, gold and silver has a weight of 20.7 per cent in the headline CPI and that of services component is 23.0 per cent.

Chart II.16: Contributions to CPI Inflation excluding Food, Fuel, Petrol, Diesel, Gold, and Silver



Notes: 1. Figures in parentheses indicate weights in CPI.
2. *: Represents balancing item to reconcile divergence in CPI index between CPI items indices aggregated vertically, across items and the published sub-group/group/overall CPI index.

Sources: NSO; and RBI staff estimates.

remained steady around 2.9 per cent for the last one year while services inflation recorded a gradual uptick till June. However, there was a sharp decline in the services inflation from 4.1 per cent in June to 3.3 per cent in August driven by a huge favourable base effect which was most prominent in the transport and communication sub-group on account of the mobile tariff hike of July 2024. Core services inflation was at 3.3 per cent in August 2025 (Chart II.16).

II.3 Decoding the Inflation Dynamics

Statistical Properties

Statistical properties of inflation provide insights into the nature of inflation dynamics, both in terms of the trajectory and underlying changes in trend. The distribution of CPI inflation in 2025 so far (January-August 2025) *vis-à-vis* 2024 indicates a relatively milder positive skew, reflecting a broad-based easing of price pressures. The distribution also recorded a narrowing in width, suggesting reduced inflation volatility among sub-groups (Chart II.17).

In terms of monthly trajectory, the decline in inflationary pressures since April has been accompanied by a widening of the inflation divergence across quantiles (Chart II.18). The widening of inflation divergence across CPI sub-groups highlights the role of a few sub-groups in driving headline numbers to ultra-low levels.

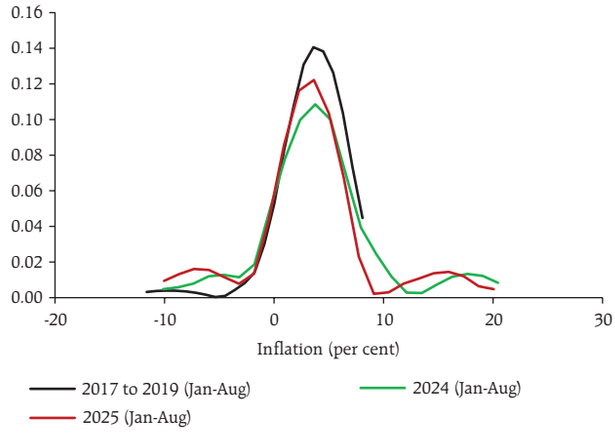
Other measures of underlying inflation such as the trimmed mean measures and the weighted median[20] remained at a much lower level than CPI excluding food and fuel inflation (Table II.3). In terms of trajectory, they remain largely aligned with the conventional core inflation.

Diffusion indices[21] generally moderated during 2025-26 so far except in July and August, indicating

[20] While exclusion-based measures drop a fixed set of volatile items (for example, food and fuel) in each period, trimmed measures exclude items located in the tails of the inflation distribution - items displaying changes more than the specified threshold in prices each month are excluded, and the items dropped differ from month to month. The weighted median inflation rate is defined as the inflation rate corresponding to the item that lies at the 50th percentile in the distribution of price changes within the CPI basket, weighted using CPI weights.

[21] The CPI diffusion index, a measure of dispersion of price changes, categorises items in the CPI basket according to whether their m-o-m seasonally adjusted prices have risen, remained stagnant or fallen over the previous month. The higher the reading above 50, the broader is the expansion or generalisation of price increases; the further is the reading below 50, the broader is the price decline across items.

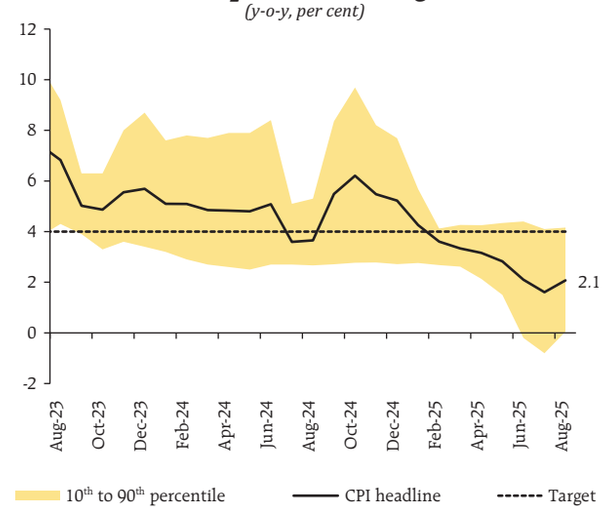
Chart II.17: Average CPI Inflation (y-o-y) (Kernel Density Estimates)



Note: Kernel density estimation is a statistical technique that creates a smooth estimate of a probability density function from a dataset by summing up localized kernel functions centered on each data point.
Sources: NSO; and RBI staff estimates.

Chart II.18: CPI Sub-Group/ Group Inflation Range

(y-o-y, per cent)



Sources: NSO; and RBI staff estimates.

that the number of items within CPI experiencing price pressures are also on the decline across both goods and services components (Chart II.19a). This is also corroborated by the low share of items with high inflation (above 6 per cent) in the CPI basket, which in August stood at 15.5 per cent, the lowest since August 2017 (Chart II.19b).

Table II.3: Measures of Underlying Inflation: Trimmed Mean Measures and Weighted Median (y-o-y, per cent)

Month	5% trimmed	10% trimmed	25% trimmed	Weighted Median
Aug-24	3.9	3.7	3.3	3.0
Sep-24	4.4	3.9	3.5	3.0
Oct-24	4.6	4.1	3.5	3.0
Nov-24	4.6	4.1	3.5	3.2
Dec-24	4.5	4.1	3.5	3.1
Jan-25	4.1	3.7	3.4	2.9
Feb-25	3.7	3.5	3.3	2.9
Mar-25	3.6	3.4	3.2	2.9
Apr-25	3.3	3.4	3.3	3.0
May-25	3.1	3.3	3.3	3.2
Jun-25	2.8	3.1	3.1	3.1
Jul-25	2.7	3.0	3.1	3.0
Aug-25	2.9	2.9	2.9	2.9

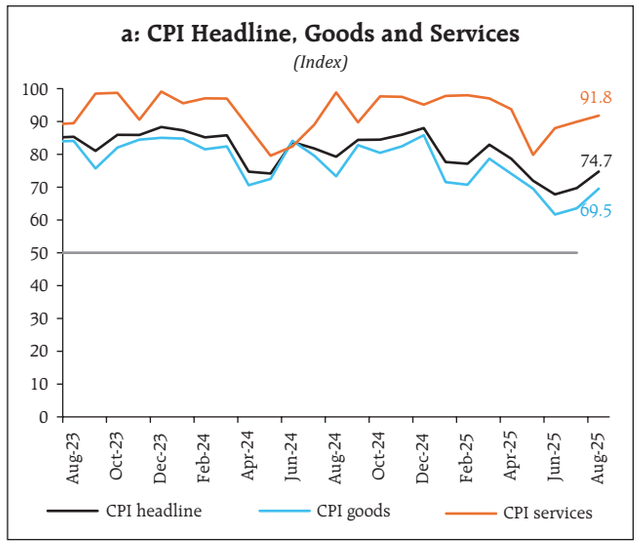
Sources: NSO; and RBI staff estimates.

Inflation across goods and services

Another measure to gauge the underlying inflation dynamics is to classify the products across goods (both perishable and non-perishable) and services[22]. Goods (with a weight of 76.6 per cent in the overall CPI) contributed to around 70 per cent of headline inflation between March and May 2025 but their contribution dropped to around 53 per cent in June and July 2025. The negative contribution of perishable items, including vegetables, spices, fruits and other food items such as milk, meat and fish and prepared meals, drove this moderation. The contribution of semi-perishables consisting of cereals, pulses, and personal care to overall inflation remained broadly stable till July, while that of durables rose, primarily reflecting the surge in gold prices. The trends,

[22] The CPI weighting diagrams use the modified mixed reference period (MMRP) data based on the 2011-12 Consumer Expenditure Survey conducted by the National Sample Survey Office. Under MMRP, data are collected on expenditure incurred during the last seven days for frequently purchased items like edible oil, eggs, fish, meat, vegetables, fruits, spices, beverages, processed foods, pan, tobacco and intoxicants; expenditure incurred during the last 365 days for items like clothing, bedding, footwear, education, medical (institutional), durable goods; and expenditure incurred in the last 30 days for all other food, fuel and light, miscellaneous goods and services including non-institutional medical services, rents and taxes.

Chart II.19: CPI Diffusion Indices (M-o-M Seasonally Adjusted)

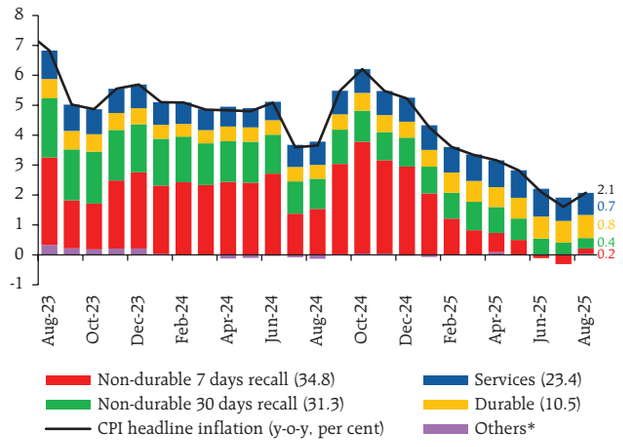


Sources: NSO; and RBI staff estimates.

however, reversed in August 2025 with contribution of goods inflation (driven by perishables) climbing up to 62.5 per cent of headline inflation, even as the contribution of semi-perishables and durables came down. Meanwhile, services (with a weight of 23.4 per cent) saw their contribution increase from around 26 per cent in March to 48 per cent in July, before moderating to 37.5 per cent in August (Chart II.20).

Chart II.20: Contribution of Goods and Services

(Percentage points)



Notes: 1. Figures in parentheses indicate weights in CPI.
2. *: Represents balancing item to reconcile divergence in CPI between CPI items indices aggregated vertically, across items and the published sub-group/group/overall CPI.

Sources: NSO; and RBI staff estimates.

Regional Trends in Inflation

Turning to inflation trajectory across regions, both urban and rural areas have been experiencing a sustained easing since October 2024. The higher weight of food in the rural CPI basket, coupled with a larger magnitude of decline in food inflation, resulted in rural inflation remaining below urban levels since March 2025 (Chart II.21).

There was a marked decline in the number of states witnessing high inflation during April–August 2025 as compared with the corresponding period of last year. 30 out of the 36 States/UTs recorded inflation below 4 per cent during this period (Table II.4). One state, Kerala, where headline inflation has risen sharply in recent months, devotes a larger share of their consumption basket to coconut and coconut oil[23], prices of which have increased meteorically.[24]

[23] As per the Household Consumption Expenditure Survey 2011-12 (basis of current CPI 2012=100), adjusted for differences in state-level Monthly per Capita Expenditure (MPCE) relative to the All-India MPCE, coconut consumption in Kerala is about 6 times more than the all-India consumption, whereas coconut oil consumption in Kerala is about 16 times more than the all-India consumption.

[24] Coconut and coconut oil recorded an average inflation of 52.0 per cent and 102.1 per cent during April-August 2025.

Chart II.21: CPI Headline Inflation: Urban and Rural

(Y-o-y, per cent)

Sources: NSO; and RBI staff estimates.

II.4 Drivers of Inflation Trajectory

While the disaggregated analysis provides a commodity level understanding of inflation dynamics, the drill down into factors that condition the overall inflation trajectory such as imported inflation, costs, wages and other macroeconomic factors provide insights into the underlying drivers of inflation.

Imported Inflation

The contribution of imported components[25] to headline inflation remained modest till July 2025 on the back of moderate energy prices[26], despite a sharp uptick in the global prices of gold and silver. The uptick seen in August 2025 was mainly driven by gold, silver, and edible oils (Chart II.22).

Costs

Input cost inflation, as measured by Wholesale Price Index (WPI) inflation in industrial raw materials and farm inputs, recorded deflation during April to August 2025 (Chart II.23). The pass-through of moderation in international commodity prices, barring that of precious metals, contributed significantly to this moderation. Among industrial inputs, aviation turbine fuel, high-speed diesel, naphtha, and furnace oil prices witnessed a decline in inflation. For farm inputs, deflation is led by declining prices of diesel and fertilisers.

Table II.4: Distribution of Headline Inflation across States/UTs: Number of States#

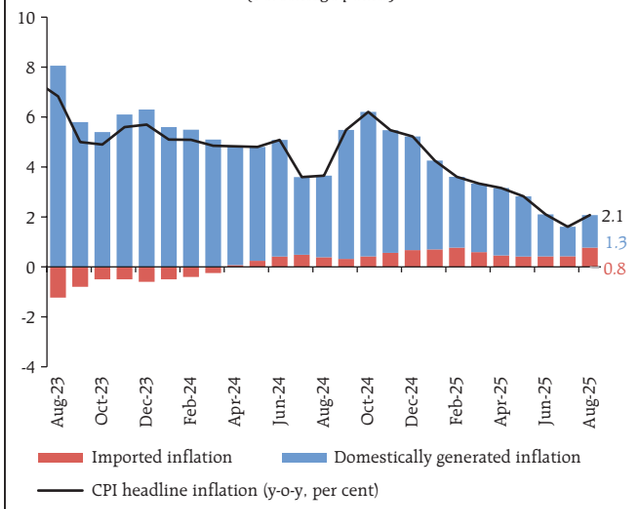
Headline Inflation Range (Per cent)	2024-25 (Apr-Aug)	2025-26 (Apr-Aug)
Between 0 to 2.0	3	14
Between 2.0 to 4.0	14	16
Between 4.0 to 6.0	18	5
Greater than 6.0	1	1

Note: # Accounted for the unification of Daman and Diu with Dadra & Nagar Haveli and the formation of Ladakh as a Union Territory.
Sources: NSO; and RBI staff estimates.

Rural labour cost, reflected in nominal rural wage growth was range-bound between 6.4-6.6 per cent in Q1:2025-26, with agricultural wages recording a faster growth (Chart II.24). Growth in agricultural wages was broad-based across occupations with seasonal uptick seen for horticultural workers, harvesting and picking workers, inland fishermen, and ploughing/tilling workers. Real rural wages (deflated by CPI rural index) increased at a faster rate as inflation moderated.

Chart II.22: Contribution of Imported Inflation to Headline Inflation

(Percentage points)



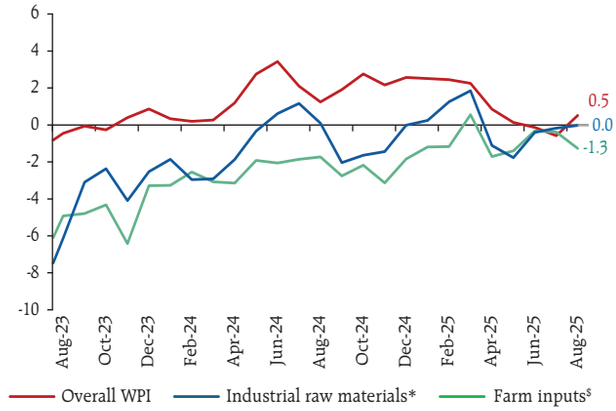
Sources: NSO; and RBI staff estimates.

[25] Global commodities that drive domestic prices include petroleum products; coal; electronic goods; gold; silver; chemical products; metal products; textiles; cereals; milk products, and vegetables oils – these together have a weight of 36.4 per cent in the CPI basket (adjusted weights based on pass-through from international prices is at 8.4 per cent).

[26] Lower International crude petroleum, kerosene, propane and butane prices.

Chart II.23: Farm and Non-farm Input Cost Inflation

(Y-o-y, per cent)

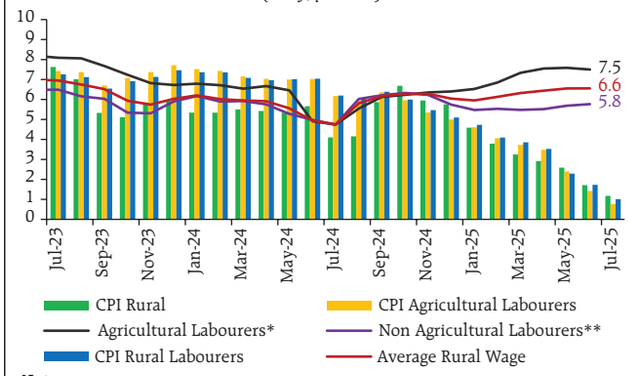


Notes:
1. *: Comprises primary non-food articles, minerals, coal, aviation turbine fuel, high speed diesel, naphtha, bitumen, furnace oil, lube oil, petroleum coke, electricity, cotton yarn and paper and pulp from WPI.
2. $: Comprises high speed diesel, fodder, electricity, fertilizers, pesticides, and agricultural and forestry machinery from WPI.
3. WPI Electricity captures unit revenue data from selected power generators.

Sources: Ministry of Commerce and Industry; and RBI staff estimates.

Chart II.24: Wage Growth and Inflation in Rural Areas

(Y-o-y, per cent)



Notes:
1. Data for CPI-Agricultural Labourers and CPI-Rural Labourers during May-July 2025 pertains to the rebased series with base 2019=100, published by Labour Bureau, Ministry of Labour & Employment on July 18, 2025.
2. *: Comprises ploughing, sowing, harvesting, picking, horticulture workers, fishermen inland, fishermen costal, loggers and wood cutters, animal husbandry, packaging, general agriculture labourers, plant protection workers.
3. **: Comprises carpenter, blacksmith, mason, weavers, beedi makers, bamboo, cane basket weavers, handicraft workers, plumbers, electrician, construction workers, light motor vehicle & tractor drivers, sweeping/cleaning workers, and other non-agricultural labourers.

Sources: NSO; Labour Bureau; and RBI staff estimates.

In the organised sector, staff cost growth (y-o-y) edged up for manufacturing sector during Q4:2024-25 and Q1:2025-26 following the slump in Q3:2024-25. In the services sector, staff cost growth remained muted in Q1:2025-26 (Chart II.25).

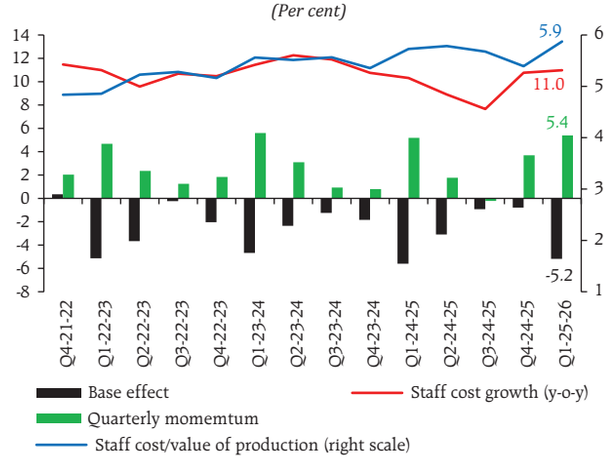
In terms of assessment of cost conditions, manufacturing firms polled for the purchasing managers' index (PMI) reported an expansion in input prices for August 2025. Movements in output prices charged by manufacturing firms broadly mirrored the trend in input prices (Chart II.26a).

Operating expenses of services sector reflected in PMI services increased in August 2025 with prices charged by services firms also moving in tandem. The

Chart II.25: Staff Cost in Manufacturing and Services Sectors

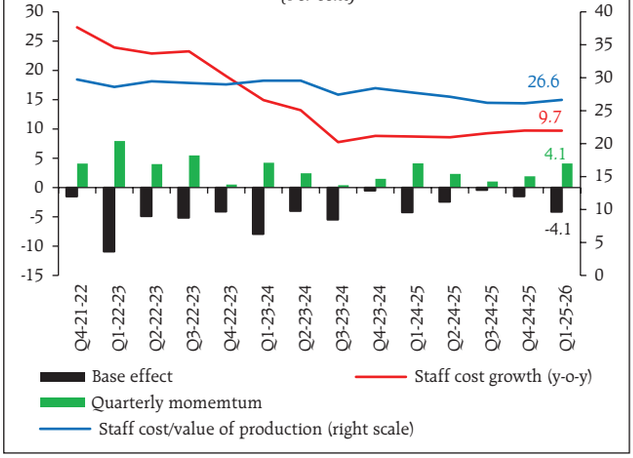
a. Manufacturing Sector

(Per cent)



b. Services Sector

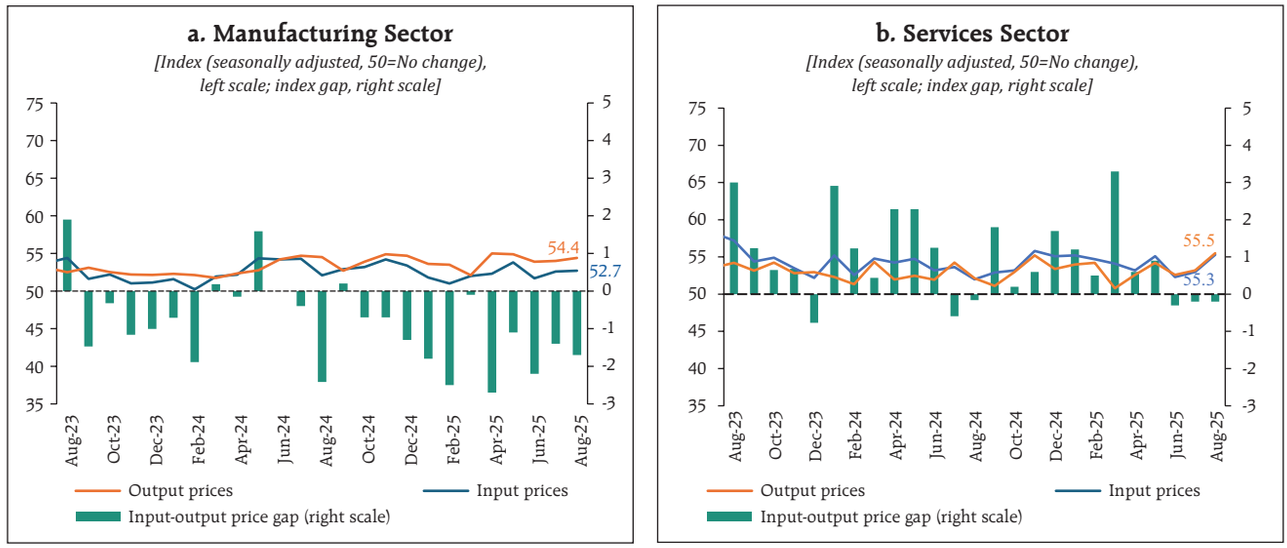
(Per cent)



Note: Staff cost growth (y-o-y) is based on a common set of companies.

Sources: Capitaline database; and RBI staff estimates.

Chart II.26: PMI Input-Output Price Gap

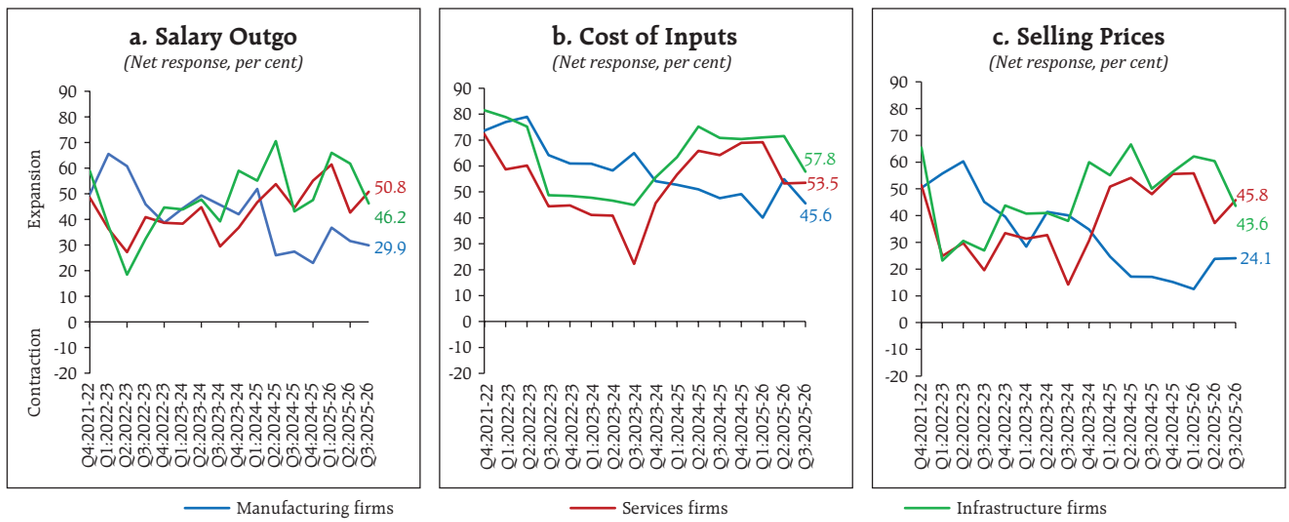


Sources: S&P Global; and RBI staff estimates.

input-output price gap for both manufacturing and services sector firms do not indicate any pent-up pass-through (Chart II.26b).

On the assessment and outlook of cost conditions, as per the firms polled in the Reserve Bank's enterprise surveys[27], salary outgo pressures are expected to ease in manufacturing and infrastructure sectors during Q3:2025-26, but pick up in the services sector (Chart II.27a). During Q3:2025-26, input cost and selling price pressures are expected to moderate for the infrastructure sector whereas both are expected to harden for the services sector (Chart II.27b and II.27c).

Chart II.27: Expectations of Cost and Price Conditions



Note: 'Net response' is the difference between the percentage of respondents reporting an increase in prices and those reporting decrease.
Sources: Reserve Bank's Industrial Outlook Survey; Services & Infrastructure Outlook survey; and RBI staff estimates.

[27] Industrial Outlook Survey; and Services and Infrastructure Outlook Survey.

Margins

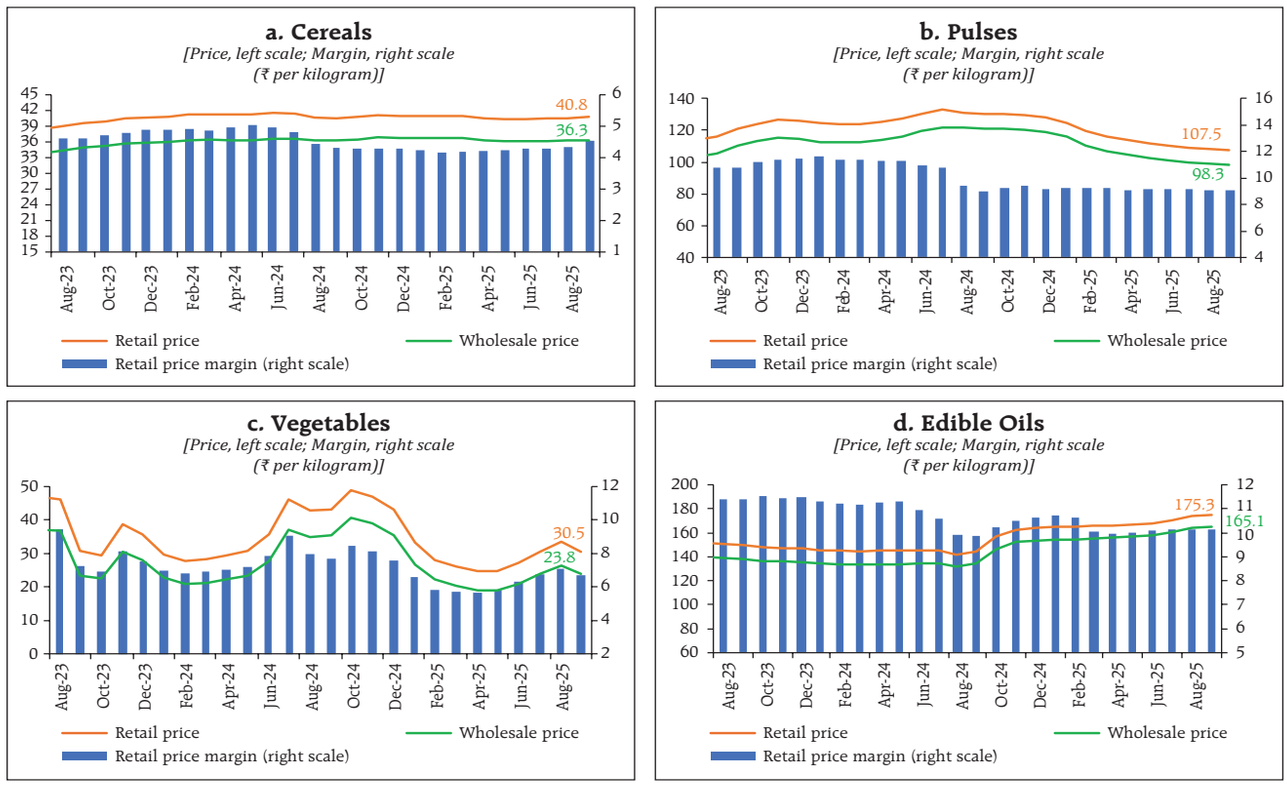
The absolute retail price margins[28] remained steady in case of select cereals (rice, wheat and atta), pulses and edible oils, during April-September 2025 (Chart II.28). The stable retail price margins of edible oils post import-tariff duty reduction in May 2025 indicate that there is no pent-up price transmission post the duty reduction with domestic prices firming up in both wholesale and retail markets. Retail margins decreased in TOP vegetables in September 2025 after some increase seen during July-August 2025.[29]

GST Rationalisation

The Government has implemented GST rate rationalisation measures effective September 22, 2025, aimed at simplifying tax rates and lowering prices for the final consumer. A mapping of changes in GST rates to the CPI shows that about 11.4 per cent of the CPI basket would be impacted by the recent changes, with the magnitude varying significantly across product groups (Table II.5). The overall impact of GST changes on CPI inflation would be conditional on the extent of the pass-through which is likely to remain partial on account of offsetting changes in input tax credit and compensation cess, as well as various forms of price rigidities.

Overall, the historical decomposition of inflation using a VAR[30] model indicates that the moderation in inflation witnessed during Q4:2024-25 to Q2:2025-26

Chart II.28: Retail, Wholesale Prices, and Margins



Sources: Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution; and RBI staff estimates.

[28] Defined as the difference between retail and wholesale prices based on the data collected by DCA.

[29] September month price margins are calculated based on daily wholesale and retail price data till September 24, 2025.

[30] Historical decomposition estimates the contribution of each shock to the movements in inflation over the sample period (Q4:2010-11 to Q2:2025-26) based on a VAR with the following variables (represented as the vector Y_t) – crude oil prices (US$ per barrel); exchange rate (INR per US$), asset price (BSE Sensex), CPI; the output gap; rural wages; the policy repo rate; and money supply (M3). All variables other than policy repo rate are y-o-y growth rates. The VAR can be written in reduced form as: $Y_t = c + A Y_{t-1} + e_t$; where e_t represents a vector of shocks. Using Wold decomposition, Y_t can be represented as a function of its deterministic trend and sum of all the shocks e_t.

Table II.5: GST Slabs mapped to item-level CPI ^

Major Items	GST 1.0 Rate (per cent)	GST 2.0 Rate (per cent)	Difference (percentage points)	CPI Weight (per cent)
Primary food articles (Cereals, Pulses, Vegetables, Fresh Fruits, Raw Milk, *etc.*)	0	0	0	61.3
Gold and Silver	3	3	0	1.2
Clothing and Footwear (less than ₹1000), Fuel (LPG, kerosene), some household items	5	5	0	18.9
Electrical fittings, small electronic items, washing soap, private tuition fees, *etc.*	18	18	0	6.1
Coal	5	18	0*	0.04
Demerit goods like pan, tobacco, intoxicants	28	40	0$	1.1
Stationery items like notebooks, exercise books, pencils, *etc.*	12	0	-12	0.4
Milk products, Dry fruits, Utensils, Medicines, Sugar, Clothing and Footwear (between ₹1000 and ₹2500), *etc.*	12	5	-7	4.6
FMCG items: biscuits, soaps, shampoo, shaving kits, *etc.*	18	5	-13	3.5
White goods like AC, refrigerator, *etc.*	28	18	-10	2.2
Packaged cooked meal	5	0	-5	0.7
Decreased (Weight in CPI)				**11.4**
No change (Weight in CPI)				**88.6**

Notes: 1. ^: Weights are adjusted for assumed proportion of pre-packaged and labelled price quotations collected by NSO for an item under CPI basket.
2. *: Coal attracted, prior to rate rationalization, 5% GST+ Compensation cess of Rs 400/ton. The GST Council has recommended to end compensation cess and hence the rate has been merged with GST. There is no additional tax burden.
3. $: For cigarettes, chewing tobacco products etc. (excluding bidi, where the GST rate was cut), the existing rates of GST and compensation cess will continue to apply, and the new rates will be implemented at a later date to be notified, based on discharging of entire loan and interest liabilities on account of compensation cess. Hence, for these goods, rates are taken as unchanged.

Sources: Goods and Services Tax Council; NSO; and RBI staff estimates.

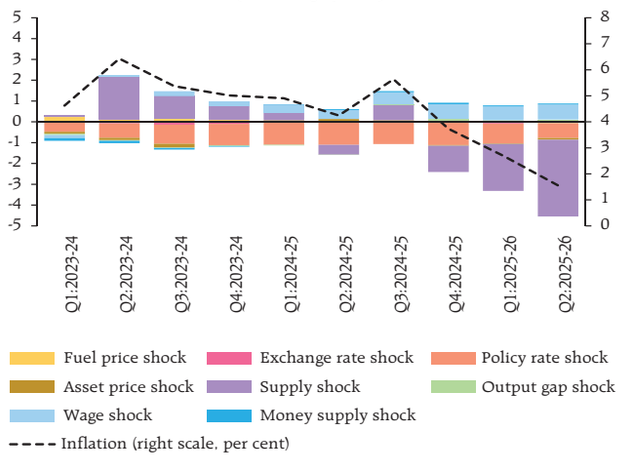
was primarily on account of favourable supply shocks (Chart II.29).

II.5 Conclusion

Headline inflation declined significantly during FY2025-26 (April-August), driven by a faster than anticipated moderation in food prices. The moderation in inflation has also turned out to be more generalised with core inflation remaining largely rangebound despite pressure exerted by sharp increases in gold prices. Going forward, the progress of southwest monsoon, higher *kharif* crop sowing as well as record reservoir levels, which could help the *rabi* sowing are all pointing towards a benign food price scenario. Recent reduction in GST rates could further aid in keeping overall inflation low and below the target during 2025-26, on an average basis. CPI inflation, however, is likely to edge up, especially during Q4:2025-26, as unfavourable base effects kick in, and demand side stimulus from policy easing come into play. Although benign inflation conditions are expected to prevail in the near-term, uncertainties emanating from unexpected weather shocks as well as international commodity prices continue to pose major risks to the inflation trajectory.

Chart II.29: Decomposition of CPI Inflation*

(Percentage points)



* Deviation from deterministic trend.

Note: Estimated using a vector autoregression (see footnote 30 for details). Q2:2025-26 pertains to July-August 2025.

Sources: NSO; RBI; Petroleum Planning & Analysis Cell (PPAC); BSE; Labour Bureau; and RBI staff estimates.

III. Demand and Output

Domestic economic activity remained buoyant in H1:2025-26, driven by strong private consumption and robust investment. External demand continues to face headwinds from global trade uncertainties and US tariffs. Manufacturing activity gained strength, while the services sector sustained its momentum. Structural reforms, including GST 2.0, are expected to support momentum in domestic demand and output.

Domestic economic activity exhibited resilience in H1:2025-26, with accelerated real GDP growth in Q1. Aggregate demand continued to be strong, underpinned by buoyant private consumption and strengthening investment activity. Government consumption also held up well. Net external demand, however, remained weak and acted as a drag on aggregate demand. On the supply side, manufacturing activity gained further steam, while the services sector held its momentum. Agricultural activity also expanded at a healthy pace. Going forward, the high US tariffs, unless resolved, could reduce India's merchandise exports to the largest export destination, adversely impacting net external demand. The recent structural reforms, including the implementation of GST 2.0, are expected to boost domestic demand and output, which may mitigate the adverse impact of US tariffs. The protracted geopolitical tensions, rising geoeconomic fragmentations and global financial market volatility continue to pose downside risk to the growth outlook.

III.1 Aggregate Demand

Aggregate demand conditions improved further as reflected in the growth of real gross domestic product (GDP) at 7.8 per cent year-on-year (y-o-y) in Q1:2025-26 as compared to 7.4 per cent in the previous quarter. This was driven by buoyant private consumption, government consumption and fixed investment – all three components posted growth of 7 per cent or above– while net exports acted as a drag on aggregate demand (Table III.1 and Chart III.1). The momentum of GDP – quarter-on-quarter (q-o-q) seasonally adjusted annualised growth rate (SAAR) – was placed at 6.7 per cent (Chart III.1b).

GDP Projections *versus* Actual Outcomes

The actual growth for Q1:2025-26 turned out to be higher than projected in the Monetary Policy Report (MPR) of April 2025 (Chart III.2). This was mainly on account of a stronger than anticipated performance of private consumption and government final consumption expenditure.

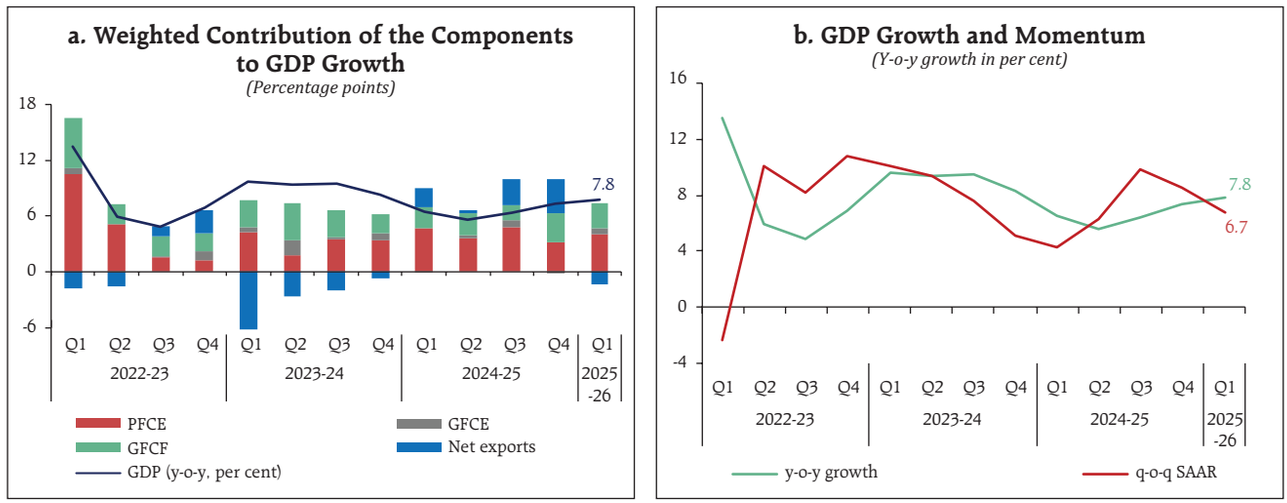
Table III.1: Real GDP Growth

(Y-o-y, per cent) ^

Item	2023-24	2024-25	Weighted Contribution*		2024-25				2025-26
	(FRE)	(PE)	2023-24	2024-25	Q1	Q2	Q3	Q4	Q1
Private final consumption expenditure	5.6	7.2	3.2	4.0	8.3	6.4	8.1	6.0	7.0
Government final consumption expenditure	8.1	2.3	0.8	0.2	-0.3	4.3	9.3	-1.8	7.4
Gross fixed capital formation	8.8	7.1	3.0	2.4	6.7	6.7	5.2	9.4	7.8
Exports	2.2	6.3	0.5	1.4	8.3	3.0	10.8	3.9	6.3
Imports	13.8	-3.7	3.3	-0.9	-1.6	1.0	-2.1	-12.7	10.9
GDP at market prices	**9.2**	**6.5**	**9.2**	**6.5**	**6.5**	**5.6**	**6.4**	**7.4**	**7.8**

Note: *: Component-wise contributions to growth do not add up to GDP growth because change in stocks, valuables and discrepancies are not included.
^: Unless specified otherwise, all discussions on growth rates in this chapter are on year-on-year (y-o-y) basis.
FRE: First revised estimates; PE: Provisional estimates.
Sources: National Statistical Office (NSO); and RBI staff estimates.

Chart III.1: GDP Growth and its Constituents

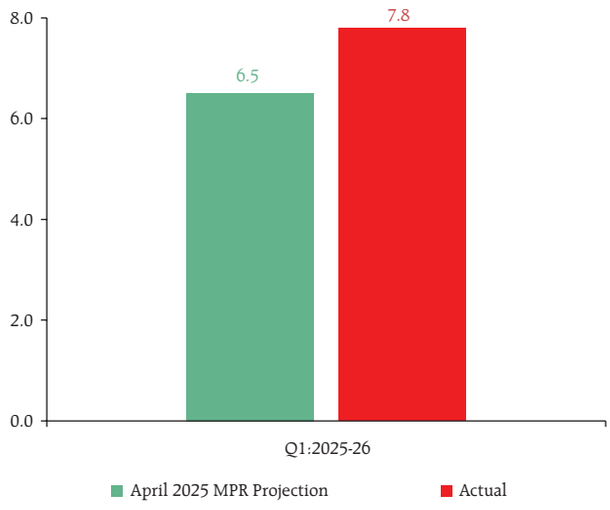


Notes: PFCE: Private final consumption expenditure; GFCE: Government final consumption expenditure; GFCF: Gross fixed capital formation; SAAR – Seasonally adjusted annualised rate.
Sources: NSO; and RBI staff estimates.

III.1.1 Private Final Consumption Expenditure

Private final consumption expenditure – the mainstay of aggregate demand – rebounded and grew by 7.0 per cent (y-o-y), contributing 4.0 percentage points to overall GDP growth in Q1:2025-26. The strong growth in private consumption in Q1 indicates revival in the discretionary spending of households. The decline in interest rates, lower inflation and steady employment conditions are supporting discretionary spending and private consumption.

Chart III.2: GDP Growth - Projection *versus* Actual
(Y-o-y growth in per cent)



Sources: NSO; and RBI staff estimates.

Latest high frequency indicators (HFIs) show some signs of improvement in urban demand in Q2:2025-26 (Table III.2). The consumer durables output expanded at a strong pace in July 2025, while the sales of fast-moving consumer goods in urban areas improved during July-August. Passenger vehicle sales posted positive growth in July 2025 but turned negative in August. Growth in bank credit to households (personal loans) remained robust during July-August, despite moderating from the last year's levels. Domestic air passenger traffic contracted during July-August, partly on account of monsoon rains.

As per the latest round of the Reserve Bank's Consumer Confidence Survey, households are optimistic about their one-year-ahead economic conditions, and the consumer confidence also recorded improvement in September 2025. Consumer expectations, shaped by the stance of monetary policy and the signals conveyed by key macroeconomic indicators, are also indicating improvement in private consumption (Box.III.1).

Table III.2: Indicators of Consumption

(Y-o-y, per cent)

Indicators	2023-24				2024-25				2025-26		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Jul	Aug
Urban demand											
Domestic air passenger traffic	19.1	23.0	9.1	5.2	5.6	7.3	11.4	12.0	5.3	-2.5	-0.5
Passenger vehicle sales	9.6	5.8	8.6	10.8	20.2	-1.3	5.1	3.6	-1.4	1.5#	-9.0#
IIP: Consumer durables	-2.7	1.1	5.3	11.2	10.7	6.6	9.0	5.9	2.6	7.7	
Personal loans	21.3	30.0	28.4	27.5	25.6	13.4	12.0	11.6	12.1	11.9	
Vehicle loans	19.3	21.2	16.4	14.2	15.5	13.3	8.8	8.6	10.8	8.9	
Credit card outstanding	37.6	31.4	32.6	25.6	23.3	18.0	15.6	10.6	7.2	5.6	
Rural demand											
Tractor sales	-1.9	-5.8	-4.9	-18.9	0.5	0.7	13.5	17.3	9.2	8.0	28.3
Motorcycle sales	13.8	-2.9	22.1	27.0	16.8	10.2	-1.9	-3.5	-9.2	4.7	4.3
IIP: Consumer non-durables	6.8	7.0	2.5	0.7	-0.2	-2.2	-1.6	-2.0	-1.5	0.5	
Fertiliser sales	-2.9	6.0	2.4	-5.3	2.4	-7.3	0.4	-9.6	-14.7		
MGNREGA work demand	4.4	15.1	1.3	-8.3	-16.1	-16.6	1.7	6.5	1.3	-12.3	-26.1
FMCG sales											
Rural						5.7	9.1	8.3	8.4	8.5	8.2
Urban						1.9	4.0	2.4	4.1	3.9	4.3
All India						3.5	6.2	4.9	5.9	5.8	5.9

#: Doesn't include Tata Motors.

Sources: Directorate General of Civil Aviation (DGCA), Society of Indian Automobile Manufacturers (SIAM); NSO; RBI; Tractor and Mechanization Association (TMA); Ministry of Chemicals and Fertilisers (MoC&F); Ministery of Rural Development (MoRD); NielsenIQ's Retail Audit Service; and RBI staff estimates.

Box III.1: Consumer Confidence Channel: The Perception Pathway in Policy Transmission to Private Consumption

Private consumption, being the main driver of growth in the Indian economy, is tracked actively by analysts as well as policymakers. Though high frequency indicators are generally used to monitor the emerging trends in consumption, the qualitative assessment through the consumer confidence channel is also found to be of significance for monetary policy. The Reserve Bank of India's Consumer Confidence Survey serves as a barometer of public sentiment regarding key economic dimensions such as income, employment, inflation, and households' spending. It captures consumer perceptions of the prevailing economic conditions through the Current Confidence Index and anticipated conditions over the short to medium term through the Future Expectations Index. A fall in consumer confidence, especially during downturns, can lead to reduced spending, reinforcing the slowdown through a negative feedback loop (Ilut & Saijo, 2020). Recognising the importance of confidence channel, a mixed data sampling (MIDAS) regression is estimated to examine the impact of macroeconomic conditions (GDP growth, government expenditure, and policy interest rates) on the Current Confidence Index and the Future Expectations Index (Lahiri & Monokroussos, 2016). In the next step, the autoregressive distributed lags (ARDL) model is estimated, based on quarterly data spanning Q1:2011-12 to Q4:2024-25, to investigate the influence of consumer sentiment, captured through the Current Confidence Index and the Future Expectations Index, on actual private consumption.

(Contd.)

Table III.1.1: Relationship between Macro-Economic Variables, Consumer Confidence and Private Consumption

Explanatory Variables	Dependent Variables		
	CCI	FEI	PFCE
Intercept	3.01 (23.78)	-25.19* (13.98)	-0.02 (0.10)
PFCE (Lag 1)			0.08 (0.16)
CCI		0.14 (0.13)	1.70*** (0.33)
CCI (Lag 1)			-1.38*** (0.27)
FEI (Lag 2)			0.38* (0.19)
GDP	1.20*** (0.36)	0.77*** (0.26)	
GDP (Lag 1)	1.18** (0.43)	-0.16 (0.30)	
GDP (Lag 2)	0.92* (0.45)	-0.02 (0.29)	
Govt expenditure	0.99 (1.02)	1.38** (0.61)	
WACR# (Lag 1)	-0.28* (0.16)	-0.21*** (0.10)	
Residual standard error	8.64	5.08	0.69
Multiple R-squared	0.92	0.88	0.64
Adjusted R-squared	0.81	0.70	0.56
F-statistic	8.12***	4.82***	7.43***

Notes: 1. Seasonal variables have been seasonally adjusted, and the analysis has been conducted using the difference of WACR and log differences of other variables. The bi-monthly survey results have been converted to a quarterly frequency by aligning them with the reference periods of the corresponding survey rounds.
2. Figures in parenthesis denote corresponding standard errors.
3. CCI: Current Confidence Index; FEI: Future Expectations Index; WACR: Weighted Average Call Rate.

: Co-efficients for subsequent immediate lags are also significant.
*** p<0.01, ** p<0.05, * p<0.1

The results suggest that macroeconomic conditions (especially GDP growth and policy rate) impact consumer sentiment, which in turn is found to have a positive relationship with private consumption (Table III.1.1). GDP growth influences both Current Confidence Index and Future Expectations Index, underscoring its role as a key economic signal. Policy rate changes also impact both the Current Confidence Index and the Future Expectations Index in the positive direction, although the extent of impact varies across lags, reflecting dynamic adjustment in consumers' expectations. The findings of the ARDL model suggest that the Current Confidence Index and lagged Future Expectations Index have a statistically significant positive relationship with private consumption. The negative effect of the lagged Current Confidence Index may reflect adjustments based on past uncertainties. Overall, the results indicate the working of a feedback loop wherein macroeconomic conditions impact consumer sentiment, which in turn affects private consumption. Thus, consumer sentiments could provide valuable insights into the evolving trends in private consumption that contribute significantly to aggregate demand.

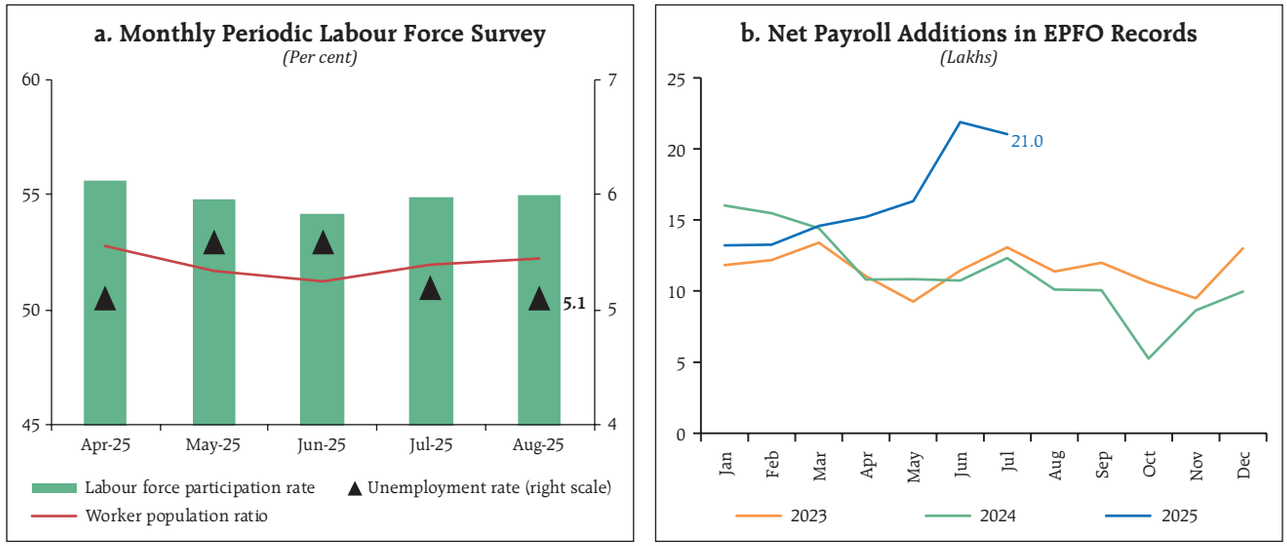
References:

Ilut, C., and Saijo, H. (2021). Learning, confidence, and business cycles. *Journal of Monetary Economics*, 117, 354-376.

Lahiri, K., Monokroussos, G., and Zhao, Y. (2016). Forecasting consumption: The role of consumer confidence in real time with many predictors. *Journal of Applied Econometrics*, 31(7), 1254-1275.

Rural demand continues to remain resilient on the back of robust *rabi* and summer crops production, and a positive outlook for *kharif* output conditioned by the above-normal south-west monsoon. Tractor sales remained upbeat during July-August 2025, and motorcycle sales witnessed a revival during this period after contracting in preceding months. The demand for work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) dropped significantly in July-August, reflecting an improvement in farm sector employment. The strong growth in fast-moving consumer goods sales in rural areas also attests to buoyant demand conditions (Table III.2). The above normal south-west monsoon (SWM) rainfall, higher cumulative *kharif* sowing and improved reservoir level augur well for sustaining the momentum in rural demand.

Chart III.3: Employment Situation in India



Sources: Ministry of Statistics and Programme Implementation (MoSPI); and Employees' Provident Fund Organisation (EPFO).

Employment conditions remained steady in 2025-26. The labour force participation rate (LFPR) and the worker population ratio (WPR) as per the monthly Periodic Labour Force Survey (PLFS) improved for both rural and urban areas. The unemployment rate declined to 5.1 per cent in August 2025 (Chart III.3a). The Employees' Provident Fund Organisation (EPFO) payroll data also indicate strengthening of formal employment as average net payroll additions during April-July rose to 17.3 lakh (Chart III.3b).

III.1.2 Gross Fixed Capital Formation

Gross fixed capital formation expanded at a strong pace in Q1:2025-26, aided by robust government capex. The share of gross fixed capital formation in GDP improved to 34.6 per cent in Q1 from 33.9 per cent in the previous quarter. The congenial financial conditions, engendered by monetary policy easing, along with healthy twin balance sheets (banks and corporates) and rising capacity utilisation continue to support fixed investment. Among coincident indicators of construction activity, steel consumption and cement production, exhibited strong growth during July-August 2025, sustaining healthy momentum. Domestic production of capital goods recorded modest growth in July after witnesing strong growth in Q1. Import of capital goods grew sharply in July before contracting in the month of August (Table III.3).

Capacity utilisation in the manufacturing sector[1] increased marginally to 74.1 per cent in Q1:2025-26 from the same quarter last year. Seasonally adjusted capacity utilisation at 75.8 per cent in Q1, increased by 30 basis points from the previous quarter and was well above the long-period average of 73.9 per cent[2] (Chart III.4). Stretched capacity utilisation generally necessitates new capacity additions to keep pace with underlying domestic demand. Funds raised for capex by private corporates during Q1 through the different channels (Banks/Financial Institutions, External Commercial Borrowings, Initial Public Offerings) remained stable, despite heightened uncertainties.

[1] Based on RBI's survey of order books, inventories, and capacity utilisation.

[2] Long term average is for the period Q1:2008-09 to Q1:2025-26 excluding Q1:2020-21.

Table III.3: Indicators of Investment Demand

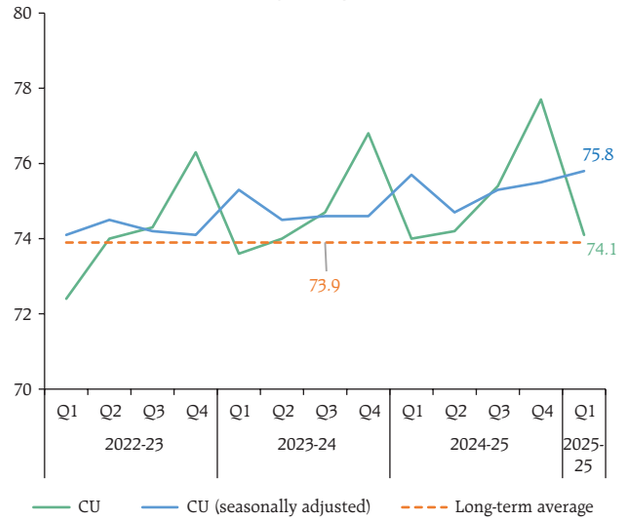
(Y-o-y, per cent)

Indicators	2024-25				2025-26		
	Q1	Q2	Q3	Q4	Q1	Jul	Aug
Import of capital goods	10.0	11.7	6.0	7.9	14.3	12.0	-1.3
IIP: Capital goods	3.0	4.9	7.4	7.0	9.8	5.0	
Finished steel consumption	15.3	11.8	7.8	11.9	7.9	7.3	10.0
Cement production	0.4	3.2	8.7	12.4	8.0	11.6	6.1

Sources: Directorate General of Commercial Intelligence and Statistics (DGCI&S); NSO; Joint Plant Committee; and Office of Economic Adviser.

Chart III.4: Capacity Utilisation in Manufacturing

(Per cent)



Source: RBI staff estimates.

On the other hand, private capex, especially in export-intensive sectors, faced headwinds from global trade uncertainty (Box III.2).

The interest coverage ratio (ICR)[3] of the listed private manufacturing companies improved in Q1:2025-26, indicating strong debt servicing capacity. Within the services sector, while interest coverage ratio of non-IT services remained stable above the threshold level of one, the elevated interest coverage ratio of IT firms inched up further (Table III.4). This, in conjunction with congenial financial conditions and improving domestic demand, should encourage firms to undertake new capacity creation.

Box III.2: External Demand and Fixed Investment Dynamics: An Empirical Investigation with Firm-level Data

Significant deleveraging of corporate balance sheets took place post-COVID, owing to improved profitability and easy financial conditions. Strengthening of balance sheets generally tends to have positive impact on corporates' investment (Gupta *et al.*, 2023; Wang *et al.*, 2013). The healthy balance sheet of the banking sector coupled with congenial financial conditions have eased the financing constraints of corporates for investments. Notwithstanding all these supporting factors, the revival in corporate investment cycle is yet to become broad-based, as new investment is witnessed only in a few select sectors.

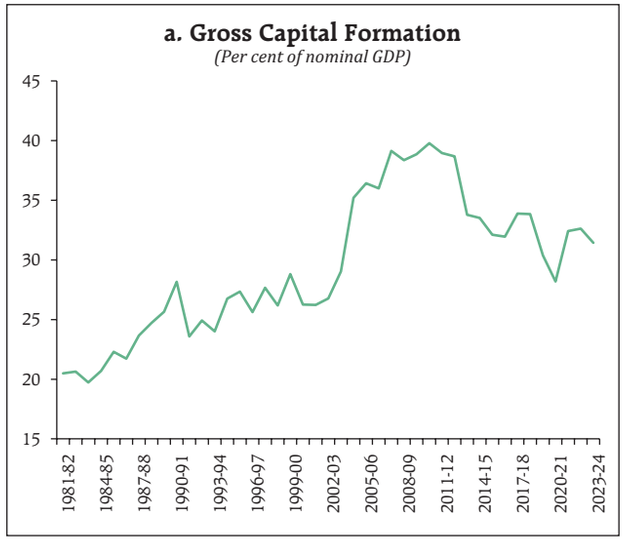
The extant literature underlines the importance of foreign market access (exports) and uncertainty in firms' investment decisions. In this regard, Fabling and Sanderson (2013) emphasised that exports provide stable cash flows and ease financial constraints, often leading to firms' increased investment in fixed assets. In India too, it has been observed that investment and exports move in tandem, suggesting that export performance boosts investment (Chart III.2.1).

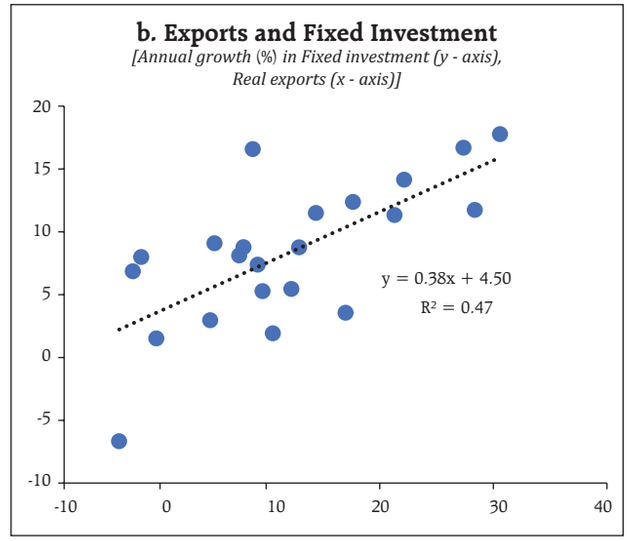
In this backdrop, a fixed effects panel regression is estimated, based on data spanning 2004 to 2024, to examine the impact of exports on firms' investment in fixed assets. The change in firms' investment in fixed capital is taken as dependent variable. Apart from firms' exports earnings, firm-level control variables

(Contd.)

[3] Interest coverage ratio is the ratio of earnings before interest and taxes (EBIT) to interest expenses and measures a company's capacity to make interest payments on its debt. The minimum value for a viable ICR is 1.

Chart III.2.1: Investment trends





Sources: Ministry of Statistics and Programme Implementation (MoSPI); and RBI staff estimates.

(interest coverage ratio) and aggregate merchandise exports are considered as explanatory variables. The results suggest that export growth at both the firm level and at the aggregate level has a statistically significant positive impact on fixed investment growth (Table III.2.1). Exporting firms' investment is roughly 1 per cent more than that of non-exporting firms. Even after controlling for firm leverage, export-oriented firms invest about 0.28 per cent higher than non-exporting firms. Based on these results, it may be inferred that elevated global economic uncertainty due to multiple shocks post COVID coupled with uneven export performance during the last few years, may also be contributing to a delayed revival in private corporate investment cycle.

Table III.2.1: Relationship between Exports and Corporate Investment (2004-2024)

Variables	I	II	III	IV	V	VI
ICR (lag 1)		0.12***				
		(0.005)				
Export Firm	0.95***	0.28*				
	(0.141)	(0.146)				
Taper tantrum						-0.29***
						(0.009)
Forex earnings growth			0.03***	0.02***	0.02***	0.02***
			(0.001)	(0.001)	(0.001)	(0.001)
Exports growth					0.06***	0.24***
					(0.004)	(0.008)
Constant	14.35***	12.05***	13.50***	18.58***	12.98***	12.34***
	(0.081)	(0.099)	(0.028)	(0.399)	(0.044)	(0.053)
Observations	115,694	91,300	104,271	104,271	104,271	104,271
R-squared	0.000	0.006	0.008	0.058	0.011	0.026
Number of firms			14,655	14,655	14,655	14,655
Firm FE			YES	YES	YES	YES
Year FE				YES	NO	NO

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Notes: 1. Export Firm is defined as firms with exports to sales ratio higher than 30 per cent.

2. Investment is defined as ratio of the annual change in fixed asset with total fixed asset as at end of the financial year.

References

Fabling, R., & Sanderson, L. (2013). Exporting and firm performance: Market entry, investment and expansion. *Journal of International Economics*, *89*(2), 422-431.

Gupta, K., Kumar, S., & Gulati, S. (2023). Drivers of Corporate Investment in India: Assessing the Impact of Monetary Policy and COVID. *South Asia Economic Journal*, *24*(2), 216-251

Wang, J., Gochoco-Bautista, M. S., & Sotocinal, N. R. (2013). Corporate investments in Asian emerging markets: Financial conditions, financial development, and financial constraints. *Asian Development Bank Economics Working Paper Series*, (346).

Table III.4: Interest Coverage Ratio

(Ratio)

Industry	2023-24				2024-25				2025-26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	6.8	7.5	7.4	7.5	7.9	7.9	7.6	8.7	9.1
Services (non-IT)	1.6	1.4	1.8	1.7	1.8	1.7	2.1	2.1	2.1
IT	44.5	43.2	41.2	44.1	42.9	45.6	40.9	44.0	44.3

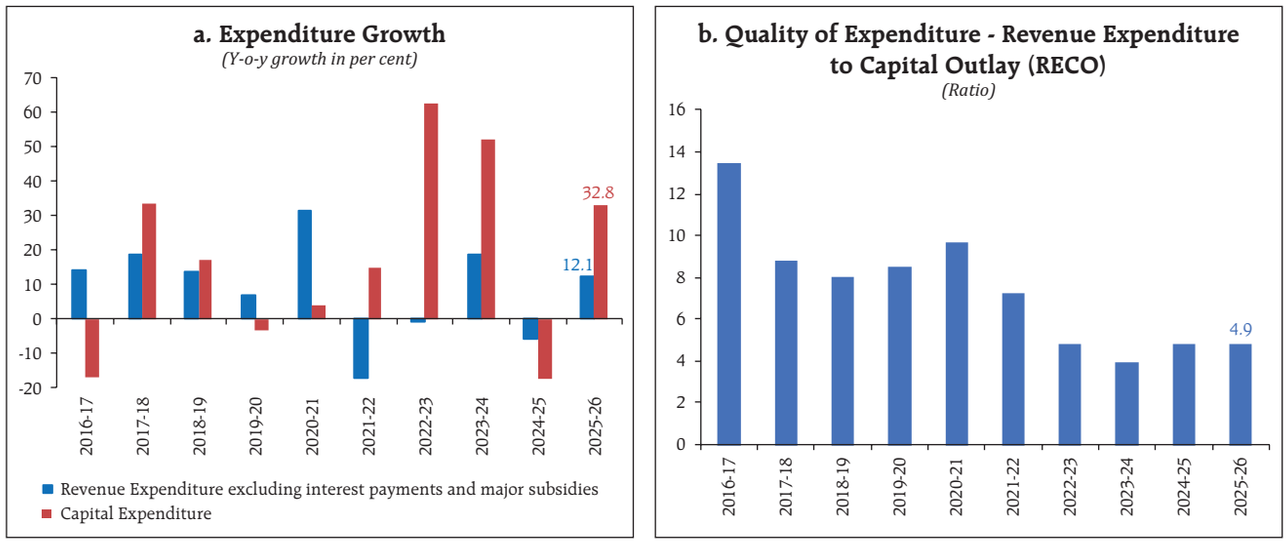
Note: Data for Q1:2025-26 are based on results of 3,079 listed non-government non-financial companies.
Source: RBI staff estimates.

III.1.3 Government Consumption

Government final consumption expenditure grew by 7.4 per cent (y-o-y) during Q1:2025-26, as against a contraction in the preceding quarter (Table III.1). Revenue expenditure of the central government (excluding interest payments and major subsidies) recorded double-digit growth during April-July 2025. This marks a significant turnaround from a modest increase in Q4:2024-25 and a contraction in the corresponding period of the previous year. Capital expenditure registered a high growth of 32.8 per cent in April-July (Chart III.5a). On an annual basis, the central government's revenue expenditure to capital outlay (RECO) ratio has been moderating since 2020-21, indicating sustained improvement in the quality of expenditure. During April-July 2025, this ratio remained close to corresponding level of last year (Chart III.5b). This reflects the government's continued thrust on fiscal consolidation without compromising the quality of expenditure. Continued fiscal consolidation and improvement in the quality of government expenditure, along with strong macroeconomic fundamentals, have contributed to India's sovereign rating upgrade by S&P Global Ratings in August 2025- the first upgrade in 18 years.

On the revenue receipts front, the central government's gross tax revenue recorded a muted growth of 0.8 per cent during April-July 2025. Indirect tax revenue rose by 6.7 per cent, buoyed by higher receipts from goods and services tax and union excise duties. Direct tax collections, on the other hand, recorded a decline of 4.0 per cent, mainly due to contraction in personal income tax collections (Table III.5). Gross goods and services tax collections (Centre *plus* States) expanded by 9.9 per cent during April-August 2025, underscoring the sustained momentum in economic activity (Chart III.6). The central government has recently undertaken a detailed overhaul of the GST framework, encompassing three pillars – structural reforms, rate rationalisation

Chart III.5: Centre's Expenditure: April - July



Sources: Controller General of Accounts (CGA); and RBI staff estimates.

Table III.5: Central Government's Tax Collections

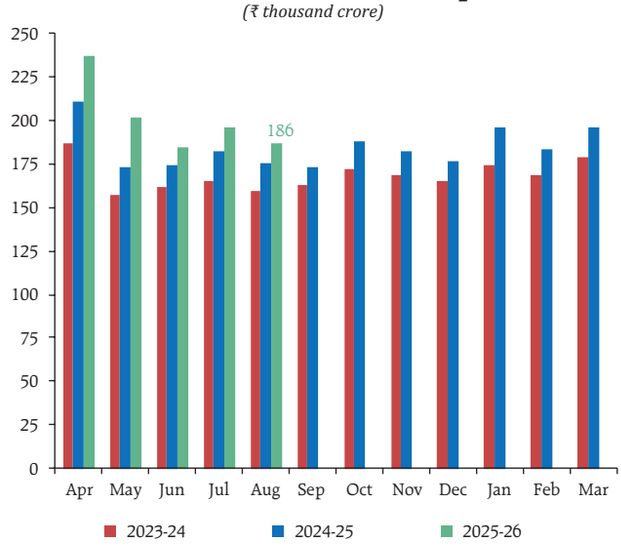
Item	₹ thousand crore				Per cent			
	BE		Actuals		Per cent to BE		Growth Rate	
	2023-24	2024-25	Apr-Jul 2024	Apr-Jul 2025	Apr-Jul 2024	Apr-Jul 2025	Apr-Jul 2024	Apr-Jul 2025
A. Direct taxes	**2,207**	**2,520**	**596**	**572**	**27.0**	**22.7**	**35.9**	**-4.0**
Of which								
1. Corporation tax	1,020	1,082	185	199	18.1	18.4	4.8	7.6
2. Income tax	1,150	1,360	394	355	34.3	26.1	53.4	-9.9
B. Indirect taxes	**1,633**	**1,750**	**488**	**521**	**29.9**	**29.8**	**7.1**	**6.7**
Of which								
1. Total GST	1,067	1,183	341	375	32.0	31.7	9.5	9.8
2. Custom duties	238	240	68	61	28.4	25.2	3.8	-10.4
3. Union excise duties	319	317	77	84	24.1	26.5	0.8	9.3
C. Gross tax revenue	**3,840**	**4,270**	**1084**	**1093**	**28.2**	**25.6**	**21.3**	**0.8**
D. Assignment to States/UTs	**1,247**	**1,422**	**367**	**429**	**29.4**	**30.1**	**18.5**	**16.9**
E. Net tax revenue	**2,583**	**2,837**	**715**	**662**	**27.7**	**23.3**	**22.8**	**-7.5**

Note: BE: Budget Estimates.
Sources: Union Budget Documents; and Controller General of Accounts (CGA).

and ease of living. The GST rate structure has been converted mainly into two slabs of 5 per cent and 18 per cent with a special 40 per cent rate for luxury and sin goods.[4]

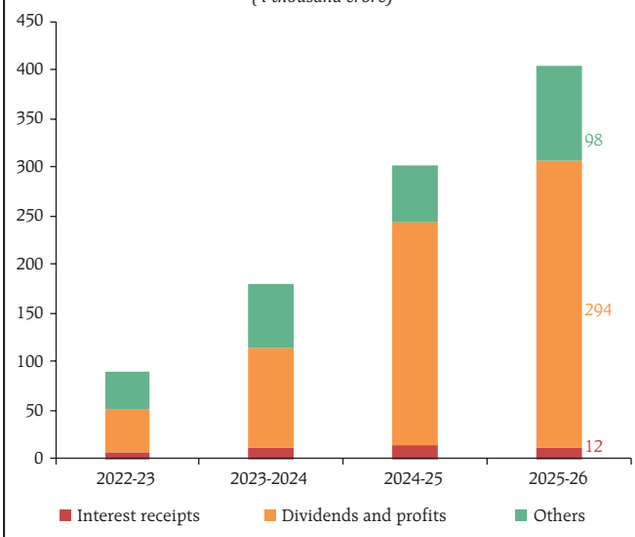
Non-tax revenue of the central government posted a high growth of 33.7 per cent during April-July 2025, mainly due to the large surplus transfer of ₹2.69 lakh crore by the Reserve Bank of India in May 2025 (Chart III.7). Centre's gross fiscal deficit stood at 29.9 per cent of its full year budget estimates (BE) during April-July 2025, higher than 17.2 per cent recorded in the same period last year.

Chart III.6: GST Collections (Centre plus States)
(₹ thousand crore)



Sources: Press information bureau (PIB); and GST website.

Chart III.7: Centre's Non-tax Revenue: April-July
(₹ thousand crore)



Source: Controller General of Accounts (CGA).

[4] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2156708

Table III.6: State Government Finances - Key Deficit Indicators

(Per cent to GDP)

	2023-24	2024-25 (PA)	2025-26 (BE)
Revenue deficit	0.3	0.6	0.2
Gross fiscal deficit	2.9	3.3	3.3
Primary deficit	1.2	1.7	1.5

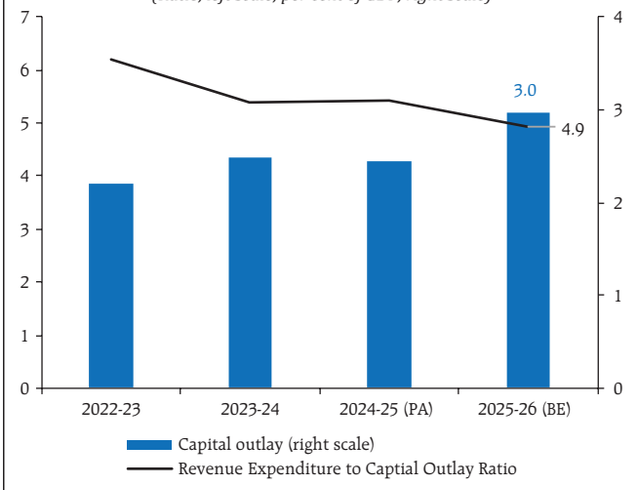
Notes: 1. Data pertain to 31 States/UTs.
2. PA: Provisional Accounts; BE: Budget Estimates.
Sources: Budget Documents of State/UTs; and Comptroller and Auditor General (CAG) of India.

The consolidated gross fiscal deficit of State governments and Union Territories is budgeted at 3.3 per cent of GDP for 2025–26, same as in the provisional estimates of 2024-25 (Table III.6). State governments continue to prioritise capital expenditure, as evidenced by an improvement in the Revenue Expenditure to Capital Outlay (RECO) ratio, which moderated to 4.9 in 2025-26 (BE) from 6.2 in 2022-2023 (Chart III.8). The states' capital expenditure is also supported by the central government through the 'Scheme for Special Assistance to States for Capital Investment', under which ₹1.5 lakh crore has been allocated for 2025-26.

As per the available data for April-July 2025, the key deficit indicators of state governments, as a proportion of their budget estimates, were higher compared to the corresponding period of last year, primarily due to deceleration in revenue receipts growth (Chart III.9a). The slowdown in receipts was led by moderation in the growth of state goods and service tax and sales tax/Value Added Tax (VAT) collections, even as state excise duties and stamp duties and registration fees remained robust. Non-tax revenues increased at a slower pace relative to the

Chart III.8: States' Capital Outlay

(Ratio, left scale; per cent of GDP, right scale)

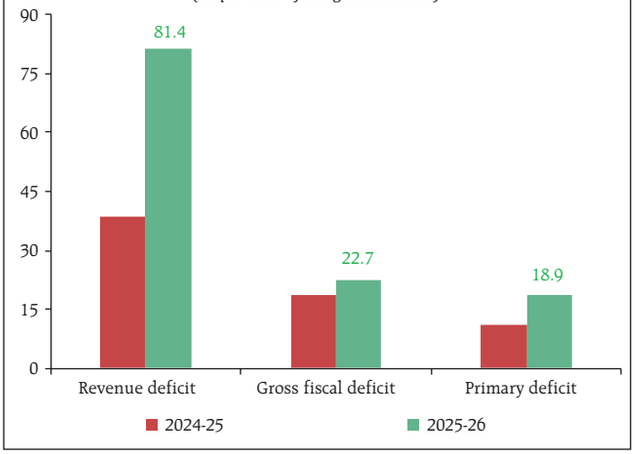


Notes: 1. Data pertain to 31 States/UTs.
2. PA: Provisional Accounts; BE: Budget Estimates.
Sources: Budget Documents of States/UTs; and CAG.

Chart III.9: States' Key Fiscal Performance Indicators: April-July

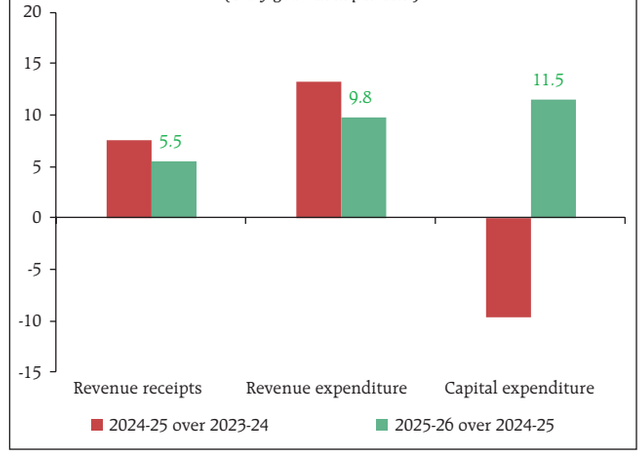
a. Deficit Indicators

(As per cent of budget estimates)



b. Revenue and Expenditure

(Y-o-y growth in per cent)



Note: Data pertain to 24 States/UTs.
Source: CAG.

previous year and grants from the central government contracted further. On the expenditure front, revenue expenditure growth remained robust and capital expenditure recorded a sharp upturn, aided partly by the low base (Chart III.9b).

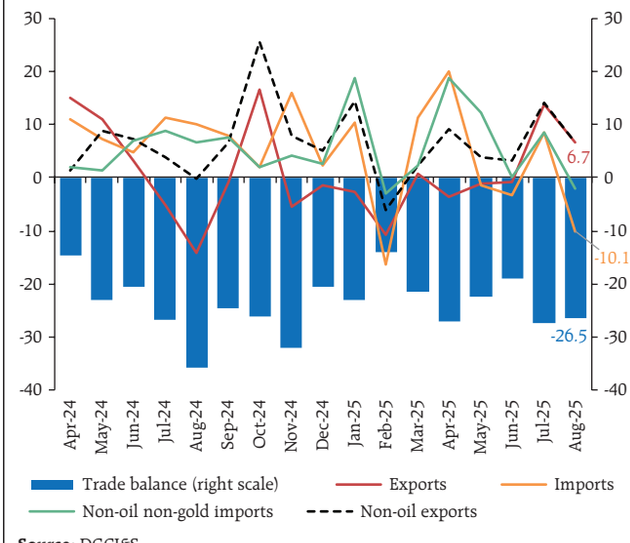
In the Union Budget for 2025-26, gross and net market borrowings through dated securities were provided at ₹14.8 lakh crore and ₹11.5 lakh crore, respectively. During the H1:2025-26 (up to September 26, 2025), gross market borrowings raised by the centre stood at ₹7.95 lakh crore, constituting 53.6 per cent of the annual budgeted amount (Table III.7). The weighted average cost of the issuances at 6.6 per cent was lower than 7.0 per cent in 2024-25. The weighted average maturity of the issuances declined to 19.6 years from 20.7 years in the previous fiscal. During H2:2025-26, the centre is expected to raise ₹6.8 lakh crore through dated securities. States mobilised ₹4.7 lakh crore through gross market borrowings during H1 (up to September 26, 2025), as against the indicative calendar amount of ₹5.6 lakh crore. In order to bridge temporary mismatches between receipts and expenditures, the Ways and Means Advances (WMA) limit for the central government was fixed at ₹1.5 lakh crore for H1:2025-26 and has been revised to ₹50,000 crore for H2.

III.1.4 External Demand

Amidst persisting global trade uncertainty, India's merchandise exports exhibited uneven performance. During April-August 2025, merchandise exports (in US dollar terms) registered an expansion of 2.5 per cent, while merchandise imports rose by 2.1 per cent. The merchandise trade deficit during April-August 2025 widened marginally to US$122.4 billion from US$120.5 billion in the same period last year (Chart III.10). Services exports maintained buoyancy with double digit growth during April-July 2025. According to provisional estimates released by the National Statistical Office (NSO), real exports and imports of goods and services grew by 6.3 per cent and 10.9 per cent, respectively, in Q1:2025–26 (Table III.1).

Chart III.10: Merchandise Trade

(Y-o-y growth in per cent, left scale; US$ billion, right scale)



Source: DGCI&S.

The increase in merchandise exports during H1:2025-26 (April-August) was primarily driven by strong performances in electronic goods, engineering goods, pharmaceuticals, marine products, and readymade garments. On the other hand, petroleum products, iron ore, oil meals, cotton yarn, fabrics, made ups, and handloom products dragged down the overall export growth. Exports of petroleum, oil, and lubricants (POL) declined by 19.4 per cent y-o-y, amounting to US$ 26.1 billion during April-August 2025. In contrast, non-POL, non-gems and jewellery exports posted a robust growth of 7.8 per cent,

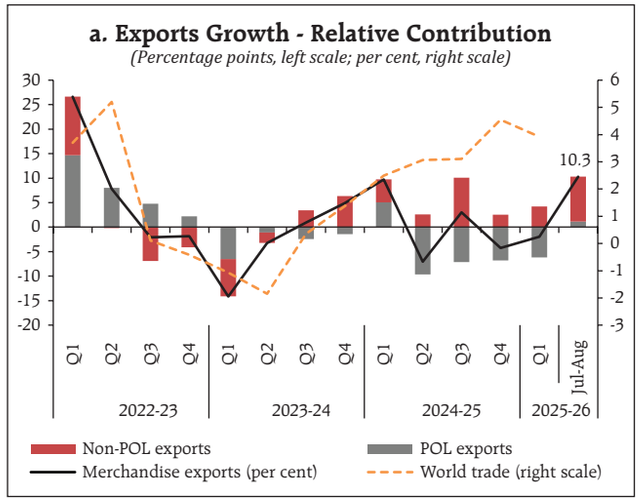
Table III.7: Government Market Borrowings

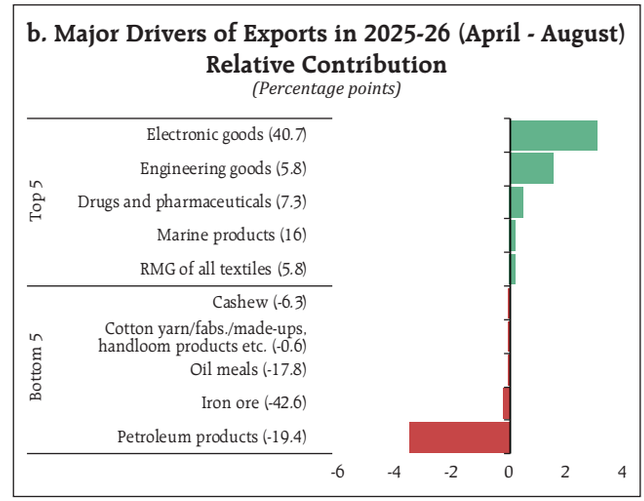
(₹ crore)

	2024-25			2025-26 (till September 26, 2025)		
	Centre	States	Total	Centre	States	Total
Net borrowings	11,62,879	7,53,345	19,16,224	5,88,299	3,21,992	9,10,291
Gross borrowings	14,00,697	10,73,310	24,74,007	7,95,000	4,66,692	12,61,692

Sources: Government of India (GoI); and RBI staff estimates.

Chart III.11: Merchandise Exports



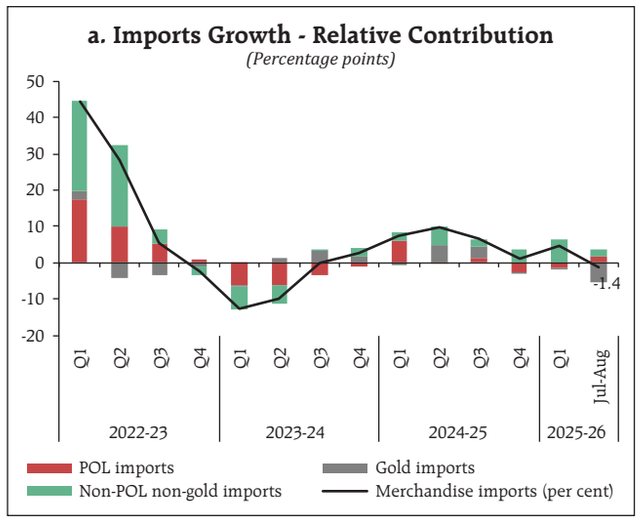


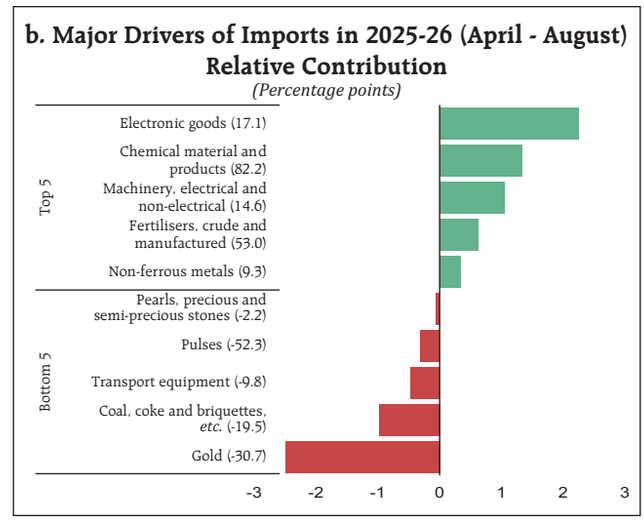
Notes: 1. World trade data is available up to June 2025.
2. Figures in parentheses in chart b are y-o-y percent change in exports of the commodity during the period.
Sources: DGCI&S; CPB Netherlands; and RBI staff estimates.

reaching US$ 146.7 billion during the same period (Chart III.11).

The growth in merchandise imports during H1:2025-26 (April-August) was primarily driven by imports of electronic goods, chemical materials and products, machinery (both electrical and non-electrical), fertilisers, and non-ferrous metals. On the other hand, imports of gold, coal, coke and briquettes, transport equipment, pulses, and pearls, precious and semi-precious stones declined, dampening overall growth in imports. Petroleum, oil, and lubricants (POL) imports contracted marginally by 0.1 per cent to US$ 78.1 billion during this period. On the contrary, non-POL, non-gold imports saw a robust expansion of 7.1 per cent, reaching US$ 211.5 billion, indicating strong domestic demand (Chart III.12).

Chart III.12: Merchandise Imports





Note: Figures in parentheses in chart b are y-o-y percent change in imports of the commodity during the period.
Sources: DGCI&S; and RBI staff estimates.

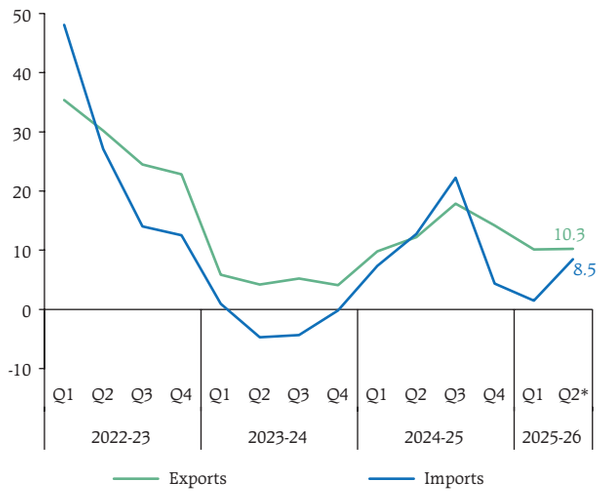
India's services exports remained buoyant during April-July 2025, registering a robust growth of 10.1 per cent, supported by sustained global demand for Indian services (Chart III.13). The expansion was primarily driven by strong performance in software and business services. Reflecting this resilience, India retained its position among the top five service-exporting nations in terms of export growth in Q1:2025-26. Services imports growth moderated to 1.5 per cent in Q1:2025-26 but accelerated to 8.5 per cent in July.

On a balance of payments basis, India's current account deficit (CAD) stood at 0.2 per cent of GDP in Q1:2025-26, as against 0.9 per cent in Q1:2024-25. This improvement in CAD was underpinned by robust services exports and strong inflow of remittances that significantly offset the high merchandise trade deficit (Chart III.14). Amidst heightened global uncertainty, India continues to receive robust private remittances (US$ 35.3 billion during Q1:2025-26) and remain the largest recipient of private remittances in the world.

On the financial account, gross inward foreign direct investment (FDI) was resilient in 2024-25, expanding by 13.1 per cent to US$ 80.6 billion. On a net basis, FDI inflows moderated significantly to US$ 1.0 billion, largely due to elevated repatriations and outward FDI. Global investment sentiment has also weakened, as evidenced by a contraction in global FDI flows[5] for the second consecutive year in 2024. During April-July 2025, gross FDI inflows remained strong at US$ 37.7 billion, underscoring India's continued appeal as a preferred investment destination. Net FDI inflows at US$ 10.8 billion during this period was also higher as compared to US$ 3.5 billion a year ago, primarily on account of a rise in grows inflows and a moderation in FDI repatriation. Singapore, the United States, Mauritius, the United Arab Emirates and the Netherlands emerged as the top sources of FDI in April-July 2025, collectively accounting for 76.0 per cent of total inflows. Manufacturing, computer services, business services, communication services, and electricity generation and distribution attracted the bulk of FDI equity inflows, comprising 74.2 per cent of the total.

Chart III.13: Services Trade

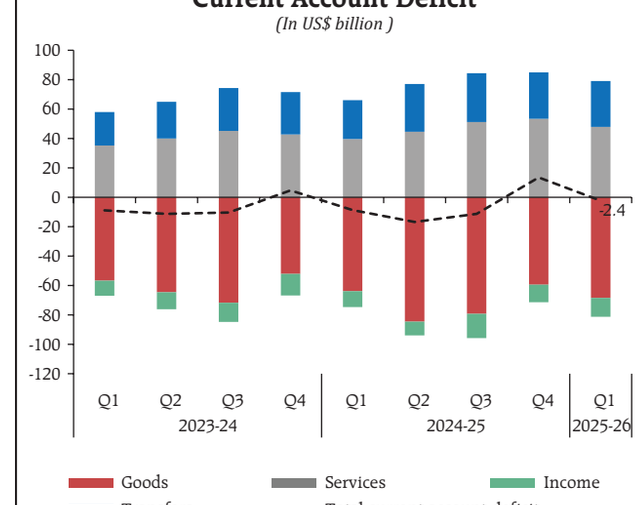
(Y-o-y growth in per cent)



Note: * Data is for July 2025
Source: RBI.

Chart III.14: Components of Current Account Deficit

(In US$ billion)



Source: RBI.

5 Excluding financial flows from European conduit economies with elevated volatility.

Table III.8: Net Foreign Direct and Portfolio Investment

(US$ billion)

	2023-24				2024-25				2025-26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net FDI	4.7	-0.8	4.0	2.3	6.2	-2.8	-2.8	0.4	5.7	5.0#
Net FPI	16.1	5.3	11.7	11.6	0.9	19.8	-11.4	-6.0	2.5	-5.5*

Notes: #: Data is for July 2025.

*: Net FPI data for Q1:2025-26 are based on balance of payments (BoP) statistics of RBI, while data for Q2:2025-26 is sourced from daily data, published by NSDL; and data is up to September 26

Sources: National Securities Depository Limited (NSDL); and RBI.

Persistent geopolitical tensions, rise in global trade barriers, heightened policy uncertainty, and elevated U.S. bond yields have collectively dampened foreign investors sentiment towards emerging market economies, especially in equity inflows in recent years. Reflecting this sentiment, foreign portfolio investment in India recorded a net outflow of US$ 3.0 billion during H1:2025-26 (up to September 26), mainly owing to outflows in the equity segment. Notably, FPI flows had turned positive in Q1:2025-26 after two consecutive quarters of outflows, indicating a brief recovery in investor confidence (Table III.8). This momentum reversed in Q2 (up to September 26), as global risk aversion intensified, compounded by U.S. tariffs.

External commercial borrowing inflows decreased to US$ 3.7 billion during April-August 2025 from US$ 4.9 billion a year earlier. Of these borrowings, approximately 60.6 per cent were hedged, reflecting a prudent approach in the wake of high global financial volatility. Net accretions to non-resident deposits during April-July 2025 moderated to US$ 4.7 billion from US$ 5.8 billion in the same period last year. This decline was driven mainly by reduced inflows in Foreign Currency Non-Resident Bank [FCNR(B)] deposits. As of September 19, 2025, India's foreign exchange reserves stood at US$ 702.6 billion, sufficient to cover 11.5 months of annualised merchandise imports (on a balance of payments basis) or 95.4 per cent of the country's outstanding external debt as of end-March 2025.

III.2 Aggregate Supply

Aggregate supply – measured by real gross value added at basic prices – expanded by 7.6 per cent in Q1:2025-26 (6.8 per cent in the preceding quarter) – marking a six-quarter high supported by a recovery in manufacturing and buoyancy in services. Manufacturing and all four major subsectors of services recorded strong growth and cumulatively contributed around 94.3 per cent to total gross value added (Table III.9). The seasonally adjusted momentum of gross value added moderated in Q1 from the previous quarter (Chart III.15b).

III.2.1 Agriculture

Agriculture sector prospects remain favourable, supported by above normal monsoons, adequate reservoir levels, and supportive policy interventions. Real gross value added in the agriculture, forestry, and fishing sector expanded by 3.7 per cent in Q1:2025-26, lower than 5.4 per cent in Q4:2024-25 but higher than 1.5 per cent in the same period of last year. Southwest monsoon commenced eight days ahead of its normal schedule,[6] and gained significant momentum, covering the entire country by June 29. As of September 26, 2025, the cumulative rainfall was 7 per cent above the Long Period Average (Chart III.16a). Regionally, rainfall exceeded the Long Period Average across all regions, except in East and Northeast India.

Kharif sowing recorded an increase of 0.6 per cent as on September 26, 2025 over the last year, on the back of good progress of southwest monsoon and

[6] https://internal.imd.gov.in/press_release/20250524_pr_3998.pdf

Table III.9: Real Gross Value Added Growth

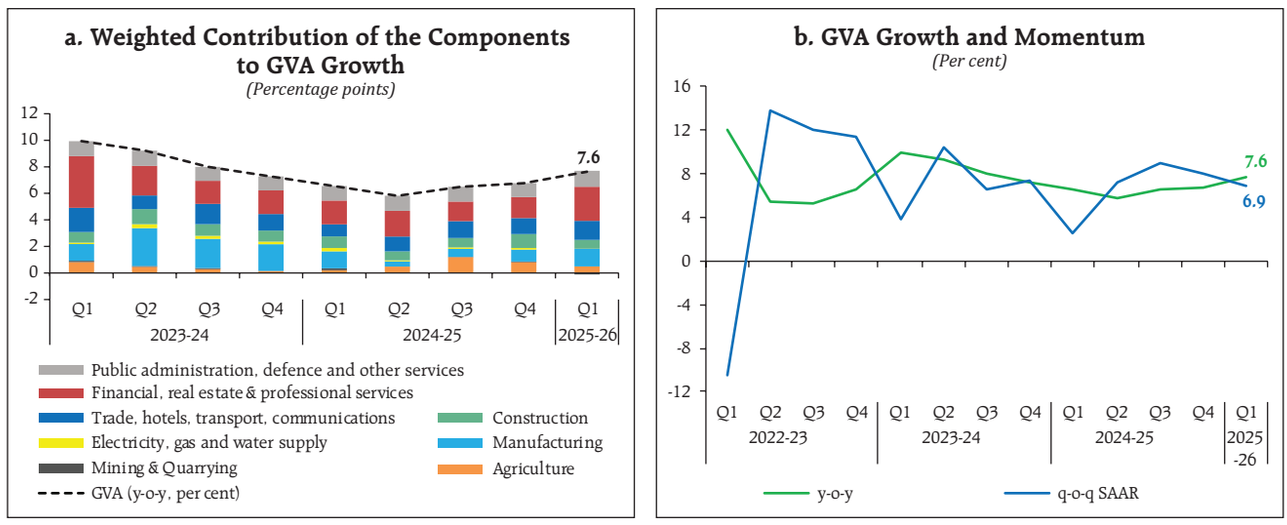
(Y-o-y, per cent)

Sector	2023-24	2024-25	Weighted Contribution		2023-24				2024-25				2025-26
	(FRE)	(PE)	2022-23	2023-24	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry and fishing	**2.7**	**4.6**	**0.4**	**0.7**	**5.7**	**3.7**	**1.5**	**0.9**	**1.5**	**4.1**	**6.6**	**5.4**	**3.7**
Industry	**11.0**	**4.5**	**2.4**	**1.0**	**6.6**	**15.3**	**12.6**	**9.9**	**7.8**	**2.1**	**3.5**	**4.7**	**5.8**
Mining and quarrying	3.2	2.7	0.1	-0.2	4.1	4.1	4.7	0.8	6.6	-0.4	1.3	2.5	-3.1
Manufacturing	12.3	4.5	2.1	5.4	7.3	17.0	14.0	11.3	7.6	2.2	3.6	4.8	7.7
Electricity, gas, water supply and other utilities	8.6	5.9	0.2	-0.5	4.1	11.7	10.1	8.8	10.2	3.0	5.1	5.4	0.5
Services	**9.2**	**7.5**	**5.8**	**4.8**	**12.1**	**8.3**	**8.5**	**8.0**	**7.2**	**7.4**	**7.5**	**7.9**	**9.0**
Construction	10.4	9.4	0.9	8.7	9.2	14.6	10.0	8.7	10.1	8.4	7.9	10.8	7.6
Trade, hotels, transport, communication	7.5	6.1	1.4	-7.3	11.0	5.4	8.0	6.2	5.4	6.1	6.7	6.0	8.6
Financial, real estate and professional services	10.3	7.2	2.4	-1.3	15.0	8.3	8.4	9.0	6.6	7.2	7.1	7.8	9.5
Public administration, defence and other services	8.8	8.9	1.1	0.8	9.3	8.9	8.4	8.7	9.0	8.9	8.9	8.7	9.8
GVA at basic prices	**8.6**	**6.4**	**8.6**	**6.4**	**9.9**	**9.2**	**8.0**	**7.3**	**6.5**	**5.8**	**6.5**	**6.8**	**7.6**

Note: FRE: First revised estimates; PE: Provisional estimates.
Sources: NSO; and RBI staff estimates.

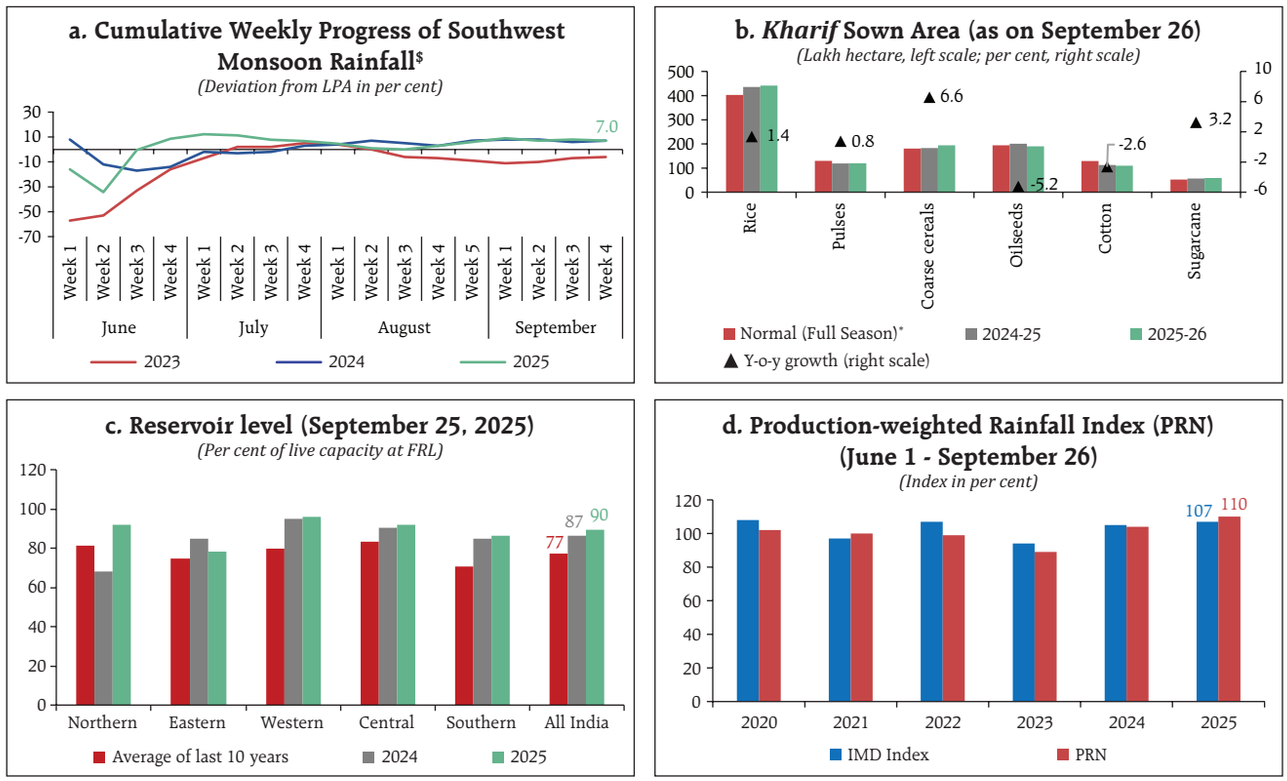
also exceeding season's normal sown area. The rise in *kharif* acreage was primarily led by rice, maize, urad and sugarcane (Chart III.16b). As of September 25, 2025, reservoir levels stood at 90 per cent of total capacity, exceeding the levels recorded a year ago as well as the decadal average (Chart III.16c). Furthermore, as of September 26, 2025, the production-weighted rainfall index (PRN) stood at 110 per cent, indicating relatively higher rainfall in major foodgrain producing states (Chart III.16d). Adequate soil moisture conditions coupled with healthy reservoir storage are expected to boost the *Rabi* prospects.

Chart III.15: Gross Value Added Growth and its Constituents



Note: SAAR – Seasonally adjusted annualised rate.
Sources: NSO; and RBI staff estimates.

Chart III.16: Progress of Rainfall, Reservoir Level and *Kharif* Sowing



Notes: *Normal area is the average of 5 years - 2019-20 to 2023-24.
$Rainfall for 2025 is till September 26;
FRL: Full Reservoir Level; PRN: Production-weighted Rainfall Index
Sources: India Meteorological Department (IMD); Central Water Commission (CWC); Ministry of Agriculture and Farmers' Welfare (MoAFW); and RBI staff estimates.

According to the third advance estimates of crops production for 2024-25, total foodgrain output increased by 6.5 per cent to 3,540 lakh tonnes. Except for sugarcane, cotton, and jute and mesta, all major crops have recorded an increase in production (Table III.10).

The Government announced Minimum Support Prices for *kharif* crops for the 2025-26 marketing season, increasing in the range of 1.0-13.9 per cent.[7] The relative changes in Minimum Support Price are expected to promote crop diversification, address demand-supply imbalances, and foster sustainable agricultural practices.

III.2.2 Industry

Gross value added of the industrial sector expanded by 5.8 per cent in Q1:2025-26, as compared to 4.7 per cent in the previous quarter (7.8 per cent a year ago). This was primarily driven by a rebound in manufacturing activity with improving profit margins due to low input costs. Mining and quarrying contracted, while electricity, gas, water supply, and other utility services increased marginally during Q1 (Chart III.17).

Index of industrial production (IIP) expanded by 2.0 per cent during April-July 2025 (Table III.11). As alluded to earlier, the expansion in industrial production was mainly driven by higher growth in manufacturing output, which registered a six-month high in July. Mining and quarrying output contracted during April-July 2025, partly owing to monsoon-related disruptions. Electricity generation remained muted, due to lower than usual summer

[7] https://desagri.gov.in/wp-content/uploads/2025/06/MSP-Notification-KMS-2025-26-English.pdf

Table III.10: Agricultural Production in 2024-25

(Lakh tonnes)

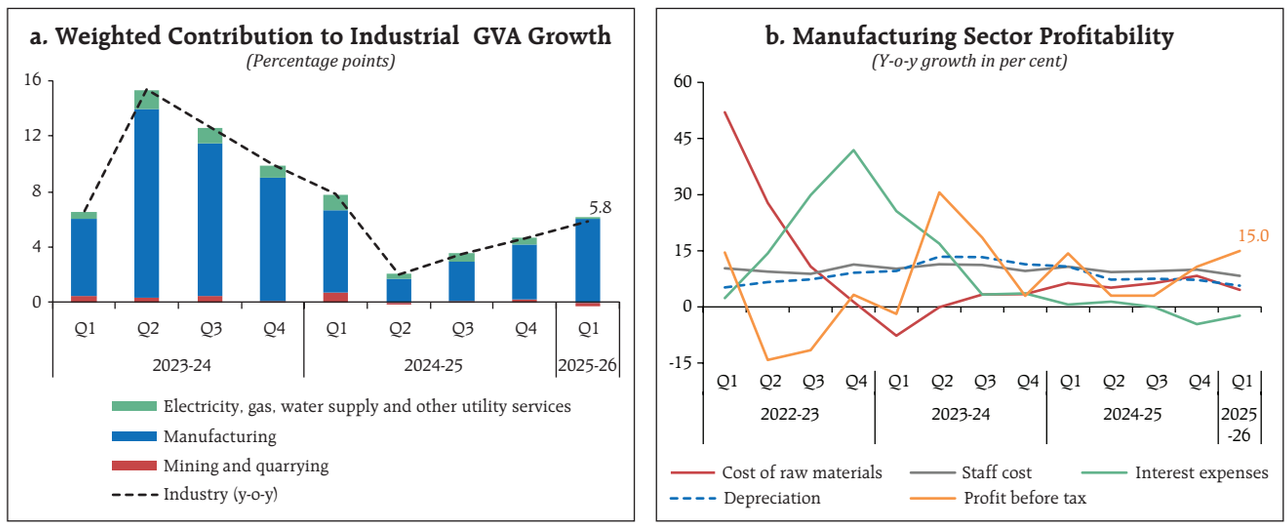
Crop	2023-24	2024-25		Variation in 2024-25 (Per cent)	
	Final	SAE	TAE	Over Final 2023-24	Over SAE 2024-25*
Foodgrains	3323.0	3309.2	3539.6	6.5	1.3
Kharif	1557.7	1663.9	1680.7	7.9	1.0
Rabi	1600.1	1645.3	1672.2	4.5	1.6
Summer	165.2	-	186.8	13.0	-
Rice	1378.3	1364.4	1490.7	8.2	0.8
Wheat	1132.9	1154.3	1175.1	3.7	1.8
Coarse cereals	569.4	560.3	621.4	9.1	2.2
Pulses	242.5	230.2	252.4	4.1	-0.2
Oilseeds	396.7	416.7	426.1	7.4	-0.7
Sugarcane	4531.6	4350.8	4501.2	-0.7	3.5
Cotton #	325.2	294.3	306.9	-5.6	4.3
Jute & Mesta ##	96.9	86.2	87.5	-9.8	1.4

Notes: *: SAE covers production of *Kharif* and *Rabi* crops only. Growth is calculated accordingly.
#: Lakh bales of 170 kgs each; ##: Lakh bales of 180 kgs each. SAE: Second Advance Estimates. TAE: Third Advance Estimates.
Sources: MoAFW; and GoI.

temperature. Within manufacturing, production of basic metal electrical equipment, motor vehicles, trailers and semi-trailers, machinery and equipment, and fabricated metal products were the growth drivers, while chemicals, beverages, printing, paper, leather, and other manufacturing products acted as a drag. In terms of use-based classification, capital, infrastructure, intermediate, and consumer durables rose during April-July. On the other hand, primary goods and consumer non-durable goods contracted during this period.

Gross value added of electricity, gas, water supply, and other utility services grew modestly in Q1:2025-26, compared to a double-digit growth last year, mainly due to a decline in electricity generation. Conventional power generation declined during April-August 2025, reflecting both reduced demand in the face of subdued

Chart III.17: Industrial GVA Growth



Note: Data for Q1:2025-26 in chart b are based on results of 1,736 listed private manufacturing companies.
Sources: Capitaline and RBI staff calculations.

Table III.11: Industrial Sector y-o-y growth

(Y-o-y, Per cent)

	Indicators	2024-25				2025-26			
		Q1	Q2	Q3	Q4	Q1	Jul	Aug	Sep
1	PMI: Manufacturing (>50 indicates growth over previous month)	58.2	57.4	56.8	57.4	58.1	59.1	59.3	58.5*
2	**Index of Industrial Production (IIP)**	5.5	2.7	4.1	4.0	2.0	3.5		
3	IIP: Manufacturing	4.3	3.3	4.5	4.2	3.3	5.4		
4	IIP: Primary goods	6.9	1.6	3.0	4.1	-1.4	-1.7		
5	IIP: Capital goods	3.0	4.9	7.4	7.0	9.8	5.0		
6	IIP: Intermediate goods	3.5	4.8	5.3	3.4	5.0	5.8		
7	IIP: Infrastructure and construction goods	8.1	3.9	7.0	8.1	6.0	11.9		
8	IIP: Consumer durables	10.7	6.6	9.0	5.9	2.6	7.7		
9	IIP: Consumer non-durables	-0.2	-2.2	-1.6	-2.0	-1.5	0.5		
10	**Eight Core Industries (ECI)**	6.3	2.4	4.9	4.3	1.5	3.7	6.3	
11	ECI: Steel	8.4	4.3	7.8	6.8	7.2	16.6	14.2	
12	ECI: Cement	0.4	3.2	8.7	12.4	8.0	11.6	6.1	
13	Electricity demand	11.8	12.6	12.8	11.5	8.5	2.6	3.8	
	Production of Automobiles								
14	Passenger vehicles	6.2	-0.5	3.3	6.4	4.9	0.1#	-4.1#	
15	Two wheelers	19.6	12.5	8.0	5.8	0.7	12.3	10.0	
16	Three wheelers	9.5	6.3	-2.6	9.5	9.8	24.0	15.8	
17	Tractors	1.0	3.2	12.1	11.7	12.7	11.5	9.4	

Notes: #: Doesn't include Tata Motors; and * : Flash PMI release.
Sources: CMIE; CEIC; HSBC, S&P Global; Office of Economic Advisor; NSO; SIAM; TMA; and RBI staff estimates.

summer and strong expansion in renewable energy sources. Given India's continued thrust on greener energy, renewable energy sources expanded by 24.8 per cent during April-August, accounting for about 18 per cent of total electricity generation. Region-wise, electricity demand declined across all regions in Q1, with the sharpest drop in the northern region, as the early monsoon kept power demand low. Demand in all the regions, except the northern region, picked up during July-August (Table III.12).

Table III.12: Electricity Generation and Consumption

(Y-o-y, per cent)

Indicators	2023-24				2024-25				2025-26		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Jul	Aug
Electricity Generation											
Thermal	2.1	14.7	14.3	10.1	12.0	-1.4	0.0	0.4	-8.1	-4.7	0.4
Nuclear	-6.4	16.7	10.0	-2.2	28.3	18.4	11.4	16.9	11.3	-5.5	-25.2
Hydro	-10.0	-13.4	-30.7	-20.2	1.3	6.2	28.3	19.8	13.4	23.4	9.0
Renewables	8.1	21.9	7.0	5.6	7.0	7.3	17.2	22.8	24.8	26.4	22.7
Electricity Consumption											
Northern region	-8.9	8.4	6.0	8.3	22.0	3.1	9.5	1.6	-3.0	-5.4	1.5
Western region	3.5	20.8	7.7	7.1	5.5	-6.7	0.4	4.4	-0.3	7.6	9.3
Southern region	10.7	16.3	18.2	9.3	3.3	0.8	-2.3	3.1	-1.3	9.5	-0.9
Eastern region	4.9	6.6	9.2	7.9	9.8	0.6	3.9	3.9	-1.7	2.0	7.3
All-India	1.5	13.4	9.9	8.1	10.2	-0.7	2.6	3.2	-1.5	2.6	3.8

Sources: Central Electricity Authority (CEA); and Power System Operation Corporation Limited (POSOCO).

Manufacturing purchasing managers index (PMI) signalled further improvement in overall business conditions, rising to 59.2 in July-August 2025 from 58.1 in Q1:2025-26, supported by strong domestic orders. Business expectations for manufacturing exhibited continued optimism, while the new export orders index recorded a moderation, displaying the US tariffs-related impact. India's flash manufacturing PMI stood at 58.5 in September, well above its long-run average (Chart III.18a).

To enhance competitiveness and ease of doing business, the government has implemented a simplified two slab GST 2.0 with effect from September 22, 2025.[8] In addition, the Government has announced a host of other structural reforms which would improve productivity, competitiveness, and boost potential of the industrial sector (Table III.13).

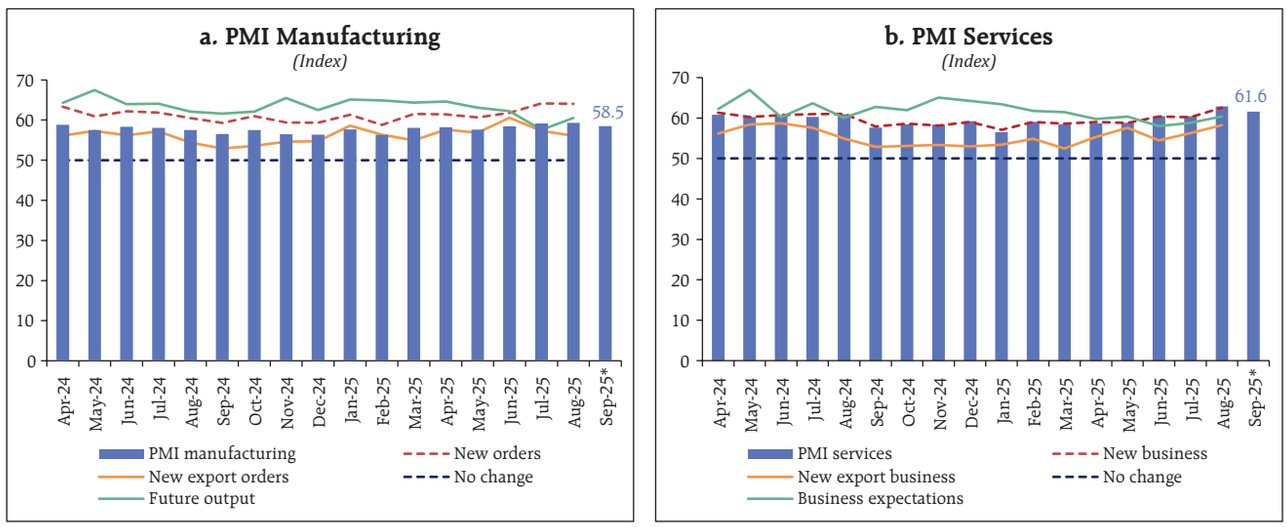
III.2.3 Services

Services sector remained the main driver of gross value added in the economy, recording an eight-quarter high growth of 9.0 per cent in Q1:2025-26 and contributed more than three-fourth to overall growth. The momentum was driven by an upsurge in trade, hotels, transport, communication, and services related to broadcasting; financial, real estate and professional services; and public administration, defence and other services (Chart III.19a).

Construction activity, which is labour-intensive, recorded strong growth in Q1:2025-26, partly owing to higher government's infrastructure spending. High frequency indicators of construction – steel consumption and cement production – remained steady during July-August (Chart III.19b).

Real gross value added of trade, hotels, transport, communication, and services relating to broadcasting inched up by 8.6 per cent in Q1:2025-26 (6.0 per cent in Q4:2024-25). Trade activity continued to exhibit resilience in Q2, as indicated by robust growth in issuances of e-way bills and healthy expansion in GST collections during July-August. Indicators of transportation services displayed a mixed picture in Q2 – toll collections remained robust in July-August, while domestic air passenger traffic contracted during the same period. Air and port cargo traffic remained in expansionary zone with modest growth in July.

Chart III.18: PMI Manufacturing and Services



Notes: PMI>50: Expansion; PMI< 50: Contraction; and * Flash PMI release.
Source: HSBC, S&P Global.

[8] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2163555

Table III.13: Key Government Initiatives to Support Industrial Growth and Energy Self-Reliance

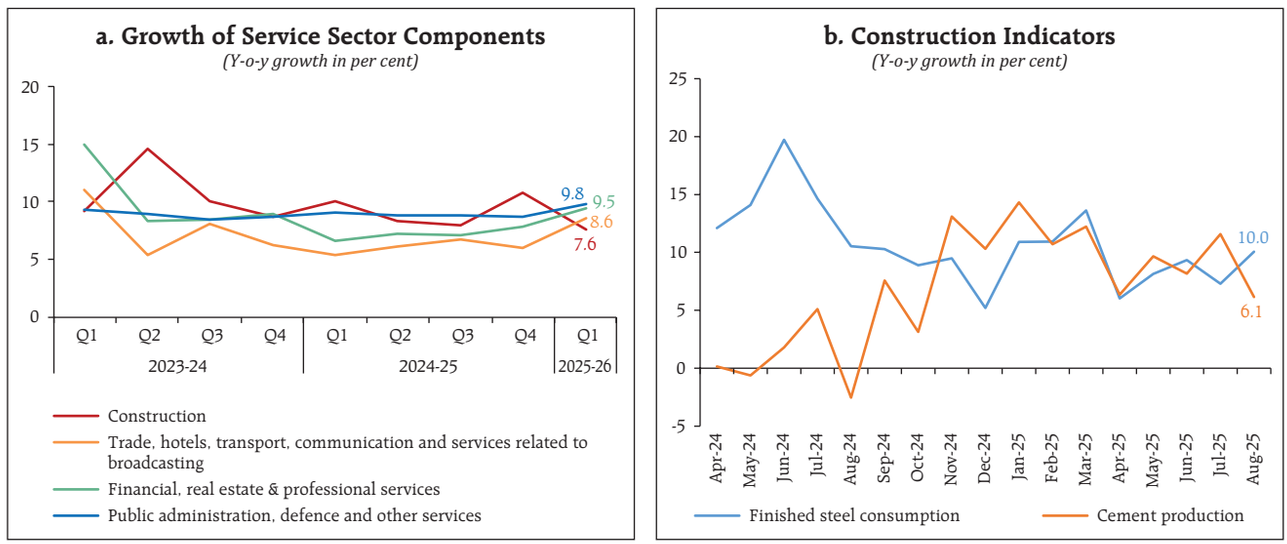
Measures	Details and Purpose
National Deepwater Exploration Mission	To harness India's offshore energy resources, boosting energy self-reliance and reducing dependence on foreign fuel imports, advancing India's energy security.
Task Force for Next-Generation Reforms	To evaluate and streamline laws, rules, and procedures related to economic activities, reducing compliance costs and fostering innovation, entrepreneurship, and growth for startups, MSMEs, and entrepreneurs.
Opening Nuclear Sector to Private Players	To enable private sector participation in nuclear energy and technology, expanding opportunities in energy and technological innovation.
PM Viksit Bharat Rozgar Yojana	A ₹1 lakh crore employment scheme providing ₹15,000 to newly employed youth, aimed at benefiting 3 crore young Indians and supporting inclusive economic development.
National Critical Minerals Mission	To explore 1,200 sites to secure minerals vital for energy, industry, and defence, ensuring access to critical resources for strategic sectors.
Made in India Semiconductor Chip	To launch the country's first domestically manufactured semiconductor chip by year-end, marking a major step in strengthening domestic technology manufacturing.
High-Powered Demography Mission	To address national security challenges arising from illegal migration and demographic imbalances in border areas, thereby enhancing border security and stability.

Source: Press Information Bureau (PIB).

Financial, real estate and professional services rose by 9.5 per cent in Q1:2025-26, contributing a major part to service sector growth (43.8 per cent) as well as to aggregate growth (33.7 per cent). Bank credit growth improved during Q2 from the last quarter, while bank deposit growth witnessed moderation. Life insurance premium expanded at a robust pace in July, while non-life insurance premium registered modest growth (Table III.14). All these indicators suggest that financial services have kept the momentum during Q2.

Corporate performance in services sector strengthened in Q1:2025-26. Operating profit of information technology firms improved to 5.4 per cent during Q1 from 2.4 per cent in the previous quarter due to moderated growth in staff costs. Non-IT services firms recorded robust operating profit of 11.3 per cent during Q1, despite having moderated from the previous quarter (Chart III.20).

Chart III.19: Services Sector



Sources: NSO; Office of Economic Adviser; and Joint Plant Committee.

Table III.14: Services Sector y-o-y growth

(Y-o-y, per cent)

	Indicators	2024-25				2025-26			
		Q1	Q2	Q3	Q4	Q1	Jul	Aug	Sep
1	PMI: Services (>50 indicates growth over previous month)	60.5	59.6	58.7	58.0	59.3	60.5	62.9	61.6*
	Construction								
2	Steel consumption	15.3	11.8	7.8	11.9	7.9	7.3	10.0	
3	Cement production	0.4	3.2	8.7	12.4	8.0	11.6	6.1	
	Trade, Hotels, Transport, Communication and Services related to Broadcasting								
4	Commercial vehicle sales	3.7	-11.0	1.2	1.5	-0.6			
5	Domestic air passenger traffic	5.6	7.2	11.4	12.0	5.3	-2.5	-0.5	
6	Domestic air cargo	7.1	7.6	4.6	3.1	6.6	4.8	7.1	
7	International air cargo	18.4	21.9	15.0	1.3	4.7	4.2	4.5	
8	Freight traffic	5.1	0.4	1.5	-0.4	2.4	0.0		
9	Port cargo	3.9	6.2	-1.7	9.0	5.6	4.0	2.5	
10	Toll collection: volume	5.6	7.6	9.8	15.1	16.2	14.8	16.1	
11	Petroleum consumption	3.9	1.0	5.4	-1.8	0.5	-3.9	2.6	
12	GST E-way bill	16.0	16.8	16.9	19.4	20.5	25.8	22.4	
13	GST revenue	10.1	8.9	8.3	10.4	11.8	7.5	6.5	
	Financial, Real Estate and Professional Services								
14	Credit outstanding	13.9#	13.0	11.2	11.0	9.5	10.0	10.0	10.4
15	Bank deposits	10.6#	11.5	9.8	10.3	10.1	10.2	10.2	9.5
16	Life insurance premium	22.9	16.5	-6.6	-4.3	4.3	22.4	-5.2	
17	Non-life insurance premium	13.5	1.8	10.8	1.7	8.8	2.6	1.6	

Notes: #: Excluding impact of merger; * : Flash PMI release.
Sources: CEIC; NSO; HSBC, S&P Global; MOSPI; Insurance Regulatory and Development Authority of India (IRDAI); and RBI staff estimates.

Real estate activity displayed buoyancy in Q1:2025-26 as reflected in robust registration and stamp duty collections of state governments (Chart III.21a). All-India housing prices recorded a modest growth in Q4:2024-25, with prices declining in Delhi (Chart III.21b). Public administration, defence, and other services (PADO) grew at a 12-quarter high of 9.8 per cent in Q1. The centre's revenue expenditure, excluding interest payments and subsidies, expanded by 18.6 per cent during July-August. Growth in other services like health, education and other personal services remained strong, alongside a recovery in government consumption in Q1.

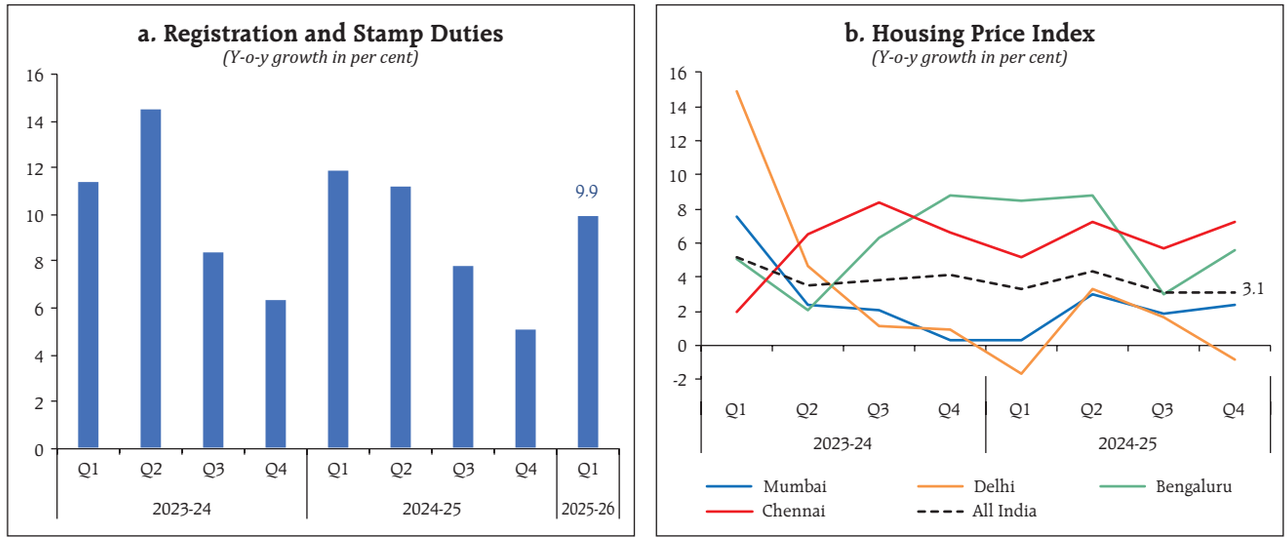
Chart III.20: Operating Profit Growth

(Y-o-y growth in per cent)

Note: Results are based on 2,951 listed non-government non-financial companies for Q1:2025-26.
Source: RBI staff estimates.

Services PMI indicated strong expansion, as it, rose to 61.7 in July-August 2025 from an average of 59.3 in Q1:2025-26. The strong reading of services PMI was supported by robust demand and new business activity (Table III.14). The composite PMI index inched up from 60.0 in Q1 to 62.1 in Q2 (up to August). PMI manufacturing and PMI services readings for India

Chart III.21: Housing Sector



Sources: CAG; and RBI.

have remained the highest globally since July 2022 and April 2023, respectively.

III.3 Conclusion

Economic activity remained resilient, mainly supported by strong rural demand and robust government expenditure. Revival in manufacturing and persistent strong performance of services sector drove the recent momentum in aggregate output. Going ahead, sustained buoyancy in rural economy, resilient services sector, healthy balance sheets of financial entities and corporates, and congenial financial conditions are expected to boost aggregate demand and growth. Structural reforms and GST rationalisation are likely to mitigate the adverse impact of trade uncertainty surrounding US tariffs. The headwinds emanating from prolonged geopolitical tensions, persisting global uncertainties, and volatility in global financial markets continue to pose risks to the growth outlook.

IV. Liquidity Conditions and Financial Markets

Domestic financial markets remained resilient and relatively stable in contrast to volatile global markets during H1:2025-26. The Reserve Bank ensured sufficient liquidity in the banking system. Money market rates moved in tandem with the policy repo rate and shifts in liquidity conditions. Transmission to lending and deposit rates remained robust. Market-based, non-bank sources of financing more than made up for the moderation in bank credit growth in H1.

Introduction

During H1:2025-26, global financial markets turned intermittently volatile amidst heightened trade-related and geopolitical uncertainties. Advanced economy central banks have adopted a cautious data-dependent approach, given large uncertainties clouding the macroeconomic outlook. Global bond yields, especially at the longer end, hardened in the wake of elevated and rising public debt. Global equity markets gained in H1 amidst recurrent bouts of sell-offs. The US dollar traded with a weakening bias, reflecting trade policy uncertainty, fiscal concerns, and shifting expectations about the Fed's policy path (see Chapter V for details).

In contrast to volatile global markets, domestic financial markets remained resilient and relatively stable during H1. The Monetary Policy Committee reduced the policy rate cumulatively by 75 bps during H1. Liquidity in the banking system remained in surplus, mainly supported by durable liquidity injections by the Reserve Bank and pick-up in government spending. Money market rates remained largely aligned to the policy rate, facilitating transmission to other markets (bond and credit markets). Monetary policy transmission was aided by a sizeable and faster decline in lending and deposit rates in the current easing cycle. Bank credit growth, despite lower than last year, continues to be healthy and supportive of real economic activity. The financing from non-bank sources has increased, reflecting higher reliance on market-based funding and offsetting the drag from muted bank credit growth.

IV.1 Liquidity Conditions and the Operating Procedure of Monetary Policy

The Reserve Bank of India Act, 1934 requires the Reserve Bank to place the operating procedure relating to the implementation of monetary policy and changes thereto from time to time, if any, in the public domain. The Reserve Bank's extant Liquidity Management Framework, implemented in February 2020, has been operative for more than five years.[1] Since then, the financial landscape has undergone several structural changes, including the expanding footprint of digital payments, operationalisation of a 24×365 payment systems and adoption of "Just-in-Time" release of funds for centrally sponsored schemes. These developments have profoundly altered the liquidity management paradigm of the banking system, further compounded by volatile capital flows with their attendant implications for system liquidity.

A disconcerting development from a liquidity management perspective of the Reserve Bank has been the gradual shrinking of the share of uncollateralised call money market in total overnight money market volume. In this regard, questions were raised on the appropriateness and efficacy of the weighted average call rate (WACR) as the operating target of monetary policy. Against this backdrop, the Reserve Bank constituted an Internal Working Group whose major recommendations suggested *status quo* in continuing with the existing framework (Box IV.1).

[1] The revised liquidity management framework was announced on February 6, 2020, in the Statement on Developmental and Regulatory Policies, and operationalised on February 14, 2020. The salient features of the framework were given in the Monetary Policy Report of April 2024.

Box IV.1: Review of the Extant Liquidity Management Framework – Major Recommendations

Operating Target

- The WACR should continue as the operating target of monetary policy. WACR, being an uncollateralised rate, reflects credit/counterparty risk that is not masked by collateral. Furthermore, WACR exhibits a high degree of correlation with other money market rates. With the participants in the call money market being entities under its regulatory purview, the Reserve Bank has better control over the WACR. From this perspective, the collateralised market rates were not deemed to be appropriate as the operating target as these segments are dominated by non-bank entities not regulated by the Reserve Bank and, as such, do not reflect the dynamics of the inter-bank market for reserves.

Policy Corridor

- With regard to the appropriate corridor width, it was noted that while a wider corridor can encourage higher inter-bank activity, it also entails greater volatility in overnight rates, thereby hindering the transmission to short-term rates. At the same time, a narrow corridor, while providing the advantage of better anchoring of short-term rates, may come at the cost of reduced incentives for banks to transact among themselves. On balance, it was decided to continue with the existing symmetric corridor of 50 bps width, with the policy repo rate at the middle.

Liquidity Management Instruments

- Banks faced challenges in forecasting their liquidity position for a longer period resulting in their lower participation in 14-day main operations. This undermined the efficacy of main operations for liquidity management. Accordingly, 14-day Variable Rate Repo/Variable Rate Reverse Repo (VRR/ VRRR) auctions were discontinued as the main operation.
- Transient liquidity shall be managed primarily through 7-day repo/ reverse repo operations and other operations of tenors from overnight up to 14 days at the discretion of the Reserve Bank, based on its assessment of the system liquidity requirement.
- The variable rate auction mechanism shall be continued for conducting repo/reverse repo operations as bids received in such auctions provide useful signal for assessing the true extent of funds required from (or to be deployed with) the central bank. Instruments under the extant Liquidity Management Framework were deemed to be sufficient for meeting the durable liquidity needs of the system and hence, the toolkit to manage durable liquidity remains unchanged.

Minimum Daily Reserve Requirement

- It was decided to continue with the daily minimum requirement of 90 per cent of the prescribed cash reserve ratio (CRR). While acknowledging that reducing the minimum daily requirement may provide greater headroom to banks to effectively manage their liquidity over the maintenance period, it entailed risks of inducing greater volatility in the WACR, especially towards the end of the reporting cycle. The case for no change was also due to the observation that at the system level, banks rarely maintain daily reserve balances below 95 per cent of the prescribed CRR.

Standalone Primary Dealers' (SPDs) Participation in LAF Operations

- SPDs were already allowed to participate in all repo operations irrespective of the tenor effective March 26, 2025. Therefore, SPDs need not be given access to the Marginal Standing Facility (MSF), as, unlike banks, they have neither reserve requirements nor unforeseen payment obligations beyond market hours.

During H1:2025-26, the Monetary Policy Committee reduced the policy repo rate by 75 basis points (bps) – a 25 bps cut in April followed by a 50 bps cut in June. With a cumulative rate cut of 100 bps since February 2025, the Monetary Policy Committee in its June policy noted that monetary policy was left with very limited space to support growth under the prevailing circumstances. Accordingly, it recalibrated the stance of monetary policy to neutral from accommodative. The Reserve Bank also announced a reduction in the CRR by 100 bps to 3.0 per cent of net demand and time liabilities (NDTL) in a staggered manner during September-November 2025. This reduction in four equal tranches of 25 bps each with effect from the fortnights beginning September 6, October 4, November 1, and November 29, 2025 will release primary liquidity of about ₹2.5 lakh crore into the banking system by December 2025. Besides providing durable liquidity, the CRR cut would also reduce the cost of funds for the banks, thereby facilitating transmission to the credit market.

In view of surplus liquidity conditions, the Reserve Bank discontinued the daily variable rate repo (VRR) auctions effective June 11, 2025 and started variable rate reverse repo (VRRR) auctions from June 27, 2025. On June 25, 2025, the Reserve Bank announced extension in the market timings of both collateralised and uncollateralised segments of the money market to facilitate market development, enhance price discovery, and help banks optimise their liquidity requirements. Furthermore, the aggregate limit available to Standalone Primary Dealers (SPDs) under the Standing Liquidity Facility was increased from ₹10,000 crore to ₹15,000 crore beginning April 2, 2025.

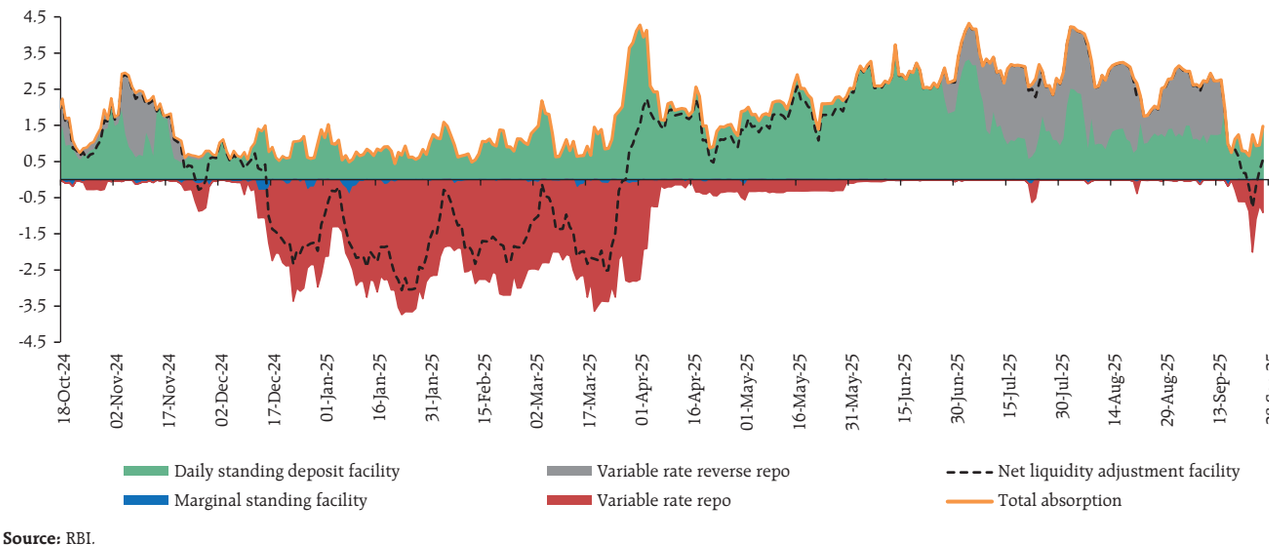
Drivers and Management of Liquidity

System liquidity, as measured by the net balances under the liquidity adjustment facility (LAF), transitioned to surplus in H1:2025-26 from deficit in H2:2024-25 (Chart IV.1). The Reserve Bank's durable liquidity injections during Q4:2024-25 along with increase in government spending drove this transition.

On a net basis, average daily absorption amounted to ₹2.31 lakh crore in H1 (up to September 28, 2025) as against average daily injection of ₹0.36

Chart IV.1: Liquidity Operations

(₹ lakh crore)



Source: RBI.

lakh crore in H2:2024-25. Changes in the Government of India (GoI) cash balances, expansion in currency in circulation (CiC) and volatile capital flows emerged as the major drivers of liquidity during H1. The leakage in the banking system liquidity due to the increase in currency demand, buildup in GoI cash balances and the Reserve Bank's forex market operations was more than compensated by the reduction in CRR and the Reserve Bank's durable liquidity augmenting measures during H2:2024-25 and H1:2025-26. The Reserve Bank's Open Market Operations (OMOs) purchases and term repo operations in Q1:2025-26 more than offset the drag on liquidity from the seasonal expansion in currency in circulation (CiC). Liquidity conditions, however, moderated in Q2 on account of buildup in GoI cash balances and RBI's forex operations (Table IV.1).

With liquidity conditions remaining in surplus, banks' recourse to the MSF averaged at ₹0.02 lakh crore during H1:2025-26, while daily standing deposit facility (SDF) balances remained elevated. Of the average total absorption under the LAF at ₹2.52 lakh crore during H1, average placement under the SDF constituted about 72.6 per cent (₹1.84 lakh crore), while the remaining surplus was absorbed through VRRR auctions. Banks' holding of elevated SDF balances, *inter alia*, reflects their high precautionary demand for liquidity given the changing payments system landscape. Moreover, lower credit demand resulted in a larger deployment of funds by banks under the SDF.

To improve monetary transmission during the current easing cycle, the Reserve Bank complemented frontloaded rate cuts with the infusion of sufficient liquidity in the banking system. Continuing its liquidity injection measures of Q4:2024-25, the Reserve Bank injected durable liquidity amounting to ₹2.65 lakh crore through nine OMO purchases and one term VRR auction during April-May 2025 (Table IV.2).

Table IV.1: Liquidity – Key Drivers and Management

(₹ crore)

	2024-25		2025-26		
	H1	H2	Q1	Q2*	H1*
Drivers					
(i) CiC [withdrawal (-) /return (+)]	33,551	-2,37,928	-1,00,724	22,792	-77,932
(ii) Net Forex Purchases (+)/ Sales (-)	70,402	-3,61,635	3,892	-1,45,483	-1,41,591
(iii) GoI Cash Balances [build-up (-) / drawdown (+)]	-1,50,494	1,85,231	-96,083	-1,34,720	-2,30,803
(iv) Excess Reserves [build-up (-) / drawdown (+)]	36,768	1,572	34,163	-4,704	29,459
Management					
(i) Net OMO Purchases (+)/ Sales (-)	-24,040	2,83,386	2,39,213	10	2,39,223
(ii) Required Reserves [including both change in NDTL and CRR]	-55,613	76,450	-25,190	40,865	15,675
(iii) Term Repo Auctions	-	1,82,964	25,731	-	25,731
Memo Item					
(i) Long term Forex Swaps Buy/Sell (+)/ Sell/Buy (-)	-	2,19,245^	-	-	-
(ii) Net Absorption (+)/ Injection (-) as at end-period	84,651	-172	3,07,793	56,274	56,274

Note: 1. (+) / (-) sign suggests accretion/depletion in banking system liquidity.
2. Data pertains to the last Friday of the respective period.
3. *: Data for Q2 and H1:2025-26 are up to September 26, 2025.
4. ^: approximate values.

Source: RBI.

Table IV.2: Reserve Bank's Liquidity Measures since January 2025

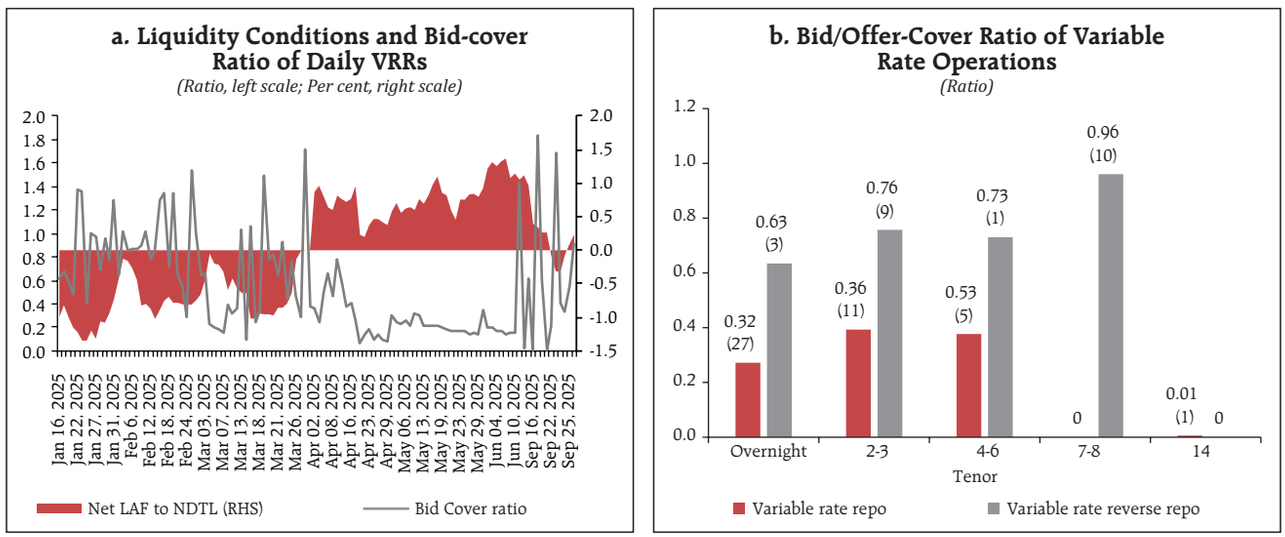
Period	Liquidity Measures	Amount Injected (in ₹ crore)
Q4:2024-25	a. OMO purchases (6)	2,44,561
	b. Term VRRs (3)	1,82,964
	c. Forex Swaps (3)	2,19,245*
April 2025	a. OMO purchases (5)	1,20,000
	b. Term VRR (1)	25,731
May 2025	a. OMO purchases (4)	1,19,203
Total		**9,11,704***

Note: Figures in parentheses denote number of auctions.
*: Indicates aproximate value.
Source: RBI.

The Reserve Bank remained nimble and agile in its liquidity management operations and ensured sufficient liquidity in the banking system to support transmission to money and credit markets. With liquidity conditions improving during H1:2025-26, the demand for transitory liquidity moderated since April 2025, as reflected in the low bid-cover ratios in the daily VRR auctions (Chart IV.2a). Tepid response amidst sufficient surplus liquidity prompted the Reserve Bank to discontinue the daily VRR auctions effective June 11, 2025. As overnight rates hovered near the floor of the LAF corridor amidst large surplus liquidity, the Reserve Bank resumed VRRR auction on June 27, 2025, after a gap of nearly eight months. Since then, the Reserve Bank has conducted 23 VRRR auctions of maturity ranging from overnight to 8-days. In general, the auctions elicited better response from banks, with an average offer-cover ratio of 0.83, compared to the response received in VRR auctions (Chart IV.2b). When the banking system faced transient liquidity tightness due to tax related outflows on select days, thirteen VRR auctions of overnight to 6-day maturity were also conducted in Q2:2025-26. The Reserve Bank maintained sufficient liquidity in the banking system during H1 to meet the productive requirements of the economy.

As on September 26, 2025, reserve money expanded by 4.5 per cent (y-o-y) as against 6.0 per cent a year ago. Adjusted for the CRR change, growth in reserve money stood at 8.4 per cent (7.4 per cent a year ago). The higher growth in reserve money reflected the expansion in currency in circulation. As on September 19, 2025, growth in money supply

Chart IV.2: Offer/Bid-cover Ratio and Banks' Preference for Liquidity



Note: Figures in parentheses indicate number of operations.
Source: RBI.

(M3) decelerated to 9.2 per cent (y-o-y) from 10.4 per cent a year ago primarily reflecting a deceleration in aggregate deposit growth. The money multiplier increased to 5.8 as on September 19, 2025, from 5.6 a year ago, reflecting the impact of the CRR cut.

IV.2 Domestic Financial Markets

Domestic financial markets remained resilient and relatively stable. Money market rates evolved in sync with the policy rate trajectory and transition in system liquidity. Long-term government bond yields eased during the current easing cycle, *albeit* to a lesser extent than short-term yields, in response to domestic developments and global cues. Equity markets remained buoyant, despite bouts of volatility amidst tariff related uncertainty. The Indian rupee traded with a depreciating bias against the US dollar in H1 but remained amongst the least volatile major EM currencies. Overall, monetary policy, along with liquidity easing measures, has contributed to favourable financial conditions by influencing both money and bond markets (Box IV.2). In the credit market, growth in bank credit has witnessed an uptick in the recent months.

Box IV.2: Impact of Monetary Policy Surprises on Financial Conditions

Monetary policy primarily influences short-term interest rates in an economy through changes in the policy rate. Its impact on the real economy, however, is routed through the changes in overall financial conditions across market segments. Therefore, the effectiveness of monetary policy can be gauged from its effect on financial conditions. Accordingly, to examine the impact of monetary policy shocks on overall financial conditions in the Indian context, a high-frequency financial conditions index (FCI), based on select indicators from money, government securities (G-sec), corporate bond, equity, and forex markets is used (Bandyopadhyay *et al.*, 2025). In the extant literature, it is common to use high-frequency interest rate changes around central bank policy announcements for identifying monetary policy shocks. Following this approach, policy shocks are estimated as the first principal component of policy-day changes in the Overnight Indexed Swap (OIS) rates of various maturities (Barakchian and Crowe, 2013; Nakamura and Steinsson, 2018).[2] Further, to examine the response of FCI to monetary policy shocks, a local projections framework is employed for the sample period January 2014 to August 2025 with the following long-difference specification with lagged controls (Jordà and Taylor, 2025)[3]:

$$\Delta y_{t+h} = \alpha + \beta^h mps_t + \gamma^h \Delta y_{t-1} + \varepsilon_t; \text{ for } h \in \{0,1,2,...,N\} \quad (1)$$

where $\Delta y_{t+h} = y_{t+h} - y_{t-1}$ is the cumulative change in FCI over a window of h days, mps_t is the policy shock at time t and β^h traces the cumulative change in FCI over a window of h days following the policy shock.

Related literature also suggests asymmetric impact of monetary policy on financial market indicators. Financial frictions, credit constraints, and time-varying risk premia are some of the potential drivers of this asymmetric impact. To test the differential impact of monetary policy tightening *vis-à-vis* easing on financial conditions, equation (1) is modified as follows (Adrian *et al.*, 2024):

$$\Delta y_{t+h} = \alpha + \rho^h mps_t.mps_t^- + \delta^h mps_t.mps_t^+ + \gamma^h \Delta y_{t-1} + \varepsilon_t \quad (2)$$

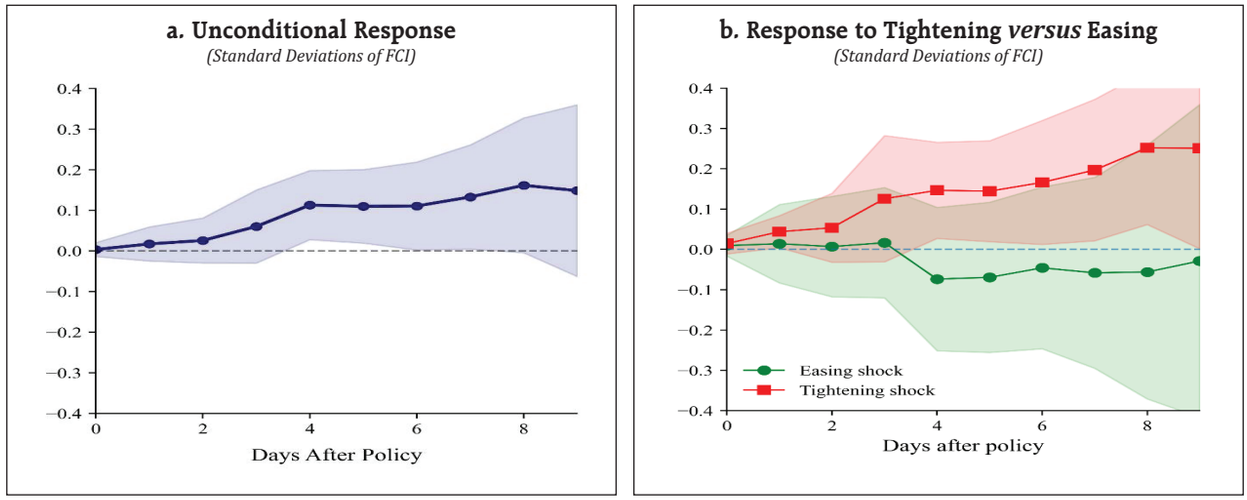
where mps_t^+ and mps_t^- are indicator variables to capture policy tightening and easing, respectively. mps_t^+ and mps_t^- take the value of 1 when mps_t is positive and negative, respectively, and 0 otherwise. So, while δ^h traces the response for policy tightening, ρ^h traces the response for policy easing.

[2] OIS rates of 1, 3, 6, 9-month and 1-year maturities are used.

[3] Jorda and Taylor (2025) show that local projections using the long difference specification considerably alleviates the problem of bias and autocorrelation in small samples.

The results indicate that a policy surprise equivalent to a 100 basis points increase in the 1-year OIS rate is associated with a 0.13 standard deviation tightening in FCI over the week following the policy shock (Chart IV.2.1 a). Moreover, the findings also reaffirm the asymmetric impact of monetary policy tightening *vis-à-vis* easing as a positive shock is found to have a larger tightening impact on FCI than the easing impact of a negative shock (Chart IV.2.1 b). This finding highlights the need for judicious use of forward guidance and liquidity measures along with rate actions to reinforce the effect of policy easing.

Chart IV.2.1: Response to a Monetary Policy Surprise



Notes: The left chart plots the estimates of β^h from (1) while the right chart plots the estimates of $-\rho^h$ (to signify easing surprise) and δ^h (tightening surprise) from (2); Shaded areas represent the 90 per cent confidence bands constructed using Newey-West adjusted standard errors.
Source: RBI Staff estimates.

References:

Adrian, T., Gelos, G., Lamersdorf, N., & Moench, E. (2024). *The asymmetric and persistent effects of Fed policy on global bond yields.* Bank for International Settlements, Working paper-1195.

Bandyopadhyay, P., Kumar, A., Kumar, P. and Bhattacharyya, I. (2025), *Financial Conditions Index for India: A High-frequency Approach.* Reserve Bank of India Bulletin, June. https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=23451

Barakchian, S. M., & Crowe, C. (2013). Monetary policy matters: Evidence from new shocks data. *Journal of Monetary Economics*, *60*(8), 950-966.

Jordà, Ò., & Taylor, A. M. (2025). Local projections. *Journal of Economic Literature*, 63(1), 59-110.

Nakamura, E. and Steinsson, J. (2018). High-Frequency Identification of Monetary Non-Neutrality: The Information Effect. The Quarterly Journal of Economics, Volume 133, Issue 3, August 2018, pp.1283–1330, https://doi.org/10.1093/qje/qjy004

IV.2.1 Money Market

During H1:2025-26, money market rates largely moved in line with the policy repo rate and the evolving liquidity conditions. The weighted average call rate (WACR) – the operating target of monetary policy – remained within the policy corridor and hovered near its floor during April to early July reflecting large surplus liquidity in the banking system. With VRRR auctions absorbing surplus liquidity since end-June, the WACR increased and traded closer to the policy rate since mid-July 2025.[4] Generally, movements in the WACR reflected transient liquidity conditions, softening at the beginning of the month on higher

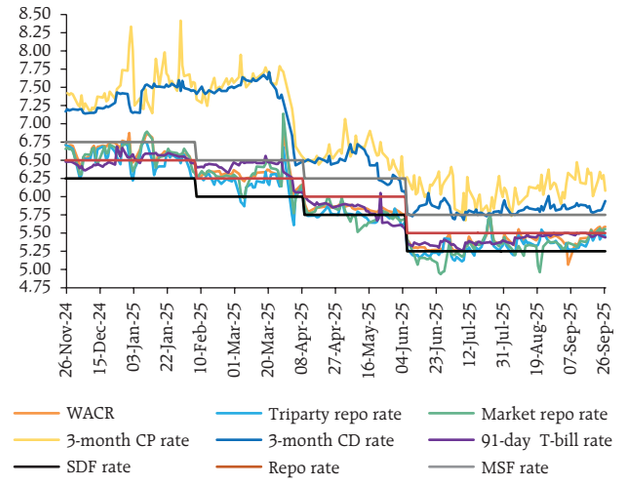
[4] The WACR moved close to the ceiling of the LAF corridor (MSF Rate) on July 23, 2025, mainly due to Goods and Services Tax outflows, causing liquidity strain.

government spending and hardening during the latter half due to tax outflows. The WACR showed better alignment with the policy repo rate in Q2:2025-26, with its spread over the policy repo rate narrowing to (-)8 bps compared to (-)17 bps in Q1 (Chart IV.3a). Volatility in the WACR, as measured by the exponential weighted moving average (EWMA)[5], declined since April 2025 after remaining elevated in H2:2024-25 (Chart IV.3.b). Overnight rates in the collateralised segment, *i.e.*, triparty repo and market repo, broadly moved in tandem with the WACR during H1:2025-26 (Chart IV.4.)

Money market activity was dominated by the collateralised segments (tri-party and market repo), although their share in overnight money market volume declined slightly to 97 per cent. Concomitantly, the uncollateralised segment, *i.e.*, the call money market witnessed a modest increase in its share to above 3 per cent in September 2025. This could be partly attributed to the extension of call money market timings effective July 1, 2025 (Table IV.3).

Chart IV.4: Money Market Rates and Policy Corridor

(Per cent)



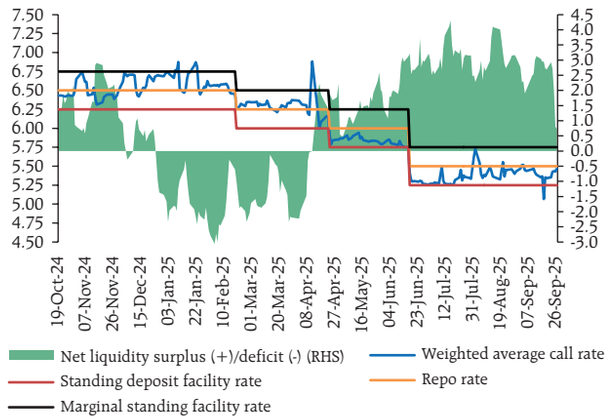
Sources: Financial Benchmarks India Pvt Ltd.; and RBI.

Mutual funds remained major lenders in tri-party repo, with their share increasing by 2 percentage points to 68 per cent in H1:2025-26 from H2:2024-25. However, in the market repo segment, the share of mutual funds' lending reduced to 40 per cent in H1:2025-26 from 46 per cent in H2:2024-25. The share

Chart IV.3: Policy Corridor and WACR

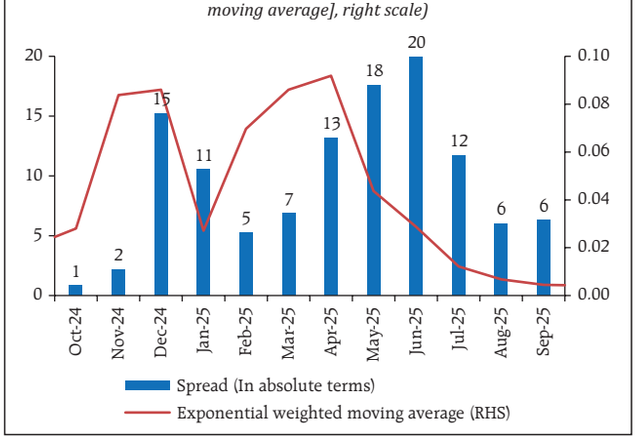
a. Liquidity, Policy Corridor and Weighted Average Call Rate

(Per cent, left scale; ₹ Lakh Crore, right scale)



b. Average Spread of WACR over Repo Rate and Volatility

(Basis points, left scale; Volatility [exponential weighted moving average], right scale)



Sources: RBI; and RBI staff calculations.

[5] EWMA is an improvement over simple variance as it assigns greater weight to more recent observations. EWMA expresses volatility as a weighted average of past volatility with higher weights assigned to more recent observations.

Table IV.3: Average Volume and Share in Overnight Money Market

(₹ Lakh Crore)

	2024-25		2025-26		
	H1	H2	Q1	Q2*	H1*
Call/Notice	0.10(2.1)	0.11(2.2)	0.15(2.7)	0.16(2.9)	0.16(2.8)
Triparty Repo	3.30(68)	3.62(70)	3.70(66)	3.67(66)	3.68(66)
Market Repo	1.48(30)	1.42(28)	1.74(31)	1.71(31)	1.73(31)
Total	**4.88(100)**	**5.16(100)**	**5.59(100)**	**5.54(100)**	**5.57(100)**

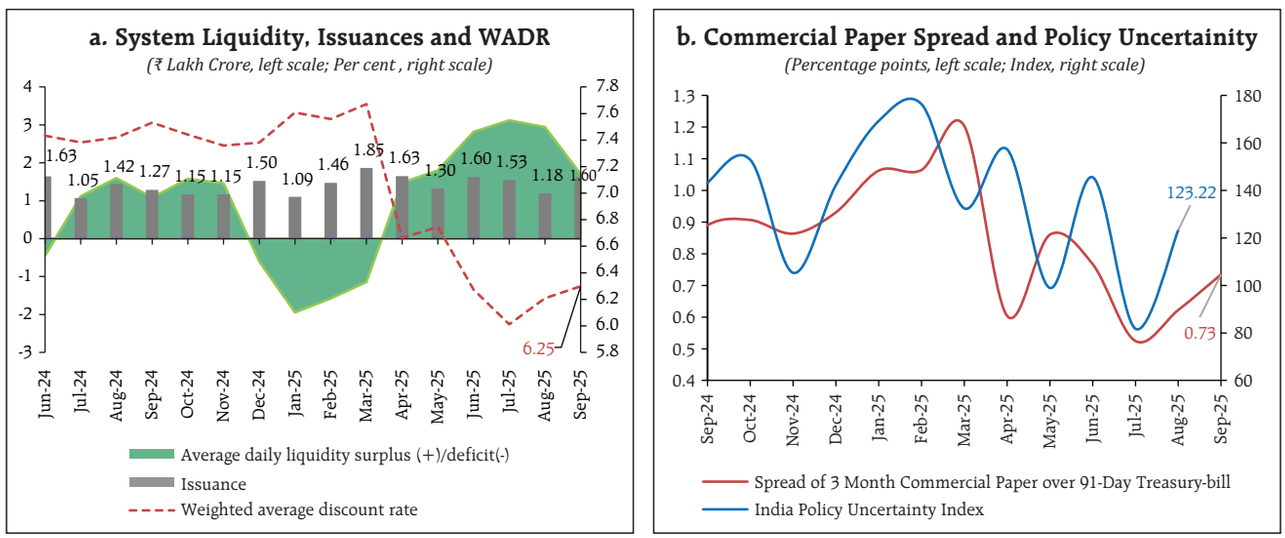
Notes: 1. Figures in parentheses denote share of each segment in overnight money market. Figure may not add up to total due to rounding off.
2. *: Up to September 26, 2025.
Sources: Clearing Corporation of India Ltd.; and RBI.

of foreign banks' lending in market repo also declined to 29 per cent from 31 per cent during the same period. On the borrowing side, public sector banks (PSBs) remained the major players in tri-party repo, although their share reduced to 28 per cent in H1:2025-26 from 40 per cent in H2:2024-25. During the same period, the share of private sector banks increased to 28 per cent from 22 per cent. PSBs had a relatively smaller presence in market repo, with their share remaining steady at 6 per cent over the same period.

The term segments of the money market witnessed faster monetary policy transmission aided by surplus liquidity conditions. The rates on commercial paper (CP) and certificates of deposit (CDs) declined by around 150 bps from end-March 2025 to end-August 2025, larger than the policy rate reduction of 100 bps since February. The average spread of CDs and CPs over the policy repo rate also narrowed substantially to 36 bps and 59 bps, respectively, in H1:2025-26 from 91 bps and 105 bps, respectively, in H2:2024-25. The average spread of treasury bills (T-Bills) over the policy repo rate turned negative, amidst ample liquidity in the banking system (Chart IV.4).

Fresh issuances of CDs declined to ₹4.8 lakh crore in H1:2025-26 from ₹6.6 lakh crore in H2:2024-25, reflecting the narrowing of the wedge in deposit and credit growth. Tenor-wise, CD issuances in the shorter tenor (up to 91-day) increased on account of declining interest rate. There was a concomitant decline in longer tenor issuances (Table IV.4). The issuances of CPs in the primary market increased to ₹8.8 lakh crore during H1:2025-26 from ₹8.2 lakh crore in H2:2024-25 (Chart IV.5a). The money market risk premia (spread of 3-month CP rate over 91-day T-bills rate) declined in July but increased subsequently in August, broadly tracking the movement in the policy uncertainty index (Chart IV.5.b).

Chart IV.5: Primary Issuances of Commercial Paper



Note: Net liquidity adjustment facility represents absorption (through SDF and VRRR) net of injection (through MSF and VRR).
Sources: RBI; Clearing Corporation of India Limited F-TRAC; www.policyuncertainty.com; and RBI staff estimates.

Table IV.4: Tenor wise Break up for CD Issuances

(₹ Lakh Crore)

	2024-25		2025-26		
	H1	H2	Q1	Q2*	H1*
Up to 91 Days	3.93(73)	3.74(57)	1.95(83)	1.55(64)	3.50(74)
92-180 Days	0.20(4)	0.17(3)	0.11(5)	0.34(14)	0.45(9)
181-365 Days	1.22(23)	2.64(40)	0.28(12)	0.53(22)	0.81(17)
Total	**5.35(100)**	**6.56(100)**	**2.34(100)**	**2.42(100)**	**4.76(100)**

Notes: 1. Figures in parentheses denote share of each maturity profile.
2. Figure may not add up to total due to rounding off.
3. *: Up to September 26, 2025.

Sources: Clearing Corporation of India Limited; and RBI staff estimates.

With favourable interest rates incentivising market-based financing, corporates dominated the CP primary market, with an average share of 48 per cent for H1:2025-26. The average share of non-banking financial companies (NBFCs), however, reduced to 29 per cent in H1:2025-26 from 33 per cent in H2:2024-25. It could be partly attributed to the reversal of risk weights on bank lending to NBFCs effective from April 1, 2025, improving the overall credit availability to NBFCs (Chart IV.6). In terms of maturity profile, the 91-180 days segment had the largest share (51 per cent) in fresh CP issuances, followed by the 31-90 days segment (Table IV.5).

Table IV.5: Maturity Profile of CP Issuances

(₹ Lakh Crore)

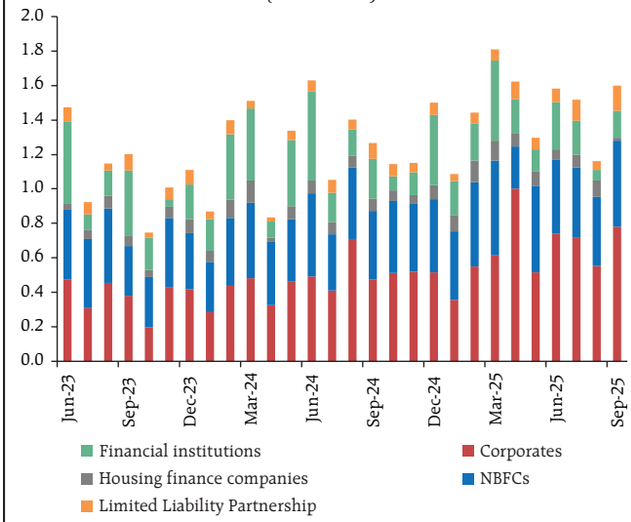
Tenor	H2: 2023-24	H1: 2024-25	H2: 2024-25	H1: 2025-26*
7- 30 days	0.48(7)	0.63(8)	0.51(6)	0.42(5)
31-90 days	2.32(35)	2.35(31)	2.33(28)	3.06(35)
91-180 days	3.11(47)	3.94(52)	4.24(52)	4.54(51)
181-365 days	0.77(12)	0.64(8)	1.11(14)	0.82(9)
Total	6.67(100)	7.55(100)	8.19(100)	8.84(100)
Outstanding (as at end-period)	3.89	3.98	4.43	4.89

Notes: 1. Figures in parentheses denote share of each maturity profile. Figure may not add up to total due to rounding off.
2. *: Up to September 26, 2025.

Sources: Clearing Corporation of India Limited F-TRAC; and RBI.

Chart IV.6: Issuer Profile of Commercial Paper

(₹ Lakh Crore)



Sources: RBI; Clearing Corporation of India Limited F-TRAC; and RBI staff estimates.

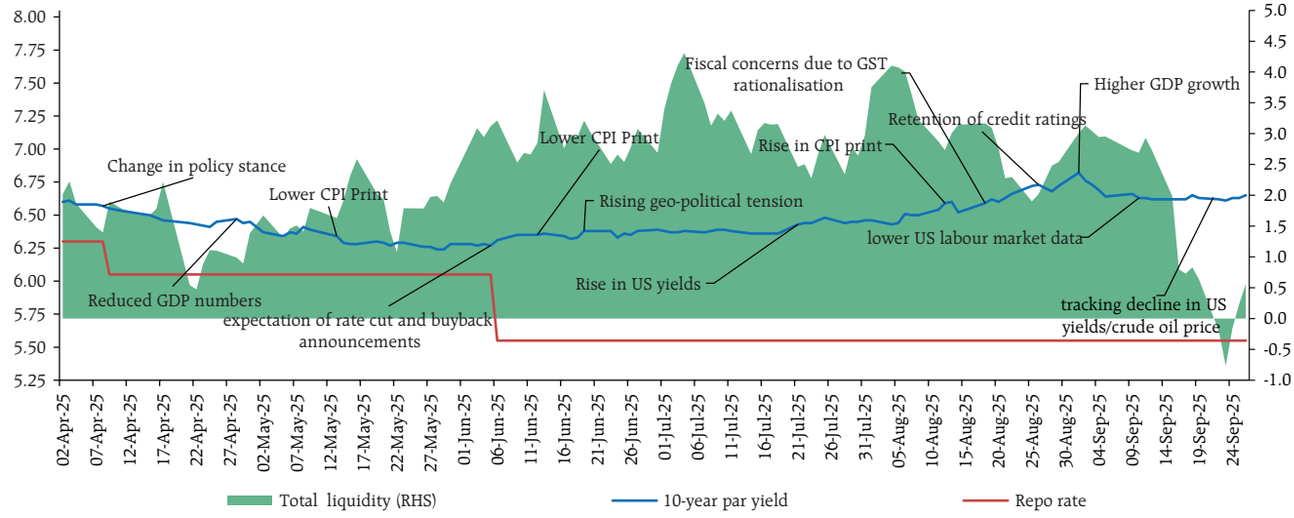
IV.2.2 Government Securities (G-sec) Market

The Government Securities (G-sec) market remained broadly resilient, *albeit* volatile during H1:2025-26 amidst favourable domestic outlook but a challenging global environment. The 10-year G-sec yield moved in the range of 6.19 - 6.77 per cent during H1:2025-26 (up to September 26, 2025). At the beginning of H1, yields softened reflecting the reduction in the policy repo rate, change in the policy stance from neutral to accommodative, open market operation (OMO) purchases by the Reserve Bank, and softening crude oil prices. Yields declined further in May and early June, driven by lower-than-expected April CPI inflation print, market expectations of a rate cut in June, continued OMO purchases by the Reserve Bank and record surplus transfer from the Reserve Bank to the Government of India.

G-sec yields firmed up post the June policy announcement, as the change in stance from 'accommodative' to 'neutral' diminished market expectations of a deeper rate cut cycle. After remaining broadly stable in the first half of July,

Chart IV.7: 10-year Par Yield, Repo Rate and Liquidity Conditions

(Per cent, left scale; ₹ lakh crore, right scale)



Sources: RBI; and Financial Benchmarks India Pvt. Ltd.

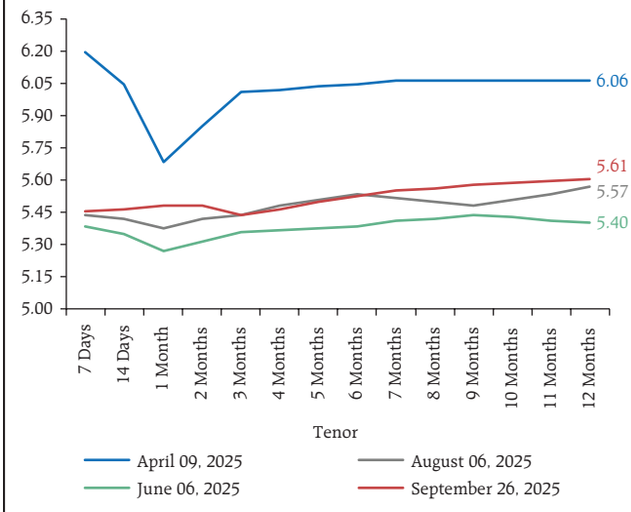
G-sec yields began to harden in the second half amidst uncertainty surrounding the US trade deals and rise in crude oil prices. In August, yields continued to harden, tracking movements in US yields and heightened trade uncertainties from the imposition of additional tariffs on India. Yields softened briefly on S&P's upgrade of India's sovereign ratings on August 14, 2025 but rose again on fiscal concerns stemming from lower growth in direct tax collections and rationalisation of GST rates (Chart IV.7). Beginning September, yields have eased on receding fiscal concerns, softening US yields and declining crude oil prices.

The yields on T-bills softened during April and May amidst the policy repo rate cut and large surplus liquidity. The higher-than-expected repo rate cut and persistent surplus liquidity led to further moderation in yields in June. Yields hardened in August amidst the uncertainty on the interest rate trajectory with the MPC maintaining *status quo* on both rate and stance, and liquidity absorption by the Reserve Bank that raised short-term rates. T-bill rates softened at the short end till the three-month tenor and hardened at the longer end in September (Chart IV.8).

The average trading volume in G-secs and T-bills increased in H1:2025-26 relative to H2:2024-25 (Chart IV.9). The weighted average yield (WAY) on traded maturities for G-secs and T-bills declined by 38 bps and 89 bps, respectively, in H1 as compared to H2:2024-25.

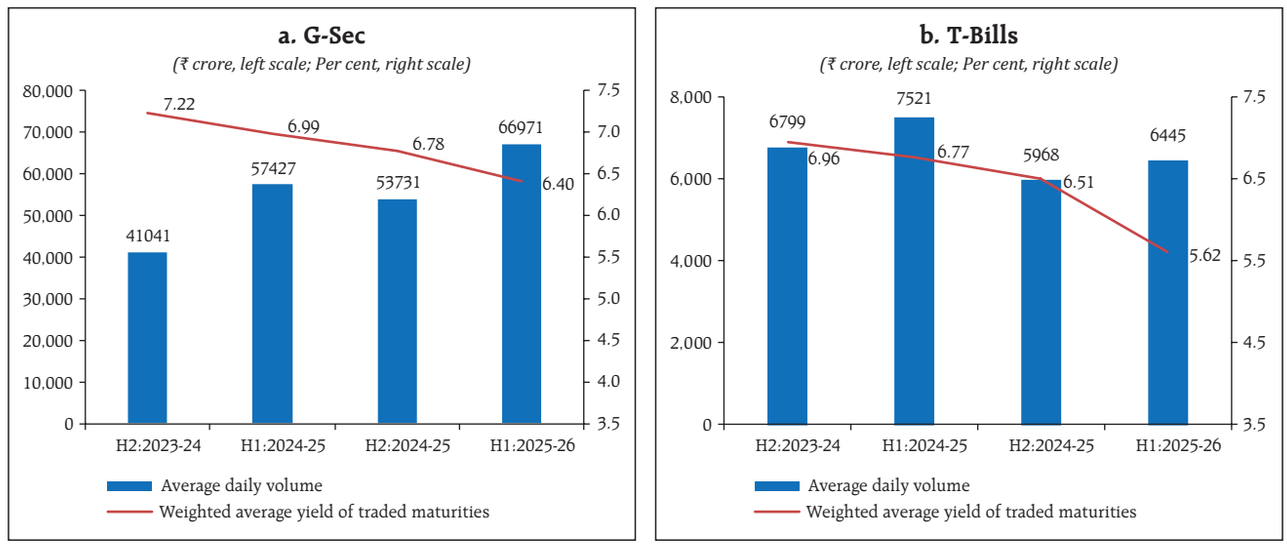
Chart IV.8: FBIL T-Bill Benchmark

Yield to Maturity (Per cent)



Source: Financial Benchmarks India Pvt. Ltd.

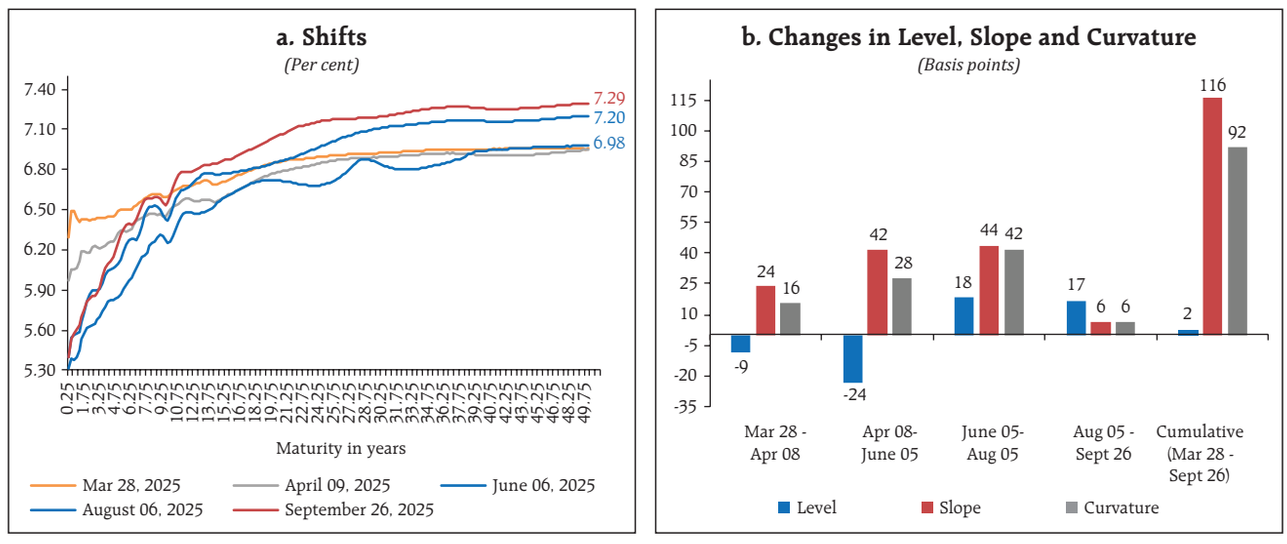
Chart IV.9: Trading Volumes and Yield



Sources: Clearing Corporation of India Limited; and RBI staff estimates.

The overall dynamics of the yield curve are captured by its latent factors, *viz.*, level, slope and curvature[6]. Yields have declined at the short end, while they have hardened at the long end of the term structure. This bear steepening of the yield curve during H1:2025-26 widened the term spread (Chart IV.10a), which is partly attributed to (i) demand-supply mismatches in the G-sec market; and (ii) shift in investment pattern of insurance companies, pension and provident funds from government bonds to equities and corporate bonds. The average level of yields increased by 2 bps, while the slope of the

Chart IV.10: G-Sec Yield Curve



Sources: Financial Benchmarks India Pvt. Ltd; Clearing Corporation of India Limited; and RBI staff estimates.

[6] The level is the average of par yields of all tenors up to 30-years published by FBIL and the slope (term spread) is the difference in par yields of 3-months and 30-year maturities. The curvature is calculated as twice the 15-year yield minus the sum of 30-year and 3-month yields.

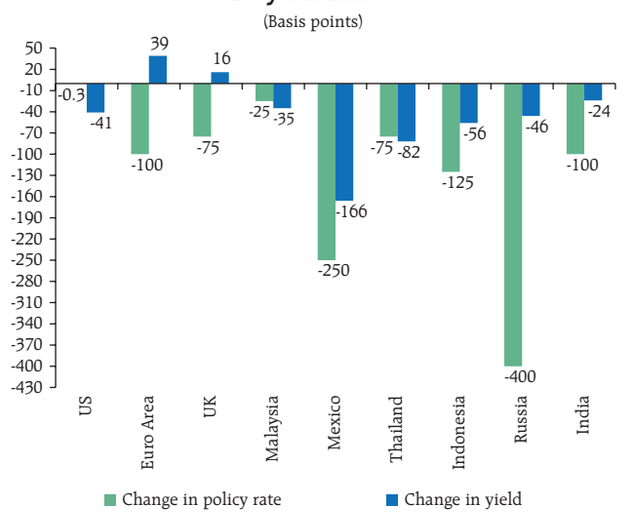
yield curve steepened by 116 bps (Chart IV.10b). The curvature, on the other hand, also increased by 92 bps, reflecting the hardening bias in the mid-segment. In the Indian context, the level and curvature of the yield curve are found to have more information content on future macroeconomic outcomes than the slope owing to market segmentation, unlike in AEs (Patra *et al*, 2022)[7].

Cross-country evidence broadly suggests that G-sec yields have not declined proportionately to the changes in policy rate by central banks during the current easing cycle, although there are variations across countries. These variations reflect varying initial conditions, heterogeneous impact of trade and geopolitical uncertainties on macroeconomic conditions and the outlook, inflation expectations and investor sentiment across countries (Chart IV.11).

As part of active debt consolidation, the Reserve Bank conducted seven switch auctions on behalf of the Government of India amounting to ₹1,29,697 crore during H1:2025-26. Even as the weighted average maturity of the outstanding stock of G-secs increased from 13.24 years at end-March 2025 to 13.58 years as on September 26, 2025, the weighted average coupon declined from 7.25 per cent to 7.21 per cent over the same period. During H1:2025-26, four buyback auctions were announced for an aggregate amount of ₹1.06 lakh crore with a view to retiring some of the Government of India's debt, in the backdrop of improved cash position. The market response to the auctions was modest with the Reserve Bank accepting offers aggregating to only ₹0.87 lakh crore against the notified amount of ₹1.06 lakh crore.

The weighted average spread of cut-off yields on state government securities over G-sec yields of comparable maturities was 38 bps in H1:2025-26 (up to September 26) (Chart IV.12) as against 30 bps in H2:2024-25. The average inter-state spread on securities of 10-year tenor (fresh issuances) was 5 bps in H1:2025-26 (up to September 26) as against 4 bps in H2:2024-25.

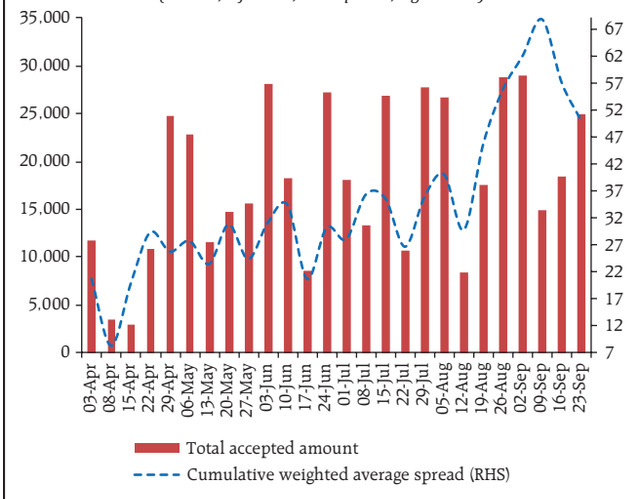
Chart IV.11: Changes in Policy Rate and 10-year Yields



Source: Bloomberg; CEIC; and RBI Staff estimates.

Chart IV.12: State Government Securities - Amount Raised and Spread

(₹ crore, left scale; Basis points, right scale)



Source: Financial Benchmarks India Pvt. Ltd.

[7] Patra, M.D., Joice, J., Kushwaha, K.M., and I. Bhattacharyya (2022), "What is the Yield Curve telling us about the Economy?", Reserve Bank of India Bulletin, June.

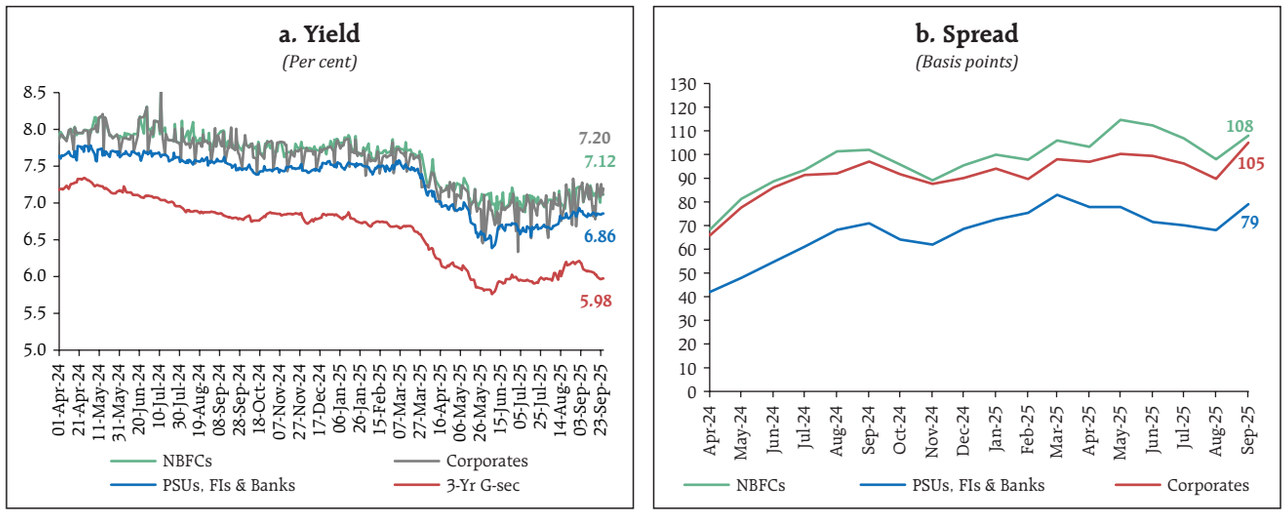
IV.2.3 Corporate Bond Market

Corporate bond yields declined tracking softening of G-sec yields while spreads exhibited a mixed trend during H1:2025-26 (up to September 25). Issuer-wise, the average yield on AAA-rated 3-year bonds of public sector undertakings (PSUs), financial institutions (FIs) and banks softened by 62 bps (to 6.86 per cent), while those of non-banking financial companies (NBFCs) and corporates declined by 56 bps (to 7.15 per cent) and 50 bps (to 7.12 per cent), respectively, in September 2025 (up to September 25) over March 2025 (Chart IV.13a). The average bond market risk premium (*i.e.*, the spread of 3-year AAA corporate bond yields over 3-year G-sec yields) reduced from 83 bps to 79 bps for PSUs, FIs and banks; while it increased from 106 bps to 108 bps for NBFCs; and from 98 bps to 105 bps for corporates in H1:2025-26 (in September 2025 over March 2025), amidst mixed corporate earnings results for Q1:2025-26 (Chart IV.13b).

The risk premia generally moderated for higher rated bonds, while it widened for lower rated bonds amidst mixed corporate performance in Q1:2025-26 and uncertainty about the growth outlook (Table IV.6). The average 3-year credit default swap spreads (trading overseas for the State Bank of India and ICICI Bank) increased by 5 bps and 3 bps, respectively, in H1:2025-26 (up to September 26) over H2:2024-25.

Primary issuances of listed corporate bonds in domestic markets increased to ₹4.0 lakh crore during H1:2025-26 (up to August 2025) from ₹3.3 lakh crore during the corresponding period of the previous year due to favourable cost conditions engendered by monetary policy easing (Chart IV.14a). Overseas issuances declined significantly to ₹3,243 crore during H1:2025-26 (up to August 2025) from ₹23,014 crore during the same period last year amidst conducive environment for raising resources in domestic markets. Almost the entire resource mobilisation in the corporate bond market (*i.e.*, 98.9 per cent) was through the private placement route in H1 (up to August 2025). Outstanding investments by foreign portfolio investors (FPIs) in corporate bonds stood at ₹1.29 lakh crore as on September 26, 2025 as against ₹1.21 lakh crore at end-March 2025, with the utilisation of investment limits declining marginally to 15.7 per cent from 15.8 per

Chart IV.13: AAA-rated 3-Year Corporate Bond Yield and Spreads



Note: Chart 1b plots monthly average spreads over G-secs. Data is up to September 25, 2025.
Source: Fixed Income Money Market and Derivatives Association of India.

Table IV.6: Financial Markets - Rates and Spread

	Interest Rates (Per cent)			Spread (bps) (over corresponding risk-free rate)		
Instrument	**September 2024**	**March 2025**	**September 2025**	**September 2024**	**March 2025**	**September 2025**
1	2	3	4	5	6	7
Corporate Bonds						
(i) AAA (1-yr)	7.92	7.76	6.67	117	115	98
(ii) AAA (3-yr)	7.80	7.62	7.12	97	98	105
(iii) AAA (5-yr)	7.70	7.60	7.21	86	89	86
(iv) AA (3-yr)	8.55	8.43	8.21	172	178	215
(v) BBB-minus (3-yr)	12.14	12.09	11.89	531	544	583

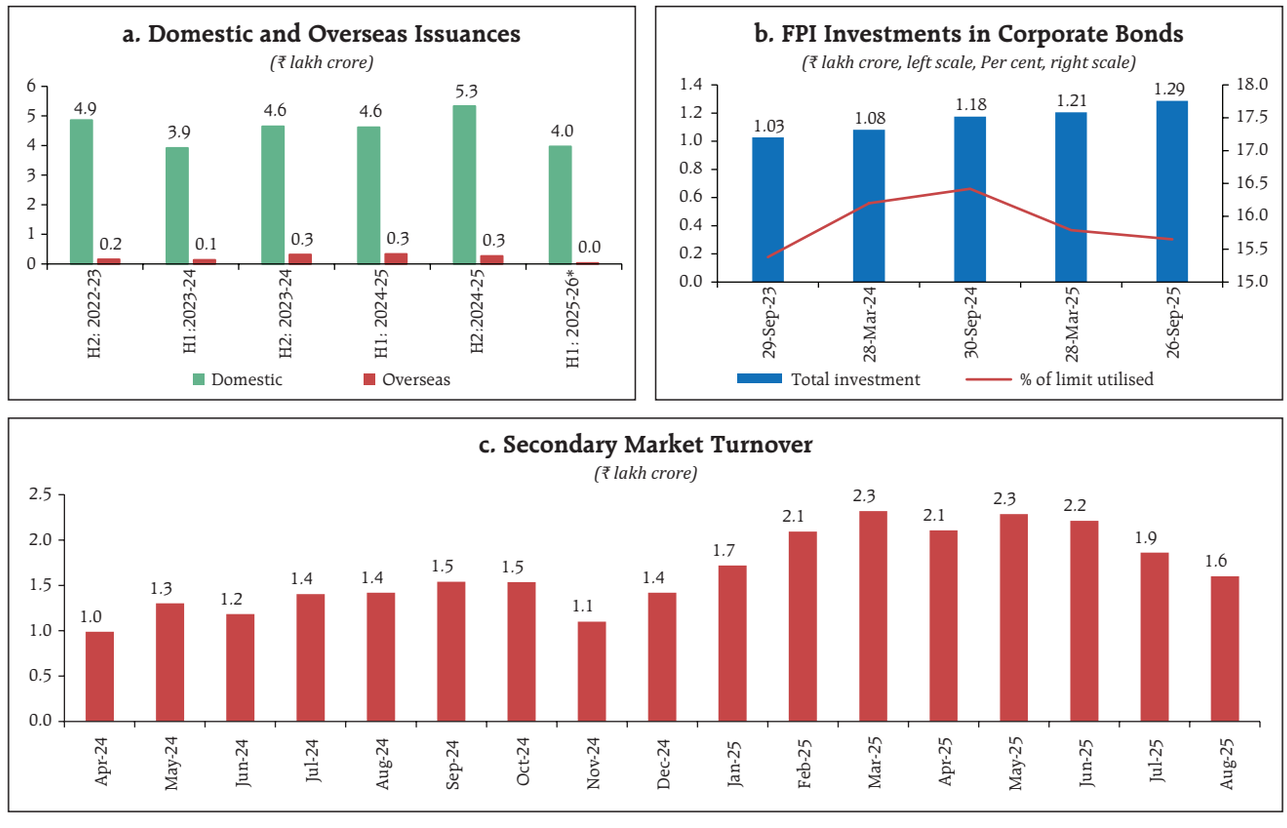
Note: Yields and spreads are computed as monthly averages. Data is up to September 25, 2025.
Source: Fixed Income Money Market and Derivatives Association of India.

cent (Chart IV.14b). Secondary market activity picked up, with trading volume at ₹10.1 lakh crore during H1:2025-26 (up to August 2025) *vis-à-vis* ₹6.3 lakh crore during the corresponding period last year (Chart IV.14c).

IV.2.4 Equity Market

During H1:2025-26 so far (up to September 26), Indian equity markets remained on an upward trajectory, despite bouts of volatility amidst trade policy uncertainty and geopolitical tensions. After

Chart IV.14: Corporate Bond Market Activity



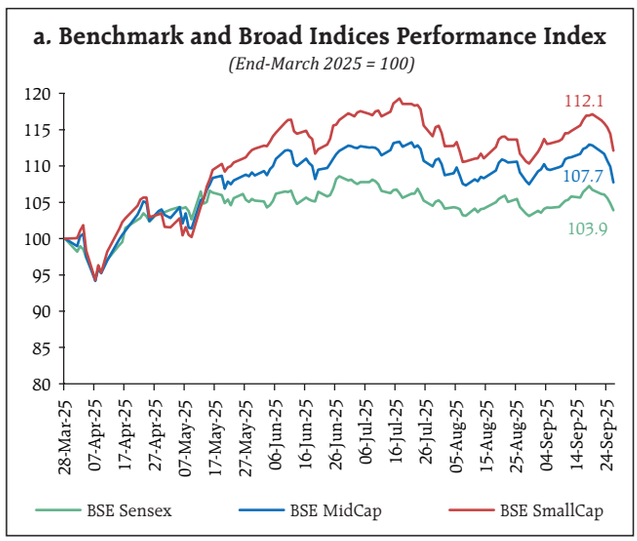
*: Data is up to August 2025.
Sources: Securities and Exchange Board of India; National Securities Depository Limited; and Prime Database.

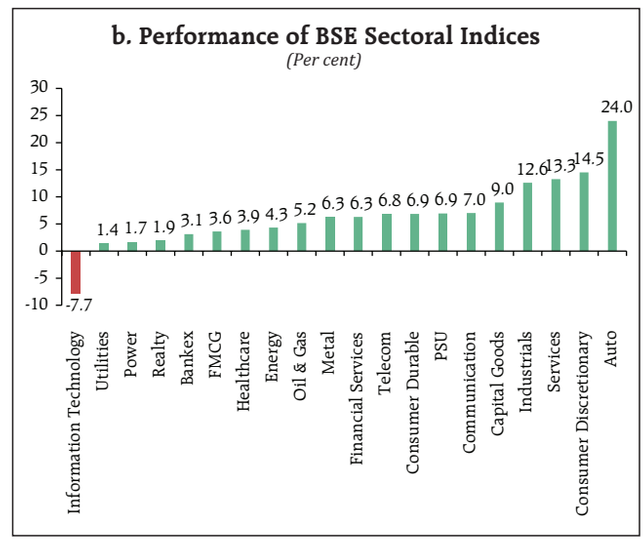
an initial decline, markets recovered in April as tariff-pause announcements by the US and low domestic CPI inflation print for March 2025 lifted sentiments. Markets again came under pressure with the escalation of India-Pakistan conflict in early May, but rose sharply thereafter in mid-May, following the announcement of a ceasefire agreement and a record surplus transfer by the Reserve Bank to the Government of India. The rally continued in June aided by the front loading of monetary policy easing by the Reserve Bank, although a rise in geo-political tensions in the Middle-East led to some correction. In July, markets underperformed other global markets amidst amplified tariff uncertainty and mixed corporate earnings results for Q1:2025-26. Equity markets gained in mid-August amidst India's sovereign rating upgrade by a major global credit rating agency and the announcement of GST reforms, before negative global cues contributed to market losses in late-August. Investor sentiment revived in early-September, buoyed by the release of higher-than-expected GDP growth data for Q1:2025-26 and strong manufacturing and services PMI data releases. However, markets declined in the second half of September amidst a steep hike in H1B visa fees and reports of fresh tariffs by the US.

Overall, the BSE Sensex increased by 3.9 per cent in H1:2025-26 (up to September 26). The broader market indices outperformed the benchmark during H1, with the BSE MidCap and BSE SmallCap index gaining by 7.7 per cent and 12.1 per cent, respectively (Chart IV.15a). India Volatility Index, a measure of short-term expected volatility of Nifty 50, declined by 10.2 per cent during the same period. All BSE sectoral indices, except BSE Information Technology Index registered gains during the period (Chart IV.15b).

After remaining net buyers in Q1:2025-26, FPIs turned net sellers in Q2. The Domestic Institutional Investors (DIIs), especially mutual funds, acted as a counterbalancing force by remaining net buyers and provided resilience to the Indian equity markets. The inflows into mutual funds have been supported by sustained and expanding reach of systematic investment plans (SIPs). Average monthly contribution to mutual funds through the SIP route increased to ₹27,464 crore in H1:2025-26 (up to August) as against ₹25,905 crore during H2:2024-25 (Chart IV.16).

Chart IV.15: Stock Market Performance

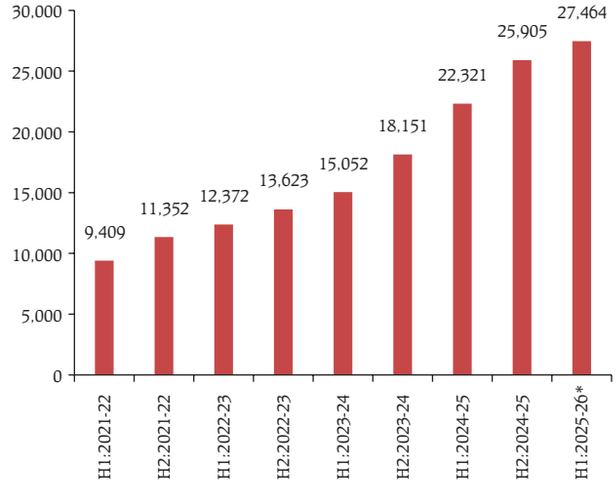




Source: Bloomberg.

Chart IV.16 Average Resource Mobilisation in SIPs

(₹ crore)



*: Up to August 2025.
Source: Association of Mutual Funds of India.

Overall, FPIs were net sellers (₹0.7 lakh crore up to September 26) while DIIs were net buyers (₹3.7 lakh crore up to September 26) in the equity market during H1:2025-26 (ChartIV.17a.). Resource mobilisation in primary equity markets stood at ₹1.8 lakh crore during H1:2025-26 (up to August 2025) as against ₹2.2 lakh crore in H2:2024-25 (Chart IV.17b). The amount raised by small and medium enterprises through public issues aggregated to ₹4,430 crore (*i.e.*, about 2.4 per cent of the total primary issuances) during H1 (up to August 2025) as against ₹4,664 crore in H2:2024-25.

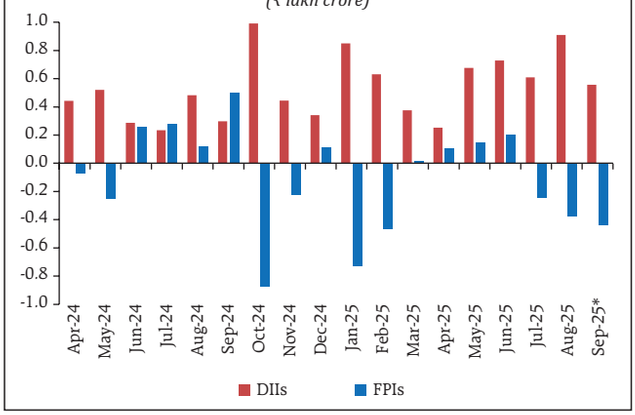
IV.2.5 Foreign Exchange Market

The global foreign exchange market experienced increased volatility during April–September 2025, reflecting shifts in US policy expectations, evolving trade frictions, and fluctuating risk sentiments. The US dollar, after reflecting weakness in early 2025, remained range-bound with intermittent bouts of volatility, mirroring the uncertainties around trade, fiscal, and monetary policy trajectories in the US. In this environment, while most emerging market (EM) currencies recorded appreciations, the Indian rupee (INR) exhibited two-way movements with a depreciating bias. After trading with an appreciating bias during April and early May 2025, the INR depreciated in June-September due to the escalation in the US-India trade tensions, widening trade deficit and FPI outflows (Chart IV.18a). The INR also experienced higher volatility in Q1 as reflected by the option-implied volatility as well as

Chart IV.17: Institutional Investments and Resource Mobilisation

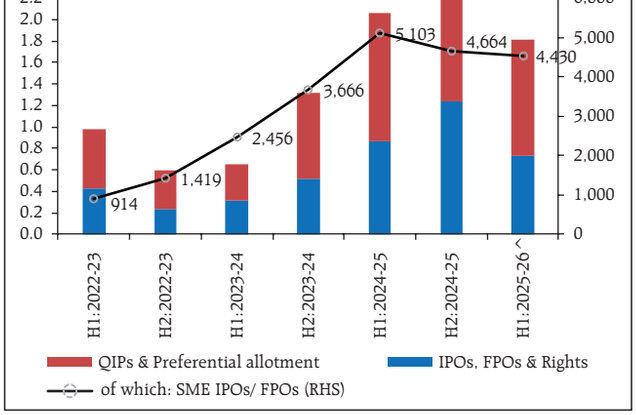
a. Net Investment in Indian Equities by Institutional Investors

(₹ lakh crore)



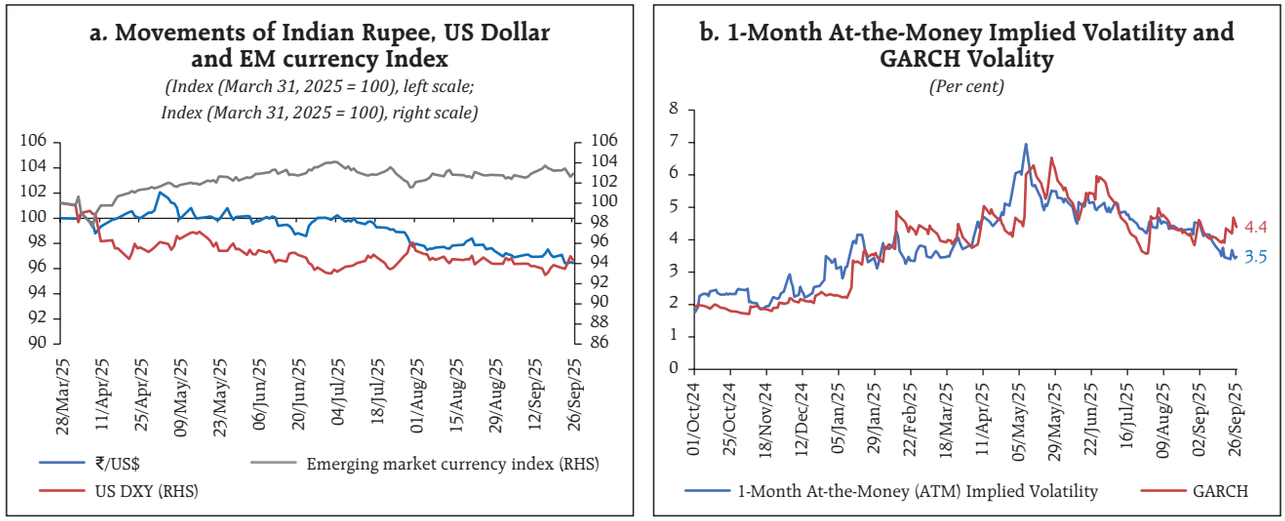
b. Resource Mobilisation in Equity Markets

(₹ lakh crore, left scale; ₹ crore, right scale)



Note: IPO: Initial Public Offer. **QIP:** Qualified Institutional Placement. **FPO:** Follow-on Public Offer.
*: Up to September 26; ^: up to August 2025.
Sources: Capitaline; National Securities Depository Limited; and Securities and Exchange Board of India.

Chart IV.18: Indian Rupee and Volatility



Note: An increase (decrease) in the index denotes currency appreciation (depreciation).
Sources: Financial Benchmarks India Pvt. Ltd.; Refinitiv Eikon; Bloomberg and Authors' calculation.

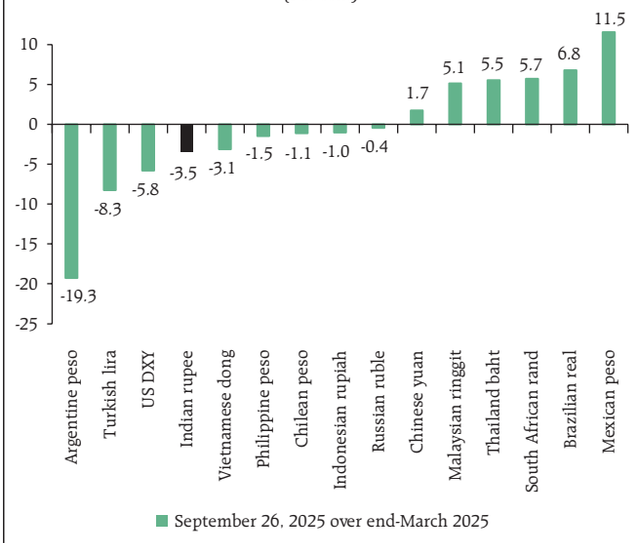
GARCH[8] estimates, but volatility moderated in August as global risk sentiment stabilised and markets priced in trade-related risks (Chart IV.18.b). Notwithstanding these movements, the INR remained among the least volatile EM currencies during this period, supported by strong fundamentals as evident from a narrower current account deficit, steady services exports, resilient private remittances and robust foreign exchange reserves.

The INR depreciated by 3.5 per cent against the US dollar on September 26 over end-March 2025, as opposed to the appreciating trends registered by several peer EM currencies (Chart IV.19). A few peer EM currencies like Argentine peso and Turkish lira however, recorded higher depreciation than INR during this period.

Forward premia declined sharply at the beginning of H1:2025-26 and continued to ease till May 2025 but rose moderately thereafter (Chart IV.20). On an average, the 1-month forward premia eased to 1.94 per cent in H1 (up to September 26) from 2.51 per cent in H2:2024-25, in tandem with the narrowing interest rate differential between the US and India. The decline was moderate for longer maturities, as the 12-month premia declined modestly to 2.11 per cent in H1 (up to September 26) from 2.25 per cent in H2:2024-25.

The 40-currency real effective exchange rate (REER) of the INR depreciated by 2.6 per cent between March 2025 and August 2025 in line with

Chart IV.19: Movements in Major EM Currencies

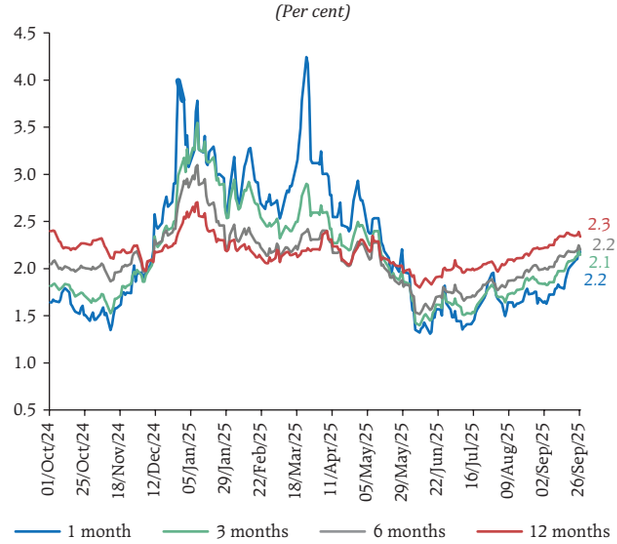


Sources: Financial Benchmarks India Pvt. Ltd.; and Refinitiv Eikon.

[8] Generalised Autoregressive Conditional Heteroskedasticity (GARCH)

Chart IV.20: Movements in INR-USD Forward Premia

(Per cent)



Source: Bloomberg.

the movement in nominal effective terms (Chart IV.21a). The depreciation of INR's 40-currency REER remained modest relative to that of some major economies (Chart IV.21.b).

Overall Financial Conditions

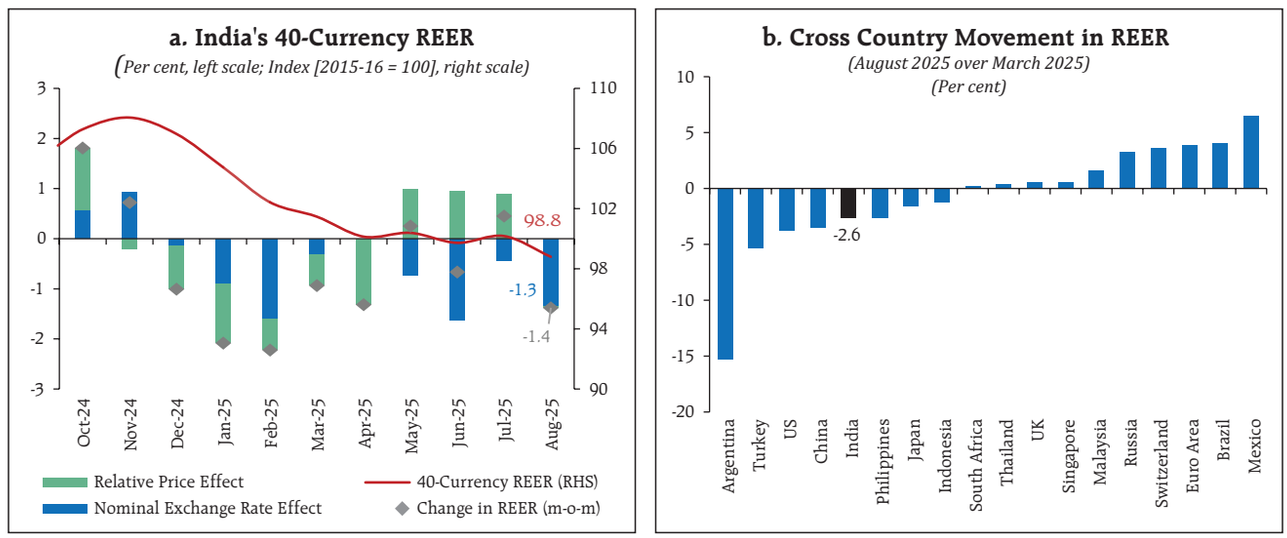
Overall financial conditions eased beginning mid-March until July with a softening trend observed across the money, G-sec and corporate bond markets, as suggested by the financial conditions index based on twenty Indian financial market indicators[9] at daily frequency. Since August, financial conditions tightened marginally on account of tightness in money and corporate bond markets (Chart IV.22). Overall financial conditions remain benign, auguring well for domestic economic activity, going forward.

IV.2.6 Bank and Non-Bank Credit

Bank Credit: Aggregate Trends

Growth in bank credit moderated in H1:2025-26, although the recent data shows signs of an uptick. Across bank groups, credit growth of public sector banks (PSBs) remained higher (11.4 per cent) than

Chart IV.21: Trend in Real Effective Exchange Rate (REER)

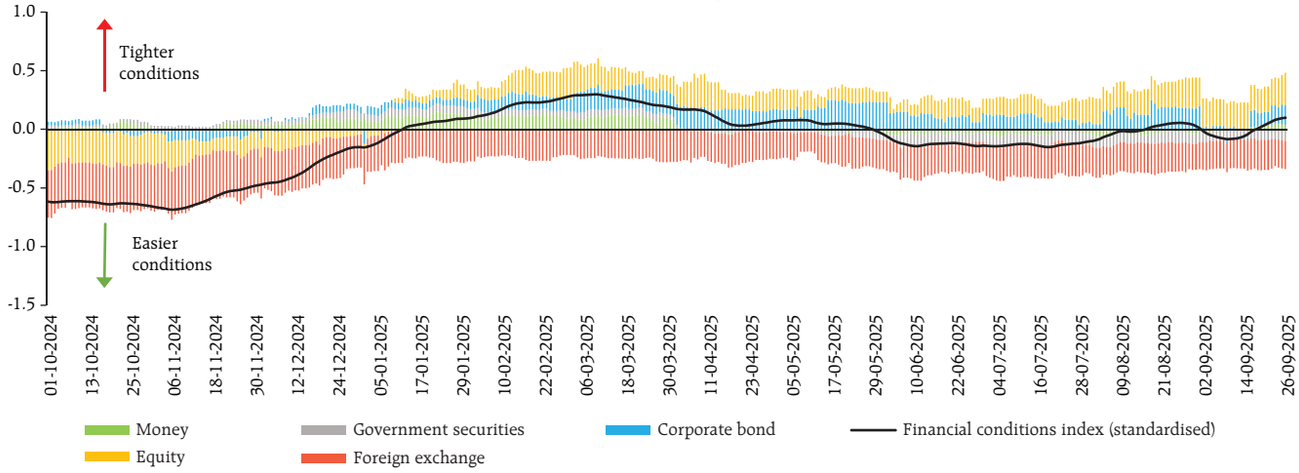


Sources: RBI; and Bank for International Settlements.

[9] The chosen indicators represent five market segments, namely (i) the money market; (ii) the G-sec market; (iii) the corporate bond market; (iv) the forex market; and (v) the equity market. For detailed methodology, refer to Bandyopadhyay, P., Kumar, A., Kumar, P. and Bhattacharyya, I. (2025), 'Financial Condition Index for India: A High-frequency Approach'; Reserve Bank of India Bulletin, June. https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=23451

Chart IV.22: Daily Financial Conditions Index for India

(Standard deviation from average since 2012)



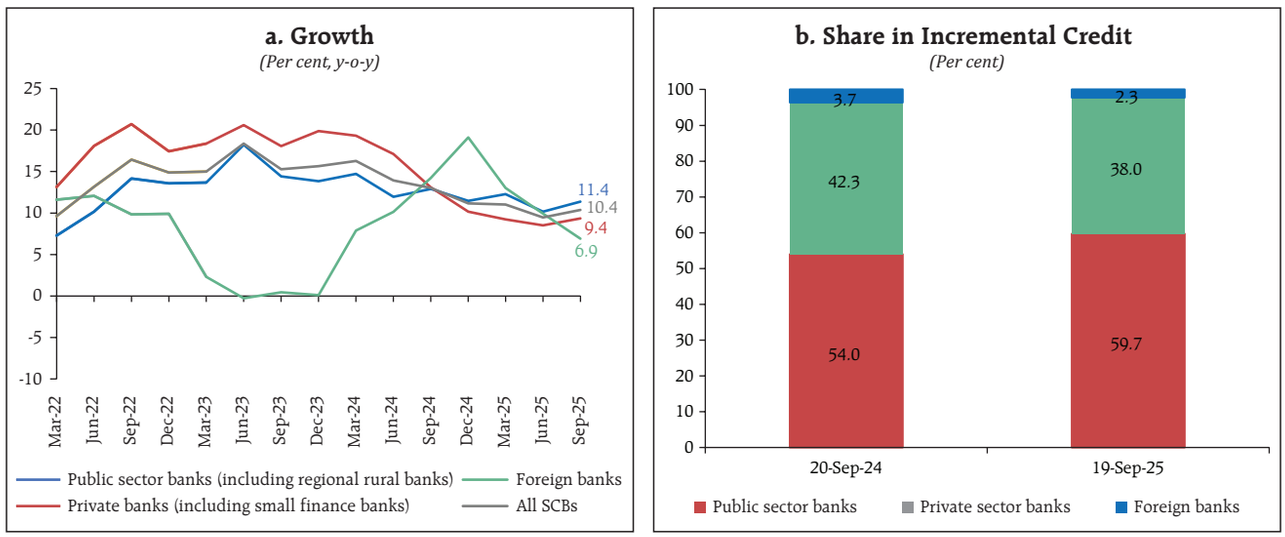
Note: The financial conditions index provides a metric based on its historical average; in this context, a zero value corresponds to a financial system operating at the historical average level of all the financial indicators included in the index. To present the results, standardised index is used.
Source: RBI staff estimates.

that of private sector banks (PVBs) (9.4 per cent), while credit growth of foreign banks decelerated (Chart IV.23a). On an annual basis (as on September 19, 2025), PSBs continued to account for the largest share of the incremental credit and their share rose further *vis-à-vis* PVBs and foreign banks (Chart IV.23.b).

Growth in non-food bank credit of scheduled commercial banks (SCBs) decelerated to 10.2 per cent (y-o-y) as on September 19, 2025 from 13.0 per cent a year ago, although an uptick in momentum was witnessed in Q2 (Chart IV.24).

The asset quality of SCBs improved during 2025-26 (up to June 2025), with the overall gross non-performing assets (NPA) ratio declining to 2.3 per cent in June 2025 from 2.7 per cent a year ago (Chart IV.25a). Asset quality improved across all

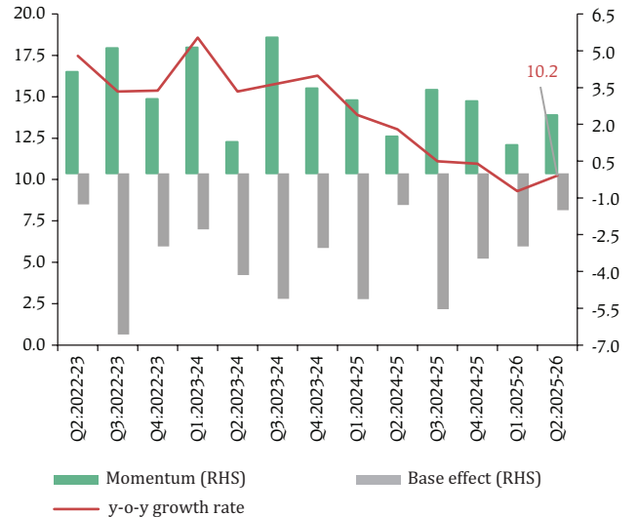
Chart IV.23: Credit flow across Bank Groups



Source: RBI.

Chart IV.24: Non-food Credit Growth of SCBs

(Per cent)



Source: RBI; and Staff estimates.

major sectors, except the agriculture sector (Chart IV.25.b).

Growth in non-SLR investments of banks (comprising investments in CPs, bonds, debentures, and shares of public and private corporates) increased to 5.3 per cent in H1:2025-26 from 1.2 per cent in H2:2024-25 (Chart IV.26a). The growth in adjusted non-food credit (*i.e.*, non-food bank credit *plus* non-SLR investments by banks) was lower at 10.1 per cent in as on September 2025, as compared to 12.9 per cent in the previous year (Chart IV.26.b).

As on August 22, 2025, excess holdings of statutory liquidity ratio (SLR) securities by SCBs decreased to 7.9 per cent of their net demand and time liabilities (NDTL) from 8.5 per cent at end-March 2025 (Chart IV.27). Excess SLR holdings are a component of the liquidity coverage ratio (LCR). They also provide collateral buffers to banks for availing funds under the LAF as well as wholesale funding in the triparty repo and market repo segments.

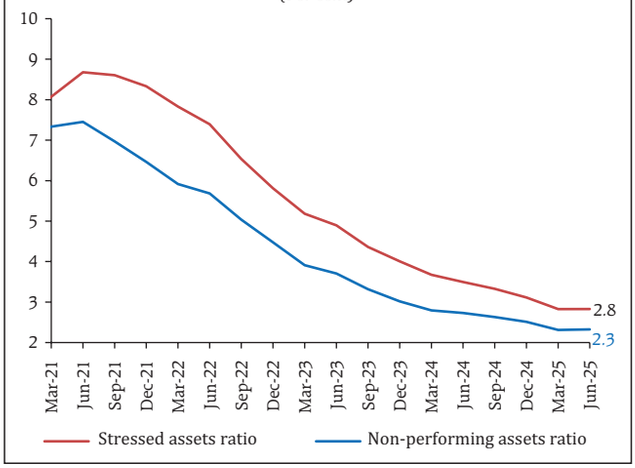
Bank Credit[10]*: A Sectoral Perspective*

Disaggregated trends in bank credit show moderation in credit growth across sectors. Although industrial credit softened, it remained modestly above

Chart IV.25: Stressed Assets and Non-Performing Assets of SCBs

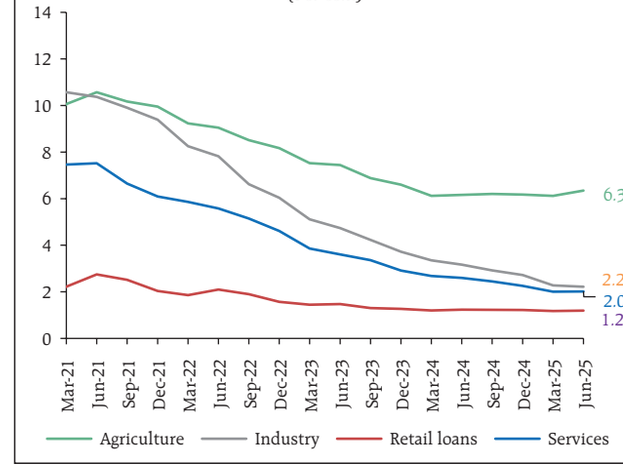
a. Overall Loan Portfolio of SCBs

(Per cent)



b. Sectoral Non-Performing Assets

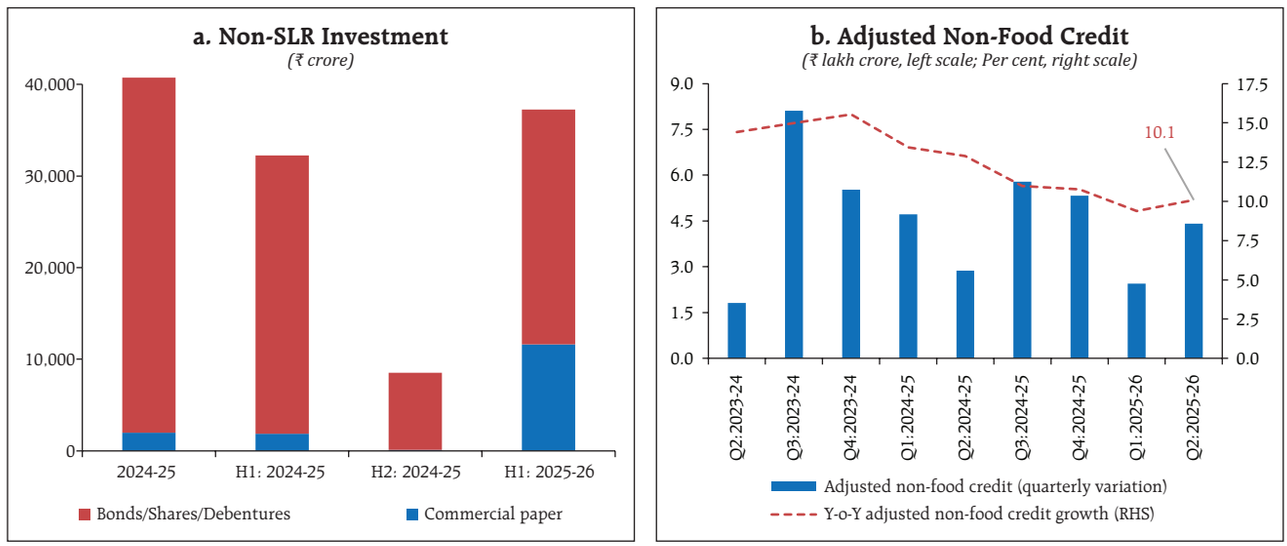
(Per cent)



Source: RBI.

[10] Overall bank credit and non-food credit data are based on fortnightly Section-42 return, which covers all scheduled commercial banks (SCBs) while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, covering select banks accounting for about 95 per cent of the total outstanding non-food credit extended by all SCBs. Data pertain to the last reporting Friday of the month. Data include the impact of merger of a non-bank with a bank.

Chart IV.26: Non-SLR Investment and Adjusted Non-food Credit

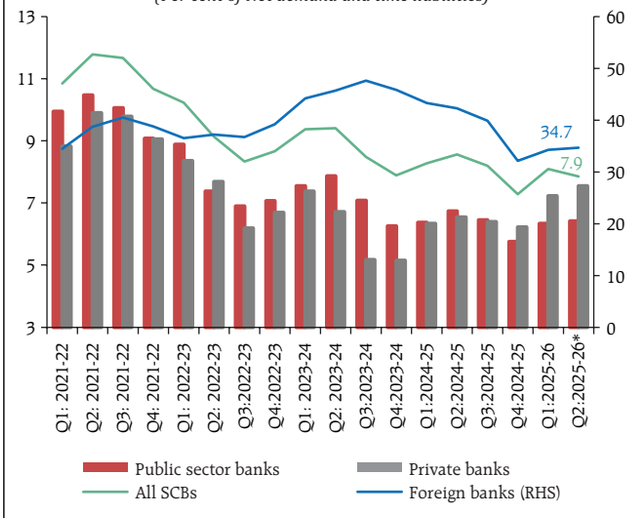


Source: RBI.

its historical 10-year average, with nascent signs of growth uptick in recent months (Table IV.7). Despite moderation in growth, personal loans and services sector credit remained the main drivers of overall bank credit growth (Chart IV.28 a and b). Agricultural and allied activities registered muted credit growth, with gradual firming up in recent months.

Chart IV.27: Excess SLR of Banks

(Per cent of Net demand and time liabilities)



*: Data up to August 22, 2025

Source: RBI.

Within the industrial sector, credit to MSMEs[11] segment continued to remain buoyant, with a significant acceleration in growth during recent months primarily contributing to its overall growth (Chart IV.29). Some regulatory measures such as revised guidelines on voluntary pledge of gold and silver jewellery as collateral for small business loans as well as the measures announced in the Union Budget helped in improving credit flow to the MSME segment. The revision in MSMEs classification, wherein investment limits and turnover thresholds have been raised substantially, also contributed to high growth in the recent past. In contrast, large industry credit registered tepid growth in H1:2025-26[12].

Among the major industrial sub-sectors, infrastructure sector credit growth has been on a declining path since last year, though there has been a marginal improvement since July 2025. On the other hand, credit to all engineering and textile segments witnessed stable growth (Table IV.8).

[11] Pertains to credit to micro, small and medium segments within industry.

[12] H1:2025-26 data up to August 2025.

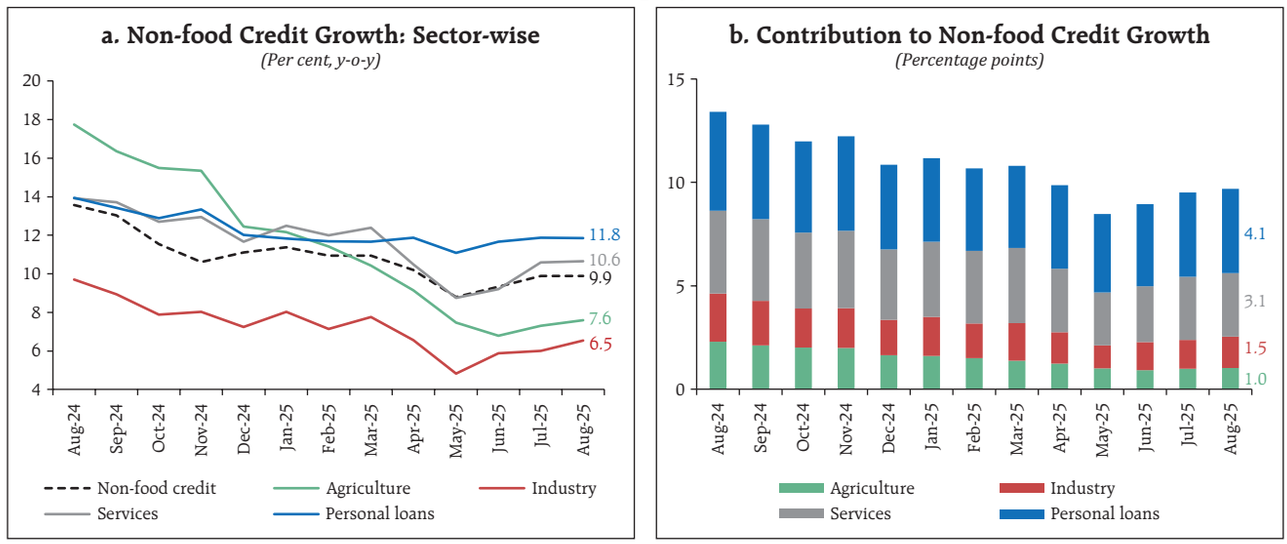
Table IV.7: Credit Growth (y-o-y, per cent)

Sectors/Sub-Sectors	Long-Term*	Post-COVID**	Nov-23	Mar-24	Aug-24	Dec-24	Mar-25	Jul-25	Aug-25
Bank Credit	**10.9**	**15.0**	**20.7**	**20.2**	**13.6**	**11.2**	**11.0**	**10.0**	**10.0**
Sectoral Deployment of Bank Credit									
Agriculture (13.2)	**11.5**	**14.7**	**18.1**	**20.0**	**17.7**	**12.5**	**10.4**	**7.3**	**7.6**
Industry (22.6)	**4.2**	**7.9**	**6.1**	**8.5**	**9.7**	**7.2**	**7.7**	**6.0**	**6.5**
Micro and small (5.1)	8.5	15.9	16.9	14.7	13.4	9.8	8.8	21.0	20.9
Medium (2.1)	12.9	19.1	12.0	13.3	19.2	19.9	18.6	14.7	13.1
MSMEs (7.2)	9.5	16.8	15.4	14.3	15.1	12.7	11.7	19.1	18.5
Large (15.5)	2.7	4.9	2.9	6.4	7.7	5.1	6.2	0.9	1.8
Infrastructure (7.5)	3.9	4.3	2.3	6.6	3.7	1.0	1.4	1.9	2.1
Services (29.1)	**13.9**	**18.1**	**25.7**	**23.5**	**13.9**	**11.7**	**12.4**	**10.6**	**10.6**
Services excluding NBFCs (20.2)	**12.5**	**18.8**	**29.6**	**28.1**	**14.9**	**14.3**	**15.8**	**14.5**	**14.2**
NBFCs (8.9)	19.0	17.2	18.9	15.3	11.9	6.7	5.7	2.6	3.4
Personal loans (35.1)	**17.8**	**19.7**	**30.0**	**27.5**	**13.9**	**12.0**	**11.7**	**11.9**	**11.8**
Personal loans with unchanged risk weight (23.8)	**17.3**	**19.6**	**32.6**	**31.9**	**14.3**	**12.7**	**13.2**	**13.8**	**13.8**
Housing (Including Priority Sector Housing) (17.6)	17.1	20.0	36.7	36.5	13.1	11.1	10.7	9.6	9.7
Vehicle loans (3.7)	18.1	15.4	20.6	17.6	14.5	8.8	8.6	8.9	8.7
Education (0.8)	8.1	16.4	23.0	23.7	18.4	15.8	15.1	15.0	14.6
Personal loans with increased risk weight (11.3)	**19.2**	**20.1**	**25.3**	**19.7**	**13.2**	**10.7**	**8.6**	**8.1**	**7.9**
Credit cards (1.6)	25.2	23.8	34.2	25.6	19.9	15.6	10.6	5.6	4.4
Other personal loans (8.7)	20.8	19.6	24.9	20.7	12.3	9.2	8.0	8.1	8.1

Notes: 1. Provisional data.
2. Bank credit data is based on fortnightly Section-42 return, which covers all scheduled commercial banks, while 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 the total outstanding non-food credit extended by all SCBs, pertaining to the last reporting Friday of the month.
3. *: Average of growth from August 2015 to August 2025.
4. **: Average of growth from April 2022 to August 2025
5. Figures in parentheses against each sector denote share in total non-food credit as per the latest data.

Source: RBI.

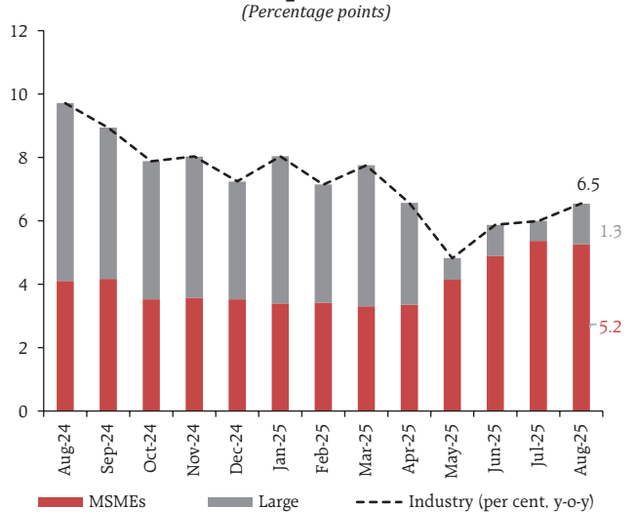
Chart IV.28: Sectoral Deployment of Bank Credit



Source: RBI.

Chart IV.29: Credit Growth of Industrial Sector: Contribution as per Size of Industries

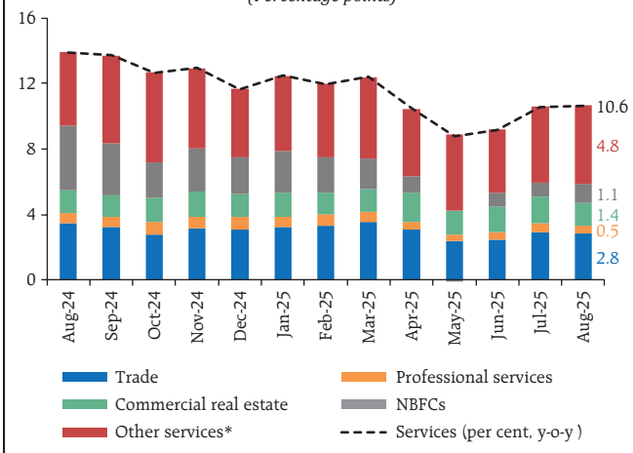
(Percentage points)



Source: RBI.

Chart IV.30: Credit Growth of Services Sector: Contribution of Major Sub-components

(Percentage points)



Note: *: Other services include all services excluding trade, professional services, commercial real estate and NBFCs.
Source: RBI.

Although growth of credit to the services sector moderated during H1:2025-26, a gradual strengthening has been recorded in recent months (Chart IV.30). Non-banking finance companies (NBFCs) remained the largest recipient of bank credit within the services sector, and there are signs of improvement in credit to NBFCs following the withdrawal of the additional risk weights *w.e.f.* April 01, 2025[13]. On the other hand, credit to services excluding NBFCs expanded at a steady pace above its long-term average, with segments such as trade and commercial real estate recording healthy growth (Chart IV.30 and Tables IV.7 & IV.9).

Credit growth in the personal loans segment remained buoyant although decelerating from last year, with housing and vehicle loans being the major contributors (Chart IV.31). In the backdrop of exuberant growth in certain components of consumer

Table IV.8: Credit Growth in Major Sub-sectors of Industry (y-o-y, per cent)

Growth	Aug-24	Sep-24	Dec-24	Mar-25	Jun-25	Jul-25	Aug-25
Infrastructure	3.7	2.1	1.0	1.4	-0.5	1.9	2.1
Basic metal and metal product	16.1	15.4	13.1	12.8	11.0	9.5	8.9
Textiles	6.4	5.4	5.6	8.3	8.6	6.0	6.4
Chemicals and chemical products	15.9	14.9	7.0	7.4	6.3	5.5	6.7
All engineering	16.6	15.7	19.5	22.1	22.3	23.1	19.9
Food processing	14.4	11.6	10.7	5.1	8.1	5.2	6.1

Low High

Note: Within a row, darker shade of green pertains to acceleration in credit growth, while red indicates deceleration in credit growth.
Source: RBI

[13] https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT120A97A4D3CBCCE4AEBAAE1B7DB7DCF177D.PDF

Table IV.9: Impact of Change in Risk Weights on Credit Growth (y-o-y, per cent)

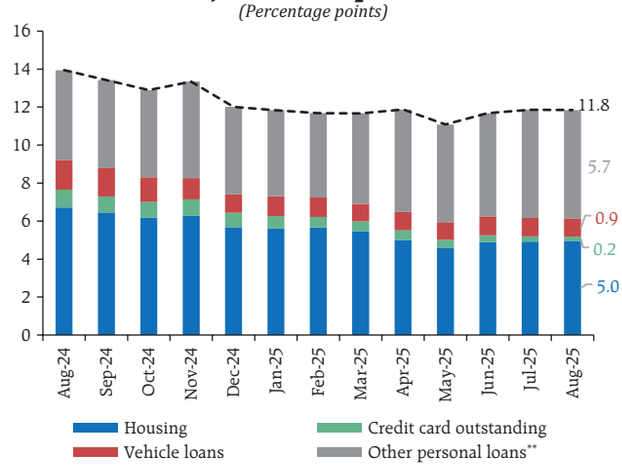
Growth	Nov-23	Mar-24	Aug-24	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Personal loans (with change in risk weight)	25.3	19.7	13.2	8.6	9.7	8.2	7.9	8.1	7.9
NBFCs (with change in risk weight)*	18.9	15.3	11.9	5.7	2.9	-0.3	2.6	2.6	3.4
Personal loans (no change in risk weight)	32.6	31.9	14.3	13.2	12.9	12.6	13.6	13.8	13.8
Services excluding NBFCs (no change in risk weight)	29.6	28.1	14.9	15.8	14.4	13.3	12.4	14.5	14.2

Low High

Notes: 1. *Risk weights were restored for NBFCs in April 2025.
2. Within a row, darker shade of green pertains to acceleration in credit growth, while red indicates deceleration in credit growth.
Source: RBI

credit, risk weights were raised on unsecured personal loans in November 2023. This prudential measure contributed to a sharp moderation, with growth in unsecured personal lending declining to about one-third of its level in November 2023. Personal loans with unchanged risk weights grew at a robust pace (Table IV.9). Housing loans, which constitute nearly half of the lending under personal loans, remained range bound while growth of vehicle loans decelerated.

Chart IV.31: Personal Loans: Contribution of Major Sub-components
(Percentage points)



Note: **: Other personal loans include all personal loans except housing, credit card outstanding and vehicle loans.
Source: RBI.

Though there has been a moderation in bank credit growth, total credit to the economy remained resilient, supported by strong non-bank intermediation. Resource mobilisation by non-financial corporates through market instruments such as corporate bond issuances and commercial papers has increased. The deceleration in bank credit growth, therefore, may be interpreted in the context of a broader and increasingly diversified credit ecosystem, wherein non-bank channels have also emerged as key sources of funding.

NBFCs Credit[14]

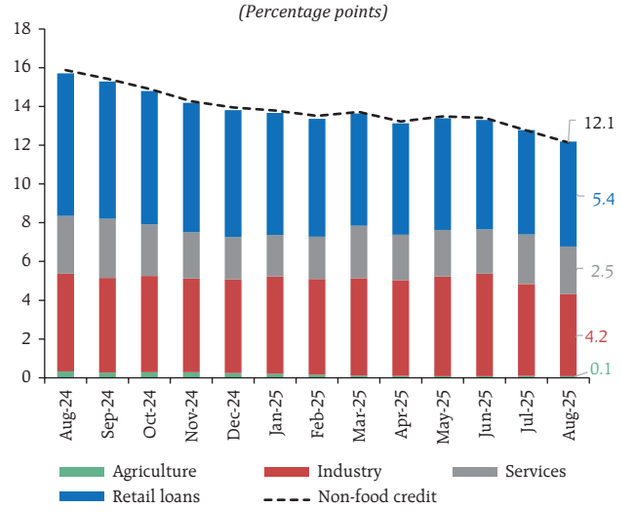
Despite some deceleration in lending, NBFCs' credit growth remained strong at double-digit levels. Industrial credit, which forms the dominant portion of NBFCs' credit portfolio, displayed stable growth, underscoring the importance of NBFCs as a crucial conduit for extending credit to the economy. Lending to retail loans and services segments expanded at a healthy pace in H1:2025-26[15] contributing to overall credit deployment by NBFCs (Chart IV.32).

[14] Data on sectoral deployment of outstanding credit from select NBFCs pertain to last day of every month. As a pilot work, the collection of monthly sectoral credit information from select NBFCs has been initiated. These NBFCs represent around 88 per cent of total credit extended by all NBFCs in upper and middle layers.

[15] H1:2025-26 data up to August 2025.

Chart IV.32: Sectoral Contribution of NBFCs' Credit Growth

(Percentage points)



Source: RBI.

IV.3 Transmission to Lending and Deposit Rates

Transmission of the cumulative policy rate cut of 100 basis points to lending and deposit rates has been quick in the current easing cycle commencing February 2025. Banks have adjusted their lending and deposit rates downwards in H1:2025-26 in response to the policy rate cuts and moderation in cost of funds (Chart IV.33a). The decline in deposit rates has been mainly led by bulk deposits in the wake of large surplus liquidity conditions and moderation in credit demand (Chart IV.33.b).

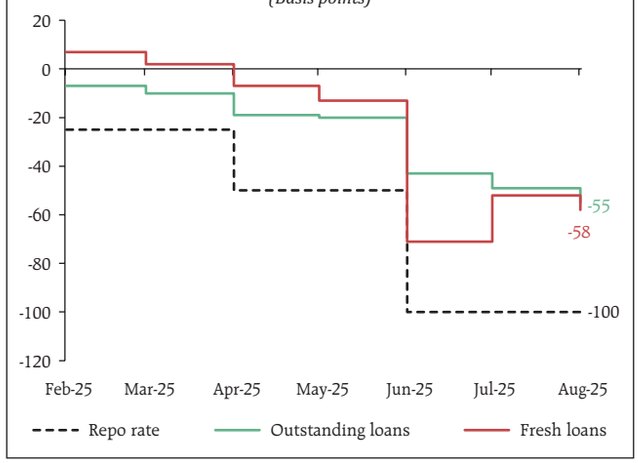
Since the onset of the current easing cycle in February 2025, banks have adjusted their repo-linked lending rates downward by 100 bps. The marginal cost of funds-based lending rate, which has a longer reset period, has also declined. The 1-year median marginal cost of funds-based lending rate of scheduled commercial banks softened by 40 bps during February-August 2025. Consequently, the weighted average lending rates on fresh and outstanding rupee loans declined by 58 bps (interest rate effect accounts for 71 bps)[16] and 55 bps, respectively, during the same period. On the deposit side, the weighted average domestic term deposit rates on fresh and outstanding deposits declined by 106 bps and 22 bps, respectively (Table IV.10).

The share of the external benchmark-based lending rate linked loans in total outstanding floating

Chart IV.33: Transmission to Banks' Lending and Deposit Rates during Feb-Aug 2025

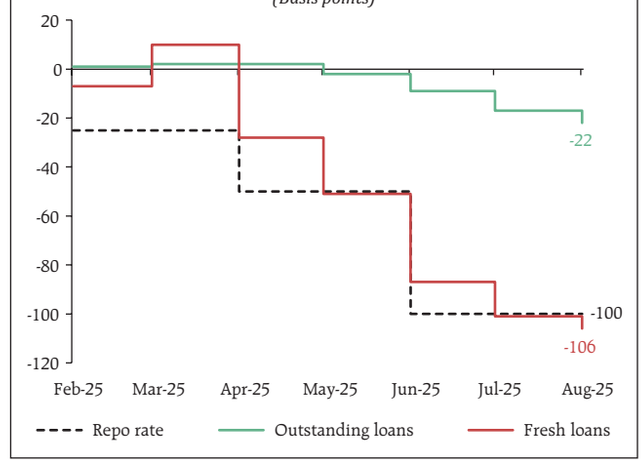
a. Lending Rates (WALR)

(Basis points)



b. Deposit Rates (WADTDR)

(Basis points)



WALR: Weighted average lending rate; WADTDR: Weighted average domestic term deposit rate.

Source: RBI.

[16] The interest rate effect can be arrived at by keeping the weight constant, with the residual change in the weighted average landing rate attributed to the weight effect.

Table IV.10: Transmission to Banks' Deposit and Lending Rates

(*Basis points*)

Period	Repo Rate	Term Deposit Rates			Lending Rates				
		WADTDR Fresh Deposits		WADTDR Outstanding Deposits	EBLR	1-Yr. MCLR (Median)	WALR Fresh Rupee Loans		WALR Outstanding Rupee Loans
		Retail Deposits	Retail and Bulk Deposits	Retail and Bulk Deposits			Overall Effect	Interest Rate Effect#	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Tightening Period May 2022 to Jan 2025	+250	190	259	206	250	175	182	191	115
Easing Phase Feb 2025 to Aug 2025	**-100**	**-64**	**-106**	**-22**	**-100**	**-40**	**-58**	**-71**	**-55**
Memo									
Jun – 2025	-50	-26	-36	-7	-50	-5	-58	-30	-23
Jul – 2025	0	-11	-14	-8	0	-15	19	-4	-6
Aug – 2025	0	-7	-5	-5	0	-15	-6	-11	-6

Notes: Data on EBLR pertain to 32 domestic banks.
: 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.
Sources: MPD06 return; and RBI.

rate loans of scheduled commercial banks increased to 62.9 per cent as at end-June 2025 from 61.6 per cent as at end-March 2025. Consequently, the share of marginal cost of funds-based lending rates linked loans declined (Table IV.11). Increasing share of loans linked to external benchmark has quickened the pace of transmission to lending rates.

Public sector banks still have a significant proportion of their loans linked to marginal cost of funds-based lending rates (Chart IV.34a). On the other hand, private banks extend a large part of their loans at external benchmark-based lending rates (Chart IV.34.b). The marginal cost of funds-based lending rates and other legacy rates – based on internal benchmarks and having longer reset periods – act as an impediment to faster policy transmission.

Table IV.11: Share of Outstanding Floating Rate Loans across Interest Rate Benchmarks

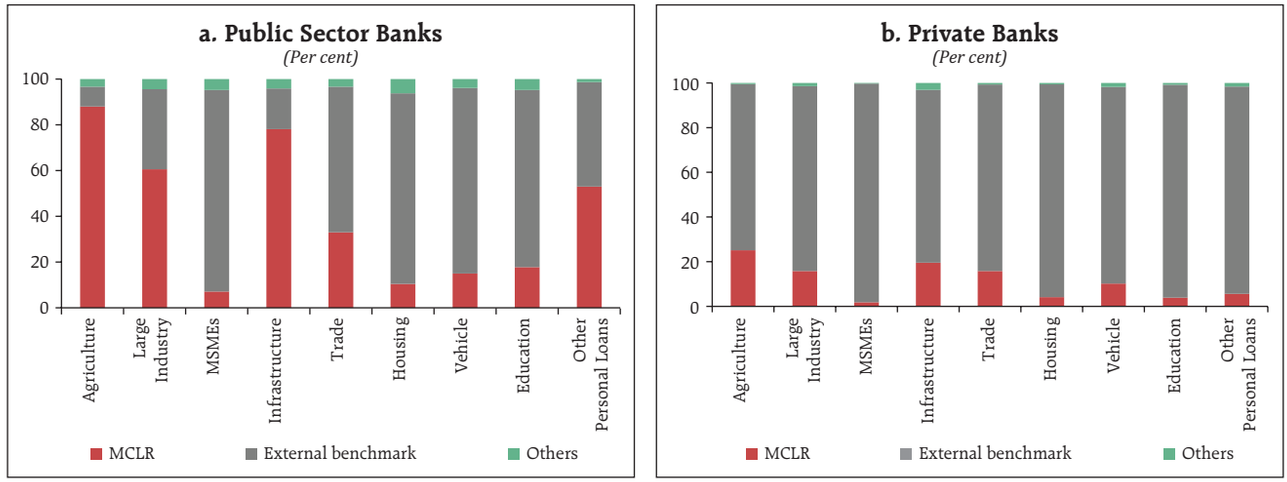
Regime	June 2024	March 2025	June 2025
MCLR	38.2	34.9	33.8
EBLR	57.9	61.6	62.9
Others	3.9	3.5	3.3

Notes: 1. 'Others' include benchmark prime lending rate, base rate and other internal benchmarks.
2. Data pertain to 74 scheduled commercial banks.
3. EBLR: External benchmark-based lending rate; MCLR: Marginal cost of funds-based lending rate.
Source: RBI.

Bank group-wise, the transmission to weighted average lending rates on fresh and outstanding rupee loans of private banks was higher than that of public sector banks (Chart IV.35a). As alluded to earlier, the large share of external-benchmark based loans led to better transmission in case of private banks compared to public sector banks. However, lending rates of private banks remained above those of public sector banks (Chart IV.35.b). The maximum pass-through to lending rates was witnessed among foreign banks, reflecting their higher share of external benchmark-based lending rates and higher share of low-cost and wholesale deposits of lower maturity.[17]

[17] The proportion of external benchmark-based lending rate linked loans was the highest for foreign banks (93.5 per cent), followed by private banks (87.9 per cent) and public sector banks (47.2 per cent) as at end-June 2025.

Chart IV.34: Outstanding Floating Rate Rupee Loans of SCBs across Interest Rate Benchmarks

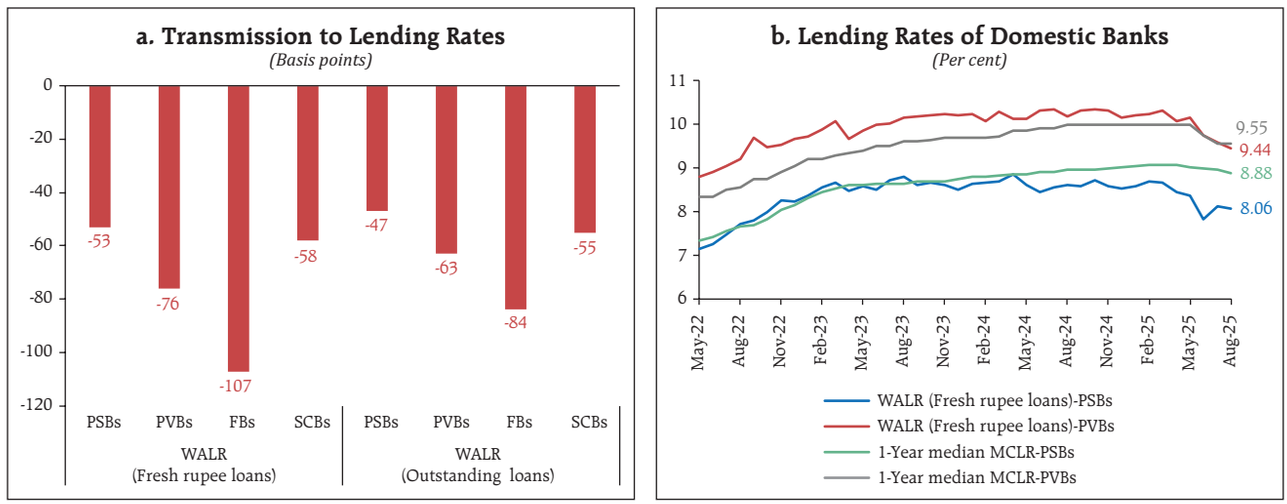


Notes: 1. MCLR: Marginal cost of funds-based lending rate.
2. Data pertains to end-June 2025.
3. 'Others' include benchmark prime lending rate, base rate and other internal benchmarks.

Source: *Ad-hoc* survey.

Sectoral analysis shows that the transmission to lending rates on fresh and outstanding loans has been broad-based. The pace of transmission varied across sectors due to varying proportion of credit portfolios linked to fixed and floating interest rates and differential spreads charged by banks. Even though lending rates moderated, the shifts in volumes across banks/sectors towards higher interest rate slabs may reduce the extent of transmission during and easing cycle. Hence, changes in the weighted average lending rate may be decomposed into interest rate effect and volume effect for assessing transmission to lending rates, especially on fresh loans during a policy cycle.[18] During the current easing cycle (Feb-Aug 2025), the

Chart IV.35: Bank Group-wise Transmission to Lending Rates

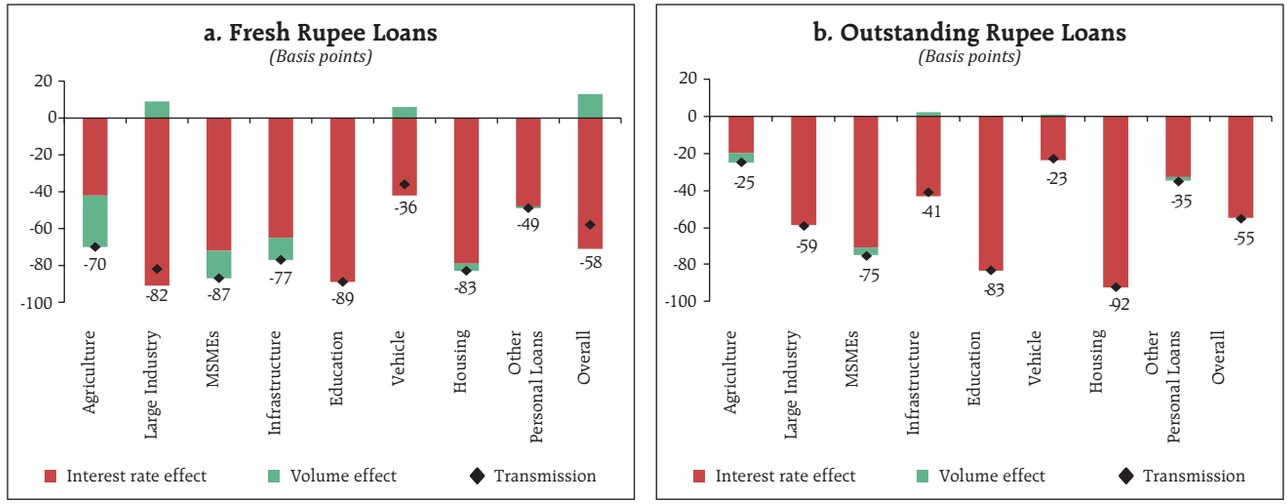


Notes: PSBs: Public sector banks; PVBs: Private banks; FBs: Foreign banks; SCBs: Scheduled commercial banks; WALR: Weighted average lending rate; MCLR: Marginal cost of funds-based lending rate.

Source: RBI.

[18] The interest rate effect can be arrived at by keeping the weight constant, with the residual change in the weighted average landing rate attributed to the weight effect.

Chart IV.36: Sector-wise Transmission to Weighted Average Lending Rates (Feb - Aug 2025)



Sources: MPD06 return; and RBI.

volume effect partially dampened transmission in large industry and vehicle loans, whereas it complemented interest rate effect in other sectors, thereby enhancing transmission in these sectors (Chart IV.36).

For external benchmark-based lending rate loans, banks have increased their spreads (charged over and above the benchmark rate), which dampened the extent of transmission (Table IV.12). The spread on fresh rupee loans was the highest for education loans, followed by other personal loans, and micro, small and medium enterprises loans. Among domestic bank groups, public sector banks charged a lower spread than private banks for housing, vehicle, education, and other personal loans. Public sector banks, however, charged a higher spread for micro, small and medium enterprises loans as compared to private banks.

Non-banking financial companies have been playing an increasingly important role in meeting the credit needs of the economy. They extend the last mile credit to *hitherto* unbanked areas and provide *niche* financing to various sectors ranging from real estate and infrastructure to agriculture

Table IV.12: Spread of Weighted Average Lending Rates on Fresh Rupee Loans*

Sectors	Jan-25			Aug-25		
	Public sector banks	Private banks	Domestic banks	Public sector banks	Private banks	Domestic banks
MSME Loans	3.43	3.12	3.20	3.48	3.33	3.36
Personal Loans						
Housing	2.09	2.44	2.34	2.11	2.51	2.37
Vehicle	2.63	4.03	3.07	2.69	4.26	3.01
Education	3.84	4.76	4.41	3.42	5.55	4.55
Other personal loans	3.01	5.38	3.36	3.30	5.31	3.58

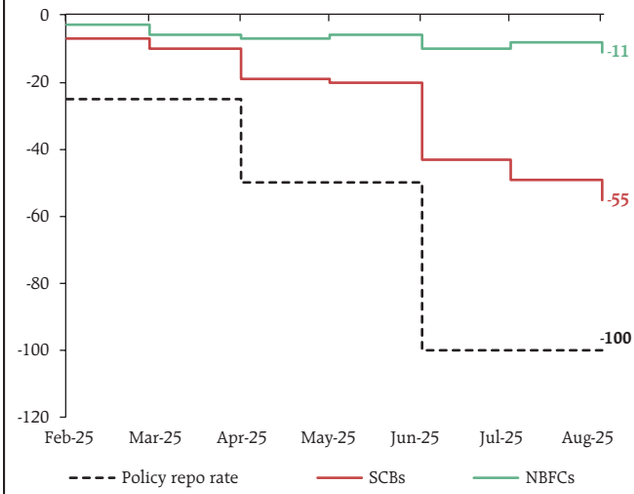
Note: Other personal loans include loans other than housing, vehicle, education and credit card loans.
* : Calculated over the repo rate for loans linked to external benchmarks.
Sources: MPD06 return; and RBI staff estimates.

and micro loans. Thus, non-banking financial companies enhance the reach of the credit channel of monetary transmission. The lending rates of non-banking financial companies generally tend to be higher than those of commercial banks. This reflects, *inter alia*, their liability structure and the risk profile of their borrowers. The degree of monetary policy transmission, therefore, differs between non-banking financial companies and scheduled commercial banks (Chart IV.37).

Across bank groups, the pass-through to weighted average domestic term deposit rates on fresh and outstanding deposits was higher for public sector banks than private banks during February-August 2025 (Chart IV.38a). Interest rates on fresh retail deposits moderated across tenors, although the extent varied (Chart IV.38.b). The interest rates on savings bank deposits that comprise about 30

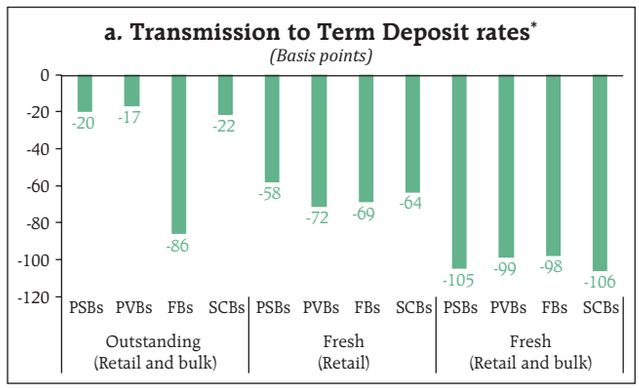
Chart IV.37: Monetary Policy Transmission to Outstanding Lending Rates of NBFCs

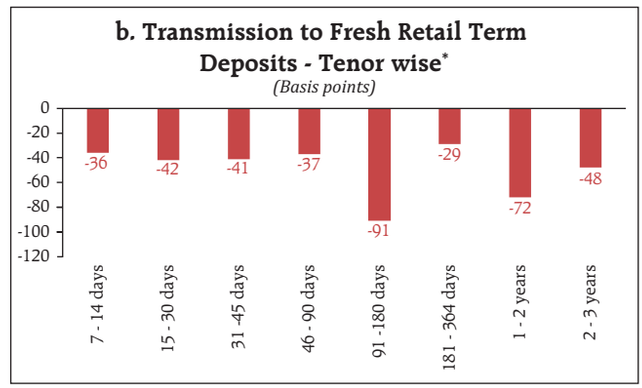
(Basis points)

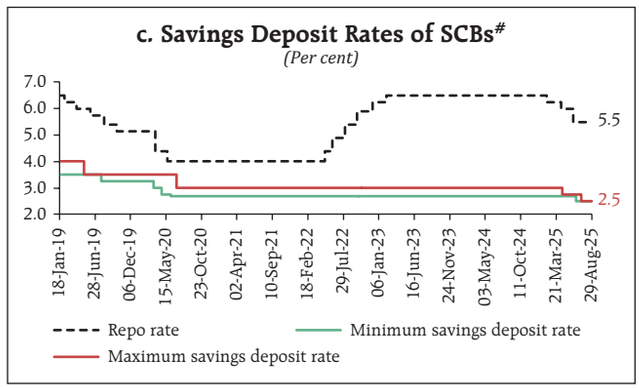


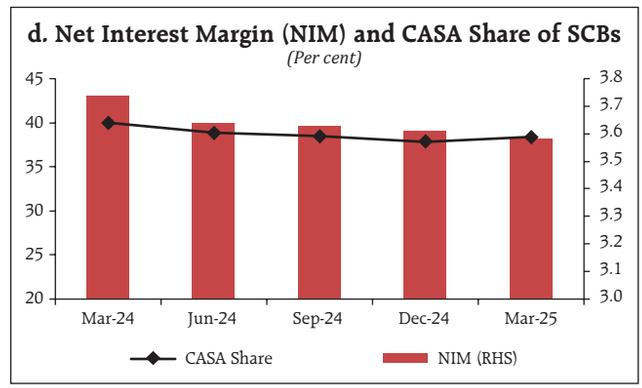
Sources: *Ad-hoc* survey; and RBI.

Chart IV.38: Deposit Rates and Banks' Profitability









Notes: PSBs: Public sector banks; PVBs: Private banks; FBs: Foreign banks; SCBs: Scheduled commercial banks; WADTDR: Weighted average domestic term deposit rate; CASA: Current account and savings account; NIM: Net interest margin.

*: Transmission is calculated for the period February-August 2025. #: Savings deposit rates pertain to five major banks and relate to account balances of up to Rs 1 lakh.

Sources: MPD06 return; and RBI.

Table IV.13: Interest Rates on Small Savings Instruments – Q3:2025-26

Small Savings Scheme	Maturity (years)	Spread$ (Percentage point)	Average G-sec yield# (Per cent)	Formula-based rate of Interest (Per cent)	Government Announced Rate of Interest (Per cent)	Difference (Percentage point)
(1)	(2)	(3)	(4)	(5) = (3) + (4)	(6)	(7) = (6) - (5)
Savings Deposit	-	-			4.00	-
Public Provident Fund	15	0.25	6.58	6.83	7.10	0.27
Term Deposits						
1 Year	1	0	5.46	5.46	6.90	1.44
2 Year	2	0	5.62	5.62	7.00	1.38
3 Year	3	0	5.79	5.79	7.10	1.31
5 Year	5	0.25	6.12	6.37	7.50	1.13
Recurring Deposit Account	5	0	5.79	5.79	6.70	0.91
Monthly Income Scheme	5	0.25	6.09	6.34	7.40	1.06
Kisan Vikas Patra	115 Months	0	6.58	6.58	7.50	0.92
NSC VIII issue	5	0.25	6.26	6.51	7.70	1.19
Senior Citizens Saving Scheme	5	1.00	6.12	7.12	8.20	1.08
Sukanya Samriddhi Account Scheme	21	0.75	6.58	7.33	8.20	0.87

$: Spreads for fixing small saving rates as per the Government of India Press Release of February 2016.
#: Based on semi-annualised yield on G-sec of corresponding maturity for the period Jun-Aug 2025.
Note: Compounding frequency varies across instruments.
Sources: Government of India; Financial Benchmarks India Pvt. Ltd; and RBI staff estimates.

per cent of total deposits have also declined in the current easing cycle (Chart IV.38.c). Banks are generally prompt in reducing their savings deposit rates in an easing cycle. Large surplus liquidity amidst moderation in credit demand enabled banks to transmit rate cuts faster to their liability side, which helped them to manage their margins effectively (Chart IV.38.d).

The Government of India reviewed the interest rates on various small savings instruments, which are linked to secondary market yields on G-secs of comparable maturities and kept them unchanged for Q3:2025-26. This led to a widening of gap between the interest rates on most small saving instruments and their formula-based rates (Table IV.13). The widening gaps may be limiting the transmission of policy rates to banks' deposit rates, especially in an easing cycle, because of the potential substitution effect. A large interest rate differential in favour of small savings could lead to a migration of deposits away from banks.

IV.4 Conclusion

System liquidity remained in surplus during H1 on the back of Reserve Bank's liquidity augmenting measures and increase in government spending. Domestic financial markets remained resilient amidst increased volatility in global financial markets induced by trade and geopolitical uncertainties. Money market rates moved in tandem with the policy repo rate. Long term bond yields eased at the beginning of the year but hardened from June onwards amidst domestic developments and global cues. Indian equity markets demonstrated resilience and generally maintained an upward trajectory with intermittent corrections. The INR remained range-bound in Q1 but came under depreciating pressures in Q2. The credit market registered robust transmission with lending and deposits rates declining faster in the current easing cycle. Going forward, the Reserve Bank will remain agile and nimble in liquidity management operations to ensure adequate liquidity in the system to meet the productive requirements of the economy while safeguarding financial stability.

V. External Environment

Global growth remains below its long-term average and is projected to decelerate in 2025 amid elevated uncertainties and higher tariffs. Inflation continues to moderate but remains above target for several economies with recent upticks observed in some advanced economies. Central banks remain cautious in normalising monetary policy as they assess the unfolding impact of tariffs. Financial markets stay volatile responding to shifting policy signals, even as equities rebounded strongly. Trade policy uncertainty, geoeconomic fragmentation, lingering geopolitical risks, stretched equity valuations, rising fiscal concerns and inflation persistence pose downside risks to the global growth outlook.

The global economy, growing below its long-term average, is projected to slow in 2025. The near-term growth outlook is clouded by trade policy uncertainty, geoeconomic fragmentation, geopolitical risks, and financial market volatility. The recent uptick in inflation, particularly in advanced economies (AEs), coupled with unfolding impact of high tariffs has impeded the disinflation process, posing risks to price stability. Consequently, central banks have adopted a cautious approach in their policy decisions carefully weighing incoming data. Global financial markets remained volatile, reflecting shifting risk perceptions amid elevated trade policy uncertainty. Equity markets scaled new highs driven by tech stocks. Short-term bond yields generally softened in anticipation of rate cuts. Long-term yields have risen in AEs on fiscal concerns but declined in emerging market economies (EMEs), as investors seeking portfolio diversification show renewed interest in EME assets. The US dollar has weakened, reflecting trade policy uncertainty, fiscal imbalances, fragile investor confidence, and shifting expectations about the rate cut by the Federal Reserve.

V.1 Global Economic Conditions

In 2025 so far, global economic activity has remained resilient. High frequency indicators for Q3:2025 point to a tepid manufacturing activity, but services sector remain buoyant. Monetary easing and other policy support in some economies could support global growth during the rest of H2. Trade deals struck during the year so far have lowered trade policy uncertainty but it remains elevated. In its World Economic Outlook update of July 2025, the International Monetary Fund (IMF) revised up its global growth projections to 3.0 per cent from 2.8 per cent for 2025, and to 3.1 per cent from 3.0 per cent for 2026. EMEs face several challenges ranging from weaker global growth, trade policy uncertainty to climate-related disruptions which could adversely affect their economic prospects.

Among AEs, the US economy has remained resilient despite some fragility in its labour market. Real GDP grew by 3.8 per cent [quarter-on-quarter seasonally adjusted annualized rate (q-o-q, saar)] in Q2:2025, rebounding from the contraction of 0.6 per cent in the first quarter (Table V.1). The growth in Q2 was propelled by lower net imports and strong consumer spending, partially offset by decline in investment. Labour market showed signs of weakness as additions to non-farm payrolls in August were underwhelming. The unemployment rate also edged up to 4.3 per cent, but remained low. In August, the US Composite Purchasing Managers Index (PMI) remained robust supported by a buoyant services sector and recovery in manufacturing activity. Consumer sentiment, as measured by the University of Michigan survey, retreated in August on inflation fears even as readings remained above

Table V.1: Real GDP Growth

(Per cent)

Country	Q3-2024	Q4-2024	Q1-2025	Q2-2025	2024	2025 (P)	2026 (P)
Quarter-on-quarter, seasonally adjusted, annualised rate (q-o-q, saar)							
Canada	2.4	2.1	2.0	-1.6			
Euro area	1.6	1.6	2.3	0.5			
Japan	2.3	2.1	0.3	2.2			
South Korea	0.4	0.3	-0.9	2.7			
UK	0.0	0.4	3.0	1.4			
US	3.3	1.9	-0.6	3.8			
(Year-on-year)							
Advanced Economies							
Canada	1.9	2.3	2.3	1.2	1.6	1.6	1.9
Euro area	0.9	1.3	1.6	1.5	0.9	1.0	1.2
Japan	0.8	1.2	1.7	1.7	0.2	0.7	0.5
South Korea	1.4	1.1	0.0	0.6	2.0	0.8	1.8
UK	1.2	1.5	1.3	1.2	1.1	1.2	1.4
US	2.8	2.4	2.0	2.1	2.8	1.9	2.0
Emerging Market Economies							
Brazil	4.1	3.6	2.9	2.2	3.4	2.3	2.1
China	4.6	5.4	5.4	5.2	5.0	4.8	4.2
India	5.6	6.4	7.4	7.8	6.5	6.4	6.4
Indonesia	5.0	5.0	4.9	5.1	5.0	4.8	4.8
Philippines	5.2	5.3	5.4	5.5	5.7	5.5	5.9
Russia	3.3	4.5	1.4	1.1	4.3	0.9	1.0
South Africa	0.4	0.8	0.8	0.6	0.5	1.0	1.3
Thailand	3.0	3.3	3.2	2.8	2.5	2.0	1.7
Memo:							

World	2024	2025 (P)	2026 (P)
Year-on-year			
Output	**3.3**	**3.0**	**3.1**
Trade volume	**3.5**	**2.6**	**1.9**

P: Projection

Notes: 1. India's data correspond to fiscal year (April-March); *e.g.*, 2025 pertains to April 2025-March 2026.

2. Projections for 2025 and 2026 are taken from the IMF WEO, July 2025 update.

Sources: Official statistical agencies; Bloomberg; International Monetary Fund World Economic Outlook Update, July 2025 and RBI staff estimates.

April-May 2025 levels. Going forward, economic activity will depend largely on how well the US absorbs tariff related pass-throughs and the course of monetary policy.

Japan's GDP grew by 2.2 per cent (q-o-q, saar) in Q2:2025, driven by consumer spending amid tariff headwinds and political uncertainty. The Composite PMI at 52.0 in August showed buoyant private sector activity, *albeit* driven by services. High inflation, weaker exports and a volatile currency remain key challenges for the economy.

Real GDP growth in the Euro area decelerated in Q2 to 0.5 per cent (q-o-q, saar) from 2.3 per cent in Q1, marking the weakest quarter since Q4:2023 as GDP contracted in Germany and Italy. Labour markets, however, stayed resilient with unemployment steady at around 6.2 per cent. The Composite PMI stayed in expansion zone, driven by services. Looking ahead, higher defence and infrastructure spending, accompanied by easing of inflationary pressures, should support growth.

GDP growth in the UK moderated to 1.4 per cent (q-o-q, saar) in Q2:2025 from 3.0 per cent in Q1, due to a weak production sector. The unemployment rate at 4.7 per cent in Q2 remained at a four-year high. The UK Composite PMI at 53.5 in August indicated resilient private sector activity as services sector remained a pillar of strength amidst conclusion of US-UK trade deal. Elevated levels of services inflation and persistent softness in manufacturing, however, remain a cause of concern.

Amongst major EMEs, some have shown signs of weakness including Brazil and Russia as elevated tariffs are likely to have an adverse impact on growth. The Chinese economy, however, remained resilient, expanding by 5.2 per cent year-on-year (y-o-y) in Q2, marking a slight slowdown from 5.4 per cent in

Q1. The property sector woes continue to weigh on growth momentum. Property investments plunged, while retail sales and industrial output remained sluggish in Q3. China's exports remained resilient as shipments to ASEAN[1] increased in the wake of tariffs. Policymakers undertook both fiscal and monetary measures to bolster economic activity. Deflation, a languishing property sector, subdued consumer expenditure and trade policy uncertainty pose downside risks to China's growth prospects during the rest of H2.

Brazil's GDP growth decelerated to 2.2 per cent (y-o-y) in Q2:2025 from 2.9 per cent in Q1 due to moderation in domestic spending and investment. The labour market, however, remained tight as the unemployment rate continued to fall, reaching 5.6 per cent in the quarter ending July. Private sector activity remained weak in Q2 and Q3 (up to August) as indicated by the Composite PMI. Political uncertainty ahead of the 2026 elections and weather-related events pose further downside risks to Brazil's growth amidst a challenging external environment. Economic recovery in South Africa remained fragile as its GDP grew by 0.6 per cent (y-o-y) in Q2:2025, down from 0.8 per cent in the previous quarter, due to slower gross fixed capital formation. Both consumer confidence and business confidence in Q2 reflected overall pessimism, along with labour market pressures that have remained acute during the year so far, with the unemployment rate edging up in Q2. The Composite PMI showed modest expansion in private sector activity in Q3 (up to August). In Russia, growth led by defence spending has been cooling off, with its GDP growing by 1.1 per cent in Q2:2025, slowing from 1.4 per cent in the previous quarter. Business confidence in Russia weakened in August, as manufacturing activity remained tepid as indicated by the PMI.

The ASEAN economies are navigating a challenging landscape. The Asian Development Bank in July revised down Southeast Asia's growth projections to 4.2 per cent from 4.7 per cent for 2025; for 2026 it was revised down to 4.3 per cent from 4.7 per cent. Growth in BRICS[2] economies, except India, is likely to remain subdued as these economies grapple with multiple domestic headwinds as alluded to earlier (Table V.2). A challenging external environment might aggravate country-specific risks.

Turning to high frequency indicators, the Organisation for Economic Co-operation and Development's composite leading indicator showed that most economies remained above the long-term trend during Q3:2025 (up to August) (Chart V.1a). The Global Composite PMI remained in expansion zone during April – August 2025, with services being the main driver of growth (Chart V.1b). Global Manufacturing PMI, however, remained in the contraction zone in April and May before expanding marginally in June and again in August.

The US tariff announcements since April 2025 and the subsequent bilateral trade deals have introduced far-reaching shifts in global trade dynamics, posing significant risks to the free flow of goods across the globe. Despite these jolts to international trade, global merchandise trade volume grew for six consecutive quarters up to Q2:2025, and it continued to grow in Q3:2025 (July 2025), with faster growth in 2025 so far. The growth, however, hides the weakness in trade as it was primarily driven by front-loading before the US tariff hikes came into

[1] Association of Southeast Asian Nations (ASEAN) includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

[2] The BRICS includes group of 10 countries - Brazil, China, Egypt, Ethiopia, India, Indonesia, Iran, Russian Federation, South Africa, and United Arab Emirates.

Table V.2: Select Macroeconomic Indicators for BRICS

Real GDP growth rate (y-o-y, per cent)	Country	2024	2025(P)	2026(P)	General Government gross debt (per cent of GDP)	Country	2024	2025(P)	2026(P)
	Brazil	3.4	2.3	2.1		Brazil	87.3	92.0	96.0
	Russia	4.3	0.9	1.0		Russia	20.3	21.4	22.5
	India	6.5	6.4	6.4		India	81.3	80.4	79.6
	China	5.0	4.8	4.2		China	88.3	96.3	102.3
	South Africa	0.5	1.0	1.3		South Africa	76.4	79.6	81.7
CPI inflation rate (y-o-y, per cent)	**Country**	**2024**	**2025(P)**	**2026(P)**	**Current account balance (per cent of GDP)**	**Country**	**2024**	**2025(P)**	**2026(P)**
	Brazil	4.4	5.3	4.3		Brazil	-2.8	-2.3	-2.2
	Russia	8.4	9.3	5.5		Russia	2.9	1.9	1.8
	India	4.6	4.2	4.1		India	-0.6	-0.9	-1.4
	China	0.2	0.0	0.6		China	2.3	1.9	1.7
	South Africa	4.4	3.8	4.5		South Africa	-0.6	-1.2	-1.4
General Government net lending/borrowing (per cent of GDP)	**Country**	**2024**	**2025(P)**	**2026(P)**	**Forex reserves* (in US$ billion)**	**Country**	**2023**	**2024**	**2025**
	Brazil	-6.6	-8.5	-7.7		Brazil	355.0	329.7	350.8
	Russia	-2.2	-1.0	-1.2		Russia	598.6	609.1	689.5
	India	-7.4	-6.9	-7.2		India	622.5	635.7	702.6
	China	-7.3	-8.6	-8.5		China	3449.7	3455.6	3602.1
	South Africa	-6.1	-6.6	-6.1		South Africa	62.5	65.5	69.2

P: Projection

*: Forex reserves for 2025 pertain to July for all countries except for Brazil and Russia (August 2025) and India (September 19).

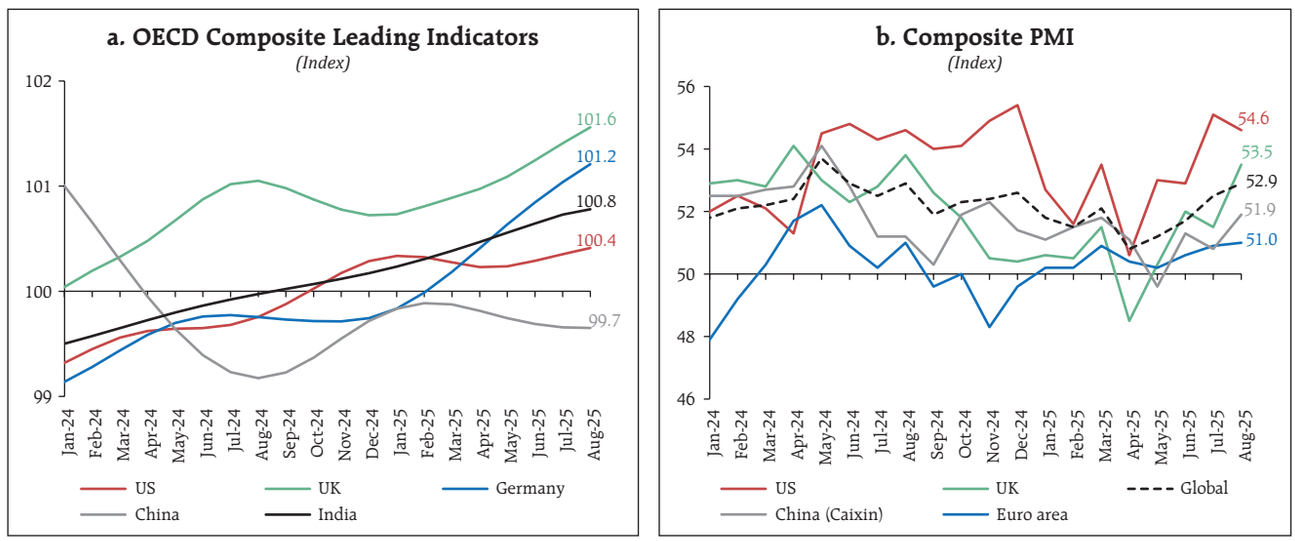
Notes: 1. India's data correspond to fiscal year (April-March) except data on forex reserves which are as per calendar year.

2. Projections for 2025 and 2026 are taken from the IMF WEO, July 2025 update.

Sources: Official statistical agencies; World Economic Outlook April 2025 database and July 2025 Update, IMF; International Reserve and Foreign Currency Liquidity (IRFCL), IMF; and RBI.

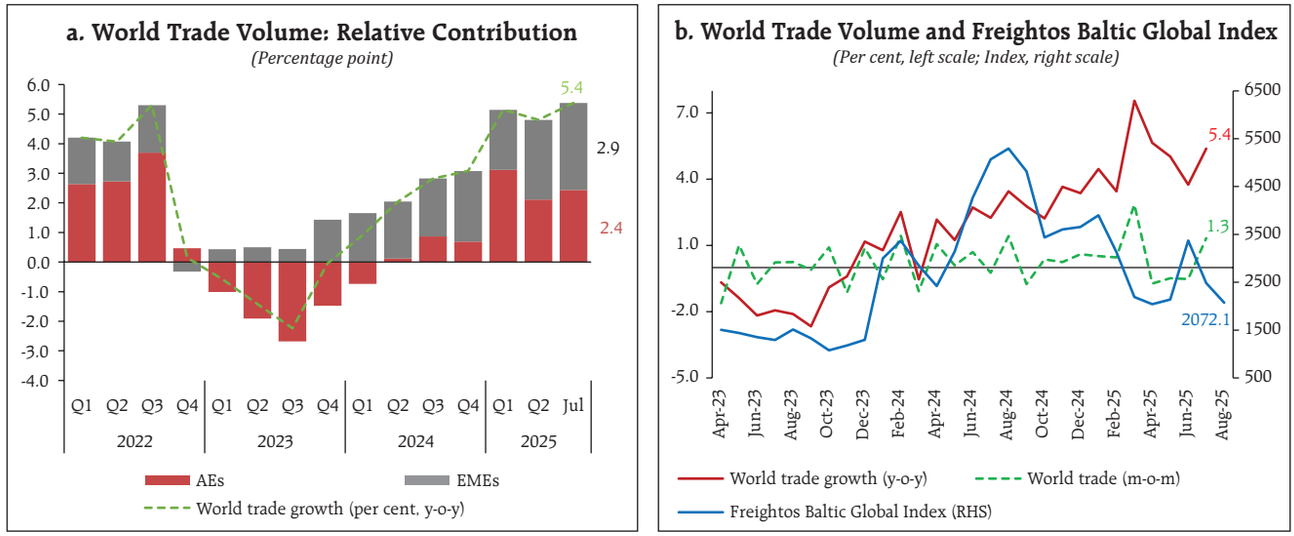
effect (Chart V.2a). The emerging market economies were the major drivers of growth in Q2 and Q3 (up to July 2025). The Freightos Baltic Global Index – the global ocean freight container pricing index that measures 40-feet container prices – trended below the 2024 average during most of 2025 (Chart V.2b).

Chart V.1: Survey Indicators



Sources: Organisation for Economic Co-operation and Development (OECD); and Bloomberg.

Chart V.2: World Trade Volume



Sources: CPB Netherlands; Refinitiv Eikon; and RBI staff estimates.

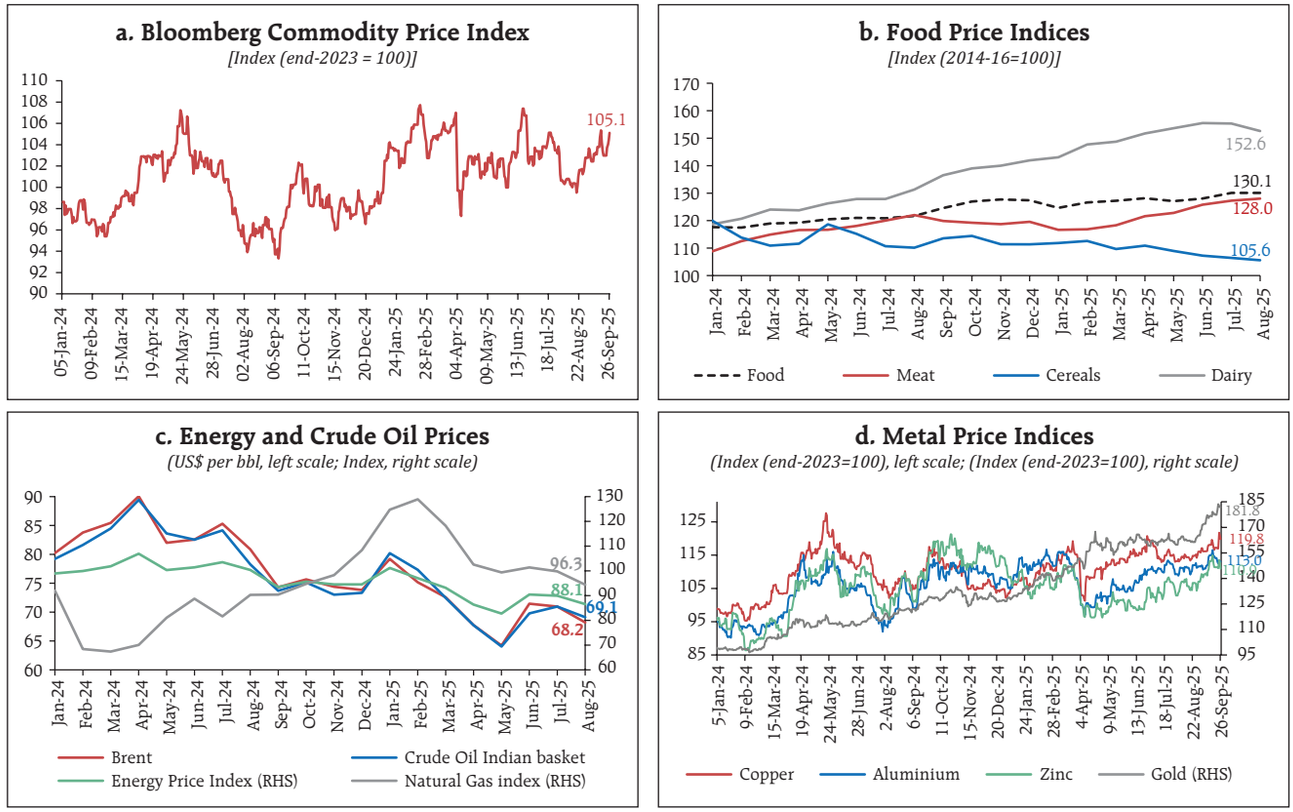
The World Trade Organisation's latest Goods Trade Barometer for June 2025 indicates that strong trade volume growth witnessed before the implementation of higher US tariffs might slow down during the rest of 2025. In August 2025, the World Trade Organisation projected world merchandise trade to grow by 0.9 per cent in 2025, an improvement from the 0.2 per cent contraction estimated in April 2025, mainly reflecting front-loading of imports in the US. It, however, revised down the growth projection for 2026 to 1.8 per cent from the previous estimate of 2.5 per cent.

V.2 Commodity Prices and Inflation

Global commodity prices exhibited volatility in Q2, on account of geopolitical tensions and uncertainty surrounding US tariffs. As measured by the Bloomberg Commodity Price Index, commodity prices fell in April mainly due to a decline in energy and base metal prices reflecting a bleak demand outlook. The fall continued in May led by lower agricultural prices. In June, announcements of new US tariffs increased global uncertainty, engendering spike in commodity prices, particularly in energy and metals. Prices softened in July as energy and industrial metal prices declined due to oversupply and weak demand. Commodity prices rose in August and September driven by precious metals on safe haven demand amid elevated uncertainty (Chart V.3a). According to the Food and Agriculture Organization, global food prices firmed up modestly in Q2, primarily due to rise in dairy and meat prices, partially offset by the fall in sugar and cereal prices. Food prices edged up in Q3 (up to August) as gains in meat and vegetable oil prices outweighed declines in cereals and sugar (Chart V.3b).

Crude oil prices have generally remained subdued since April 2025 on the OPEC+ decision to raise production. The OPEC+ reversed its previous strategy of production cuts, opting instead to phase out 2.2 million barrels per day of voluntary output reductions. Oil prices firmed up in June and July as geopolitical risks rose, driving up prices before the de-escalation of conflict between Iran and Israel led to a softening of prices in Q2.

Chart V.3: Commodity Prices



Sources: Food and Agriculture Organisation; World Bank; Bloomberg; and Petroleum Planning and Analysis Cell, Ministry of Petroleum & Natural Gas, Government of India.

Oil prices remained range-bound in Q3 amid ample supply and weak global growth outlook (Chart V.3c).

Metal prices exhibited a mixed trend in Q2, influenced by fluctuating demand-supply dynamics in China and global economic conditions, including US trade policies. Base metal prices remained subdued in Q3 due to weak demand from China. As per the World Gold Council data, the demand for gold surged to 1249 tonnes in Q2, a 3.0 per cent (y-o-y) rise, fuelled by strong investment demand – mainly into exchange traded funds (ETFs) – due to safe-haven demand amidst global uncertainties. Globally, central banks added 166 tonnes of gold to official reserves further boosting its demand. Gold prices remained elevated in Q3, surging to all time high in September (Chart V.3d).

Consumer Price Inflation

Global consumer price inflation continued to moderate gradually, though at an uneven pace. While disinflation slowed in AEs, it continued in EMEs with China facing deflation. Persistent tightness in labour markets kept underlying inflation elevated in many economies, though softening commodity prices contained the rise. Headline inflation remains above central bank targets in several countries as well as above their pre-pandemic levels. As per IMF's World Economic Outlook (July 2025 update), global headline inflation is projected at 4.2 per cent for 2025 and 3.6 per cent for 2026 (Table V.3). Accordingly, central banks in AEs remain focused on ensuring that inflation returns to target, while considering risks to output and employment. Many EMEs are

pursuing monetary easing to support growth amidst easing inflation pressures.

In the US, the disinflation process slowed as both headline and core inflation witnessed an uptick in Q2 and Q3 with elevated shelter costs. The headline CPI and core inflation (y-o-y) rose to 2.9 per cent and 3.1 per cent, respectively, in August up from 2.4 per cent and 2.8 per cent in March 2025, marking the highest levels since February. The recent uptick partly reflects the impact of tariffs and their pass-through to core components. Inflation, measured by the personal consumption expenditure (PCE) price index — the Federal Reserve's preferred inflation metric — also witnessed a similar uptick, rising from 2.4 per cent in March to 2.7 per cent in August (Chart V.4a). Core PCE inflation registered an increase from 2.7 per cent in March to 2.9 per cent in August (Chart V.4b).

In the UK, headline inflation rose to 3.8 per cent in August from 2.6 per cent in March 2025, reaching the highest level since January 2024 due to elevated services inflation. Core inflation also remained elevated.

In the Euro area, headline inflation marginally declined from 2.2 per cent in March to 2.0 per cent in August, aligning with the European Central Bank's target of 2.0 per cent. Inflation in the Euro area was driven by food and services, partially offset by weak energy prices. Core inflation (excluding energy, food, alcohol, and tobacco) remained steady at 2.3 per cent since May, after moderating from 2.7 per cent in April. In Japan, CPI inflation excluding fresh food — the Bank of Japan's prefered inflation metric — declined from 3.2 per cent in March to 2.7 per cent in August. Headline CPI inflation decelerated to 2.7 per cent in August from 3.6 per cent in March, primarily due to subdued electricity prices (Chart V.4b).

Inflation in EMEs has been broadly moderating since the April MPR. The risk of deflation is evident across several Asian economies, driven by a combination of subdued demand, sluggish wage growth and excess supply.

In Brazil, inflation moderated from 5.5 per cent in March to 5.1 per cent in August, driven by lower inflation in transport, and falling food prices, amidst high interest rates (Chart V.4c). Core inflation in Brazil, however, picked up from 4.9 per cent in March to 5.4 per cent during June-August (Chart V.4d). South

Table V.3: Consumer Price Inflation

(Y-o-y, Per cent)

Country	Inflation Target	Q3: 2024	Q4: 2024	Q1: 2025	Q2: 2025	Jul - 25	Aug - 25
Advanced Economies							
Canada	2.0 ± 1.0	2.0	1.9	2.3	1.8	1.7	1.9
Euro area	2.0	2.2	2.2	2.3	2.0	2.0	2.0
Japan	2.0	2.8	2.9	3.8	3.5	3.1	2.7
South Korea	2.0	2.1	1.6	2.1	2.1	2.1	1.7
United Kingdom	2.0	2.0	2.5	2.8	3.5	3.8	3.8
United States CPI	-	2.6	2.7	2.7	2.5	2.7	2.9
United States PCE	2.0	2.4	2.6	2.6	2.5	2.6	2.7
Emerging Market Economies							
Brazil	3.0 ± 1.5	4.4	4.8	5.0	5.4	5.2	5.1
Russia	4.0	8.9	9.0	10.1	9.8	8.8	8.1
India	4.0 ± 2.0	4.2	5.6	3.7	2.7	1.6	2.1
China	2.0	0.5	0.2	-0.1	0.0	0.0	-0.4
South Africa	3.0 - 6.0	4.3	2.9	3.0	2.9	3.5	3.3
Mexico	3.0 ± 1.0	5.0	4.5	3.7	4.2	3.5	3.6
Indonesia	2.5 ± 1.0	2.0	1.6	0.6	1.8	2.4	2.3
Philippines	3.0 ± 1.0	3.2	2.6	2.3	1.4	0.9	1.5
Thailand	1.0 - 3.0	0.6	1.0	1.1	-0.3	-0.7	-0.8
Turkey	5.0 ± 2.0	54.4	46.7	39.8	36.1	33.5	33.0

Memo:

	2023	2024	2025 (P)	2026 (P)
World consumer price inflation	6.6	5.6	4.2	3.6

P: Projection
Note: Inflation target for China is around 2.0 per cent for 2025
Sources: Central bank websites; IMF; and Bloomberg.

Africa saw a rise in headline inflation from 2.7 per cent to 3.3 per cent over the same period, whereas core inflation remained steady at around 3.0 per cent during March-August. In Russia, headline inflation moderated from 10.3 per cent in March to 8.1 per cent in August. Inflation, however, remains elevated and well above the target of 4.0 per cent.

China remained in deflation during February-May before registering a meagre price rise of 0.1 per cent in June and no change in the consumer price index in July. However, prices fell again by 0.4 per cent largely due to lower food prices. The core inflation broadly remained steady across EMEs.

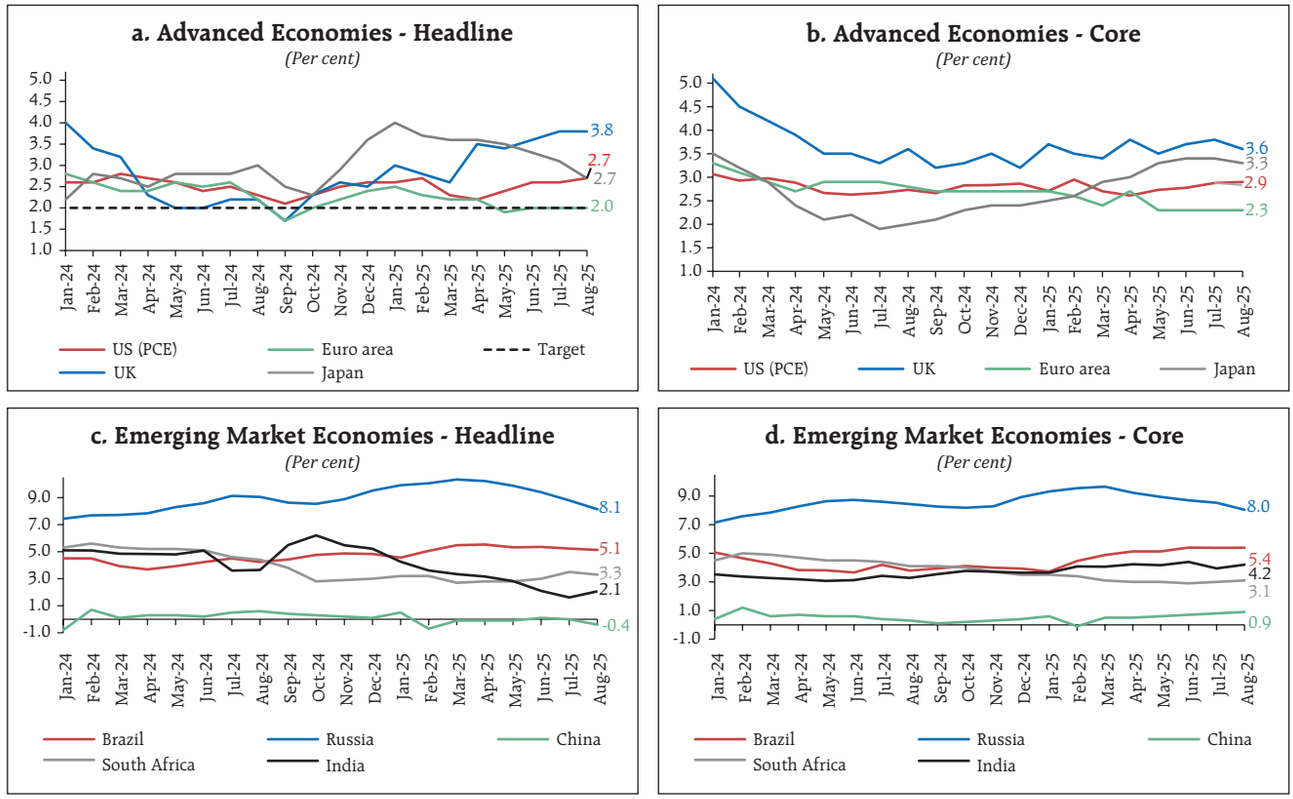
Since the April 2025 MPR, the final phase of disinflation has been prolonged with a noticeable slowdown in disinflation process in major AEs. In contrast, disinflation is continuing in EMEs (Chart V.5a & b).

V.3 Monetary Policy Stance

During Q2 and Q3, central banks adopted divergent monetary policy paths, driven by their domestic growth-inflation dynamics and other macroeconomic developments amidst rising global tariffs. Continued disinflation in some major EMEs and a soft US dollar has provided EMEs with space for monetary easing.

The Federal Reserve maintained a pause on its target range for the federal funds rate in all the meetings during January – July. In September, the Federal Open Market Committee lowered the range by 25 basis points (bps) to 4.00-4.25 per cent in

Chart V.4: CPI Inflation (y-o-y) – Select Economies



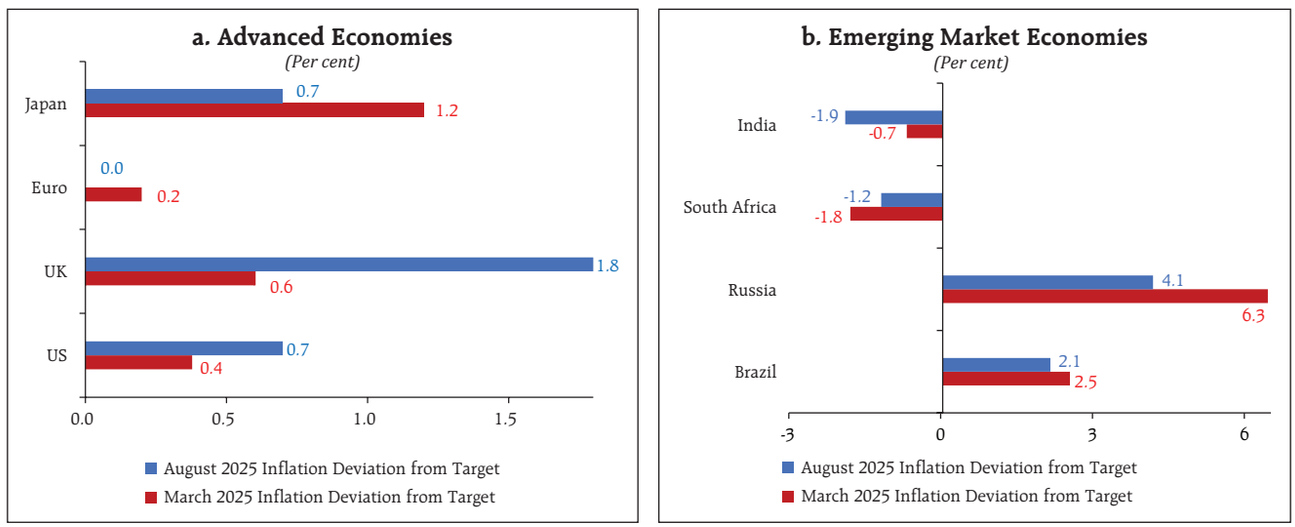
Notes: 1. For India, core CPI, i.e., CPI excluding food and fuel is worked out by eliminating the groups 'food and beverages' and 'fuel and light' from the headline CPI.
2. Chart V.4b refers to CPI inflation in all items less fresh food and energy.
Sources: Official statistical agencies; Bloomberg; and RBI staff estimates.

view of rise in downside risks to employment. The Committee also stated that in considering additional adjustments to the target range for the federal funds rate, it would carefully assess incoming data, the evolving outlook, and the balance of risks. As per the summary of economic projections released in the September 2025, the Committee expected the target range for the federal funds rate to be at 3.50-3.75 per cent by the end of 2025, indicating two more rate cuts of 25 bps each. In September 2025, the Federal Reserve revised its monetary policy framework. The revised framework removed effective lower bound as a defining feature of the framework, returned to flexible inflation targeting by abandoning average inflation targeting and de-emphasised the 'shortfall' from the maximum employment.

The Bank of England reduced its policy rate by 25 bps each in May and August 2025 to support economic activity amidst flagging growth in the second quarter and uncertainty surrounding the global trade order despite the successful conclusion of a trade deal with the US. The Bank of England, however, maintained status quo in September in view of renewed inflationary pressures. The European Central Bank continued with the easing cycle, lowering its key rates by 25 bps each in April and June 2025 meetings. In Q3, the bank kept the rates unchanged. The Bank of Japan maintained *status quo* over the last five meetings, after hiking by 25 bps in January 2025 (Chart V.6a).

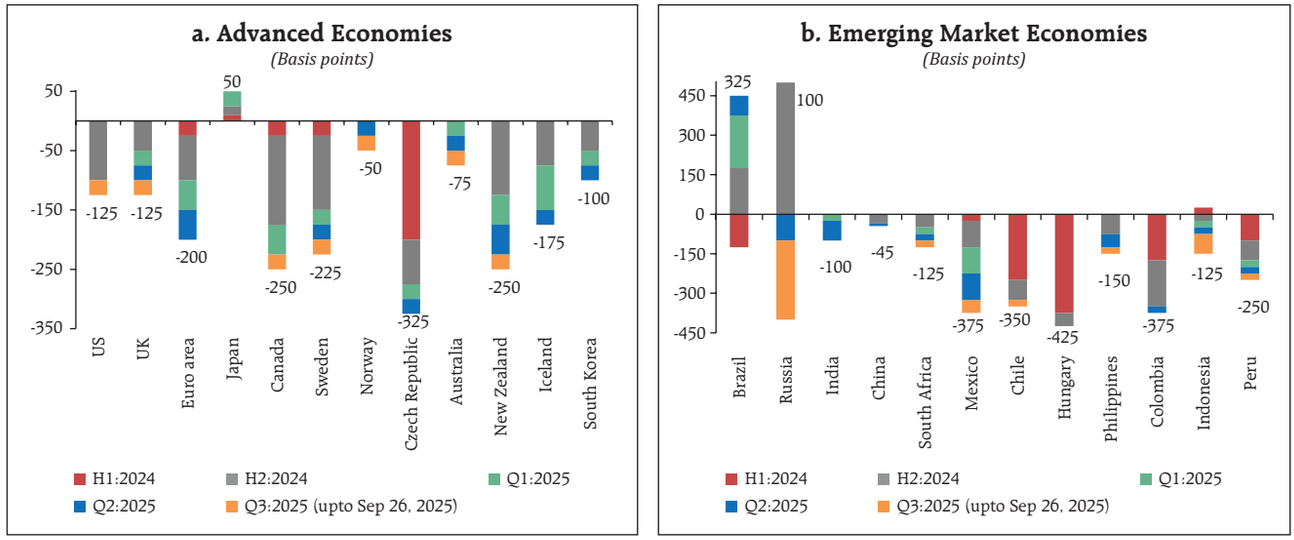
Among other AEs, Australia reduced its policy rate in May and August as inflation eased. Canada reduced its policy rate by 25 bps in September considering a weaker economy and less upside risk to inflation. New Zealand lowered its policy rate by 75 bps during April-August 2025 on benign inflation outlook. Norway undertook a cautious easing of monetary policy, cuting rate by 50 bps during 2025 as inflation evolved as projected and unemployment increased somewhat. South Korea and Switzerland each have delivered rate cut of 25 bps since April whereas Sweden reduced the benchmark rate by 50 bps during the same period. Israel has kept the policy rate unchanged since February 2024. Elevated uncertainty surrounding global trade negotiations has made central banks cautious, complicating decisions on rate cut. Futures and Overnight Index Swap (OIS) markets, however,

Chart V.5: Last Mile of Disinflation



Note: For Brazil, India, and South Africa the target is taken as the midpoint of their inflation control target range.
Sources: Bloomberg; and RBI staff estimates.

Chart V.6: Policy Rate Changes – Select Major Economies



Source: Bloomberg

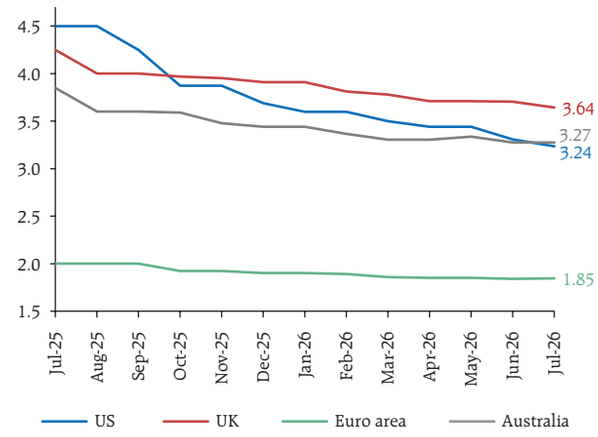
are pricing in lower policy rates in major AEs going forward (Chart V.7).

Monetary policy in EMEs remained broadly supportive of growth as inflation pressures eased, with Brazil being a notable exception. Among the BRICS, Brazil raised its policy rate by a total of 275 bps to 15.0 per cent during January – June 2025 before pausing in July and September, as inflationary pressures remained persistent. On the contrary, Russia has reduced interest rate cumulatively by 400 bps during 2025 so far. China reduced its loan prime rates by 10 bps in May but left them unchanged thereafter as the economy remained resilient, adopting a wait-and-watch approach. In this regard, China has preferred structural support over repeated rate cuts.[3] South Africa reduced rates by 25 bps each in May and July amid concerns over weak growth and moderation of inflation expectations.

In Asia, Malaysia cut its policy rate by 25 bps in July – the first reduction in five years – citing trade uncertainty, as the economy remained resilient with subdued inflation. It, however, kept the policy rate unchanged at 2.75 per cent in its September meeting. Indonesia eased rates by 100 bps during May-September to support growth and stabilize its currency amid declining inflation. The Philippines lowered rates in April, June and August as inflation

Chart V.7: Market Implied Path of Policy Rates

(Per cent)



Notes: 1. The chart is as on Sep 26, 2025.
2. Market implied policy rates are overnight indexed swap rates for US, UK, Australia, and Euro area.

Source: Bloomberg

[3] The Chinese authorities intensified policy support through targeted fiscal measures to bolster consumers spending.

fell to a multi-year low. Thailand cut the interest rate in April and August by 25 bps each to combat deflation. In Latin America, monetary policy was broadly accommodative with Mexico leading rate cuts among its peers. Many Latin American central banks have been frontrunning the Fed, as a softer US dollar provided additional policy space to support growth. Mexico extended its easing cycle with a 150 bps rate cut between May and September. Colombia maintained a pause after a 25 bps rate cut in April. Chile cut its rate by 25 bps in July amid global trade policy uncertainty, marking the first cut in 2025. Peru cut the policy rate by 25 bps in May and September each. Among the key European EMEs, Hungary kept rates unchanged through 2025, whereas Poland eased intermittently, by cutting its policy rate by a total of 100 bps in 2025 so far (Chart V.6b).

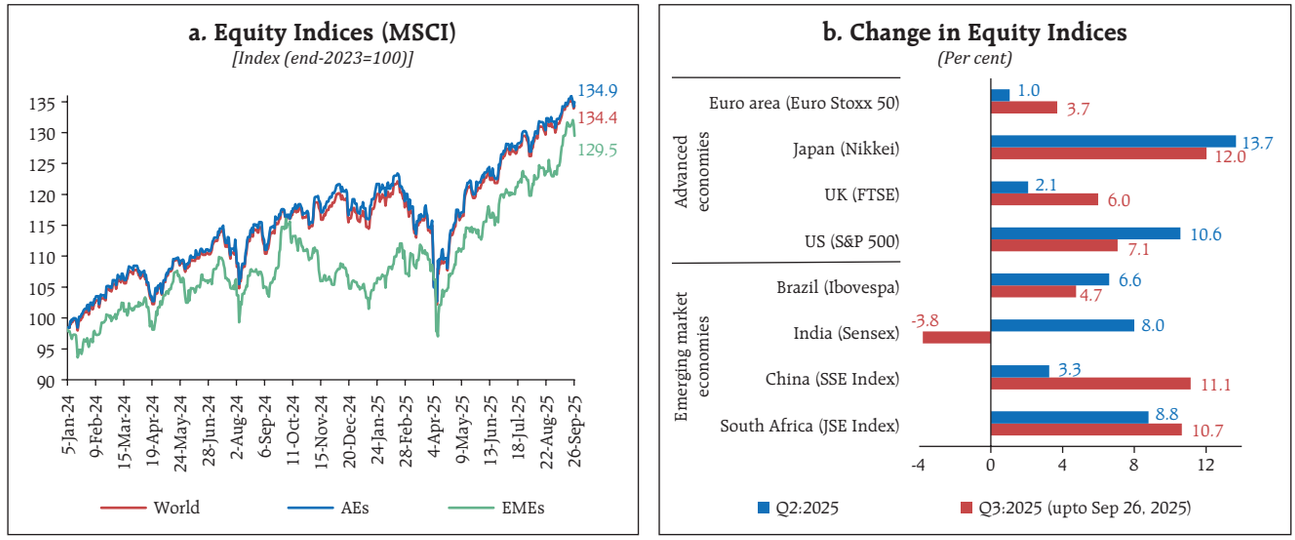
V.4 Global Financial Markets

Notwithstanding divergent trends in the real economy, financial markets remain buoyant across countries with bouts of volatility amidst uncertainty around trade policy, the Federal Reserve's rate decisions and geopolitical tensions. After a sharp fall in April, global financial markets rebounded strongly through Q2 and Q3, driven by a reassessment of tariff risks to be less severe than initially anticipated. Equity markets surged to record highs in many economies, supported by optimism surrounding de-escalation of the tariff war and an easing of geopolitical tensions. Enthusiasm over artificial intelligence drove strong gains in technology stocks. Government bond yields in many AEs rose, reflecting rising concerns about the debt sustainability. Tariff-induced inflation pressures also kept monetary policy restrictive, exerting additional upward pressure on yields. In contrast, yields softened in many EMEs, as investors rebalanced portfolios away from traditional safe-haven assets towards higher-yielding EME securities. The US dollar depreciated sharply since April, on fiscal sustainability worries, trade policy uncertainty, and concerns over autonomy of institutions, while most EME currencies strengthened.

Global equity markets fell sharply in April after the announcement of reciprocal tariffs by the US. Markets rebounded subsequently as the implementation of tariffs was postponed and bilateral trade deals were signed. As measured by the MSCI World Index, equity markets gained by 18.1 per cent during April - September 2025, reflecting gains in both AEs and EMEs (Chart V.8a). Among AEs, S&P 500 in the US exhibited heightened volatility in April due to higher policy uncertainty (Chart V.9b). The subsequent easing of trade tensions, however, spurred a sharp rebound in equity markets. The upward trajectory continued in rest of Q2, supported by the US-China trade deal amid intermittent bout of volatility stemming from the Israel-Iran conflict. Later, increased bets on rate cuts by the Fed (Chart V.9a) and strong performance by technology companies further drove the index to record levels in August and September. Valuations in equity markets, however, remain stretched. Overall, the S&P 500 Index rose by 18.4 per cent from April to September.

European stocks began Q2 on a tumultuous note as announcements of steep tariffs led to selling pressures. They ended the quarter on a subdued note as lingering trade uncertainty and a strong euro triggered risk-off sentiment. In Q3, european stock markets performed better than in Q2, boosted by the trade deal towards end-July and a steady inflation print. European equities, however, remained underwhelming compared to its peers due to weak second-quarter corporate earnings and downgrading of France's sovereign credit score by Fitch amid political uncertainty (Chart V.8b). The UK's stock indices performed better than European markets, supported by its improving economy and the Bank of England's rate cuts. It helped the Financial Times

Chart V.8: Equity Markets

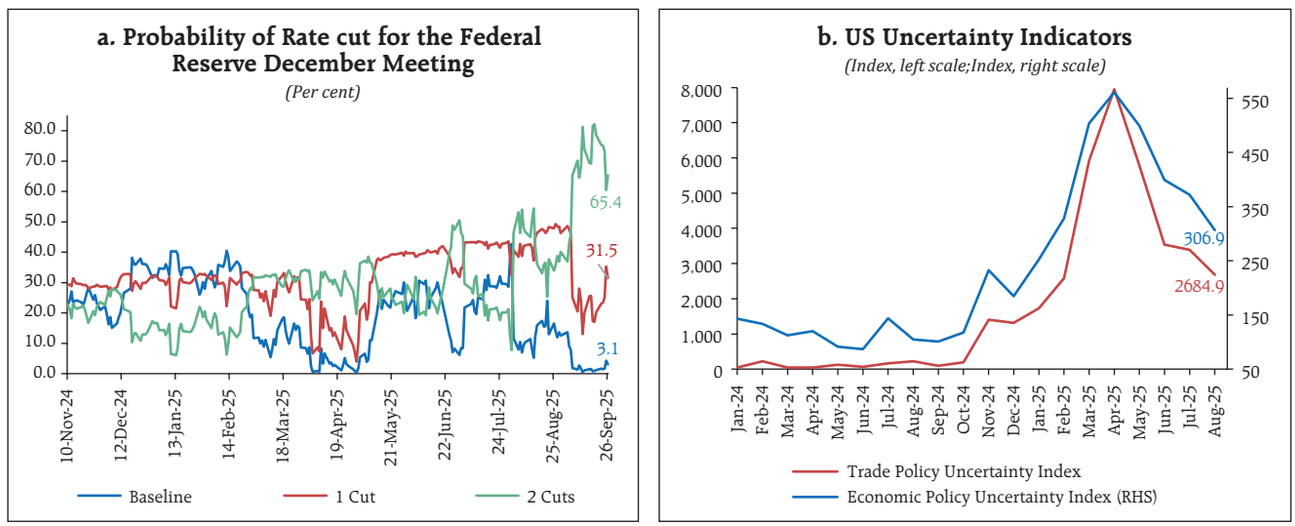


Sources: Bloomberg; and RBI staff estimates.

Stock Exchange reach record levels. It scaled new heights in Q3 as global investors diversified their portfolios. Japanese markets outperformed other AEs in both quarters, buoyed by the US–Japan trade deal, a weakening yen, and strong corporate earnings.

Among EMEs, China's equity market underperformed its peers in Q2 as trade deal uncertainty made investors cautious. Following the interim agreement, however, Chinese stocks outperformed in Q3, supported by various government stimulus measures and growth in tech stocks. Brazil's equity market gained during April-September with occasional pullbacks driven by shifting global sentiment, political uncertainty ahead of the 2026 elections, and soft commodity

Chart V.9: Sources of Uncertainty: Monetary and Economic Policy



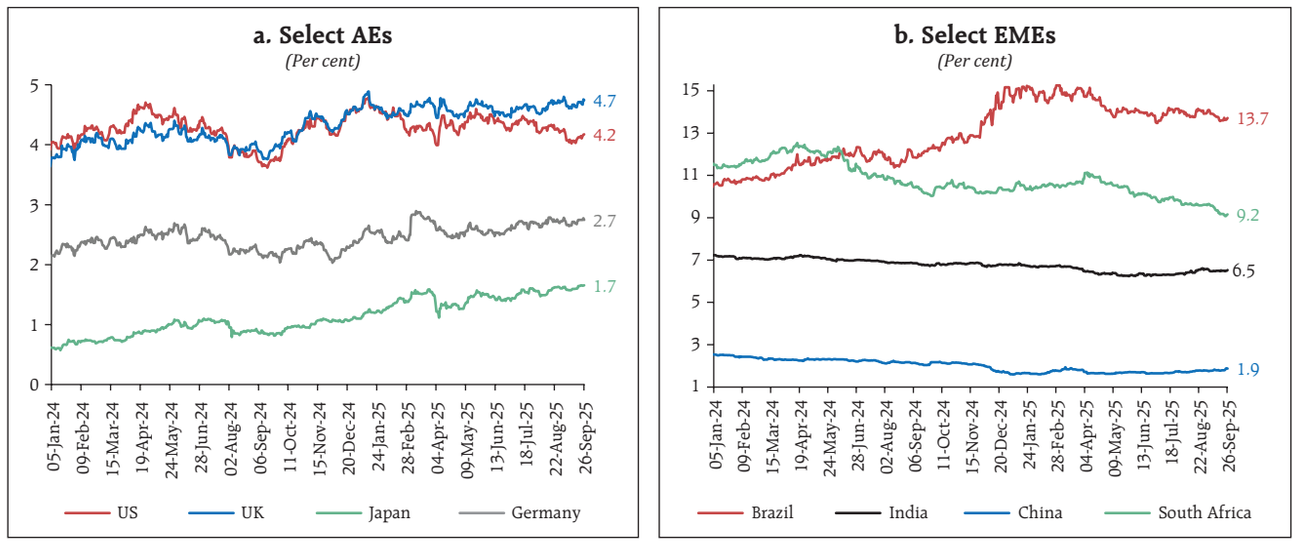
Note: In chart 9a, baseline refers to no change in policy rate of the US while the pace of rate cut is assumed to be 25 bps.
Sources: Bloomberg; and CME FedWatch.

prices. Equity market in India rallied in Q2; however, the imposition of a 50 per cent US tariff dampened investor sentiment, leading to a 3.8 per cent decline in India's equity index (BSE Sensex) in Q3 despite rating upgrade by S&P Global in August.

Sovereign bond yields across major AEs largely declined in Q2, reflecting continued monetary policy easing. In the UK, 10-year yields fell as the government moved toward shorter-term borrowing amidst slowing growth. Japanese bond yields also declined, as government bond issuance was expected to be trimmed and the Bank of Japan signalled a more cautious approach to interest rate hikes considering tariff risks. In contrast, US Treasury yields firmed up due to the introduction of the 'One Big Beautiful Bill' which raised concerns about fiscal sustainability and fears of increased bond supply (Chart V.10a). In the US, yields, particularly the 30-year, spiked after the passing of the bill by the Congress and an upward revision of inflation projections by the FOMC in June. Yields, however, eased through most of Q3 on rising expectations of rate cuts, driven by weak employment data. They hardened toward the end of September following a significant upward revision to GDP numbers and tracking changes in rate cut expectations. UK yields hardened in Q3 on fiscal concerns ahead of the autumn budget, diminishing rate-cut expectations, and renewed inflationary pressures. The German 10-year bund yields also firmed up as spending on defence and infrastructure was expected to rise, while the US–EU trade deal reduced demand for bunds as a safe-haven asset. The Japanese government bond yields rose in Q3 amidst political uncertainty and elevated inflation. The Bank of Japan's gradual reduction in bond purchases also exerted hardening pressure on yields.

In contrast, 10-year sovereign bond yields in many EMEs largely eased since the last MPR, as investors diversified away from traditional safe-haven assets due to policy uncertainty triggered by the US tariffs. At the same time, several EME central banks supported growth by reducing policy rates. In China, however, government stimulus measures and ongoing trade negotiations fueled risk-on sentiment. As a result, investors shifted to equity from bonds, leading to rise in yields (Chart

Chart V.10: 10-Year Sovereign Bond Yields



Source: Bloomberg.

V.10b). Globally, US treasury yields exert sizeable and statistically significant spillover effects on EME yields, particularly in medium and long-term maturities (Box V.1).

Box V.1: Pass-through of US Treasury Yields to Emerging Market Bond Yields

The pass-through of US financial conditions to emerging market economies (EMEs) is a major conduit of global financial spillovers, with movements in US Treasury yields playing a pivotal role. In fact, US monetary policy significantly shapes international bond markets (Albagli *et al.*, 2018), and decline in long-term US yields boost foreign ownership of EME debt (Moore *et al.*, 2013). Moreover, US treasury yields are also found to have large effects on AEs' government bond yields (Avalos *et al.*, 2025). Yield movements in EMEs are suggestive of spillover impact from US Treasury yields (Chart V.1.1).

To assess the pass-through of US yields to the short-term (3-month), medium-term (2-year), and long-term (10-year and 30-year) maturities of EMEs, a dynamic panel GMM (Ogaki, 1999) is estimated based on quarterly data spanning Q1:2011 to Q2:2025[4], with the following specification

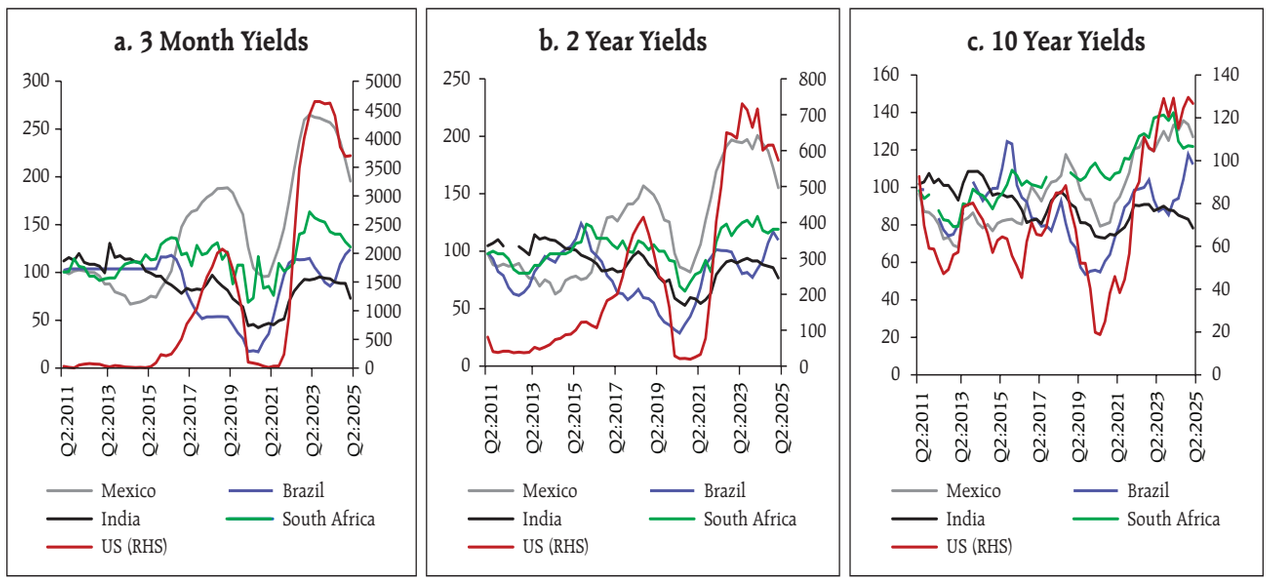
$$Y_{it} = \alpha + \beta 1 r_{it} + \beta 2 CPI_{it} + \beta 3 FB_{it} + \beta 4 US_{t} + \beta 5 Ex_{it} + \delta_{i} + \varepsilon_{it}$$

Y_t: EME bond yields, r_t: central bank policy rate, CPI_t: consumer price inflation (year-on-year), FB_t: fiscal balance to GDP ratio, US_t: US bond yields, Ex_t: change in exchange rate (year-on-year) δ_i: country fixed effect, i indexes country, t indexes time, ε_{it}: idiosyncratic error term.

The impact of domestic macroeconomic indicators is on expected lines. US treasury yields have the strongest spillover impact on 10-year tenor, with noticeable effects on the 2-year and 30-year maturities; however, the impact on 3-month yields is negligible.

Chart V.1.1: Emerging Markets Yields Movements

Index



Note: Yields have been indexed to Q1 of 2011
Sources: Reuters; and Bloomberg.

(Contd.)

[4] The EMEs country list here includes Brazil, Colombia, India, Mexico, the Philippines, Poland, Russia, South Africa, and Thailand. For the 30-year tenor, the sample spans Q4:2015 to Q2:2025 for eight countries (excluding Poland), while a 15-year tenor is used for Colombia due to data limitations.

System GMM Results – EMEs Government Bond Yields

Variable	3M Yield	2Y Yield	10Y Yield	30Y Yield
Policy rate	0.943***	0.196***	0.115***	0.069***
CPI	-0.082	0.168***	0.108***	0.048
Fiscal balance to GDP	0.029	-0.036*	-0.048***	-0.060**
US yield	0.610	0.407***	0.534***	0.381**
Exchange Rate	0.009	-0.004**	-0.010***	0.001
Constant	0.005	-0.016	-0.028	0.007

Notes: 1. $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *
2. Presumed exogenous variables are the policy rate and fiscal balance. The model specification is consistent with the Hansen J-test of instrument validity.
3. A positive fiscal balance means fiscal surplus and negative balance means fiscal deficit. Similarly, a positive change in exchange rate means appreciation and negative change means depreciation.

This maturity-specific impact indicates that while domestic factors anchor short-term rates, US yields exert greater influence on term premia and long-term yields that can reduce the diversification benefits for international investors. Overall, the findings underscore the sensitivity of EME debt markets to US financial conditions.

References:

Albagli, E., Ceballos, L., Claro, S., & Romero, D. (2018). "Channels of US monetary policy spillovers to international bond markets". *BIS Working Papers No 719*, 2018.

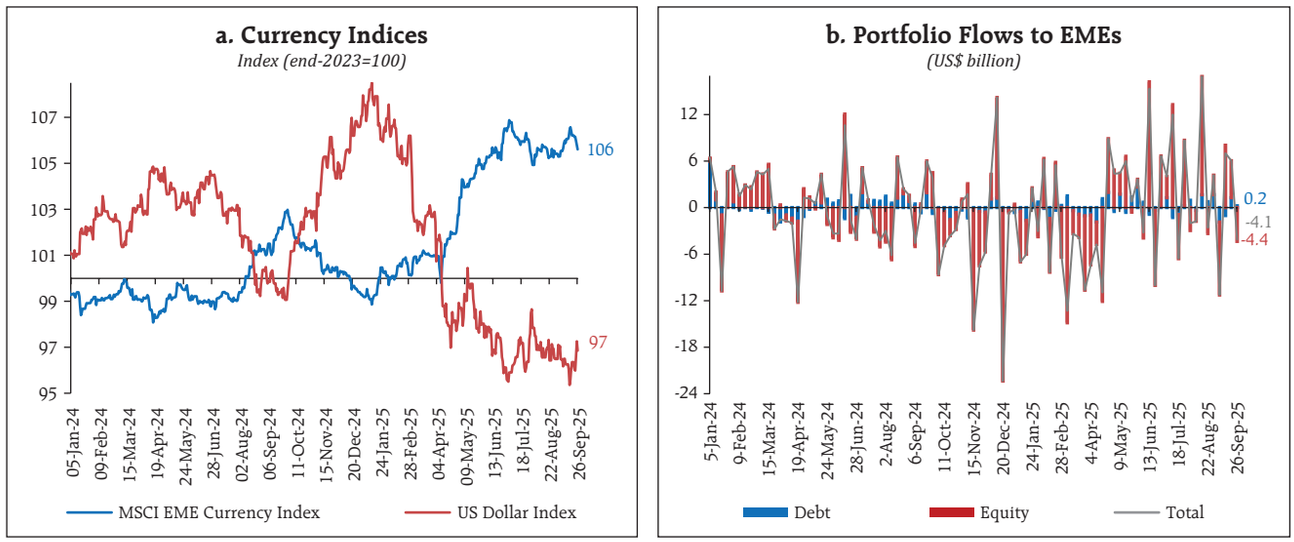
Moore, J., Nam, S., Suh, M., & Tepper, A. (2013). "Estimating the Impacts of U.S. LSAPs on Emerging Market Economies' Local Currency Bond Markets". *Federal Reserve Bank of New York staff report no. 595, 2013.*

Avalos, F., Todorov, K., & Xia, D. (2025). "US spillovers amid macroeconomic divergence". *BIS Quarterly Review*, March 2025.

Ogaki, M., (1999). "GMM Estimation Techniques". Ch.2 in *Generalized Method of Moments Estimation. Cambridge University Press, 1999.*

In the currency market, the US dollar remained subdued, while emerging market currencies gained as investors diversified towards emerging market assets (Chart V.11a). The US dollar rebounded in the first half of May after depreciating in April, supported by the US–China interim trade deal and strong employment data. In the latter half of Q2, however, the dollar depreciated significantly as investors grew

Chart V.11: Currency Movements and Capital Flows



Sources: Bloomberg; Institute of International Finance; and RBI staff estimates.

wary of its safe-haven appeal amidst rising public debt concerns. In July, the dollar appreciated on optimism surrounding multiple trade agreements and the de-escalation of conflict between Iran and Israel, easing fears of potential US involvement. The dollar remained volatile in Q3, with changing investor sentiment amid incoming data releases. In 2025 so far, the US dollar has fallen by 9.5 per cent, as unpredictable policy decisions unsettled investors. These movements were mirrored in EME currencies, exacerbated by swings in capital flows (Chart V.11b). The MSCI emerging market currency index rose by 5.3 per cent in Q2; however, Q3 saw a reversal due to local developments, including political instability in Indonesia, renewed tariff risks in Latin America, India and weak Chinese economic data.

V.5 Conclusion

The global macroeconomic environment remains fraught with considerable risks. The rise in tariffs has heightened the risk of supply chain disruptions that could impede the ongoing disinflation process and constrain the space for monetary policy easing. For emerging market economies, the external environment poses several challenges including weak global growth, high tariffs, heightened uncertainty, volatile capital flows, and geopolitical tensions.

SPEECHES

*Opening Remarks at the High-Level Dialogue on Forging Economic Resilience through Digital Public Platforms**

Shri Sanjay Malhotra

It is a pleasure to welcome all of you to this High-Level Dialogue on Forging Economic Resilience through Digital Public Platforms (DPPs).

Thank you for accepting our invitation to be a part of this dialogue. As key decision makers of your esteemed institutions, entrusted with safeguarding the economic heath and resilience of your respective economies, your presence amidst us today adds great value to this occasion.

I expect an enriching and fruitful discussion on today's topic. It is of critical importance, as it has the potential to significantly enhance the economic well-being of our people.

India is an excellent example of how digital public platforms (DPPs) can impart tangible economic benefits and materially improve the lives of our citizens.

I. Digital Public Platforms

During India's G20 Presidency, Digital Public Platforms were formally defined as a set of shared digital systems built upon minimal, modular digital building blocks that can be utilized by governments, businesses, academia, and civil society to facilitate society-wide development.[1]

These platforms comprise open, secure, and interoperable systems that enable access to public and private services. Digital Identity, Payments, and Data Exchange form its foundational building blocks.

The G20 also established a comprehensive framework of guiding principles which underpin development and implementation of such platforms including, inclusivity to ensure universal access, interoperability for seamless system integration, scalability for large-scale deployment, security and privacy protection.

II. Why Digital Public Platforms matter for central bankers – Economic Resilience as the driving force

Digital Public Platforms are of immense importance for Central Banks.

Central Banks not only serve as the ultimate guardians of economic resilience. They in many countries, are also responsible for enhancing financial inclusion and for operating and regulating critical payment and settlement infrastructure that form the backbone of modern economies.

Digital Public Platforms are an effective tool for achieving these objectives. They collectively lower barriers to inclusion and facilitate access to financial services. As a result, globally, around 865 million individuals opened their first account with financial institutions enabling quicker and hassle-free receipt of governmental grants and subvention[2].

Development of fast payments systems (FPS) aligns with key public policy objectives, including creation of safe and efficient payment systems for everyone, reducing cash dependence, and supporting digitalisation. FPS continue to grow in both number and usage, having been established in more than 70 jurisdictions across the world.

III. India as a case study in inclusive, secure, and scalable DPPs

India's Digital Public Platforms constitute a well-structured, multi-layered system of interconnected

* Opening Remarks by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the High-Level Dialogue on Forging Economic Resilience through Digital Public Platforms held in Washington, D.C. on October 14, 2025.

[1] G20 Framework for systems of Digital Public Infrastructure.

[2] Digital Public Infrastructure and Development: A World Bank Group Approach; March, 2025.

digital building blocks including digital identity through Aadhaar, instant payment systems *via* the Unified Payments Interface (UPI), and secure data sharing through the Data Empowerment and Protection Architecture (DEPA).

For us, the guiding principle has been to build such platforms in the public sector as a public good with suitable guardrails, and without a profit motive. Public and private sector entities can then leverage on these platforms to quickly develop applications across credit, health, social protection, agriculture, and several other domains.

While the public sector establishes the foundational infrastructure layer, the success of Digital Public Platforms is bolstered by active private sector participation. Private sector engagement drives innovation and enhances competition, thereby elevating service quality and user experience.

Further, the private sector plays a vital role in innovating and nurturing vibrant developer communities and expanding digital markets. All of these contribute to the maturity of the ecosystem around the DPPs while maintaining the core principles of accessibility, inclusivity, and public benefit.

This approach has resulted in significant positive externalities for growth and development of digital payment systems in India. I will highlight a few initiatives taken by India to build such platforms.

I will start with Aadhaar, the unique identity platform. It is the very basic fundamental block for any digitalisation effort in a country. Aadhaar today has over 1.3 billion users. Using this identify platform, over 566 million bank accounts have been opened, 316 million of these belong to women. This has provided a significant fillip to financial inclusion initiatives.

It has also enabled direct benefit transfers (DBT) bypassing cash-based subsidy distribution and crediting subsidies directly into bank accounts. Over 500 billion USD have been transferred directly to beneficiaries, significantly reducing fraud and leakage.

Coming to payments, the Unified Payments Interface or UPI is another critical Digital Public Platform. It has transformed the payments landscape. It enables transfer of payments in real time, efficiently from one account to another across banks.

Around 85% of the digital payment transactions in India today are carried out through UPI. About 20 billion transactions are made using UPI every month, representing value equivalent to over 280 billion USD.

UPI is a powerful catalyst, accelerating financial inclusion. Small vendors and micro enterprises can now accept payments digitally, and build financial history, thereby enabling access to formal credit at much lower costs.

There are other benefits too. A recent research study on the impact of UPI suggests that higher UPI adoption is associated with lower cash demand[3]. Another study shows that a one percent increase in UPI transaction volumes correlates with a 0.03 percent increase in GDP growth[4].

Digital payment systems have decreased delivery costs, minimised revenue leakages, and facilitated rapid deployment of emergency relief programmes, particularly during the global COVID-19 pandemic.

IV. International Cooperation

We believe that the benefits of DPPs should be available to the whole world, in the spirit of '*Vasudhaiva Kutumbakam*', which means, 'the world is one family'. This was also the theme of India's G20 presidency. We are fully committed to international collaboration around such platforms.

[3] Impact of UPI on Cash Demand – Evidence from National and Subnational Levels, RBI Bulletin, September, 2025.

[4] Decoding India's UPI phenomenon: A digital revolution with global implications': Observer Research Foundation, September 2024.

In the spirit of this collaboration, India developed the Modular Open-Source Identity Platform (MOSIP)[5] for digital identity. This free, secure, and scalable platform allows other countries to build their own national digital ID systems. 27 countries are currently either adopting or considering MOSIP-based systems, to deliver essential services quickly, directly, and seamlessly to their citizens.

For collaboration in digital payments, we have adopted three strategic approaches:

(i) One, we are linking UPI with fast payment systems of other countries for cross-border remittances. Linkage between India and Singapore (UPI-PayNow) is live. Work is under progress with a few other countries bilaterally as well as multilaterally.

(ii) Two, we are enabling cross-border merchant (P2M) payments through UPI via QR codes at merchant locations in both offline and e-commerce mode. This is already live in a few countries and work is in progress for enabling merchant payments in a few more countries.

(iii) Three, we are supporting deployment of UPI-like sovereign payment rails or upgrading existing systems in partner countries using UPI technology stack, while agreement/MoU have been signed for deployment in a few more countries.

These efforts will also promote cross-border trade and payments, while encouraging efficiency, improving customer experience, and reducing cost.

Concluding remarks

To conclude, Digital Public Platforms have proved to be central to inclusive growth in India. Their impact on welfare transfers, democratisation of payments and deepening of financial inclusion has, indeed, been transformative. We are committed to share our model to help countries accelerate digital transformation. I am confident that we can work together to empower our citizens through Digital Public Platforms.

Thank you.

[5] MOSIP is an open-source, not-for-profit platform empowering governments to own and operate secure, scalable, and customizable identity systems.

*Driving Inclusive and Sustainable Growth Through Digital Public Infrastructure and FinTech**

Shri Sanjay Malhotra

I am very happy to participate in this 6th edition of the Global FinTech Fest (GFF). It is a premier forum where the wizards of technology intersect with the experts of finance. It is a unique forum where young innovators, brimming with bold ideas, converge with the steady wisdom of experienced leaders. This synergy which shapes solutions to common challenges reflects the true spirit of the GFF. This event also reflects India's ambition to remain at the cutting edge of digital innovation. Over the years, the GFF has gained from strength to strength. I congratulate the organisers for this huge achievement.

In my remarks today, I wish to reflect on our Digital Public Infrastructure (DPI) and FinTech journey so far, the next phase of deepening and widening inclusion and sustainability, and the way ahead for FinTechs to translate these opportunities into tangible outcomes.

DPI as the Engine for India's Growth Story

DPI underpins India's digital transformation over the last decade or so. It rests on three layers, that have played critical roles in addressing barriers to inclusion and enabling innovation at scale.

One, the *identity layer,* anchored by Aadhaar with more than 1.4 billion enrolments, has made it possible to authenticate identity instantly. It has also enabled millions to open bank accounts and participate in the formal financial system through electronic KYC. It is at the core of Direct Benefit Transfer (DBT) for government benefits.

Two, the *payments layer* which translates identity into action. Aadhaar Enabled Payment System (AePS) has enabled banking through micro-ATMs and facilitated access even in remote locations. Unified Payments Interface (UPI) has allowed close to 490 million unique users to make nearly 20 billion transactions every month, almost half of the global real-time payment volumes.

Three, the *data layer* has reshaped how financial services are delivered. Take any government department, for instance. There is a tremendous amount of digitalisation that has happened in each department. I was in the Revenue Department earlier. With almost all income data now digitised, filing an income tax return in India takes only a few minutes. On average, returns are processed in 10 days and many taxpayers receive their refunds within 24 hours. We are among the world leaders in tax filing and processing systems.

Similarly, the Goods and Services Tax (GST). It is a unique model with no parallel in the world. 28 states, 8 UTs and the centre – all with a different GST statute passed by different legislatures, but still the same except the name of the state. This unification of GST has been possible because of the backbone provided by the Goods and Services Tax Network (GSTN). All this has created a lot of digital data comprising the *data layer.* Further, DigiLocker with over 590 million users, has enabled citizens to store and share documents securely in a digital form.

FinTech complementing the DPI

Complimenting these three layers of DPI, we have a vibrant FinTech ecosystem. The foundation of DPI allows FinTechs to set up quickly, scale rapidly, and deliver targeted solutions to not only address current

* Keynote Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the Global Fintech Fest 2025, October 8, 2025, Mumbai

but also future challenges. India is today home to over 10,000 FinTech companies, with cumulative investments exceeding USD 40 billion over the past decade.

The sector's phenomenal growth and future potential is underpinned by several key strengths, apart from the robust DPI. These include a large and deep pool of skilled technology talent, a vibrant financial ecosystem spanning payments, lending, insurance, pensions, wealth management, *etc.* which is supporting FinTech innovation, and enabling policies and regulatory frameworks which are facilitating FinTechs.

Regular engagement with the FinTech ecosystem is central to this approach. RBI has been proactive in engaging with the FinTech sector, as is borne out by nearly 500 interactions with FinTech entities during FY 2024-25 alone. In addition, through structured platforms such as *FinTeract* and *Finquiry,* we interact regularly with innovators and entrepreneurs in the FinTech ecosystem. Since March 2024, we have conducted 15 structured sessions under *Finteract*, covering over 1,100 FinTech representatives. In addition, 14 open interactions with more than 600 participants have been held under *Finquiry* since June 2024.

The Reserve Bank has also established a FinTech Repository to collect key information on activities, products, and technologies, enabling more informed and evidence-based policymaking for the FinTech sector.

Recognising the diversity in the FinTech Sector, we have, so far, granted recognition to a Self-Regulatory Organisation (SRO) in the FinTech Sector. This will enable FinTechs which are not directly regulated to operate within a calibrated framework with baseline governance standards and best practices developed by the industry itself.

Over the past decade, India has shown how technology, thoughtfully designed and implemented at scale, can be a force multiplier for sustainable economic development. The FinTech industry, has made it possible to deliver financial services at population scale, at an affordable cost. We will continue the facilitation for FinTechs to make use of the DPI and financial ecosystem for the collective benefit of the economy. This synergy between public rails and private innovation, has been the bedrock of India's success in several domains, including digitalisation of payments.

The Next Phase of India's Digital Journey

The first phase of India's digital journey was about building the foundation and expanding access to financial services such as savings, insurance, investments. The next phase is about universalising and deepening impact by using data responsibly. I will talk about five areas. Some work has been done in all these areas but more needs to be done. These are: (a) aggregation and leveraging financial data; (b) the digital rupee; (c) asset tokenisation; (d) artificial intelligence; and (e) digital frauds.

Aggregation and Leveraging Financial Data

Account Aggregator (AA)

First, we need to develop DPI for data integration across various data sources to widen and deepen financial inclusion. The Account Aggregator (AA) framework is one such endeavour. It is empowering individuals to share their financial data safely with regulated entities. This ecosystem has seen notable progress with 17 AAs, 650 Financial Information Users (FIUs), 150 Financial Information Providers (FIPs), 160 million accounts being served, and 3.66 billion data requests from FIUs processed by AAs. Many important government owned data sources like the GSTN have been included in the AA framework.

On its part, the RBI is in the process of introducing standards designed to improve customer onboarding processes, enhance user interfaces, strengthen data security, and increase transparency in consent management and data sharing under the AA framework.

While there is huge potential for the AA framework to grow, its success will depend on two critical aspects, namely, integration with more financial information, especially information which is vital for assessing the financial status of an individual, and interoperability across account aggregators.

ULI

The Unified Lending Interface (ULI) is another landmark step in data aggregation. Credit remains the lifeblood of inclusive growth. Despite best efforts by the Government, RBI, and the banking system, and huge progress made in this regard, a vast credit gap still persists. The ULI seeks to bridge the gap by enabling efficient, data-driven, and inclusive credit delivery.

Since its launch in August 2023 till October 03, 2025, the ULI pilot has now expanded to 120 data sources/services, 58 lenders including banks, NBFCs, co-operative banks with 3.2 million loans sanctioned and ₹1.75 trillion in lending. The ULI is also enabling use of data by lenders to build alternative credit models, thereby helping expand credit to new-to-credit segments lacking credit history.

Digital Rupee (e₹)

Second, India's Central Bank Digital Currency (CBDC), the Digital Rupee (e₹) represents a critical new rail in the DPI architecture. Since its launch in December 2022, the retail e₹ pilot today has 19 banks and 7 million users, enabling person-to-person (P2P) as well as person-to-merchant (P2M) transactions. Interoperability with UPI is also enabling wider adoption of the e₹ without compromising user convenience.

Programmability features in e₹ are unlocking new paradigms in purpose-driven direct benefit transfers, subsidies, and targeted lending. These features have been leveraged by some state governments demonstrating the potential for making subsidy delivery and DBT more effective. For instance, Gujarat's G-SAFAL scheme uses programmable CBDC (p-CBDC) to provide livelihood assistance, allowing beneficiaries to spend subsidies only on whitelisted agri-inputs within a geofenced area. Similarly, Andhra Pradesh's DEEPAM 2.0 scheme provides LPG subsidies through p-CBDC, which is redeemed on delivery of gas cylinders by the registered gas agencies.

Asset Tokenisation

Third, asset tokenisation offers new possibilities for Indian financial markets in expanding access, improving transparency, and enhancing settlement efficiency through smart contracts.

I am happy to announce that the Reserve Bank has conceptualised the Unified Markets Interface (UMI), as a next-generation financial market infrastructure. UMI will have the capability to tokenise financial assets and settlements using wholesale CBDC. Early results from the inaugural pilot on the issuance of Certificate of Deposit, in improving market efficiency are encouraging.

Artificial Intelligence

Fourth, AI holds the potential to fundamentally enhance the next generation of DPI in two complementary ways. First, by integrating AI into existing DPI layers, user experience and efficiency can be significantly improved. For example, conversational payments can simplify transactions for users with low digital literacy and bring millions

into the formal economy. Second, AI itself can be developed as a public goods infrastructure.

The report of the FREE-AI committee constituted by RBI has also highlighted the importance of building foundational public goods for AI in finance, including a standardised financial sector data infrastructure, compute resources, and the development of indigenous AI models, tailored to the needs of the financial system.

Digital Frauds

Fifth, the rapid expansion of digital finance has also created new challenges such as digital frauds and cyber threats. The Reserve Bank has instituted several customer protection measures, such as two-factor authentication (2FA), tokenisation of card on file, and providing customers with the control to switch off transactions to secure digital transactions.

The recently announced principle-based framework on authentication of digital transactions will provide further impetus to enhancing consumer convenience while strengthening trust in digital transactions. Exclusive internet domains, '. bank.in' and '. fin.in', for banks and financial institutions, and designated numbering series, *i.e.,* '1600xx' for transactional and service calls, and '140xx' for promotional communications by regulated entities, are other initiatives to enhance security and public trust in digital transactions.

MuleHunter.ai, developed by the Reserve Bank Innovation Hub has been scaled up from about 5 banks at the beginning of this year to 21 banks. Unlike earlier approaches, this is enabling them to use system-wide learning to improve detection of mule accounts. Work is also underway on the Digital Payments Intelligence Platform (DPIP), which will leverage latest technologies to provide shared intelligence for fraud detection and prevention in near-real time.

These measures will enhance customer safety and trust in digital payments. We all need to redouble our efforts to keep our systems safe, secure and fraud proof.

Conclusion

We stand at an important juncture in our digital finance journey. The past decade has demonstrated how technology can expand access and empower businesses. The next phase must build on this strong foundation, while keeping trust and stability at its central theme. The role of FinTechs in this next phase will be even more crucial. FinTechs can be the architects who design and construct digital highways and also the products and services on this digital highway that generate social and economic value.

I would like to leave five thoughts for the FinTech industry to consider.

a. **One, build for Inclusion:** While there may be higher profits to be made by deepening access to the haves and the privileged, prioritise building systems to expand financial services to the unaccessed, unreached and unserved segments of society.

b. **Two, adopt customer-first approach:** As Steve Jobs said, "Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves". Design products and services that are easy to use and accessible for all, with assistive technologies ensuring vulnerable groups such as senior citizens, individuals with limited digital literacy, and the specially abled are not left behind. As I have said at other fora, strive to design services so well that there is no need for customer service in the first place.

c. **Three, innovate in credit delivery:** Extend the success of digital payments to credit

delivery, especially to small businesses and individuals.

d. **Four, prioritise trust and compliance:** Embed strong data protection, transparency, and safeguards for consumers into every product and service.

e. **Five, think global, anchor local:** Engage with international partners, share learnings, adopt global best practices, and strengthen India's role in shaping the future of digital finance.

By embracing these principles and building on India's unique strengths of DPI, a vibrant ecosystem, a digitally connected population, enabling policies, and tech talent, FinTechs can bridge digital divides, foster healthy competition, and drive innovation.

In doing so, FinTechs will not only secure their own growth but also play a pivotal role in driving progress and contributing to the vision of *Viksit Bharat* 2047.

In this hall, we have people with both the foresight and the capability to act. Let us harness this opportunity and together shape a shared future of inclusive, sustainable, and innovation-driven growth.

Thank you. *Jai Hind.*

*Responsible Artificial Intelligence (AI) – Balancing Innovation with Financial Stability**

T Rabi Sankar

Opening and Context Setting

Good afternoon, distinguished policymakers, members of academia, industry leaders and innovators. It is both a pleasure and a responsibility to address this gathering on a subject that is poised to shape the future of finance, society, and governance alike—Responsible Artificial Intelligence.

AI has rapidly evolved from an academic discussion less than a decade back to become an integral part of our daily lives. We encounter it when we unlock our phones, interact with chatbots, and increasingly, when accessing financial services. In just a few years, AI has evolved from an enabling technology to a foundational driver of how individuals and businesses make decisions.

Globally, AI is already reshaping financial systems. From digital credit underwriting to conversational banking assistants, AI is demonstrating its ability in ways unimaginable a decade ago. India, too, has been a notable participant in this journey.

Yet, as with all powerful innovations, AI carries a dual narrative. It promises extraordinary efficiency, inclusion, and innovation, but if left unattended, could pose unprecedented threats. As Stephen Hawking said in 2016 at the launch of the Centre for the Future of Intelligence (CFI), "the rise of powerful AI will either be the best or the worst thing ever to happen to humanity. We do not yet know which." It is acknowledged widely that AI could be the permanent answer to poverty and disease. But equally there have been concerns from AI experts – ranging from concern around bad actors using AI for bad things to the more fundamental concern that human existence is irrelevant once machines achieve superintelligence. I do not intend to dwell on these widely divergent possibilities but only to highlight the limited point that while the benefits of AI are transformative, they need to be used responsibly. In finance, the margin for error is even narrower as financial institutions are built on trust and economies prosper on stability. Therefore, the integration of AI in financial systems must be approached as a matter of profound responsibility with due recognition and mitigation of risks.

AI for the Financial Sector

The Benefits

The promise of Artificial Intelligence in finance is by now well recognised. At its core, AI can expand financial access, strengthen safeguards, and reimagine efficiency. It can lead to better credit assessment through use of alternative data (like transaction patterns, utility payments, *etc.*) of unbanked customers. Ability to use massive data sources could help in real-time detection of frauds through identification of unusual transaction patterns, or improve market risk modeling.

Operational efficiency and cost reduction can get a paradigm shift using AI, *e.g.*, in back-office processes, KYC, loan processing *etc.* Chatbots and virtual assistants would achieve 24×7 customer support. Data extraction from financial documents (*e.g.*, invoices, contracts) through Natural Language Processing (NLP) could make document processing seamless.

In the investment and trading space, the ability of AI models to detect short-term price inefficiencies are already being harnessed. Other benefits include allocation optimisation, use of big data to forecast market movements *etc.* AI driven RegTech

* Keynote address delivered by Deputy Governor T Rabi Sankar at the Global Fintech Festival, Mumbai on October 7th, 2025.

applications help regulated entities with better compliance outcomes. Automated monitoring helps detection of suspicious transactions and generates faster compliance.

AI has the potential to significantly expedite financial inclusion through alternative credit scoring models while language interfaces will remove language barriers and reach digitally limited customers. Investment advice becomes affordable to small investors through robo-advisors.

The Risks

But these benefits come with significant risks. AI systems are trained on vast amounts of data. It is natural that the learning from the data would also extend to learning the bias inherent in data. AI systems trained on biased historical data are likely to perpetuate or amplify historical discrimination in, for example, credit profiling, or hiring. Even small biases in training data can lead to systematic exclusion of population groups from accessing financial services. Algorithmic opacity would make it difficult to identify possible biases.

The 'Black Box' problem of AI models, or, in other words, the lack of explainability, makes these models non-transparent. This makes it hard for regulators and auditors to understand how decisions are made, which, in turn, undermines accountability. Regulatory actions, or denial of service to customers, would typically require reasons to be communicated. Absence of explainability may thus constrain the use of such tools.

There are systemic risks typical to AI systems, such as herding behaviour when AI-driven trading models get widely used, which can amplify volatility. AI misjudgments can trigger market dislocations. Such problems are amplified by the possibility that it becomes difficult to assign responsibility when an AI makes a harmful or erroneous decision. Legal frameworks would always find it difficult to catch up with fast moving technology. Over-reliance on automation could result in losing oversight or delayed intervention when things go wrong. There is also the ethical issue of using behavioral data for manipulative cross-selling or risk profiling.

Then there is the ongoing debate about AI and job displacement. Whether AI will displace jobs in the long run would depend on whether it is like other transformative changes in history like the Industrial Revolution or the invention of electricity or whether it is a fundamentally different kind of change. Max Tegmark, founder of Future of Life Institute argues that while all past technologies amplified human ability but did not replace human intelligence, AI is the first technology that creates intelligence itself.

Recognizing these risks is not to diminish the promise of AI, but to underline the importance of adopting it responsibly through safeguards, governance, and foresight.

Balancing Innovation with Stability

The key question is, how do we enable innovation while safeguarding systemic stability? This balance is a necessity for ensuring that AI strengthens rather than undermines the financial system. If regulatory frameworks are too rigid, they can dissuade experimentation, reducing AI to a tool deployed only by the largest players. On the other side, unbridled adoption, particularly in high-impact areas, could create vulnerabilities that are invisible until they snowball into crises.

The balance is not only about restraint; it is also about actively encouraging innovation. This requires policies that create safe spaces for experimentation, such as sandboxes, facilitate open digital infrastructures, and provide access to quality data, enabling firms to innovate with confidence. It also requires incentives for responsible innovation, so that firms see governance not as a burden but as a competitive advantage.

Responsible AI – Guiding Principles

As we reflect on the transformative potential of AI, it becomes imperative to anchor its adoption within a framework of principles. The RBI took a proactive step through setting up the FREE-AI Committee, which has articulated a set of guiding *sutras* for responsible and ethical adoption of AI in the financial sector. These principles are intended to serve as touchstones for all stakeholders.

At the core is the principle of trust, the bedrock of finance. Every deployment of AI must reinforce, not diminish, the trust of consumers, institutions, and society. Equally important is a people-first orientation, ensuring that technology serves human needs. The report emphasizes innovation over restraint, coupled with fairness and accountability in outcomes. AI can inform decisions, but it cannot own them. The accountability must always rest with human actors and institutions deploying AI.

The principle of 'understandable by design' underscores the need for transparency, ensuring that AI decisions are explainable to both regulators and consumers. And above all, safety and resilience must be built into every layer of adoption.

Alongside regulatory oversight, it is equally critical to encourage industry-led codes of conduct, self-regulation, and the institutionalisation of ethical standards. This collaborative approach ensures that responsibility is not a mandate of regulators but a shared culture across the fintech ecosystem.

RBI's Approach and Role

The RBI has always fostered "innovation within safeguards." Through calibrated guidance, supervisory oversight, and structured engagement with industry, the RBI aims to foster an ecosystem where financial innovation flourishes without compromising systemic stability. As AI reshapes the financial landscape, this approach remains unchanged - progress and prudence must go hand in hand.

RBI has also taken initiatives for the industry through RBIH, such as MuleHunter.ai™ for combating the menace of mule accounts. Unlike the traditional rule-based systems currently used by banks, MuleHunter.ai™ offers greater accuracy and precision with significantly low false positive rates. Currently, the model has been deployed in about 20 commercial banks. In addition, work is also underway to explore a Digital Payments Intelligence Platform (DPIP), that can analyse and assign a risk score to transactions on a real time basis.

Ringfencing and Guardrails

While AI holds immense promise, the financial system demands the highest degree of prudence. Critical infrastructures and institutions must be ringfenced from unchecked risks that could arise from untested or poorly governed AI deployments. The objective is not to obstruct innovation but to ensure that its application never compromises the stability or integrity of the system.

To this end, practices such as stress-testing of AI models under diverse scenarios, red-teaming to identify vulnerabilities, and the adoption of explainability tools and standards are indispensable. These mechanisms would help regulators and institutions alike to supervise AI outcomes, detect weaknesses before they escalate, and ensure that AI-driven decisioning can be understood and, if necessary, challenged.

Equally important is that AI systems are subjected to rigorous oversight and layered with inherent checks. Financial AI applications must be designed such that they cannot inadvertently destabilize markets, payment systems, or consumer confidence.

This approach demands "safety by design" rather "safety as an afterthought." Safeguards must be embedded throughout the lifecycle, from conception and data training to model validation and real-world application. Retrofitting safety once risks have materialized is inadequate and potentially destabilizing.

Research, Innovation, and Collaboration

Embedding AI in finance is not a one-time exercise. It demands continuous research, experimentation, and learning, as models, techniques and risks evolve rapidly. It also calls for partnerships among industry, academia, regulators, and start-ups. Co-developing solutions, sharing knowledge, and stress-testing innovations must be fostered.

Entities should have in place systems for responsible data governance, ethical sourcing of data, and privacy-by-design in every model. They should develop common standards, toolkits, and disclosure mechanisms so that model design, training data, and decision logic can be explained to regulators and customers. Safeguards such as digital watermarking of synthetic content should be explored to deter misuse. Internal policies and processes must be revised to embed AI risk assessment into the product lifecycle. Continuous monitoring, stress scenarios, and independent audits should be institutionalised.

The Way Forward

As we look ahead, the path for responsible AI in India's financial sector is exciting yet deliberate, demanding a phased approach that balances innovation, inclusion and stability.

Alongside technological progress, the human element remains central. AI literacy for consumers to understand both the potential and risks of AI will be critical. Just as financial literacy has been a national priority, the coming decade will require a parallel focus on AI literacy, for individuals to engage confidently and safely with these new tools.

In the short term, the focus needs to be on awareness and capacity building. Financial institutions, technology providers, and regulators must train personnel, strengthen internal governance structures, and introduce initial risk frameworks to ensure that AI deployment is encouraged with focus on safety. Awareness campaigns and workshops can also help smaller institutions and FinTechs integrate AI responsibly.

In the medium term, the FREE-AI principles should guide the industry practice. AI can begin to play a substantial role in SupTech, credit decisioning, and financial inclusion. In parallel, the industry should develop its own governance standards, self-regulatory codes, and ethical guidelines to complement regulatory oversight.

In the long term, India can aspire to become a trusted global hub for responsible AI in finance. By demonstrating how innovation can coexist with strong safeguards, India can set an example for emerging economies and the Global South, attracting talent, investment, and collaboration.

Concluding Remarks

As we conclude, it is essential to reiterate that AI must remain a force for good - empowering individuals, strengthening institutions, and enhancing the resilience of our financial system. Its promise will be realised only when adopted responsibly, with constant attention to societal impact.

Responsible AI should not be framed merely as a regulatory requirement, but as a matter of business ethics. Every model deployed, every decision automated, and every service enabled through AI must reinforce the confidence of consumers, provide fair access, and respect the dignity and privacy of all participants.

Let me leave you with five guideposts. Not as tasks, but as a collective mission: the 5Ts

1. **Trust** – Commit to building AI systems that uphold and enhance the trust in the system. Embed responsibility and ethics in every algorithm.
2. **Transparency** – Reinforce clarity and explainability in AI, ensuring that decisions can be understood, audited, and questioned when necessary.
3. **Training** – Invest in training to nurture a world-class AI talent within our financial ecosystem. Ensure India leads in creating, not just consuming.
4. **Technology for Good** – Let innovation be guided by purpose. The test of every AI application must be whether it advances inclusion, resilience, and efficiency.
5. **Togetherness** – Above all, we must work together. Regulators, industry, academia, and global partners, to collaborate and co-develop.

Through shared commitment, ethical deployment, and continuous vigilance, we can ensure that AI fulfils its promise as a transformative enabler.

Inclusion is Innovation's Highest Purpose: Lessons from India *

Shri Swaminathan J.

Shri C S Setty, Chairman, State Bank of India,

Mr Peter Simon, CEO and distinguished delegates of the WSBI,

Shri Vinay Tonse, Managing Director, SBI and WSBI Asia Regional President,

Friends, colleagues, ladies and gentlemen, good evening, everyone!

At the outset, congratulations to WSBI for completion of a century, in bringing together savings and retail banks, from over 70 countries, representing the interests of customers of approximately 6,400 banks across all continents. As a global organisation, WSBI promotes a sustainable, inclusive and balanced growth and job creation around the world, with a clear focus on individual consumers, households and MSMEs. The members are main street players that are rooted strongly within the communities they serve, and support the local economies, with the shared values of being Retail, Regional and Responsible. I fondly recall my own association with WSBI during my time in SBI and I am thankful to SBI and WSBI for this kind invitation.

It is indeed a pleasure to welcome the WSBI delegation to India. During this study visit, I hope you will see how financial inclusion and digital innovation have evolved here through the interplay of public policy, regulatory oversight, and institutional initiatives. Along with recognising the challenges in India's journey, I trust this visit will also provide space to reflect on how different approaches to inclusion and innovation can inform and enrich one another.

The idea I wish to underline today is that ***inclusion is innovation's highest purpose***. In India, financial inclusion has been pursued not as a single policy objective but as an ongoing national mission. Over the past decade, the Government, the Reserve Bank, and the banking sector have worked together to expand access to millions of households. The real task, however, lies in deepening usage, improving quality, and building lasting trust.

To capture progress along this journey, the Reserve Bank has developed a Financial Inclusion Index that tracks three dimensions—access, usage, and quality.[1] Over the years, there has been considerable progress made under the index. Five iterations of FI Index have been published till date, with March 2025 value standing perceptibly improved at 67.0 *vis-à-vis* 43.4 for the period ending March 2017.[2] Having said that, it is also an observation that, while access to financial services has improved significantly in recent years, the challenge now lies in promoting active usage and strengthening service quality.

Achieving this requires more than technology; it calls for products tailored to diverse needs and limitations, supported by human interfaces that build trust and confidence. '*Embedding empathy into service delivery*' is a crucial step in ensuring that financial inclusion is meaningful and effective.

Equally important are transparent grievance redressal systems and clear consumer protection measures. Defined turnaround times, limited liability protections, and visible compensation frameworks reassure customers that they are safe in using digital

* Address by Shri Swaminathan J, Deputy Governor, Reserve Bank of India at the World Savings and Retail Banking Institute (WSBI) Study Visit to State Bank of India (SBI) under the theme 'Advancing Financial Inclusion Through Digital Innovation' on Monday, October 6, 2025.

[1] The FI-Index has been conceptualised as a comprehensive index incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with Government and respective sectoral regulators. The index captures information on various aspects of financial inclusion in a single value ranging between 0 and 100, where 0 represents complete financial exclusion and 100 indicates full financial inclusion. The FI-Index comprises of three broad parameters (weights indicated in brackets) *viz.*, Access (35%), Usage (45%), and Quality (20%) with each of these consisting of various dimensions, which are computed based on a number of indicators. It has been constructed without any 'base year' and as such it reflects cumulative efforts of all stakeholders over the years towards financial inclusion.

[2] Reserve Bank of India introduces the Financial Inclusion Index.

services. Together, these measures foster confidence and encourage meaningful engagement with the financial system.

Digital Public Infrastructure and India Stack

India's strong digital public infrastructure underpins its financial inclusion efforts. At the centre of this architecture lies the *India Stack*–a set of interoperable, open, and scalable digital layers built as public goods. These include Aadhaar for digital identity, DigiLocker for secure digital storage and sharing of documents, and the Account Aggregator framework for consent-based data sharing. Together, they provide the rails on which a wide range of services can be delivered securely, at scale, and at an affordable cost.

Among these layers, the Unified Payments Interface (UPI) has emerged as the flagship success story. By integrating multiple accounts into a single mobile platform, UPI has revolutionised retail payments.

While UPI has rightly captured global attention, it represents only the most visible part of a much wider transformation. Behind it stands a comprehensive digital payments ecosystem that includes NEFT and RTGS for retail and high-value transfers, the Bharat Bill Payment System for interoperable bill payments, the Aadhaar Enabled Payment System for last-mile inclusion through micro-ATMs, and BharatQR for merchant acceptance. Together, these systems form a layered, resilient, and inclusive architecture. They ensure that digital transactions are not only fast and convenient but also secure, accessible, and trusted—cornerstones of India's transition from a predominantly cash economy to a thriving digital one.

Building on this success, India is now developing the Unified Lending Interface (ULI), which seeks to bring the same principles of openness and interoperability to credit markets. Just as UPI made payments universal, ULI has the potential to mark a turning point in how affordable credit is accessed and delivered at scale.

Digital innovation is also extending inclusion beyond payments. Micro-insurance and pension products are increasingly being delivered through digital platforms, helping low-income households strengthen financial resilience. Cross-border UPI linkages are making remittances faster, cheaper, and more seamless, reinforcing trust in formal channels.

RBI's Role in Responsible Innovation

At the Reserve Bank, we seek to foster an environment where innovation can flourish responsibly. Through initiatives such as regulatory sandboxes, the Innovation Hub, and enabling frameworks for digital financial services, we encourage the development of new solutions that are secure, sustainable, and customer-centric. At the same time, we place due emphasis on governance, risk management, and customer protection, so that technological progress is always matched by resilience and trust in the financial system.

The rapid rise of fintechs, digital platforms, and embedded finance models has expanded the boundaries of the financial system and created new types of risks. These are not simply traditional risks in digital form, but new frontiers arising from algorithmic decision-making, heavy dependence on data, concentration of services in a few platforms, and deep technological interconnections. Left unmanaged, such risks can quickly migrate from individual institutions to the broader system.

This is why we encourage financial institutions to move to a proactive resilience mindset, embedding digital risk awareness and safeguards into their governance frameworks. Innovation and safety are not opposing goals; when balanced well, they reinforce each other and build lasting trust.

Closing Reflections

As we look ahead, there is growing recognition worldwide that digital innovation is the most powerful driver of financial inclusion. India's journey shows that access is only the first step—the true test lies in meaningful usage, in the quality of services, and in the trust that people place in the system. Innovations that do not embed responsibility can erode this trust, but when innovation and inclusion move together, they reinforce each other and create lasting transformation.

Allow me to return to the thought with which I began: *inclusion is innovation's highest purpose.* As you reflect on India's experience during this study visit, I hope you will see how collaboration between policy, regulation, and institutions can continue to widen the frontiers of inclusion. India's journey shows that *when innovation meets inclusion, transformation becomes inevitable.* I hope this exchange inspires fresh ideas, new partnerships, and renewed resolve to make finance truly universal.

Thank you.

*Transforming Public Sector Banks for a Viksit Bharat**

Shri Swaminathan J.

Secretary, DFS, Shri M. Nagaraju, other senior officials from the Government, Chairman and MDs of SBI, MD, CEOs and EDs of Public Sector Banks, and my other colleagues, a very good morning to all of you.

I am honoured to be here at PSB *Manthan* 2025. Personally, this gathering feels like a homecoming, a return to a familiar space of dialogue and shared purpose, where the concerns, aspirations, and vision of our public sector banks take centre-stage.

The very word *Manthan* or churning has timeless symbolism in our traditions. It reminds us that progress rarely comes easily; it requires effort, reflection, and perseverance. Much like a family coming together to deliberate and debate for the common good, PSB *Manthan* brings together policymakers, regulators, and bankers to churn our collective experiences and insights so that we may draw out the nectar of transformation.

I commend the Department of Financial Services for nurturing this platform over the years, and for ensuring that it continues to evolve as a space where ideas are debated, challenges are confronted, and the future course of PSBs is shaped with collective wisdom.

The Context: Resilience amidst Global Headwinds

We meet today at a time when the global environment remains marked by uncertainty. Geopolitical tensions, shifting trade alignments, climate transitions, and rapid technological disruptions are reshaping the contours of growth and finance worldwide.

Yet, amidst these headwinds, the Indian economy continues to demonstrate resilience and stability. This confidence is not only evident in domestic sentiment but has also been reinforced by global assessments, most recently the upgrade of India's sovereign rating outlook by S&P.

Much of this resilience rests on the strength of our banking system. Over the past decade, Indian banks, and particularly our public sector banks, have undergone a remarkable turnaround. Balance sheets have been repaired, capital strengthened, and asset quality improved. At the same time, PSBs have deepened their traditional role as anchors of financial inclusion while also keeping pace with the wider digital transformation of the sector. Their contribution to Jan Dhan Yojana, to direct benefit transfers, and to the expansion of UPI in semi-urban and rural centres, reflects how PSBs combine scale with reach to serve the real economy.

Periods of comfort, however, can create the risk of complacency and mistakes are typically made in good times. Therefore, the challenge before PSBs today is not only to stay clear of the earlier shortcomings but to build on the gains of the past decade and transform themselves further. PSBs have to remain strong, adaptable, and future-ready to contribute meaningfully to the vision of a Viksit Bharat by 2047.

The Banyan Tree Metaphor: Transforming PSBs from providers of stability to enablers of new growth

As we reflect on what this transformation entails, I am reminded of a powerful symbol from our own banking history. Many of you will recall that when the State Bank of India was established in 1955, its logo was a sprawling banyan tree. The choice was deliberate, for the banyan has long been revered as the tree of life. its deep roots embody stability, its sturdy trunk represents resilience, and its wide canopy offers protection to all.

* Address by Shri Swaminathan J, Deputy Governor, Reserve Bank of India at the PSB Manthan 2025 on Friday, September 12, 2025.

In later years, however, the banyan tree logo was replaced by the now familiar blue circle with a keyhole, designed by the National Institute of Design[1]. While the banyan conveyed strength and shade, it also drew criticism for casting such a dense canopy that little else could grow beneath it, which seemed at odds with the image of a modern and accessible bank.

Today, for the PSBs, the task is not only to provide shade and shelter to millions of households and enterprises but also to ensure that beneath their canopy, new growth flourishes in the form of abundant and affordable credit to MSMEs, start-ups, women entrepreneurs, and rural enterprises.

In that spirit, I find the banyan tree still a fitting metaphor for our PSBs. Its **roots, trunk, aerial roots, branches**, and **canopy** together capture the five pillars on which PSBs can build their future. These five pillars in today's context are **strong governance, financial resilience, innovation and adaptability, people and culture, and an all inclusive customer-centricity.**

Deep Roots: Governance and Assurance – evolve to meet new risks

The banyan tree can survive storms because of its deep roots. They may not be visible, but they are the true source of its longevity and stability. For banks, these roots are strong governance and assurance.

It means boards that are engaged, leadership that is accountable, and decisions that are transparent and ethical. Regulation can guide, but governance must come from within. Supervisory intervention can fix, but it cannot substitute for an internal culture of integrity.

The assurance functions, including risk management, compliance and internal audit, give depth and resilience to governance. They provide boards with independent and reliable perspectives, helping them act with foresight rather than hindsight.

Governance today must also evolve with changing times. Boards need sharper tools, such as real-time insights that flag emerging risks or customer concerns. As banks adopt artificial intelligence and data driven systems, assurance must also extend to these new domains. Ensuring fairness, transparency, and accountability in automated decisions is becoming as important as monitoring credit or operational risk.

Deep roots allow a tree not only to survive but also to nurture new growth. In the same way, strong governance supported by robust assurance will allow banks to take on fresh initiatives with confidence, knowing that these are built on a stable foundation of trust.

The Sturdy Trunk: Financial Strength and Resilience

The trunk of the banyan tree stands tall and sturdy, holding the entire tree together through calm and storm. For our banks, the trunk is financial strength and resilience.

Over the past decade, PSBs have strengthened their capital position and improved asset quality. These gains must now be protected and deepened. **Banks should hold forward looking capital buffers that reflect their risk profile and growth ambitions** rather than simply complying with regulatory floors. Asset quality must also be managed with a preventive mindset, using early warning systems and predictive analytics to identify stress before it becomes a crisis.

True resilience today goes beyond capital and credit. **It also means operational resilience.** With customers relying on banks for 24x7 digital access, even short disruptions can erode trust and create systemic impact. Banks must therefore strengthen their technology infrastructure, cyber safeguards, vendor oversight, and business continuity planning

[1] The Hindu Business Line. "From Banyan Tree to Keyhole: NID Designed the New Iconic Logo for SBI." The Hindu Business Line, August 10, 2022. Available at: https://www.thehindubusinessline.com/money-and-banking/from-banyan-tree-to-keyhole-nid-designed-the-new-iconic-logo-for-sbi/article64328336.ece

so that services remain secure and uninterrupted under every circumstance.

A strong trunk allows the tree to support new branches and new growth. For PSBs, resilience both financial and operational is what will allow them to expand and support India's development priorities with confidence.

Aerial Roots of Renewal: Innovation and Adaptability – for an open, adaptive, tech driven banking

The banyan tree constantly sends down aerial roots, which in time become fresh pillars of support. For our banks, these aerial roots are innovation and adaptability.

In today's financial landscape, technology is no longer optional. Modernising core IT systems and adopting advanced analytics are essential to remain competitive. AI/ML can strengthen fraud detection, improve credit assessment, and personalise customer engagement.

Innovation is not just about new tools. It is also about smarter ways of delivering them. PSBs should consider shared technology platforms and joint development of digital infrastructure to leverage economies of scale, reduce costs, and ensure consistency in customer experience. They can also experiment with what is known as a digital twin[2], a virtual model that mirrors a real process such as the working of a branch or the journey of a customer applying for a loan. By testing changes on the digital twin first, banks can identify bottlenecks and improve efficiency before making changes in the real world.

Adaptability also means openness to new partnerships. Collaborating with FinTechs including the Unified Lending Interface (ULI), and using other open banking interfaces can bring the best of both worlds - the reach and trust of PSBs combined with the agility of innovators.

Yet, greater reliance on technology inevitably increases vulnerability. Cybersecurity, vendor oversight, and business continuity must therefore be built into every digital initiative by design.

Aerial roots renew the strength of the banyan tree and allow it to spread further. For PSBs, continuous innovation and adaptability will ensure that their canopy remains relevant, and that fresh growth can thrive beneath it.

Living Branches and Leaves: People and Culture – from process-oriented service to empathetic people centric culture

The branches and leaves are what people first notice when they see a banyan tree. For banks, they represent employees who bring strategy to life through everyday actions.

A large, committed workforce remains the most valuable asset of PSBs, even in an age of artificial intelligence. No algorithm can replace trust, empathy, and human judgment. To keep the branches strong, investment in human capital is vital. Staff must be equipped with new skills in digital banking, cybersecurity, and analytics. Training should be practical and engaging, including simulation-based learning.

Equally important is staff attitude and culture. Every customer should feel respected, not merely processed or attended to. True service comes from an empathetic customer first approach. PSBs must therefore nurture a culture of professionalism, empathy, and accountability so that their people remain the strongest ambassadors of trust.

The Canopy of Trust and Inclusion – from transaction driven banking to customer centric, trust-based inclusion

The canopy of the banyan provides shade to all. For PSBs, it represents their enduring role in customer

[2] IBM. "What Is a Digital Twin?" IBM Research – Think, 5 August 2021. Available at: https://www.ibm.com/think/topics/what-is-a-digital-twin

centricity and financial inclusion. From Jan Dhan to direct benefit transfers, from self-help groups to MSME lending, PSBs have given millions of Indians financial dignity. This role must continue and evolve, for today's customers expect not just access but also convenience, speed, and fairness. Meeting these expectations requires services that are transparent and responsive.

Customer centricity begins with trust. Every complaint is a test of confidence. By not giving room for complaints and by resolving issues, when they arise, promptly and fairly, banks can strengthen that trust and ensure that customers feel empowered in every interaction.

Conclusion

In villages, it is under the banyan tree that people gather to seek counsel, to deliberate, and to find shade in times of need. In much the same way, citizens look to PSBs not only for loans and deposits but also for inclusion, stability, security, and progress. Let us commit to nurturing this banyan tree so that it remains a symbol of trust and resilience and contributes decisively to the realisation of a *Viksit Bharat* by 2047. Thank you. *Jai Hind.*

ARTICLES

*State of the Economy**

Global uncertainty has edged up. In the US, both trade and economic policy uncertainty increased in September. Global growth, however, has broadly held up. Investor sentiments dampened in October, on renewed US-China trade tensions and prolonged US government shutdown, after a phase of buoyancy. The Indian economy displayed resilience amidst broader global uncertainty and weak external demand. High-frequency indicators point to a revival in urban demand and robust rural demand. Headline consumer price index (CPI) inflation moderated sharply in September, marking its lowest reading since June 2017.

Introduction

Global uncertainty has edged up. In the US, both trade and economic policy uncertainty increased in September. Despite heightened uncertainties, global growth, aided by transitory factors, broadly held up in H1:2025.[1] Global financial market movements broadly exhibited optimism and buoyancy despite policy uncertainty and geopolitical tensions. In this environment, the IMF's World Economic Outlook of October 2025 revised up its 2025 global growth projection, but it still reflects a deceleration compared to 2024. Further, the risks to the growth outlook remain tilted to the downside.

Global economic activity held up in September. The global composite purchasing managers' index (PMI) expanded in September, driven by growth in output and new business.

Equity markets in major economies, supported by optimism surrounding Big Tech, the US Fed's monetary easing and softer energy prices, gained in September. The month of October, however, ushered in selling pressures as investor sentiments dampened on renewed US-China trade tensions and prolonged US government shutdown. In the bond market, US government bond yields fell, following the Fed's policy rate cut and the escalation of US-China trade tensions. Portfolio flows to major emerging market and developing economies (EMDEs) moderated in September as equity segment witnessed outflows due to country-specific risks amidst challenging external environment.

Commodity prices generally remained subdued. Prices of precious metals, however, strengthened due to safe-haven demand. Crude oil prices moderated, supported by the ceasefire in the Middle East, and forecasts of a supply glut in 2026.[2]

Inflation trends remained divergent across economies, as major advanced economies (AEs) continued to grapple with inflation remaining above target levels, while major EMDEs experienced disinflation. Persisting global uncertainties and their potential spillovers to domestic economies, continued to weigh on central banks' monetary policy decisions.

The Indian economy displayed resilience amidst broader global uncertainty and weak external demand. Despite the external sector headwinds, the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development

* This article has been prepared by Rekha Misra, Asish Thomas George, Shashi Kant, Rajni Dahiya, Oorja Yadav, Anupam Kumar, Yamini Jhamb, Jessica Maria Anthony, Satyarth Singh, Aayushi Khandelwal, Ettem Abhignu Yadav, Rishabh Kumar, Satyendra Kumar, Radhika Singh, Suganthi D, Shivam, Nilava Das, Agamani Saha, Ayan Paul, Shreya Bhan, Avnish Kumar, Amit Pawar, Apeksha Sharma, Pallak Goyal, Athira C A, Khushi Sinha and Ajay Kumar. The guidance and comments provided by Dr. Poonam Gupta, Deputy Governor, is gratefully acknowledged. Peer review by Pallavi Chavan, Joice John and Pawan Gopalakrishnan is also acknowledged. Views expressed in this article are those of the authors and do not represent the views of the Reserve Bank of India.

[1] These include front-loading of trade flows and consumption, in anticipation of higher US import tariffs.

[2] Oil Market Report - October 2025, International Energy Agency.

(OECD) and the World Bank have revised India's growth forecast upwards for the current financial year, underscoring the continued momentum in domestic demand. The high-frequency indicators also pointed to resilient domestic economic activity, with signs of revival in urban demand and robust rural demand. The agricultural sector sustained its growth momentum, supported by above-normal rainfall, and higher *kharif* sowing. Although manufacturing momentum moderated slightly, business confidence in manufacturing and services reached a six-month peak, reflecting higher optimism. According to the surveys of consumer sentiments, consumer confidence for the current period and the year ahead also improved.[3] The capital expenditure of the union government continued to grow at a robust pace. Receipts, however, experienced a slowdown. Merchandise trade deficit widened, on account of an increase in non-oil deficit, to a 13-month high in September.

Headline inflation in September fell sharply to its lowest level since June 2017 and remained below the target for the eighth consecutive month. The deflation in food was the key driver of the softening in headline inflation. Core inflation (CPI excluding food and fuel inflation) edged up, reflecting the combined effect of gold price inflation as well as the significant pick-up in housing inflation.

The Monetary Policy Committee, in its bi-monthly review of October 2025, kept the policy repo rate unchanged at 5.5 per cent and continued with its neutral stance. The maintenance of the *status quo* was based on the consideration that the transmission of past front-loaded policy easing was yet to fully play out, and on the need for greater clarity regarding the evolving macroeconomic situation before taking the next policy step.

[3] https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=23428; https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=23429

Overall domestic financial conditions remained benign in October (up to October 16), after remaining mildly tight in the latter half of September. System liquidity, on average, remained in surplus during this period. The weighted average call rate – the operating target of monetary policy – hovered close to the policy repo rate in September and October. Average yields on treasury bills moderated while those on certificates of deposit and commercial papers hardened. In the fixed income segment, while the short-end of the government securities yields declined, yields at the longer-end remained flat. Corporate bond yields and spreads increased across tenors and the rating spectrum.

Indian equity markets declined in the second half of September as the hike in H-1B visa fees and fresh tariff imposition by the US weighed on investor sentiments. Thereafter, markets gained in early October amidst optimism surrounding the Reserve Bank's regulatory reform measures aimed at strengthening the resilience and competitiveness of the banking sector, improving the flow of credit, promoting ease of doing business, and enhancing consumer satisfaction. The gains were supported by domestic investors who remained net buyers notwithstanding persistent selling by foreign portfolio investors (FPIs) in the secondary market in September. Net FPI flows, however, turned positive in October amidst renewed participation in primary equity market and sustained investments in the debt segment.

The INR witnessed depreciation in September, accompanied by phases of volatility. Key external vulnerability indicators reflect improvement, with the external debt-to-GDP ratio and net international investment position (IIP)-to-GDP ratio strengthening at end-June compared to end-March.

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 has edged up. In the US, both trade and economic policy uncertainty increased in September. Despite heightened uncertainties, global growth in H1:2025 broadly held up, supported by front-loaded trade and investment activity ahead of US tariff adjustments. Global growth momentum, going forward, is projected to moderate as temporary boost fades and structural challenges re-emerge.

The IMF's World Economic Outlook of October 2025 retained its projection of a decelerated global growth in 2025 compared to 2024, with the balance of risks tilted to the downside. Global growth projection for 2025 was revised upward by 20 basis points (bps) to 3.2 per cent, relative to the July release, largely reflecting the impact of the H1 growth. Growth projections for the major AEs, including US, UK, Euro area and Japan were revised upwards. Among EMDEs, output growth remained robust, led by India, which continued to benefit from resilient domestic demand.

The OECD's Interim Economic Outlook (September 2025) also revised global growth projections upward by 30 bps to 3.2 per cent for 2025, reflecting resilience in the first half of the year (Table II.1). Echoing IMF's outlook, both OECD and

Table II.1: Global GDP Growth Projections – Select AEs and EMDEs

(Y-o-y, per cent)

Organisation	IMF				OECD			
Projection for	2025		2026		2025		2026	
Month of Projection	Oct	Jul	Oct	Jul	Sep	Jun	Sep	Jun
World	**3.2**	**3.0**	**3.1**	**3.1**	**3.2**	**2.9**	**2.9**	**2.9**
Advanced Economies	**1.6**	**1.5**	**1.6**	**1.6**				
US	2.0	1.9	2.1	2.0	1.8	1.6	1.5	1.5
UK	1.3	1.2	1.3	1.4	1.4	1.3	1.0	1.0
Euro Area	1.2	1.0	1.1	1.2	1.2	1.0	1.0	1.2
Japan	1.1	0.7	0.6	0.5	1.1	0.7	0.5	0.4
Emerging Market and Developing Economies	**4.2**	**4.1**	**4.0**	**4.0**				
Russia	0.6	0.9	1.0	1.0	1.0	1.0	0.7	0.7
Emerging and Developing Asia	**5.2**	**5.1**	**4.7**	**4.7**				
India#	6.6	6.4	6.2	6.4	6.7	6.3	6.2	6.4
China	4.8	4.8	4.2	4.2	4.9	4.7	4.4	4.3
Latin America and the Caribbean	**2.4**	**2.2**	**2.3**	**2.4**				
Mexico	1.0	0.2	1.5	1.4	0.8	0.4	1.3	1.1
Brazil	2.4	2.3	1.9	2.1	2.3	2.1	1.7	1.6
Sub-Saharan Africa	**4.1**	**4.0**	**4.4**	**4.3**				
South Africa	1.1	1.0	1.2	1.3	1.1	1.3	1.3	1.4

Note: #: India's data is on a fiscal year basis (April-March).
Sources: IMF, World Economic Outlook, October 2025; and OECD Economic Outlook, September 2025.

World Bank cautioned that the full impact of US tariff measures and lingering policy uncertainty is yet to unfold, posing downside risks to the global outlook.

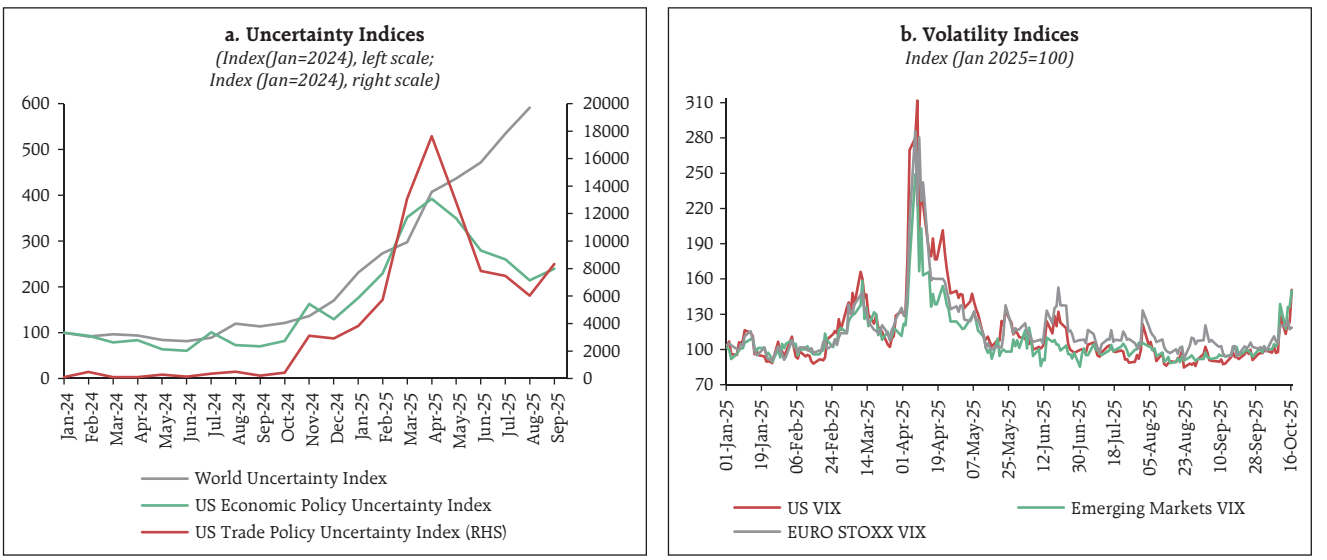
Global uncertainty edged up further in August. The US economic and trade policy uncertainty indices rose in September, amidst heightened political and fiscal concerns surrounding the potential government shutdown.[4] Financial market volatility in the US and major EMDEs remained largely stable in September. However, it increased in October on country specific developments, including political uncertainty in France, government shutdown in the US and renewed trade tensions (Chart II.1a and II.1b).

The global composite PMI, driven by growth in output and new business, expanded in September, though at a slightly slower pace. Both manufacturing and services sectors signalled an expansion, with the services sector continuing to outpace the manufacturing sector. Amidst subdued global demand, new export orders contracted for the sixth consecutive month. While service export orders recorded a modest expansion, manufacturing export orders continued to contract (Table II.2).

Economic activity, as per PMI indices, expanded in major AEs, including the US, the UK, Japan, and the Eurozone in September. Among major EMDEs, economic activity expanded in India and China, while it continued to contract in Brazil and Russia (Chart II.2a). New export orders declined across major economies, reflecting subdued external demand, whereas they recorded an expansion in India and China (Chart II.2b).

Global commodity prices generally remained subdued in September. Gold and metal prices firmed up, whereas food and crude oil prices softened. Food prices eased as decline in sugar, dairy, cereals, and vegetable oil prices more than offset an increase in meat prices (Chart II.3a). Crude oil prices moderated

Chart II.1: Lingering Economic and Trade Policy Uncertainty



Sources: Chicago Board Options Exchange; Bloomberg; www.PolicyUncertainty.com; and World Uncertainty Index (WUI) database.

[4] Economic Policy Uncertainty (EPU) index measures the level of uncertainty surrounding future economic policies, derived from the frequency of specific keywords like "economy," "policy," and "uncertainty" in major newspaper articles. Trade Policy Uncertainty Index measures the unpredictability of government trade policy decisions. World Uncertainty Index (WUI) is computed by counting the percent of word "uncertain" (or its variant) in the Economist Intelligence Unit country reports.

Table II.2: Global Composite PMI Expanded, but Export Orders Remained Weak

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
PMI Composite	51.9	52.3	52.4	52.6	51.8	51.5	52.1	50.8	51.2	51.7	52.5	52.9	52.4
PMI Manufacturing	48.7	49.4	50.1	49.6	50.1	50.6	50.3	49.8	49.5	50.4	49.7	50.9	50.8
PMI Services	52.9	53.1	53.1	53.8	52.2	51.5	52.7	50.8	52	51.8	53.5	53.3	52.8
PMI Export orders	48.5	48.9	49.3	48.7	49.6	49.7	50.1	47.5	48.0	49.1	48.5	48.9	49.6
PMI Export orders: Manufacturing	47.5	48.3	48.6	48.2	49.4	49.6	50.1	47.3	48.0	49.2	48.2	48.7	49.5
PMI Export orders: Services	51.6	50.7	51.3	50.3	50.2	50.2	50.1	48.2	47.9	48.7	49.4	49.3	50.1

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'.

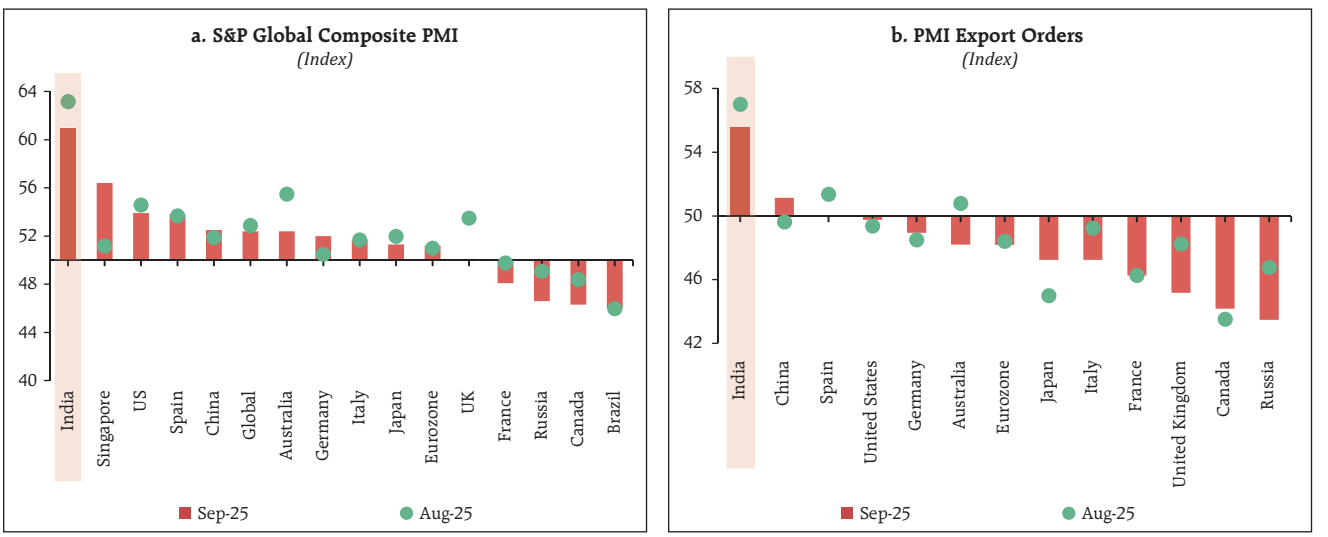
2. The heat map is applied to data from April 2023 to September 2025. The map is colour coded–red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Source: S&P Global.

in October supported by the ceasefire in the Middle East, and forecasts of a supply glut in 2026[5]. Gold prices firmed on safe-haven demand amidst trade tensions, weak economic data from the Euro area, US fiscal uncertainty and expectations of Fed rate cuts (Chart II.3a and II.3b).

Inflation trends remained divergent across economies, as major AEs continued to grapple with inflation remaining above their target levels, while major EMDEs experienced disinflation. In the US, CPI inflation edged up to its highest level since January 2025, although core inflation remained stable. In

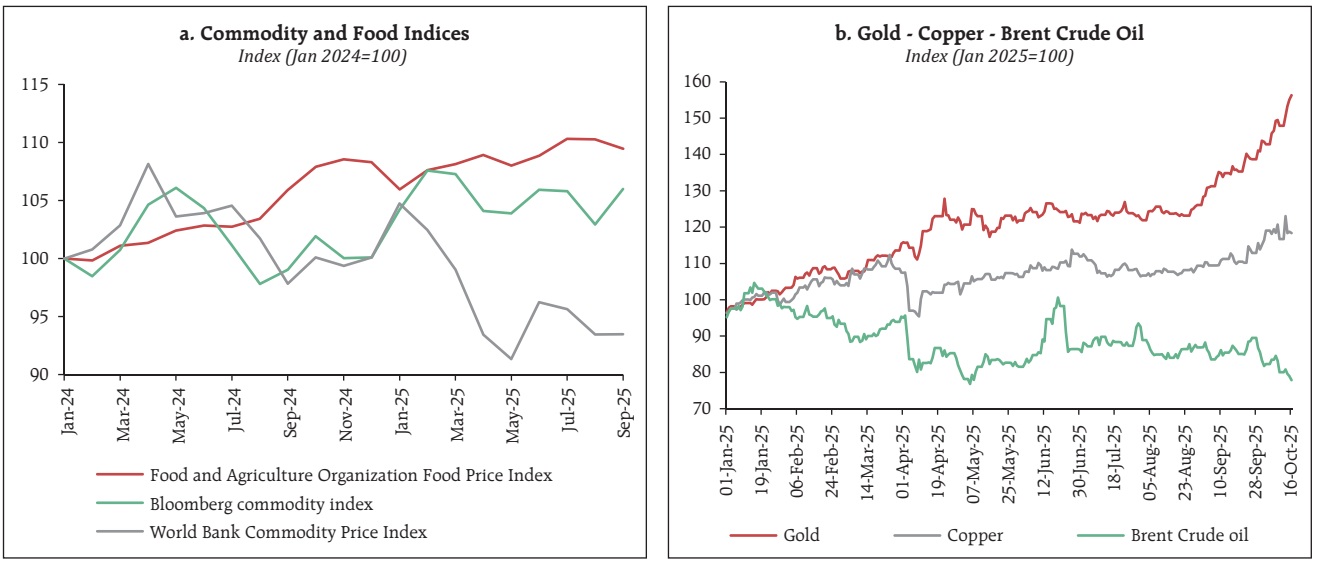
Chart II.2: Purchasing Managers' Index: Comparison across Jurisdictions



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

[5] Oil Market Report - October 2025, International Energy Agency.

Chart II.3: Commodity and Food Prices

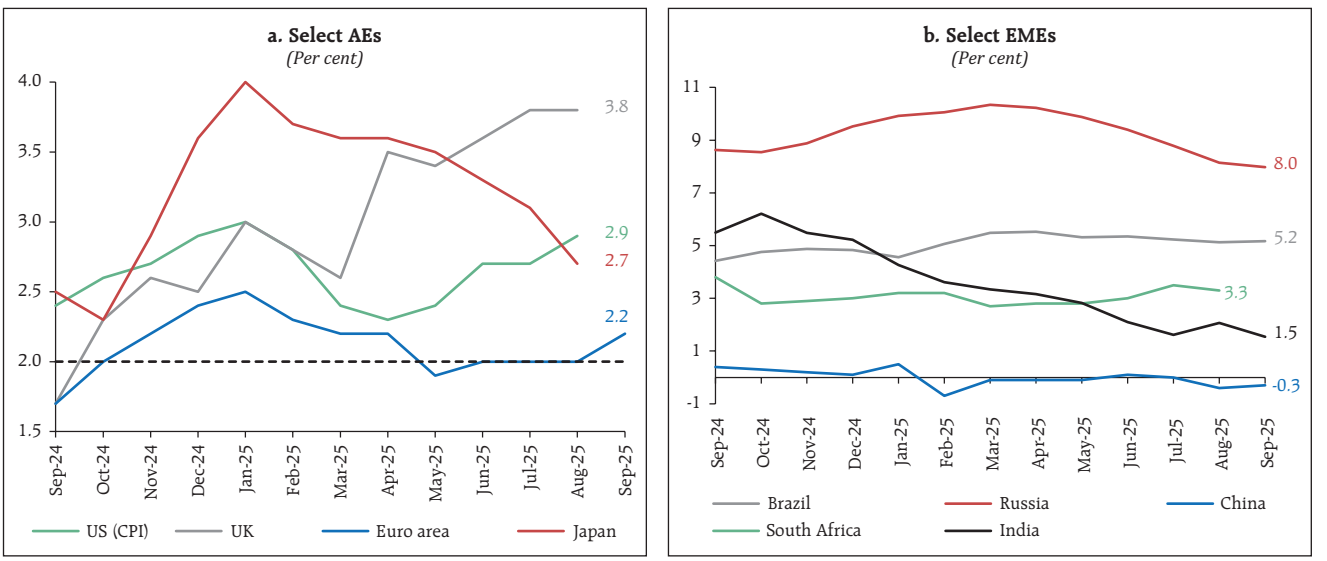


Sources: Food and Agriculture Organization; Bloomberg; and World Bank Pink Sheet.

the Euro area, headline inflation rose in September, driven by higher prices for food and services. The UK recorded its highest inflation rate since January 2024, whereas in Japan, headline inflation eased to its lowest level since November 2024 (Chart II.4a). Among major EMDEs, inflation in Brazil witnessed a modest uptick. China remained in the deflationary zone for the second consecutive month in September. In Russia, inflation, although on a moderating path, remained well above the target. South Africa's inflation eased in August (Chart II.4b).

Equity markets in major economies, particularly in the US, gained in September, supported by optimism surrounding Big Tech, the US Fed's monetary easing, and softer energy prices. The month of October, however, witnessed selling pressures

Chart II.4: Divergent Inflation Trends across Economies



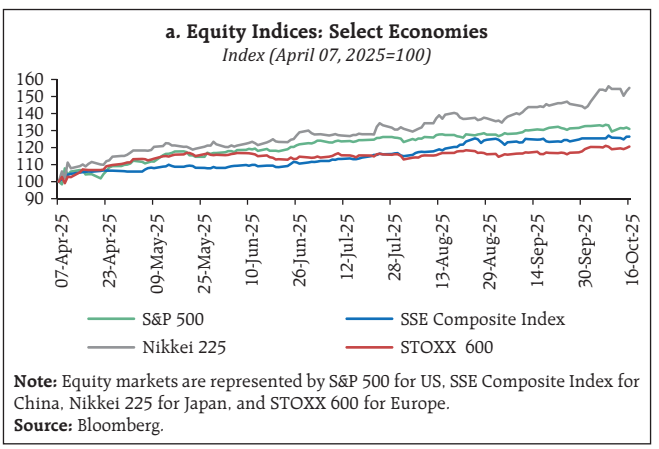
Sources: Bloomberg; and OECD.

as investor sentiments dampened on renewed US-China trade tensions, and prolonged US government shutdown. In the Euro area, equities posted modest gains, supported by the US Fed's monetary easing and sector-specific rallies, although the upside was capped by weak Q2 GDP data and renewed trade tensions. Japanese equities gained on a weaker yen and expectations of prolonged accommodative monetary policy stance, but witnessed selling pressures in October on political uncertainty, renewed trade tensions and a strengthening yen. In China, equity markets remained broadly range-bound as trade uncertainty and soft domestic economic indicators weighed on investor sentiment, offsetting support from government stimulus (Chart II.5a).

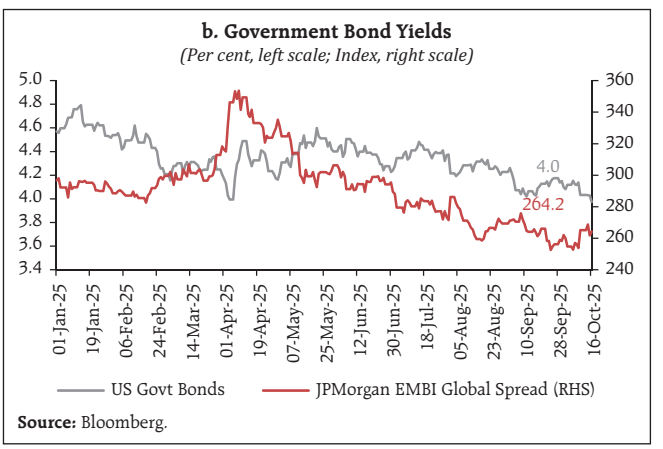
In the bond market, US government bond yields fell, following the Fed's rate cut in September. It declined further in October in the wake of escalating US-China trade tensions and the US government shutdown (Chart II.5b). The JP Morgan Emerging Markets Bond Index (EMBI) spread narrowed in September reflecting improved risk appetite as investors exposure to emerging market debt increased amidst expectations of monetary easing in major AEs and favourable domestic inflation conditions in major EMDEs. Renewed fears around trade wars and policy uncertainty in some EMDEs, however, widened the spread in October.

The US dollar index moved range-bound during September-October. It initially weakened on softer labour data and rising Fed rate cut expectations but gained later as investors sought safety amidst US fiscal uncertainty and renewed US-China trade tensions. Emerging market currencies appreciated against US

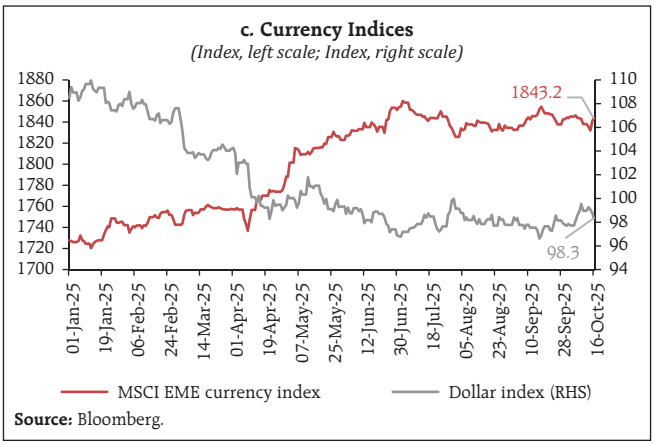
Chart II.5: Global Financial Markets



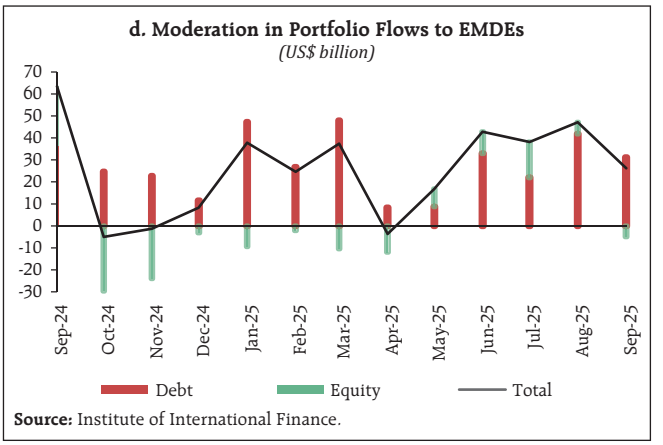
Note: Equity markets are represented by S&P 500 for US, SSE Composite Index for China, Nikkei 225 for Japan, and STOXX 600 for Europe.
Source: Bloomberg.



Source: Bloomberg.



Source: Bloomberg.



Source: Institute of International Finance.

dollar in September, following the Fed's rate cut, but the gains moderated in October on renewed US tariff threats and a prolonged US government shutdown (Chart II.5c). Portfolio flows to EMDEs moderated in September as equity segment witnessed outflows due to country-specific risks amidst challenging external environment (Chart II.5d).

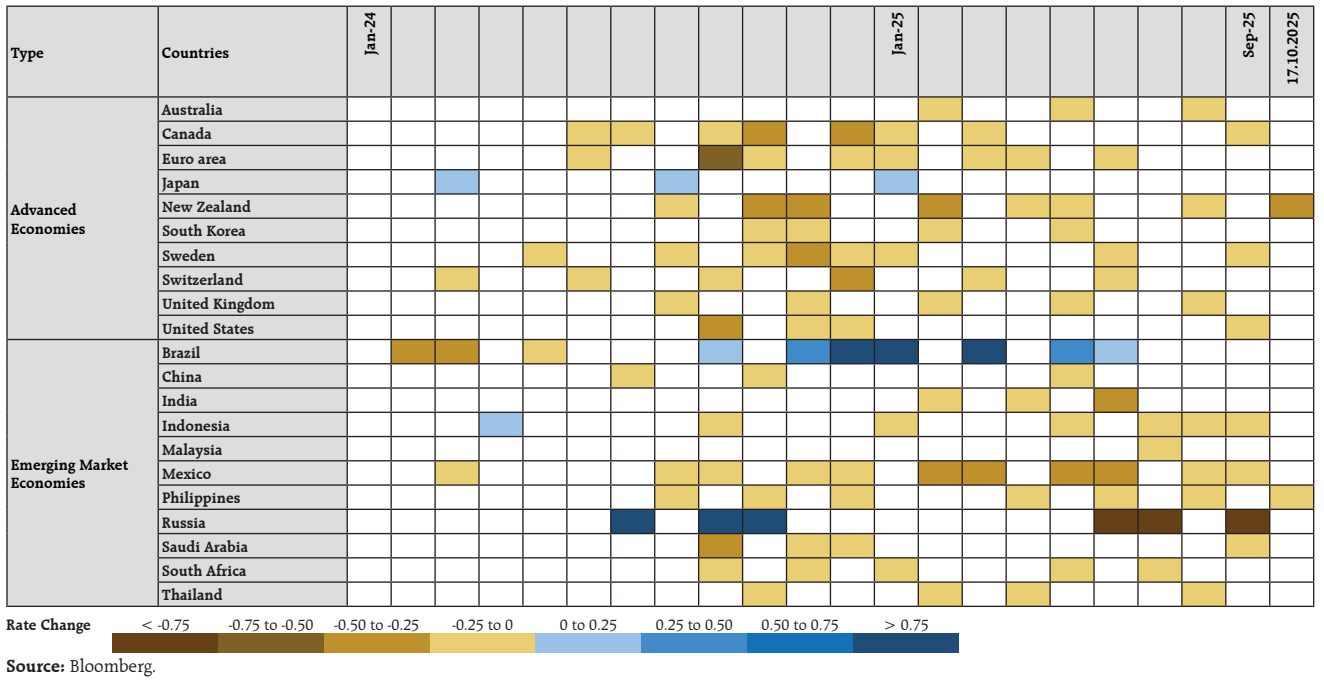
Persisting global uncertainties and their potential spillovers to domestic economies, continued to weigh on central banks' monetary policy decisions. A third of select major central banks surveyed reduced their policy rate in September (Chart II.6). Among major AEs, the US, Canada, and Sweden reduced their policy rates by 25 bps each in September, whereas the Euro area, the UK, and Japan kept their benchmark interest rates unchanged. Among major EMDEs, Indonesia and Russia reduced their policy rates by 25 bps and 100 bps, respectively, in September, while Malaysia, Brazil, South Africa, and China kept their benchmark rates steady. In October, New Zealand reduced its policy rate by 50 bps, Philippines by 25 bps while Thailand kept its policy rate unchanged.

III. Domestic Developments

The Indian economy continued to exhibit resilience amidst an uncertain external environment. Indicators of capacity utilisation and domestic demand signalled improvement. Lead indicators of manufacturing and services continued to show a robust expansion. Inflation remained benign, well below the target rate.

The IMF revised upwards India's GDP growth projections for 2025 by 20 bps to 6.6 per cent.[6] India's growth projection for 2026 was, however, revised downwards, reflecting the medium-term impact of the steep US import tariffs. The OECD also revised upwards India's GDP growth projections for 2025 by 40 bps to 6.7 per cent from the earlier 6.3 per cent underscoring the continued momentum in domestic demand.

Chart II.6: A Third of Major Central Banks Reduced Policy Rates in September



Source: Bloomberg.

[6] The World Bank also revised India's growth forecast upwards to 6.5 per cent for the current financial year, from 6.3 per cent earlier, based on South Asia Development Update: Jobs, AI, and Trade.

The Monetary Policy Committee, in its bi-monthly review of October 2025, kept the policy repo rate unchanged at 5.5 per cent and continued with the neutral stance. The maintenance of the *status quo* was based on the consideration that the transmission of past front-loaded policy easing is still ongoing, and on the need for greater clarity regarding the evolving macroeconomic situation before taking the next policy step. The Reserve Bank also announced a slew of regulatory reform measures aimed at strengthening the resilience and competitiveness of the banking sector, improving the flow of credit, promoting ease of doing business, and enhancing consumer satisfaction[7].

Aggregate Demand

The high-frequency indicators for overall economic activity remained robust in September. GST e-way bill generation reached a record high as businesses ramped up inventory ahead of the festive season, buoyed by GST reforms. While electricity demand remained stable, petroleum consumption picked up pace. Digital payments recorded robust double-digit growth (y-o-y) in volume and value (Table III.1). Average daily payments value in September 2025 witnessed the sharpest month-on-month uptick in the FY 2025-26 so far. This could possibly reflect a significant pick-up in festive season demand, aided by the GST rate reductions and offers on e-commerce platforms.

During September, overall demand conditions showed signs of improvement. Rural demand remained strong, as evidenced by the pick-up in growth of two-wheeler and automobile sales, on the back of good monsoon and robust agricultural activity. Urban demand showed some signs of revival with passenger vehicle sales recording their highest growth in six months (Table III.2).[8]

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

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
GST E-way bills	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4	21.0
GST revenue	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5	9.1
Toll collection	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	12.7	4.5
Electricity demand	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.8	3.4
Petroleum consumption	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	0.7	0.5	-3.9	2.6	7.0
Of which Petrol	3.0	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5	8.0
Diesel	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2	6.6
Aviation turbine fuel	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3	3.3	-2.3	-2.9	-0.9
Digital payments-volume	36.3	40.3	30.1	33.1	33	26.7	30.8	30	29.2	28.3	30.9	31.1	25.4
Digital payments-value	21.5	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.6	17.4	16.6	5.3	13.6

<<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 September 2025. Digital Payments data for September 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.

[7] The package of twenty-two regulatory measures announced includes simplification of FEMA regulations for non-residents establishing businesses, rationalisation of external commercial borrowing rules, and enabling banks to fund corporate acquisitions, among others. For further details, see https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=61333.

[8] As per the Federation of Automobile Dealers Association (FADA), the overlap of Navratri and GST cuts drove a 35 per cent (y-o-y) surge in passenger vehicle sales.

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

		Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Urban demand	Domestic air passenger traffic	7.4	9.6	13.8	10.8	14.1	12.1	9.9	9.7	2.6	3.7	-2.5	-0.5	
	Retail passenger vehicle sales	-18.8	32.4	-13.7	-2.0	15.5	-10.3	6.3	1.6	-3.1	2.5	-0.8	0.9	5.8
Rural demand	Retail automobile Sales	-9.3	32.1	11.2	-12.5	6.6	-7.2	-0.7	2.9	5.4	4.8	-4.3	2.8	5.2
	Retail tractor sales	14.7	3.1	29.9	25.8	5.2	-14.5	-5.7	7.6	2.8	8.7	11.0	30.1	3.6
	Retail two-wheeler sales	-8.5	36.3	15.8	-17.6	4.2	-6.3	-1.8	2.3	7.3	4.7	-6.5	2.2	6.5

<<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 September 2025, other than for the domestic air passenger traffic, where the data is till August 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.

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

Various indicators of employment conditions reflected a mixed picture. The all-India unemployment rate inched up marginally to 5.2 per cent after declining during the last two months. Labour force participation rate and worker population ratio increased to their highest level since May, driven by gains in rural areas. PMI employment indices for both manufacturing and services witnessed some deceleration in September but remained in expansion zone. As per the Naukri JobSpeak index, the growth in white-collar job listings accelerated, led by hiring in insurance, real estate and BPO/ITES. Further, the sharp decline in work demand under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) indicated improving rural employment conditions (Table III.3).

During FY 2025-26 (April-August), the key deficit indicators of the union government stood higher,

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

Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Unemployment rate (PLFS: All-India)								5.1	5.6	5.6	5.2	5.1	5.2
Unemployment rate (PLFS: Rural)								4.5	5.1	4.9	4.4	4.3	4.6
Unemployment rate (PLFS:Urban)								6.5	6.9	7.1	7.2	6.7	6.8
Naukri JobSpeak Index	6.0	10.0	2.0	8.7	3.9	4.0	-1.5	8.9	0.3	10.5	6.8	3.4	10.1
PMI employment: manufacturing	52.1	53.3	52.9	53.4	54.8	54.5	53.4	54.2	54.9	55.1	53.3	53.1	52.1
PMI employment: services	53.4	54.3	56.6	55.5	56.3	56.2	52.5	53.9	57.1	55.1	51.4	52.2	51.9
MGNREGA: work demand	-13.4	-7.6	3.9	8.2	14.4	2.8	2.2	-6.5	4.4	4.4	-12.3	-26.1	-27.0

<<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 September 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.

as compared to the corresponding period of the previous year (Chart III.1a).[9] This was mainly due to a higher growth in total expenditure, especially capital expenditure, coupled with a decline in tax revenue receipts. The direct tax collections shrank marginally due to a decline in income tax collections.[10] The growth in indirect tax collections also witnessed a slowdown owing to a moderation in the growth of GST collections, and a contraction in customs duty collections.[11]

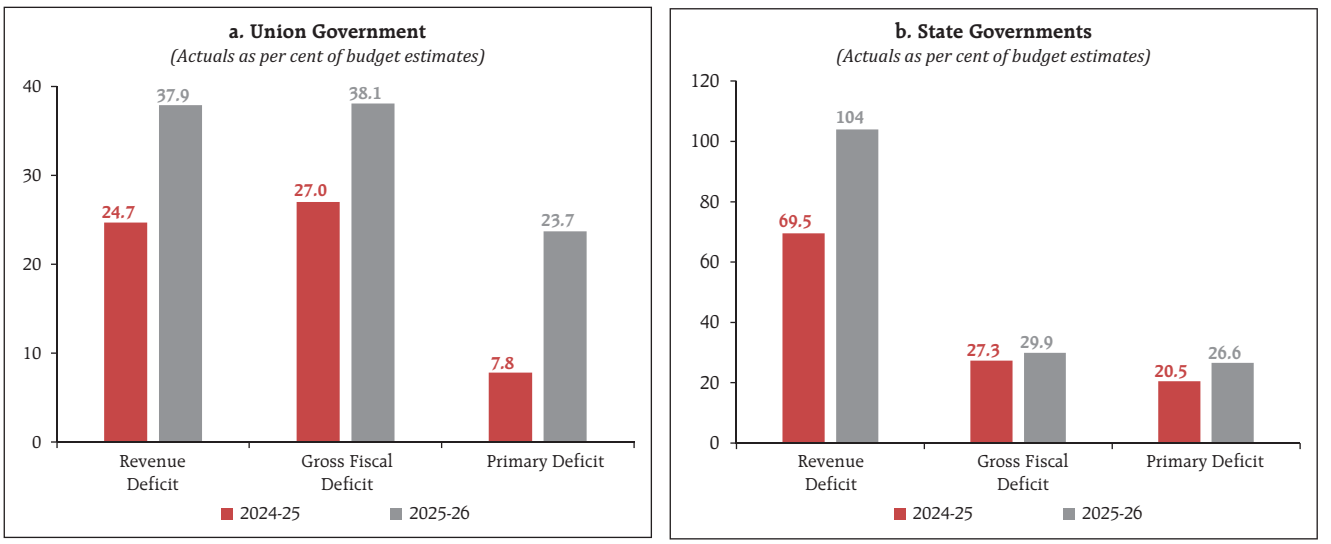
Key deficit indicators of states during April-August 2025 were also higher than the same period last year (Chart III.1b). This was largely due to a moderation in the growth of states' GST collections and sales tax/VAT. Growth in revenue expenditure decelerated slightly, while capital expenditure rebounded.

Trade

As India's economy remains majorly powered by domestic sources, high US tariffs on India's exports do not pose a major concern for the overall growth. Despite turbulence in the external sector, India's merchandise trade during H1:2025-26 remained resilient. During H1, the merchandise trade deficit was higher than that of last year, primarily driven by oil and electronic goods. Exports to the US, which had been buoyant up to August, contracted thereafter, partly reflecting the impact of the 50 per cent tariffs.

More recently, on September 25th, the US announced 100 per cent tariff on the pharma sector effective from October 1, 2025. This tariff will be applicable on branded or patented pharmaceutical products, except on companies building their manufacturing plants in the US. For India, US is the largest export destination for pharmaceutical products.[12] Out of the total pharma exports from India to the US, generic medicines constitute the most.[13] Hence, majority of India's pharmaceutical exports to the US is expected to remain shielded from the tariff impact.

Chart III.1: Deficit Indicators Higher than Previous Year (Up to end-August)



Note: In Chart b, data pertains to 25 States/UTs.
Sources: Controller General of Accounts; and Comptroller and Auditor General of India.

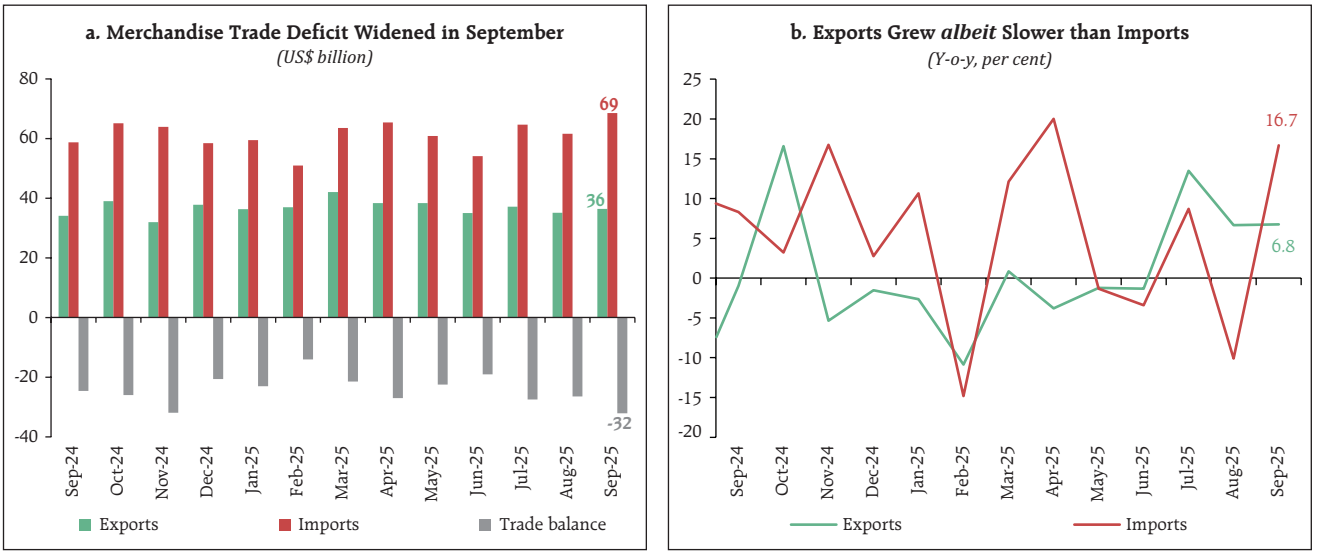
[9] As per the latest data released by the Controller General of Accounts (CGA).

[10] The direct tax collections declined by 0.9 per cent in April-August 2025-26 compared to the corresponding period of 2024-25. The income tax contracted by 2.5 per cent, while corporate taxes recorded a modest growth of 2.1 per cent.

[11] The growth in indirect tax collection stood lower at 2.7 per cent during April-August 2025-26 than that of 9.4 per cent in the corresponding period of the previous year. The growth in GST collections and custom duty stood at 5.0 per cent and -11.9 per cent, respectively, during the same period.

[12] Share of the US in India's total pharmaceutical exports stood at 34.5 per cent in 2024-25.

Chart III.2: India's Merchandise Trade



Sources: PIB; DGCI&S; and RBI staff estimates.

In September, merchandise trade deficit widened to 13-month high of US$ 32.1 billion from US$ 24.7 billion in September 2024 on account of the increasing non-oil deficit (Chart III.2a).[14] While merchandise exports expanded at a moderate pace, merchandise imports surged in September (Chart III.2b).[15]

Services trade continued to remain favourable in August 2025. The net services export earnings expanded by 12.2 per cent (y-o-y) to US$ 15.6 billion. Services exports growth decelerated in August, reflecting moderation in business services and software services exports. Services imports contracted primarily due to a fall in imports of transportation services (Chart III.3).

Aggregate Supply

Agriculture

Southwest monsoon rainfall at the all-India level stood 8 per cent above normal (Chart III.4a).[16] While

Chart III.3: Services Exports Record Moderating Growth

(US$ billion)

Source: RBI.

[13] Generic medicines are mostly accounted for in drug formulations and the biological category, which constituted around 92 per cent of total pharma exports to the US in 2024-25.

[14] The non-oil deficit increased to US$23.1 billion in September 2025, compared to US$14.1 billion a year ago due to a rise in gold deficit. The share of non-oil deficit in total deficit increased to 71.8 per cent from 57.0 per cent a year ago.

[15] Merchandise exports stood at US$36.4 billion in September [growth of 6.8 per cent (y-o-y)]. Electronic goods, petroleum products, engineering goods, rice, and marine products performed well while tobacco, plastic and linoleum, and textile products contributed negatively to exports. Merchandise imports stood at US$68.5 billion in September [growth of 16.7 per cent (y-o-y)]. Gold, fertilisers (crude and manufactured), electronic goods, silver, and vegetable oil were the major drivers contributing to the increase in import growth during the month. Petroleum, crude and products; coal, coke and briquettes; pulses, iron and steel, and organic and inorganic chemicals dragged imports down.

[16] Further, the cumulative post-monsoon rainfall (October 01-16) has been 23 per cent above the normal as compared to 3 per cent below the normal during corresponding period of the previous year.

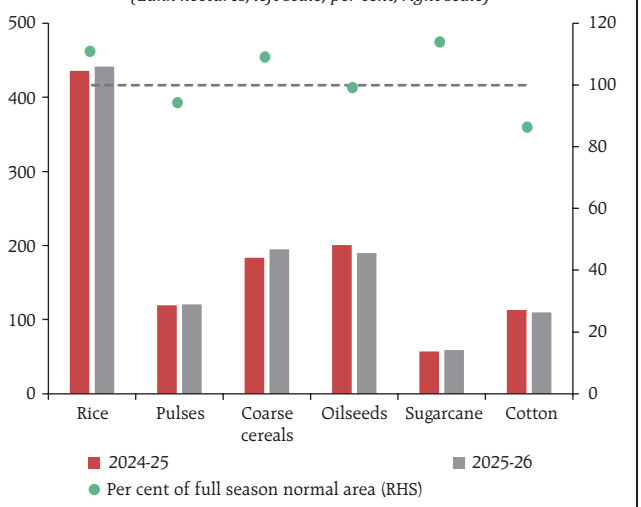
the excessive rains towards the end of the season have increased the possibility of damage for *kharif* crops, adequate soil moisture and record high reservoir levels augur well for the upcoming *rabi* season (Chart III.4b).

Aided by good southwest monsoon, the overall acreage under the *kharif* season surpassed the previous year's levels (Chart III.5).[17] Rice, maize, pulses, and sugarcane saw an increase in sown area, while the area under oilseeds and cotton declined.

The combined stock of rice and wheat with the government remains comfortable due to strong procurement operations.[18] The increase in minimum support prices (MSP) for the *rabi* marketing season (April 2026 to March 2027), announced on October 01, seeks to ensure remunerative prices to farmers while incentivising crop diversification (Chart III.6).[19]

Chart III.5: Increased *Kharif* Sown Area

(Lakh hectares, left scale; per cent, right scale)



Notes: 1. Data is as on October 03.
2. Horizontal line denotes the full season normal area for crops.
Source: Ministry of Agriculture and Farmers' Welfare.

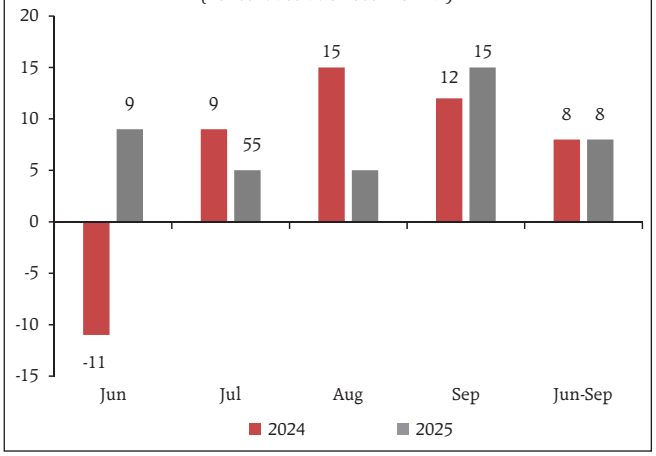
Industry

In August, growth in industrial activity, as measured by the year-on-year change in the Index of Industrial Production (IIP), moderated from the

Chart III.4: Southwest Monsoon Rainfall Ends Above Normal

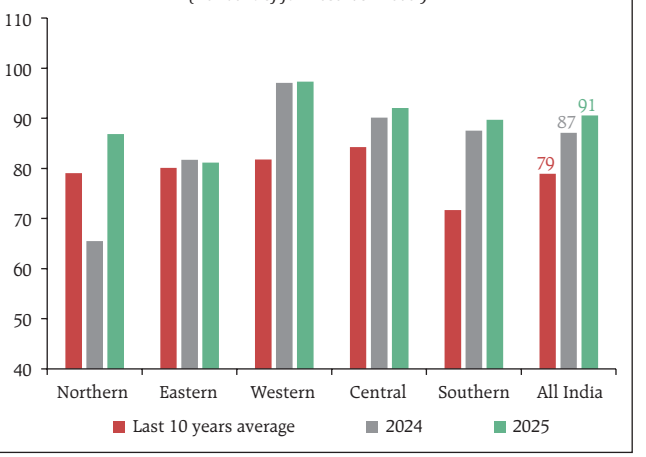
a. Monthly Distribution

(Per cent deviation over normal)



b. Higher Reservoir Storage

(Per cent of full reservoir level)



Note: 1. While the actual end date of the southwest monsoon may vary slightly, the India Meteorological Department assumes September 30 as the official end date.
2. Reservoir levels as on October 16, 2025.
Sources: India Meteorological Department and Central Water Commission.

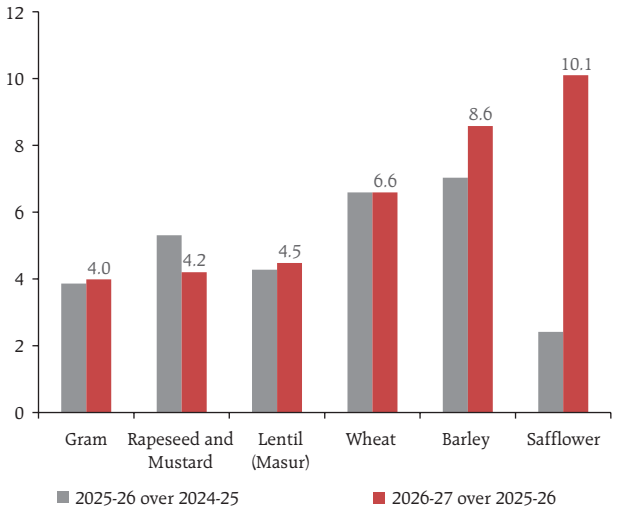
[17] As on October 03 2025, the overall *kharif* acreage stood at 1121.5 lakh hectares, 0.6 per cent higher over the previous year and 2.3 per cent over the full season normal acreage.

[18] As on October 01, 2025, public stock was 2.5 times the buffer norm. As of October 15, 2025, the cumulative procurement of paddy stood at 64.9 lakh tonnes against 29.4 lakh tonnes on the corresponding date of the previous year.

[19] The minimum support prices (MSP) for the rabi marketing season (April 2026 to March 2027), announced on October 01, 2025, have been increased in the range of 4.0 per cent (for Gram) to 10.1 per cent (for Safflower).

Chart III.6: MSP Increased for *Rabi* Crops for Marketing Season 2026-27

(Y-o-y, per cent)



Source: Ministry of Agriculture and Farmers' Welfare.

previous month following a deceleration in the manufacturing sector growth.

The available high-frequency indicators for September suggest robust manufacturing activity. Business expectations under the PMI manufacturing index jumped to a seven-month high, driven by optimism surrounding the GST reforms. Crude and finished steel output growth accelerated, reflecting renewed momentum in infrastructure and construction activity. Automobile production recorded double-digit growth in September, led by the passenger vehicles segment. Stable domestic demand, coupled with a sharp rise in exports sustained the sector's strong momentum. Going forward, festive demand impulse and the GST rate cut are expected to further boost production and enhance affordability (Table III.4).

Over time, there has been a consistent increase in the share of renewable capacity in the total

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

Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
IIP headline	3.2	3.7	5.0	3.7	5.2	2.7	3.9	2.6	1.9	1.5	4.3	4.0	
IIP manufacturing	4.0	4.4	5.5	3.7	5.8	2.8	4.0	3.1	3.2	3.7	6.0	3.8	
IIP capital goods	3.5	2.9	8.9	10.5	10.2	8.2	3.6	14.0	13.3	3.0	6.8	4.4	
PMI manufacturing	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7
PMI export order	52.9	53.6	54.6	54.7	58.6	56.3	54.9	57.6	56.9	60.6	57.3	56.1	56.5
PMI manufacturing: future output	61.6	62.1	65.5	62.5	65.1	64.9	64.4	64.6	63.1	62.2	57.6	60.5	64.8
Eight Core Index	2.4	3.8	5.8	5.1	5.1	3.4	4.5	1.0	1.2	2.2	3.7	6.3	
Electricity generation: conventional	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.7
Electricity generation: renewable	12.5	14.9	19.0	17.9	31.9	12.2	25.2	28.0	18.2	28.7	26.4	22.7	
Automobile production	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1	10.8
Passenger vehicle production	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1	16.1
Tractor production	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4	23.0
Two-wheelers production	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0	9.8
Three-wheelers production	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8	15.9
Crude steel production	0.3	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	13.8	12.7	15.0
Finished steel production	0.7	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.8	14.7
Imports of capital goods	10.9	7.0	4.7	6.1	15.5	-0.5	8.6	24.6	15.7	3.4	12.0	-1.4	10.1

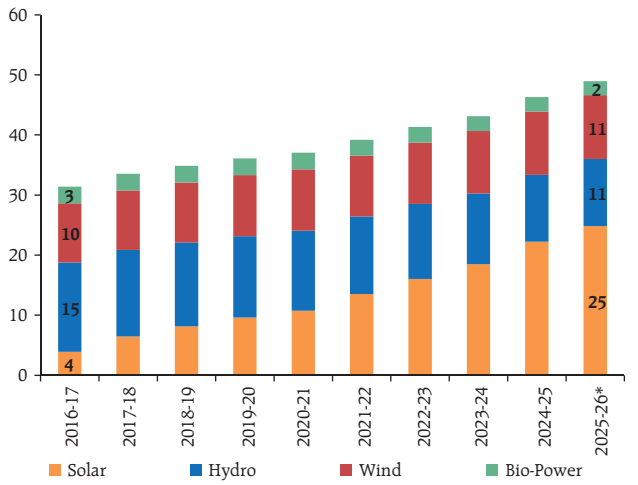
<<Contraction ---------- Expansion>>

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 September 2025, other than for the Index of Industrial Production, Eight Core Index and electricity generation: renewable, where the data are till August 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.7: Renewable Capacity Additions Remain Robust

(As a percentage of total installed capacity)



Note: *As at end- August 2025.
Source: Central Electricity Authority.

installed capacity, particularly of solar energy (Chart III.7)[20]. India's clean energy transition gained momentum in September. India launched its first National Geothermal Energy Policy[21], representing a major diversification of its renewable energy portfolio to complement the intermittency of solar and wind power. Fiscal policy also became more supportive of the green transition with reduction in GST on key renewable energy components.[22] This would make clean power more affordable and also increase competitiveness of India-made renewable energy equipment.

Services

India's services sector activity showed resilience in September. PMI services continued to show strong expansion in business activity. Growth in port traffic accelerated, led by an uptick in containerised cargo and coal while, retail commercial vehicles sales remained steady. Growth in steel consumption remained stable (Table III.5).

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

Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
PMI services	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9
International air passenger traffic	11.2	10.3	10.7	9.0	11.1	7.7	6.8	13.0	5.0	3.4	5.5	7.7	
Domestic air cargo	14.0	8.9	0.3	4.3	6.9	-2.5	4.9	16.6	2.3	2.6	4.8	7.1	
International air cargo	20.5	18.4	16.1	10.5	7.1	-6.3	3.3	8.6	6.8	-1.2	4.2	4.5	
Port cargo traffic	5.8	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5
Retail commercial vehicle sales	-10.4	6.4	-6.1	-5.2	8.2	-8.6	2.7	-1.0	-3.7	6.6	0.2	8.6	2.7
Hotel occupancy	2.1	-5.3	11.1	-0.2	1.2	0.6	1.9	7.2	-2.8	-0.3	-2.4	-3.1	
Steel consumption	11.2	8.1	9.5	5.2	10.9	10.9	13.6	6.0	8.1	9.3	7.3	10.0	9.1
Cement production	7.6	3.1	13.1	10.3	14.3	10.7	12.2	6.3	9.7	8.2	11.6	6.1	

<<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 September 2025, other than for domestic and international air cargo, international air passenger traffic, hotel occupancy and cement production, where the data are till August 2025.
4. The data on international air passenger traffic for August 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.

[20] As of August 2025, the country has added roughly 33 GW of new renewable capacity since January 2025. The cumulative installed renewable capacity now exceeds 240 GW, bringing India closer to its 500 GW non-fossil-fuel target by 2030.
[21] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2167657
[22] GST on key renewable energy components were reduced from 12 per cent to 5 per cent.

Inflation

Headline CPI inflation moderated sharply to 1.5 per cent in September from 2.1 per cent in August, marking the lowest year-on-year rate since June 2017 (Chart III.8)[23]. The decline in headline inflation was primarily due to food and beverages group moving back into deflation territory.

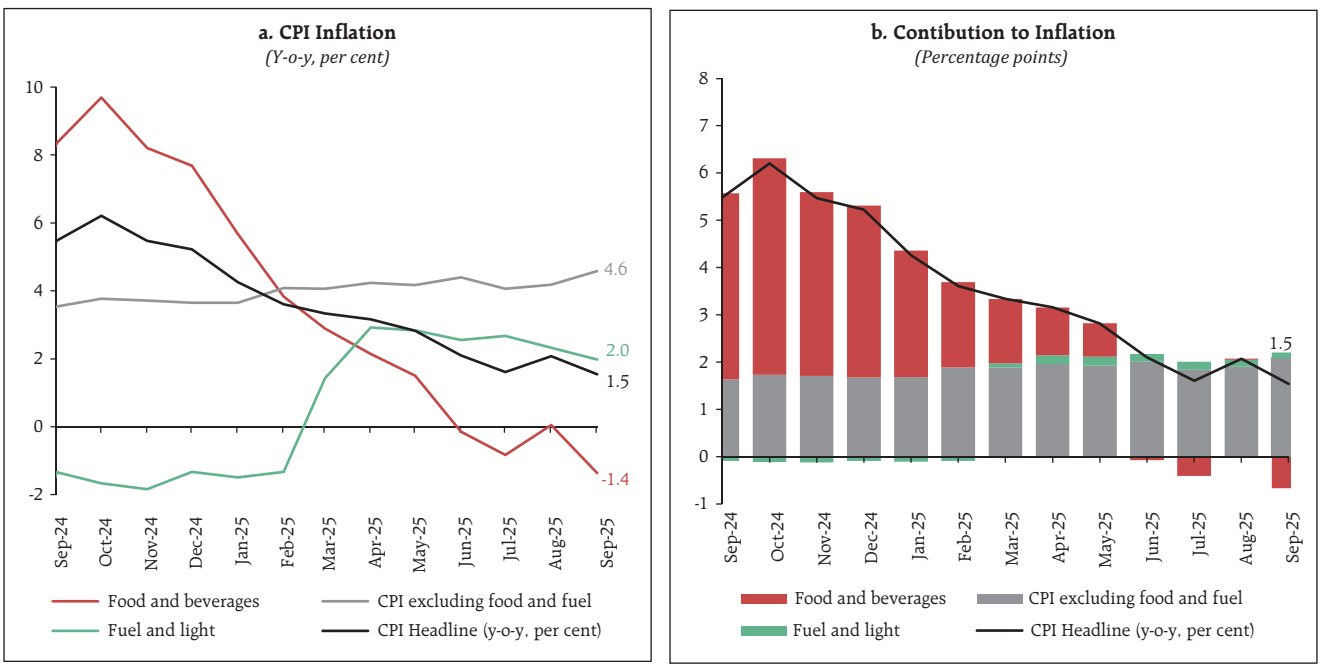
The deflation in the food group placed at 1.4 per cent, was on account of a decline in the prices of vegetables, pulses and spices. Inflation in sub-groups such as cereals, eggs, oils and fats, fruits, milk, prepared meals, and non-alcoholic beverages moderated. Meat and fish, and sugar, however, witnessed an increase in inflation (Chart III.9).

Fuel and light inflation moderated in September driven by a decline in electricity prices while inflation continued to remain elevated for LPG.

Core (*i.e.*, CPI excluding food and fuel) inflation edged up to 4.6 per cent in September from 4.2 per cent in August, driven by 'personal care and effects' sub-group, on account of rising gold and silver prices. Core inflation excluding gold and silver also picked up to 3.2 per cent from 3.0 per cent led by increased inflation in housing and 'pan, tobacco and intoxicants'. Footwear, health, education, transport and communication, and recreation and amusement sub-groups recorded a moderation in inflation.

Inflation in both rural and urban areas eased to 1.1 per cent and 2.0 per cent, respectively, in September. While the state level inflation ranged from (-) 1.0 per cent to 9.1 per cent. Majority of states recorded inflation below 2 per cent. A broad-based moderation in state-level inflation rates was observed, as inflation declined or remained stable in 26 states/UTs (Chart III.10).

Chart III.8: Easing Food Inflation Drove the Decline in Headline Inflation

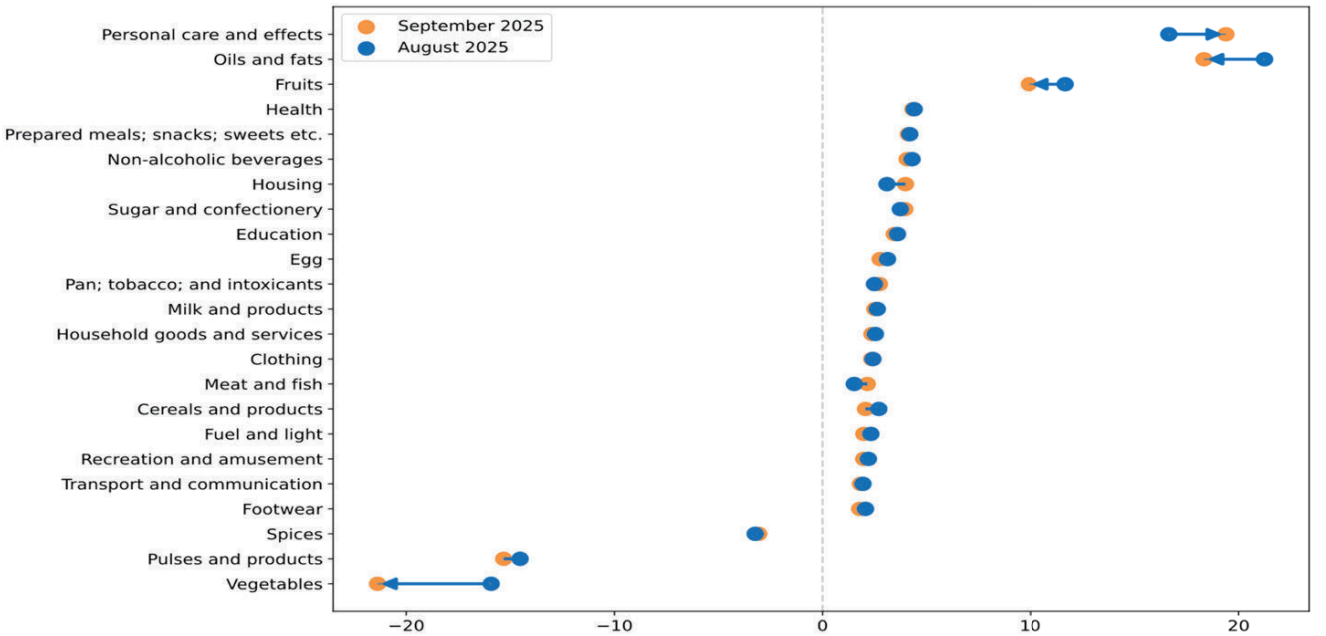


Sources: National Statistics Office (NSO); and RBI staff estimates.

[23] The decline in headline inflation by about 50 basis points (bps) came entirely on account of favourable (negative) base effects which offset a positive momentum of 10 bps.

Chart III.9: Key Drivers of the Decline in Inflation: Vegetables, and Oils and Fats

(Y-o-y, Per cent)

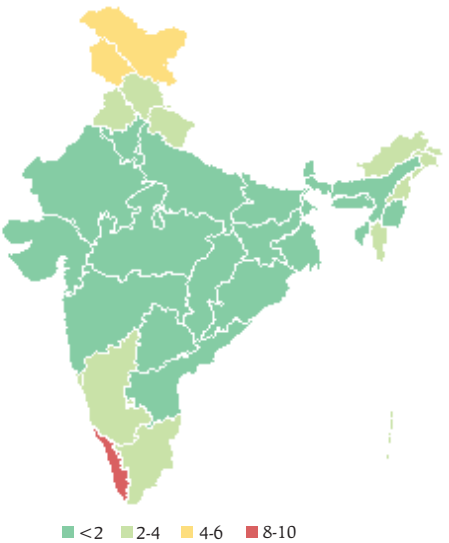


Sources: NSO; and RBI staff estimates.

High-frequency food price data for October so far (up to 17th) point towards a pick-up in cereal prices. Among pulses, prices moderated for gram dal, *tur/arhar* dal and moong dal. Within edible oils, prices firmed up for mustard oil, sunflower oil and palm oil while groundnut oil prices eased. Key vegetable (tomato, onion, and potato) prices softened, with the decline being most pronounced for tomatoes (Chart III.11).

Chart III.10: Broad-based Moderation in State-level CPI Inflation

(Y-o-y, per cent)



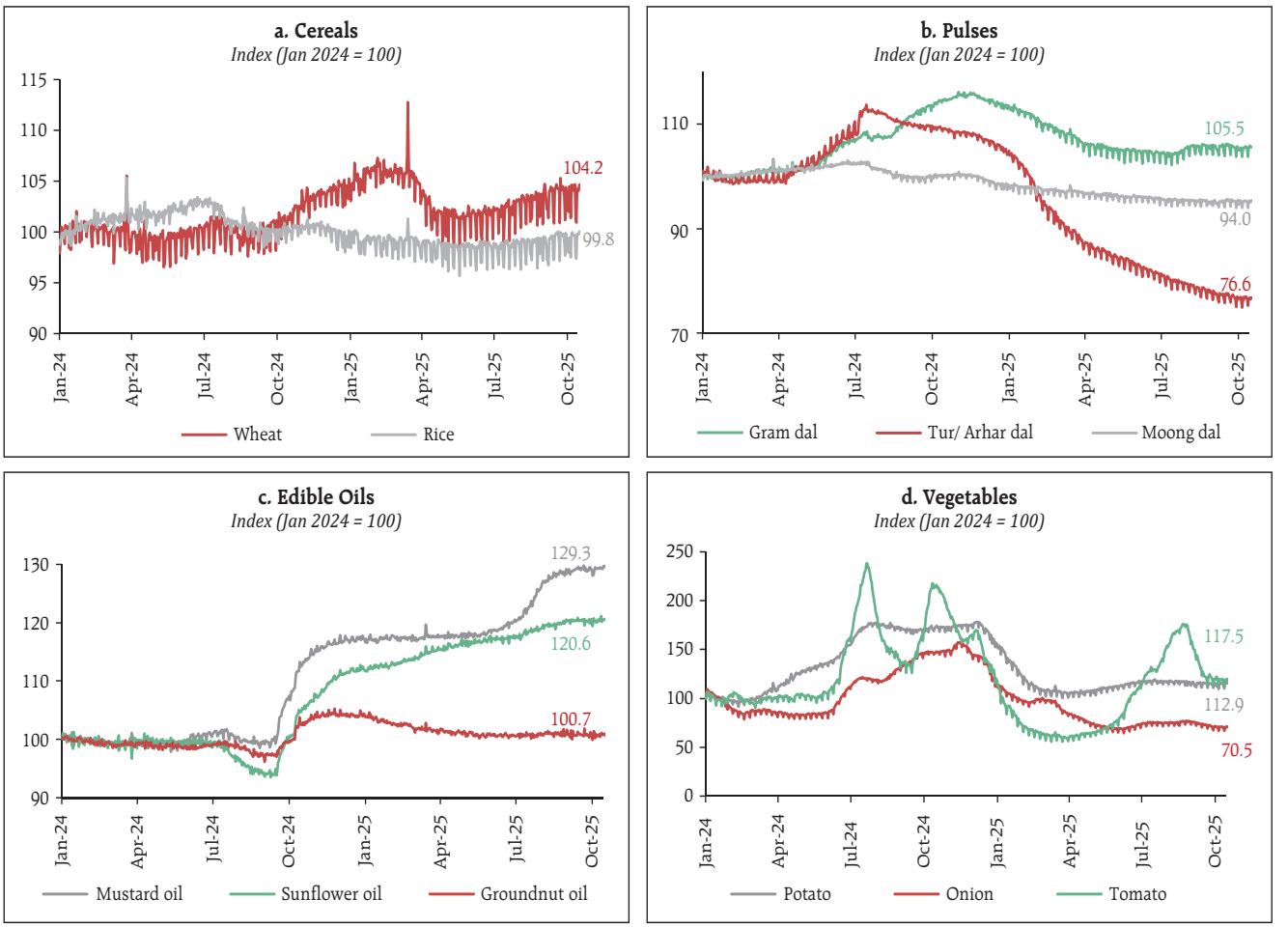
Inflation Range	Number of States/UTs
<2	21
2-4	12
4-6	2
6-8	0
8-10	2*

Inflation Trend	Number of States/UTs
Decline or Stable	26
Increase	11

Notes: 1. Map is for illustrative purposes only.
2. *: Lakshadweep and Kerala have experienced inflation at 8-10 per cent.

Sources: NSO; and RBI Staff estimates.

Chart III.11: DCA Essential Commodity Prices



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

Retail selling prices of petrol and diesel remained unchanged in October (up to 17th). Kerosene prices witnessed an increase while LPG prices remained unchanged (Table III.6).

The PMIs for September recorded a pick-up in the rate of expansion of both input and output prices for manufacturing, with notable increase in input prices for battery, cotton, electronic component, and steel. In contrast, both input and selling prices for services firms decelerated due to slowdown in the growth of new businesses and foreign sales (Chart III.12).

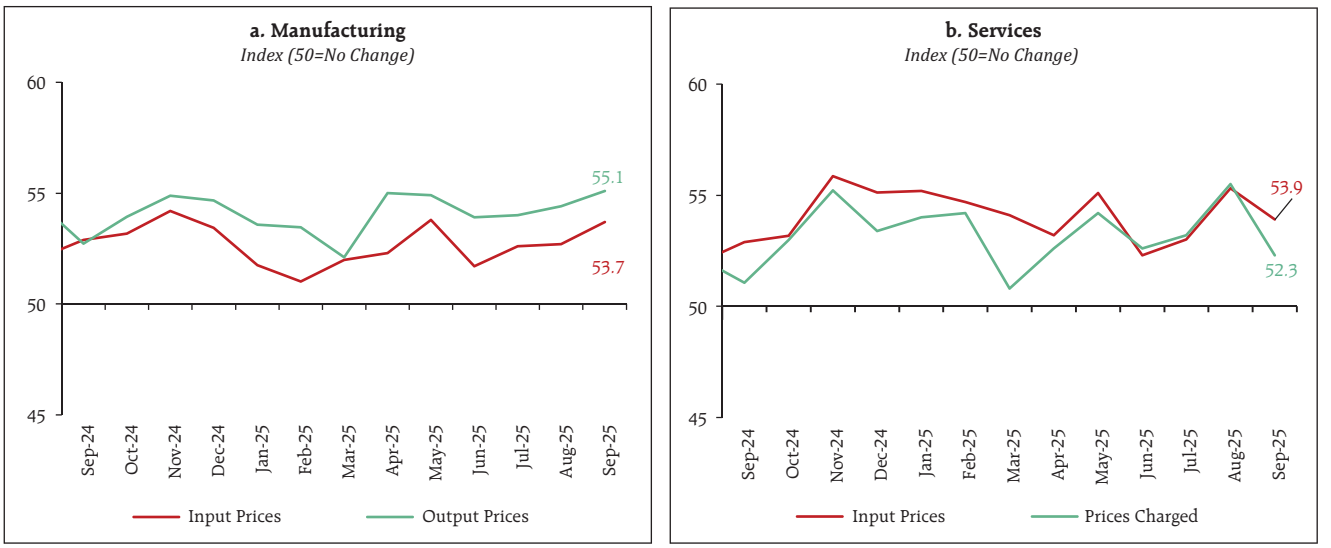
Table III.6: Petroleum Products Prices Remain Broadly Unchanged

Item	Unit	Domestic Prices			Month-over-month (per cent)	
		Oct-24	Sep-25	Oct-25 ^	Sep-25	Oct-25 ^
Petrol	₹/litre	101.0	101.1	101.1	0.0	0.0
Diesel	₹/litre	90.4	90.5	90.5	0.0	0.0
Kerosene (subsidised)	₹/litre	42.9	44.3	45.4	-0.5	3.4
LPG (non-subsidised)	₹/cylinder	813.3	863.3	863.3	0.0	0.0

Notes: 1. ^: For the period October 1-17, 2025.
2. 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 the subsidised prices in Kolkata, Mumbai and Chennai.

Sources: IOCL; Petroleum Planning and Analysis Cell (PPAC); and RBI staff estimates.

Chart III.12: Input Cost Pressures Hardened for Manufacturing but Eased for 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.

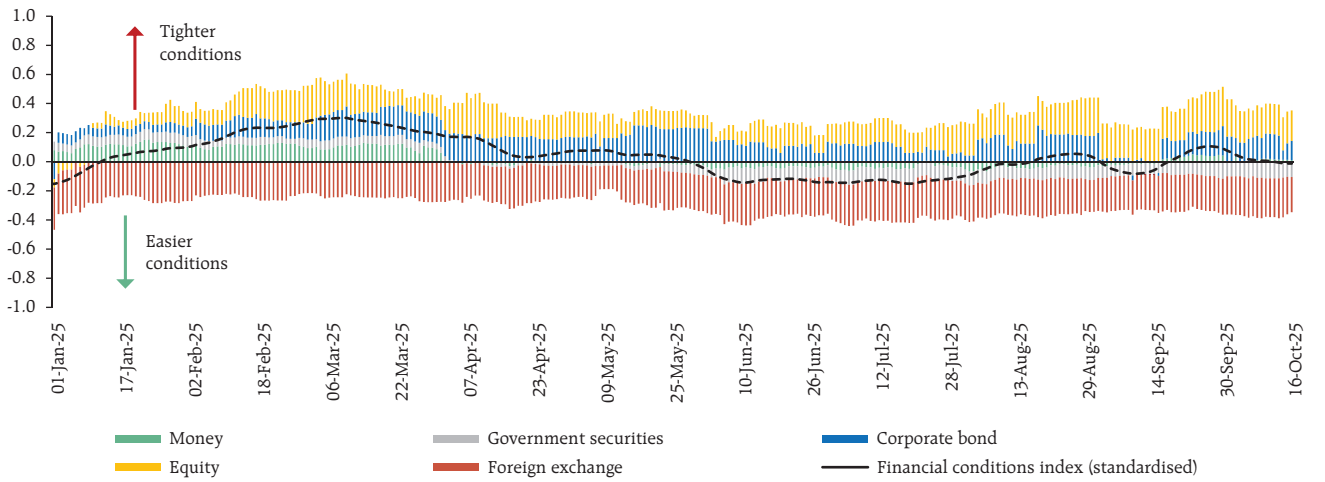
IV. Financial Conditions

Overall financial conditions remained benign in October (up to 16th), after remaining mildly tight in the latter half of September, primarily due to easing in the money, equity and corporate bond markets (Chart IV.1).

System liquidity remained in surplus during the second half of September and in October (up to 16th), although an increase in government cash balances, driven by advance tax and GST collections, briefly pushed it into deficit during September 22-24. Since then, government spending and the release of

Chart IV.1: Benign Financial Conditions for India

(Standard deviation from average since 2012)

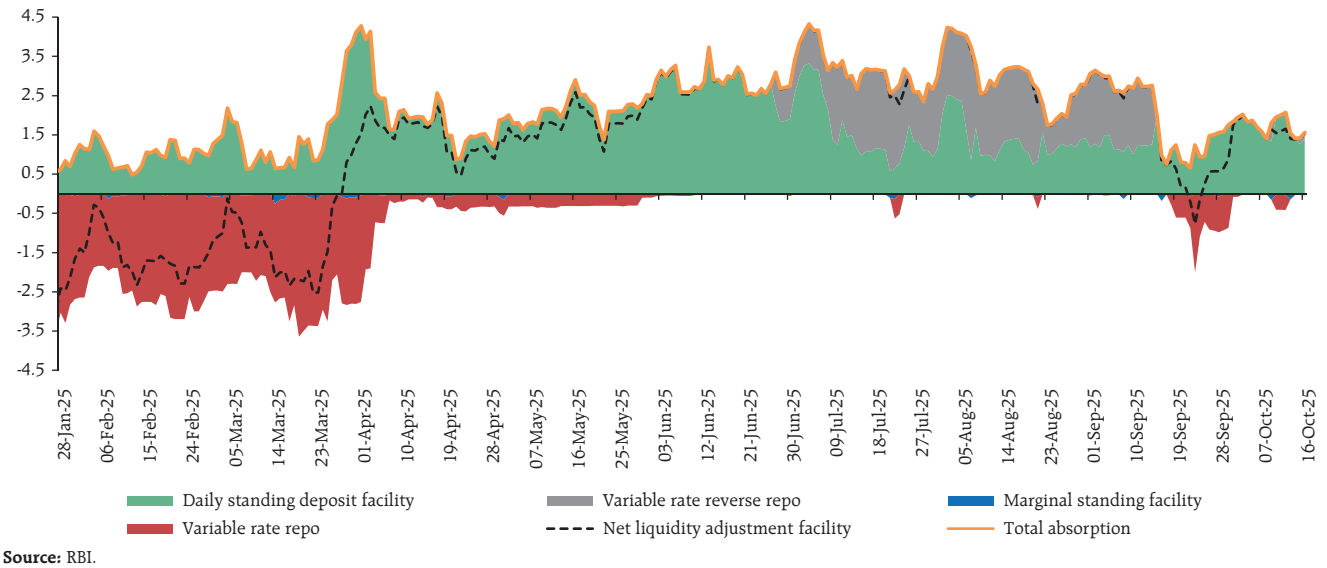


Note: The financial conditions index provides a metric based on its historical average; in this context, a zero value corresponds to a financial system operating at the historical average level of all the financial indicators included in the index. To present the results, a standardised index is used.[24]
Source: RBI staff estimates.

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

Chart IV.2: Liquidity Moderated amidst Tax Outflows

(₹ lakh crore)



Source: RBI.

primary liquidity from the 25 bps reduction in the cash reserve ratio[25] restored liquidity to surplus conditions. Overall, average net absorption under the liquidity adjustment facility declined to ₹1.0 lakh crore during September 16 to October 16, 2025, from ₹2.6 lakh crore in the preceding one-month period (Chart IV.2). To offset the liquidity tightness during this period, the Reserve Bank conducted 14 variable rate repo auctions (overnight to 6-day maturity) to inject liquidity and align overnight money market rates with the policy repo rate. With overall liquidity conditions in surplus, the average balances under the standing deposit facility remained elevated, and banks' recourse to the marginal standing facility stayed low.[26]

The Reserve Bank on September 30, 2025, announced the revised liquidity management framework. The overnight weighted average call rate (WACR) will remain as the operating target for the monetary policy. For managing short-term/transient liquidity, the Reserve Bank would be primarily using the 7-day variable rate repo/ variable rate reverse repo.[27]

Money Market

The WACR generally hovered around the policy repo rate in September and October. It traded above the policy rate during the latter half of September on temporary tightness in liquidity demand due to tax outflows. The WACR moved below the policy rate as liquidity conditions improved since the beginning of October, prompting the RBI to conduct two variable rate reverse repo auctions on October 9 and October 15, 2025. Overall, the WACR was aligned better with the policy rate during September 16 to October 16, 2025, as compared to the preceding one-month period (Chart IV.3a).[28] Overnight rates in the collateralised

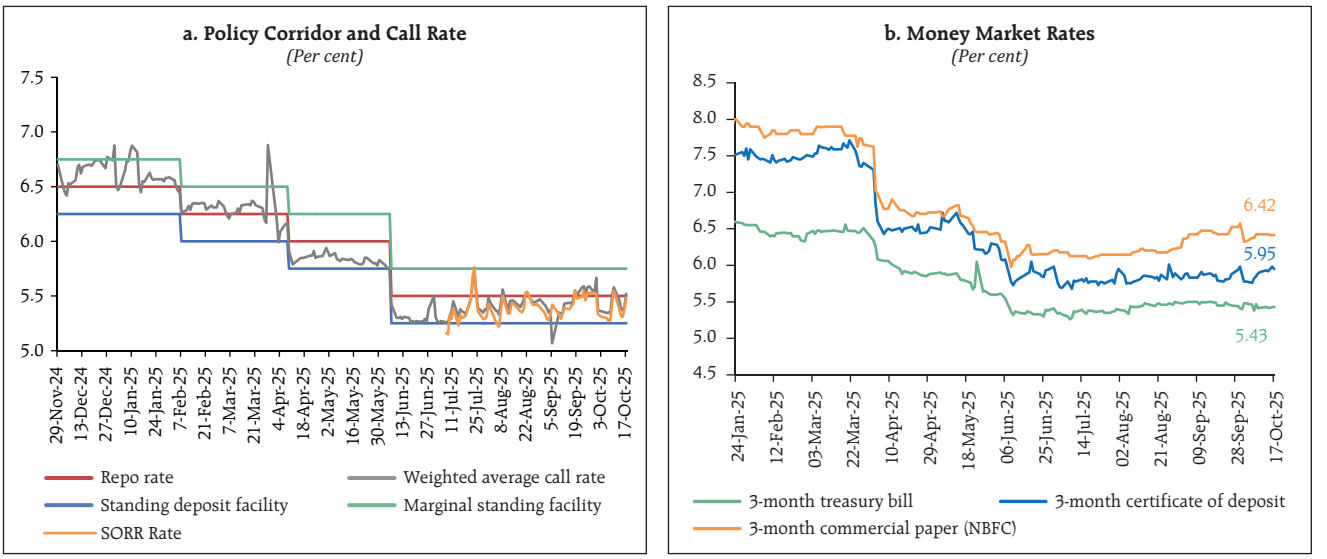
[25] Effective October 4, 2025

[26] Balances under the standing deposit facility increased to ₹1.4 lakh crore during September 16 to October 16, 2025 from that of ₹1.2 lakh crore in the preceding one-month period. Borrowings from the marginal standing facility stood at an average of ₹0.04 lakh crore during this period.

[27] The Reserve Bank will also use other variable rate repo/ variable rate reverse repo operations of tenors from overnight up to 14 days, based on the evolving liquidity conditions. Further details on the revised liquidity management framework are available at https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=61317#AN1

[28] The average absolute deviation stood lower at 8.4 bps during the period September 16 to October 16, 2025, than that of 10.1 bps during the period August 16 to September 15, 2025.

Chart IV.3: Money Market Rates Remained Stable



Sources: RBI; and Bloomberg.

segments – as measured by the benchmark secured overnight rupee rate – largely moved in tandem with the uncollateralised rate. Average yields on three-month treasury bills eased while those on three-month certificates of deposit and commercial papers issued by non-banking financial companies hardened during this period (Chart IV.3b).[29] The average risk premium in the money market (the spread between the yields on 3-month commercial paper and 91-day treasury bill) increased.[30]

Government Securities (G-Sec) Market

In the fixed income segment, the shorter end of the yield curve declined during the second half of September and in October (up to October 17), while yields at the longer end remained flat.[31] Consequently, the average term spread (the difference between the yields of 10-year G-sec and 91-day treasury bill) inched up marginally during September 16 to October 17, 2025 (Charts IV.4a and IV.4b).[32]

Corporate Bond Market

Corporate bond yields and their spreads over government securities increased across tenors and the rating spectrum (Table IV.1). Fresh issuances in corporate bonds moderated in August over July. On a cumulative basis, total issuances were higher in the current financial year (up to August) compared to the previous year.[33]

Money and Credit

During October, reserve money growth[34] remained steady, tracking currency in circulation.[35]

[29] The average yields on 3-month treasury bills eased by 4 bps while the yields on 3-month certificate of deposit and the 3-month commercial papers issued by NBFCs hardened by 1 and 11 bps respectively during the period September 16 to October 17, 2025, as compared to the period August 16 to September 15, 2025.

[30] Increased to 99 bps during the period September 16 to October 17, 2025, from 84 bps in the preceding one-month period.

[31] The average yields on the benchmark 3-year government security and 5-year government security eased by 11 and 13 bps respectively while the yields on benchmark 10-year security softened by 1 bps during the period September 16 to October 17, 2025, as compared to the period August 16 to September 15, 2025.

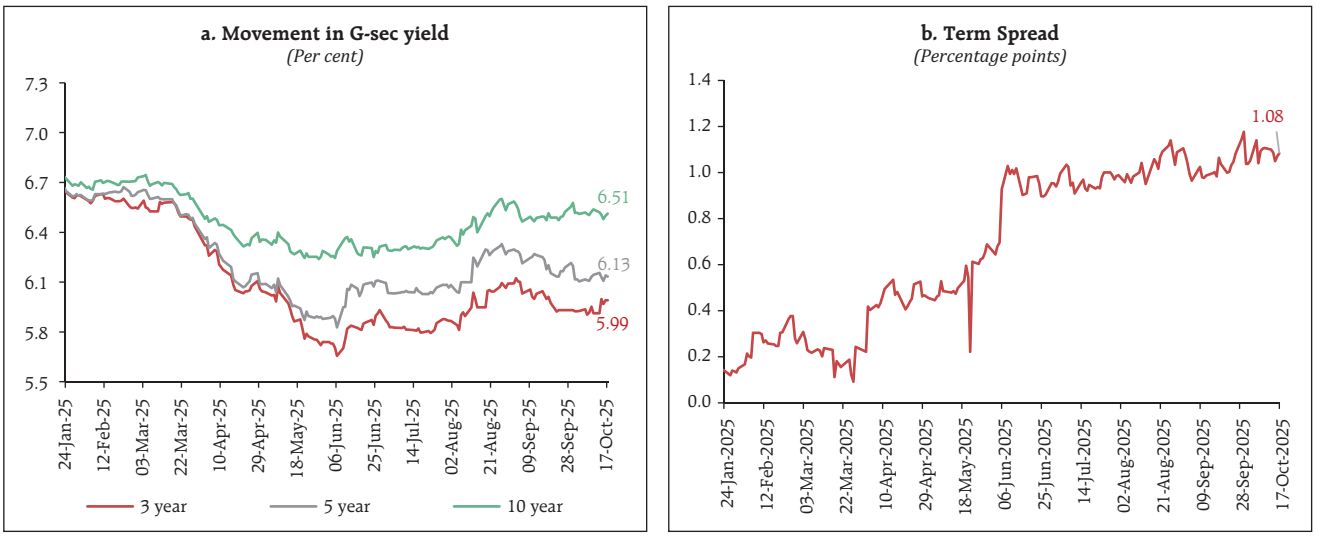
[32] The average term spread between the 10-year G-sec and 91-day treasury bill increased by around 2 bps during September 16 to October 17, 2025 as compared to the period August 16 to September 15, 2025.

[33] Declined to ₹0.43 lakh crore in August 2025, compared to ₹0.58 lakh crore in July 2025. On a cumulative basis (April to August), it was at ₹4.0 lakh crore in 2025-26 as compared to ₹3.3 lakh crore in the corresponding period of the previous year.

[34] Adjusted for the first-round impact of changes in the cash reserve ratio.

[35] Reserve money (adjusted for CRR) grew by 8.3 per cent (y-o-y) as on October 10, 2025 [8.6 per cent (y-o-y) as on September 12, 2025]. Currency in circulation grew by 8.1 per cent (y-o-y) as on October 10, 2025 [8.7 per cent (y-o-y) as on September 12, 2025].

Chart IV.4: Short Term G-Sec Yields Moderated, Long Term Stable



Note: In chart b, term spread is calculated as the difference between the 10-year G-Sec yield and the 3-month treasury bill yield.
Sources: Bloomberg; and RBI staff estimates.

Growth in money supply remained largely stable (Chart IV.5).[36]

Credit growth in scheduled commercial banks (SCBs) picked up, with the pace of credit expansion outpacing deposit growth during the fortnight ended October 3, 2025 (Chart IV.6).[37] During 2025-26 so far (upto October 3, 2025), the flow of financial resources to the commerical sector increased, mainly due to an inrease in flow of non-food bank credit and flows from non-bank sources including corporate bond issuances and foreign direct investment to India.[38]

Across key sectors, bank credit exhibited steady growth in August,[39] led by personal loans, services,

Table IV.1: Increasing Corporate Bonds Yields and Spread

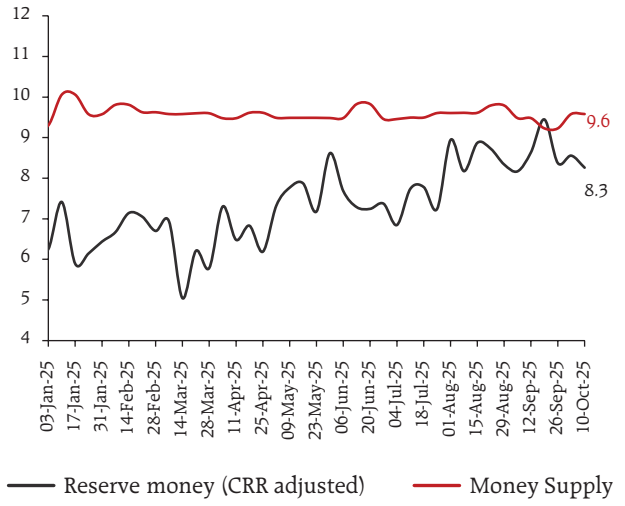
	Interest Rates *(Per cent)*			Spread *(bps)* (Over Corresponding Risk-free Rate)		
Instrument	**August 16, 2025 – September 15, 2025**	**September 16, 2025 – October 15, 2025**	**Variation**	**August 16, 2025 – September 15, 2025**	**September 16, 2025 – October 15, 2025**	**Variation**
1	2	3	(4 = 3-2)	5	6	(7 = 6-5)
(i) AAA (1-year)	6.58	6.69	11	90	104	14
(ii) AAA (3-year)	7.02	7.05	3	94	108	14
(iii) AAA (5-year)	7.08	7.21	13	79	92	13
(iv) AA (3-year)	7.92	8.18	26	198	221	23
(v) BBB- (3-year)	11.32	11.86	54	566	590	24

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

[36] Money supply grew by 9.6 per cent (y-o-y) as on October 3, 2025 [9.5 per cent (y-o-y) as on September 5, 2025].
[37] Credit growth of scheduled commercial banks was 11.4 per cent (y-o-y) as on October 3, 2025 [10.3 per cent (y-o-y) a month ago]. Deposit growth was 9.9 per cent (y-o-y) as on October 3, 2025 [9.8 per cent (y-o-y) a month ago]. The outstanding credit of scheduled commercial banks was at ₹192.7 lakh crore as on October 3, 2025 (₹187.6 lakh crore a month ago).
[38] During 2025-26 so far (up to October 3, 2025), the flow of non-food bank credit to the commercial sector increased by 16.7 per cent (y-o-y) [₹1.5 lakh crore] vis-à-vis a decline by 11.1 per cent (y-o-y) [₹0.7 lakh crore] a month ago. Total flow of financial resources to the commercial sector rose by 28.3 per cent (y-o-y) [₹4.1 lakh crore] vis-à-vis 18.0 per cent (y-o-y) [₹1.9 lakh crore] a month ago.
[39] As at end-August, growth in non-food bank credit stood at 9.9 per cent (y-o-y), the same as in July 2025. 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 (SCBs). 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.

Chart IV.5: Expanding Reserve Money and Stable Money Supply (M_3)

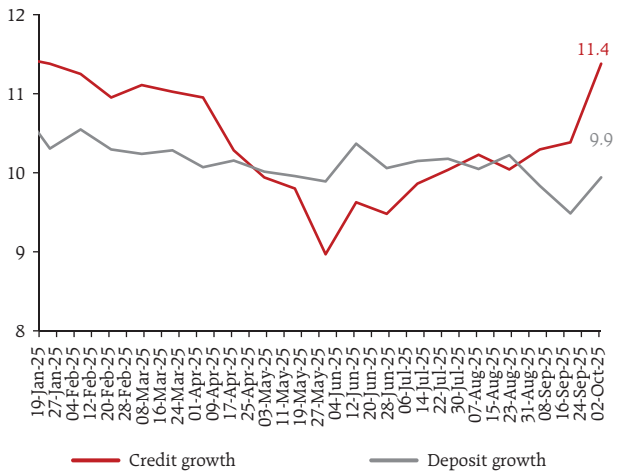
(Y-o-y, per cent)



Source: RBI.

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

(Y-o-y, per cent)

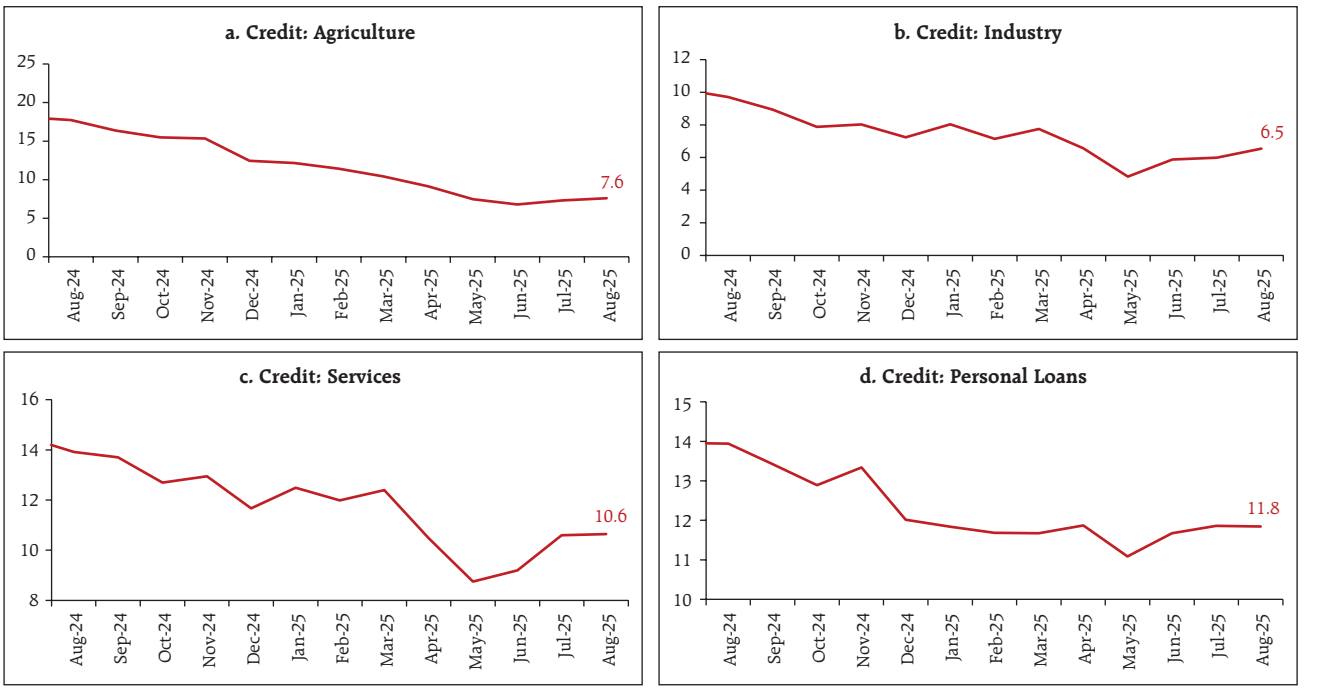


Note: Scheduled commercial banks' data are inclusive of regional rural banks.
Source: Fortnightly Section 42 Returns, RBI.

and industry (Chart IV.7).[40] Personal loans continued to demonstrate double digit growth. Credit growth for housing remained stable but softened for vehicle loans segment. Credit to services sector remained

Chart IV.7: Sectoral Deployment of Bank Credit

(Y-o-y, per cent)



Notes: 1. Sectoral non-food credit data is 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 SCBs, 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.
2. Data includes the impact of the merger of a non-bank with a bank.

Source: RBI.

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

resilient. Non-Banking Financial Companies (NBFCs) – the largest recipient of bank credit within services sector – recorded a pick-up in growth, even as bank credit to trade and commercial real estate decelerated as compared to July 2025. Although credit to Micro, Small and Medium Enterprise (MSME) segment softened marginally, it continued to be the prime driver of robust credit growth in the industrial sector. Infrastructure segment observed a marginal uptick in credit growth. Agriculture sector registered an improvement in credit growth.

Deposit and Lending Rates

In response to the 100 basis points repo rate cut during the current easing cycle, the weighted average lending rates on fresh and outstanding rupee loans have declined by 58 bps (71 bps on account of interest rate) and 55 bps, respectively (Table IV.2). On the deposit side, the weighted average domestic term deposit rates on fresh and outstanding deposits moderated by 106 bps and 22 bps, respectively. The significant decline in the fresh term deposit rates was driven by a moderation in interest rates on bulk deposits. Across bank groups, the transmission to lending rates was higher for private banks than for public sector banks (Chart IV.8). On the deposit side, the pass-through was higher for public sector banks than for private banks.

The union government reviewed and kept the rates on small savings schemes unchanged for Q3:2025-26. The prevailing rates on these instruments exceed the formula-based rates.[41]

Equity Markets

During September and October, Indian equity markets exhibited bidirectional movements in response to a host of domestic and global factors. Markets declined for eight consecutive sessions following the announcement of a steep hike in H-1B visa fees and imposition of fresh sector-specific tariffs by the US. Thereafter, markets rebounded in early October supported by the Reserve Bank's announcement of measures aimed at strengthening

Table IV.2: Robust Transmission to Banks' Deposit and Lending Rates

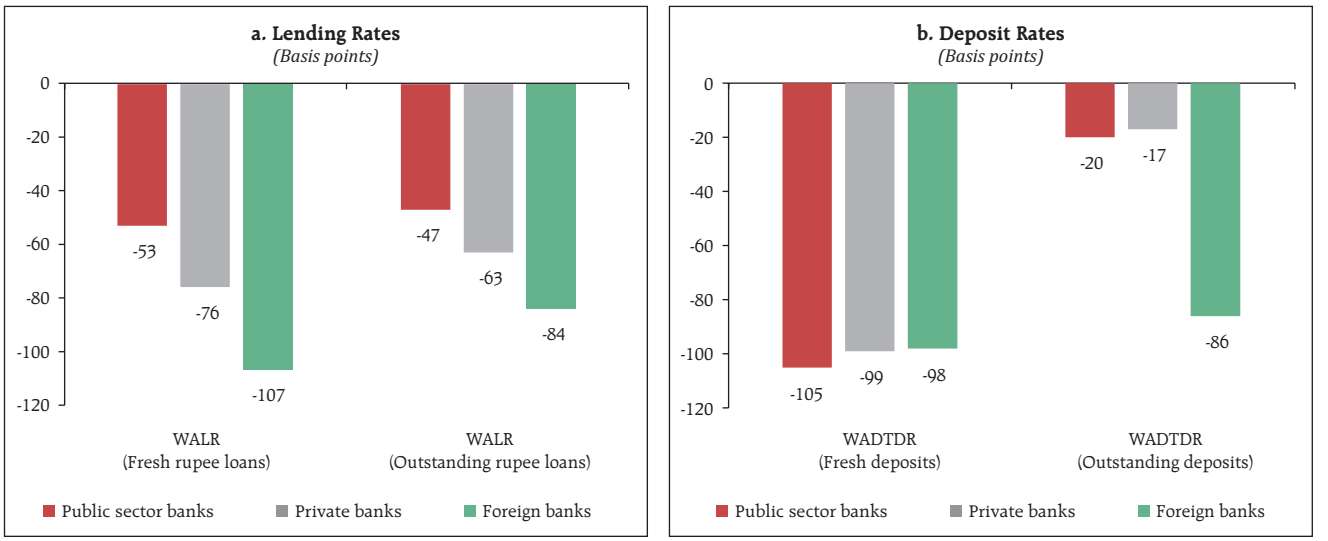
(basis points)

		Term Deposit Rates		Lending Rates				
Period	Repo Rate	WADTDR-Fresh Deposits	WADTDR-Outstanding Deposits	EBLR	1-Year MCLR (Median)	WALR - Fresh Rupee Loans		WALR-Outstanding Rupee Loans
						Overall	Interest Rate Effect #	
(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 Aug 2025	-100	-106	-22	-100	-40	-58	-71	-55

Notes: Data on EBLR pertain to 32 domestic banks.
#: The interest rate effect can be arrived at by keeping the weight constant, with the residual change in the weighted average lending rate attributed to the weight effect.
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.
Source: RBI.

[41] Monetary Policy Report – October 2025, Chapter IV, RBI.

Chart IV.8: Robust Transmission across Bank Groups (February - August 2025)



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

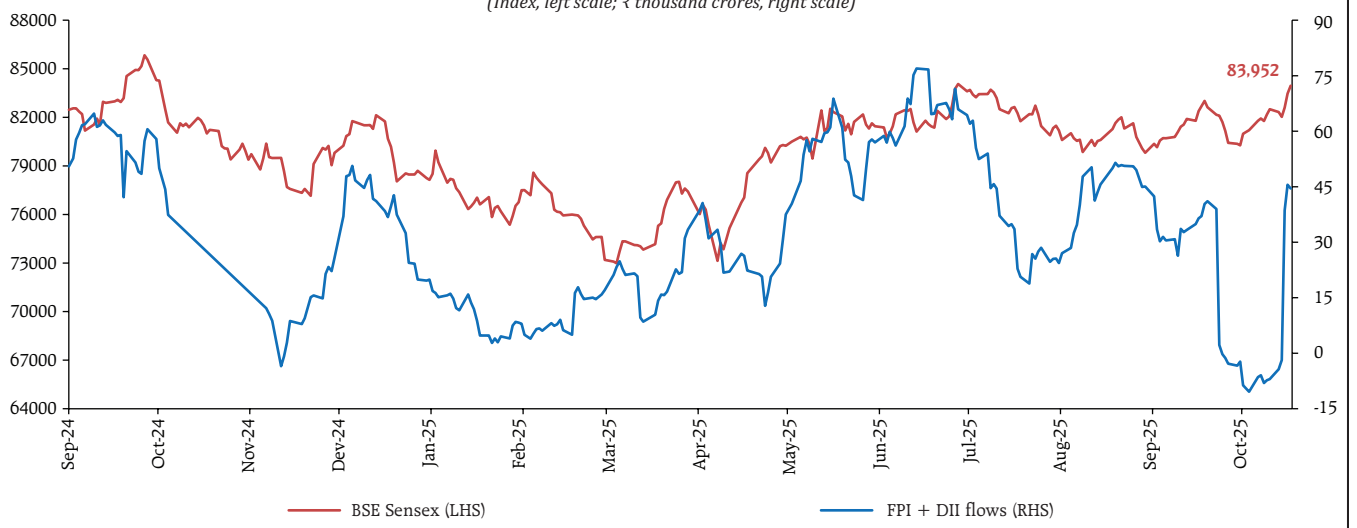
the resilience and competitiveness of the banking sector, promoting ease of doing business and enhancing flow of credit. The gains were supported by DIIs who remained net buyers and FPIs who turned net buyers in October (up to 16th) amidst renewed participation in primary equity market (Chart IV.9). Growth in the secondary market (BSE Sensex and NIFTY 50) remained subdued, whereas primary market activity picked up in September 2025.[42]

External Sources of Finance

Gross inward foreign direct investment (FDI) moderated in August (Chart IV.10a). Singapore, Cayman Islands, the UAE, the Netherlands, and the US accounted for more than three-fourths of

Chart IV.9: Domestic Equity Markets Remained Rangebound

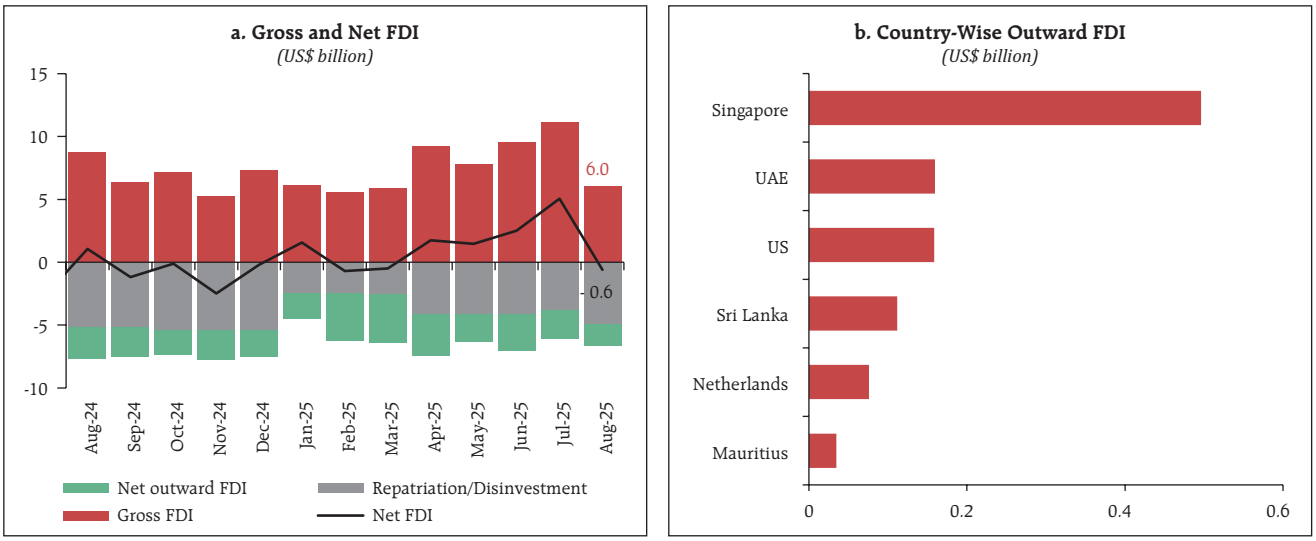
(Index, left scale; ₹ thousand crores, right scale)



Note: FPI and DII flows are represented on a 15-days rolling sum basis.
Sources: Bloomberg; and Capitaline.

[42] The primary market issuances (including Initial Public Offers, Follow-on Public Offers and Offer for Sale) increased from ₹10,454 crore in August 2025 to ₹13,302 crore in September 2025, as the number of issuances increased from 12 to 25 during this period (Source: Prime Database)

Chart IV.10: Muted Foreign Direct Investment Flows



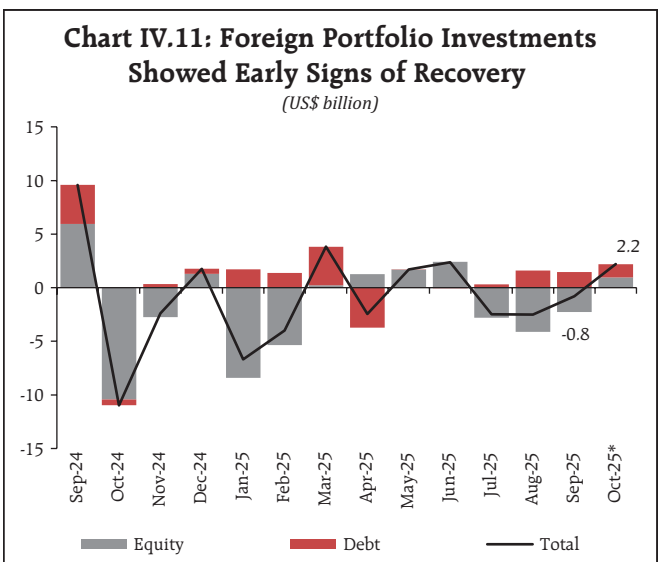
Source: RBI.

total inflows. Manufacturing, computer services, construction, and financial services were the top recipient sectors. Net FDI turned negative in August, due to a moderation in gross inflows and an increase in repatriation. Outward FDI also declined in August. These investments were mainly directed towards financial, insurance and business services, and manufacturing sectors, with Singapore, the UAE, and the US being the major destinations (Chart IV.10b).

Net foreign portfolio investment flows continued to remain negative for the third consecutive month in September (Chart IV.11). This was driven by equity outflows amidst weak investor sentiments on concerns over US tariff measures and the steep hike in H-1B visa fees. In contrast, the debt segment continued to record net inflows, supported by expectations of US rate cut and favourable yield differentials. In October so far (up to October 15), net foreign portfolio investment turned positive on renewed investor's optimism amidst expected revival in corporate earnings and improved valuations.

The registrations of external commercial borrowings moderated during April-August 2025.[43] Despite this slowdown, net inflows remained positive at US$ 6.0 billion, as inflows continued to outpace repayments (Chart IV.12). Notably, 39 per cent of the total external commercial borrowing loans registered during this period were earmarked for capital expenditure.

Chart IV.11: Foreign Portfolio Investments Showed Early Signs of Recovery

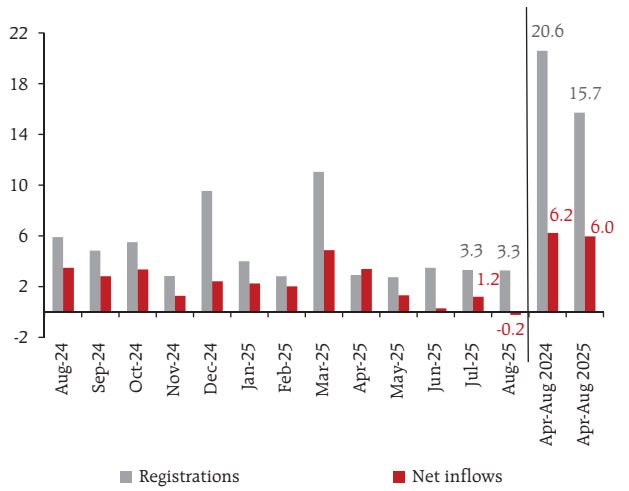


Notes: 1. Debt also includes investments under the hybrid instruments.
2. *: Data up to October 15, 2025.
Source: National Securities Depository Limited (NSDL).

[43] Moderated to US$ 15.7 billion, compared with US$ 20.6 billion in the same period a year ago.

Chart IV.12: External Commercial Borrowings – Registrations Eased but Inflows Stayed Positive

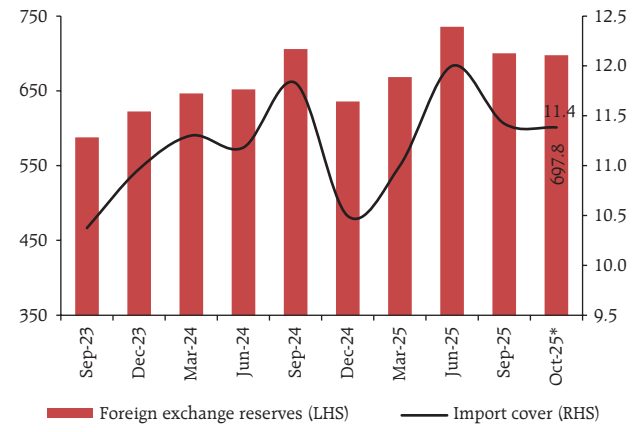
(US$ billion)



Source: Form ECB, RBI.

Chart IV.13: Adequate Foreign Exchange Reserves in India

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



Notes: 1. *: As on October 10, 2025.
2. The import cover data is based on annualised merchandise imports as per the balance of payments statistics.

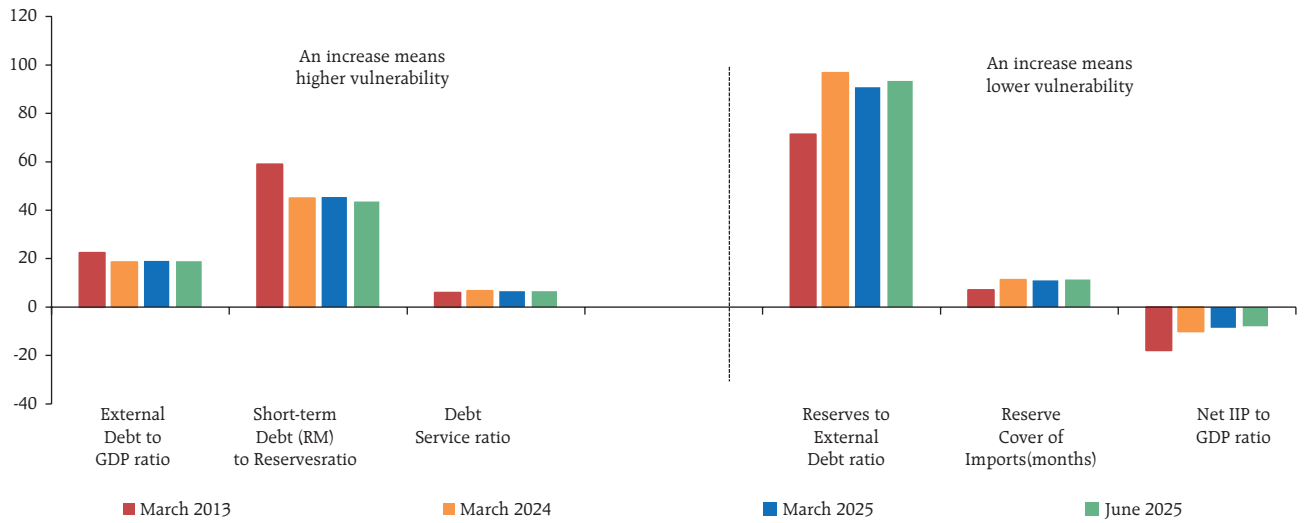
Source: RBI.

India's foreign exchange reserves remained adequate, providing a cover for more than 11 months of goods imports and for about 93 per cent of the external debt outstanding at end-June 2025 (Chart IV.13).[44]

India's key external vulnerability indicators improved between end-March to end-June 2025. External debt to GDP ratio, short-term debt to reserves ratio and reserves to external debt ratio turned favourable (Chart IV.14). India's external debt rose by US$ 11.2 billion to US$ 747.2 billion during this period.

India's net International Investment Position improved during Q1:2025-26 (Chart IV.15).[45] This

Chart IV.14: India's External Vulnerability Indicators Improved



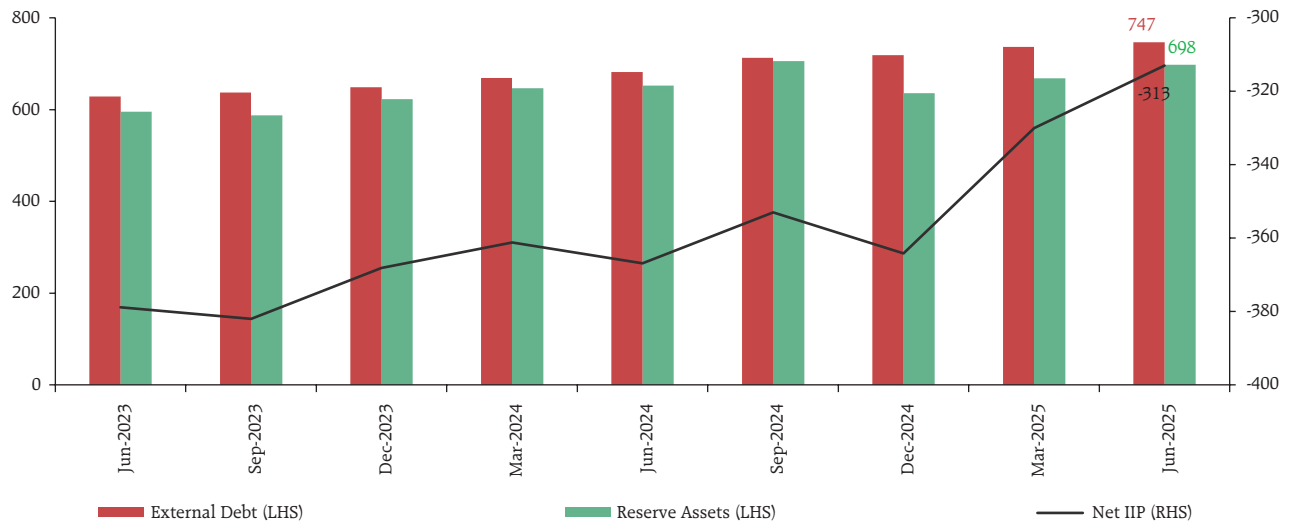
Source: RBI.

[44] The import cover for goods and services was around nine months.

[45] Improved by US$ 16.4 billion and stood at US$ (-) 312.8 billion.

Chart IV.15: Net International Investment Position Strengthened

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



Source: RBI.

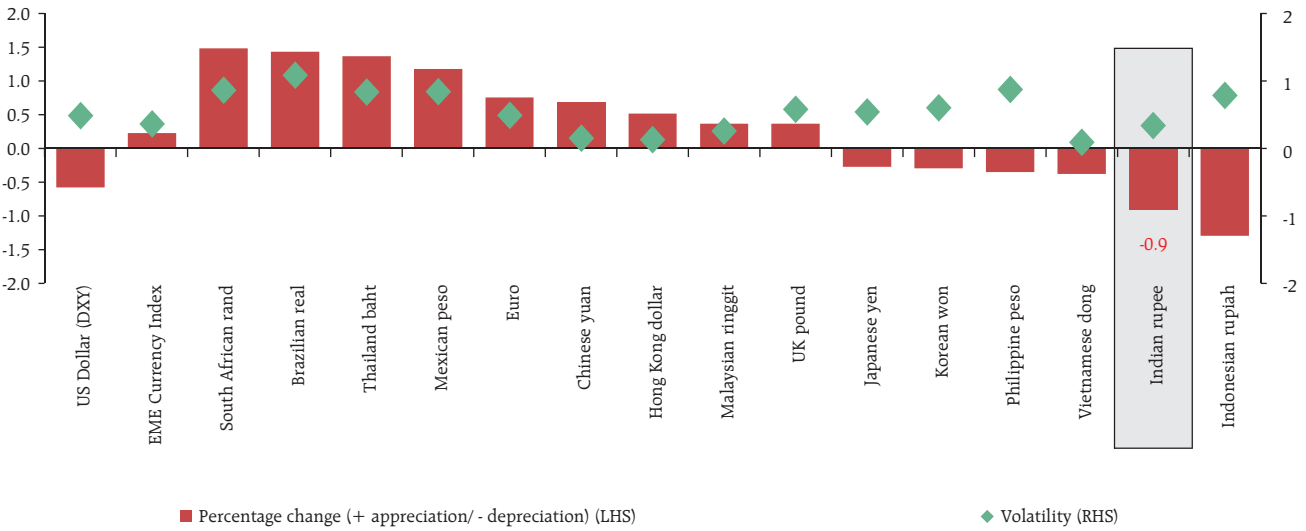
improvement was driven by higher accumulation of overseas financial assets by Indian residents relative to the foreign-owned assets in India. As a result, the ratio of India's international assets to international liabilities improved to 79.2 per cent in June as compared to 77.6 per cent in March.

Foreign Exchange Market

The Indian rupee depreciated against the US dollar in September amidst elevated trade tensions, heightened global uncertainties, and persistent foreign portfolio investment outflows (Chart IV.16).

Chart IV.16: Movements in Major Currencies against the US Dollar in September

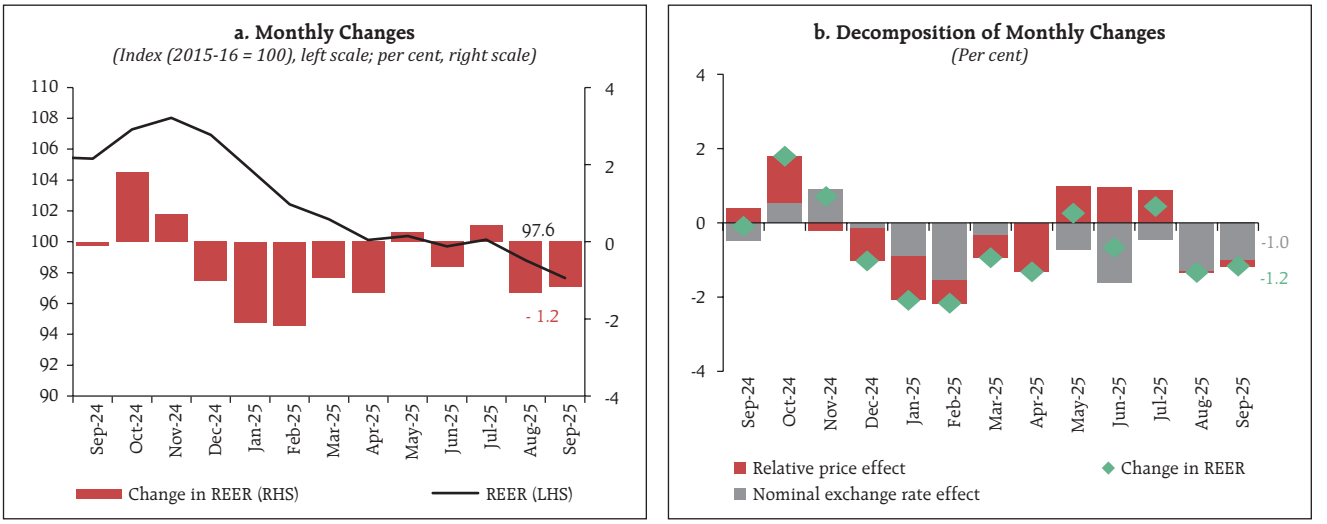
(Per cent, m-o-m, left scale; per cent, right scale)



Notes: 1. Appreciation/depreciation (m-o-m) calculated using monthly average exchange rates.
2. The 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, Swiss franc).
3. For each currency, volatility is measured as the coefficient of variation (100*Standard Deviation/Mean) using daily exchange rate data for September 2025.

Sources: FBIL; Thomson Reuters; and RBI staff estimates.

Chart IV.17: 40-Currency Real Effective Exchange Rate Depreciated



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 too, the Indian rupee depreciated in September (Chart IV.17a). The depreciation in the real effective exchange rate was mainly driven by the depreciation in the nominal effective exchange rate (Chart IV.17b).

V. Conclusion

Trade tensions have started to simmer yet again. In the context of rising protectionism in the US, and rising fiscal risks in AEs, IMF's October World Economic Outlook talks about 'a new global economic landscape slowly takes shape'.[46] The state of flux of the global economy and policies present considerable uncertainties to the macroeconomic outlook. In this scenario, the need for economic resilience has become a key priority. While the Indian economy is not immune to global headwinds, it has so far exhibited resilience, driven by a focus on strong and durable macroeconomic fundamentals – including low inflation, robust balance sheets of banks and corporates, adequate foreign exchange reserves and a credible monetary and fiscal framework.

As noted in the Monetary Policy Committee resolution of October 1, 2025, the growth outlook remains resilient, supported by domestic drivers, despite uncertainties on the external front. Domestic structural reforms are helping to somewhat offset the drag on growth from the weakening external demand conditions.[47] The current macroeconomic conditions and the outlook, as noted by the MPC, has opened up policy space for further supporting growth.

[46] World Economic Outlook, Chapter 1 "Global Prospects and Policies".

[47] Real GDP growth for 2025-26 has been revised upwards by 30 bps to 6.8 per cent in the October 1, 2025, MPC resolution from the projection of 6.5 per cent in the August 6, 2025, resolution. CPI inflation projection for 2025-26 has been revised downwards by 50 basis points to 2.6 per cent from the earlier 3.1 per cent.

Resilience and Revival: India's Private Corporate Sector

by Snigdha Yogindran, Sukti Khandekar, Rajesh Kavediya and Kamal Gupta ^

India's private corporate sector showed a strong post-COVID recovery, led by manufacturing and non-IT services companies. Despite pandemic-related stress, large firms sustained high profitability, while medium and small firms enhanced their debt servicing. This article analyses trends using financial data of listed non-government non-financial companies. Operating profit margins remained stable, supported by efficient cost control. Balance sheet analysis indicates deleveraging, with financial improvement among vulnerable manufacturing firms. The study underscores the sector's resilience and adaptability, with large firms driving earnings and smaller ones improving financial stability—signalling a stronger, more balanced corporate landscape in the aftermath of the pandemic.

Introduction

India's corporate sector faced multiple economic shocks, from COVID-19 to geopolitical tensions. Despite challenges, it adapted swiftly, ensuring business continuity and economic recovery. The global economy has faced several major disruptions over the past few years, including the COVID-19 pandemic, geopolitical tensions, and rapid synchronised monetary policy tightening. These events have tested economic resilience worldwide, and India was no exception. Economies across the world have experiences many crises in the past, however, the COVID-19 pandemic induced shock was very intense due its widespread impact on both private and public segments of the economy (Mather, 2020; Kells, 2020). The pandemic caused an economic downturn of historic proportions, leading to a 3.0 per cent decline in global GDP in 2020 (IMF, 2022). Governments worldwide implemented lockdowns, travel restrictions, and social distancing measures to curb the spread of the virus, further straining economies. The crisis was exacerbated by the Russia-Ukraine war, which disrupted supply chains and fuelled inflation.

India's economy also suffered a significant setback, with GDP contracting by 23.8 per cent in Q1:2020-21, one of the steepest declines in the history. The corporate sector, especially contact-intensive industries, faced severe disruptions due to restrictions on movement and operations. Sales of private manufacturing and non-IT services sectors contracted sharply by 41 per cent in Q1:2020-21. However, timely policy interventions by the Indian government and the Reserve Bank of India (RBI) facilitated a swift recovery.

The RBI undertook various measures numbering more than a hundred in total, some conventional and others out-of-the-box, to address pandemic-induced dislocations and constraints, both system level and also specific to sectors, institutions and financial instruments (Patra, 2022). These includes, *inter alia*, (i) cumulative reduction in policy repo rate by 250 basis points (bps) with reserve repo rate reduced by 155 bps, (ii) reduction in cash reserve ratio by 100 bps, (iii) increase in bank's access to liquidity under marginal standing facility from 2 per cent to 3 per cent of net demand and time liabilities (NDTL), which resulted in liquidity enhancement of about ₹1.37 lakh crore, (iv) conduct of long-term repo operations (LTROs) and targeted long-term repo operations (TLTROs) to augment systemic liquidity and lower the banks' cost of funds, (v) moratorium of three months on term loans and easing of working capital financing, *etc.* The nuanced and calibrated measures by the RBI and the government and adaptation by businesses and households to working in a pandemic environment resulted in faster recovery than expected.

^ The authors are from the Department of Statistics and Information Management. They are grateful to Shri Ravi Shankar, Adviser, DSIM for his guidance and suggestions. The views expressed in the article are personal views of the author(s) and do not represent the views of the Reserve Bank of India.

As, the private corporate sector plays a critical role in driving investment, employment, productivity, and overall economic growth, understanding the sector's response to unprecedented shocks—such as the COVID-19 pandemic, global supply chain disruptions, and subsequent fiscal-monetary measures—is essential for assessing the broader trajectory of economic recovery and financial stability.

Against this backdrop, this article is motivated by the need to evaluate how India's private non-financial corporates adapted to these shocks, and whether the recovery was broad-based and sustainable across sectors and firm sizes. From a macroeconomic standpoint, the findings help assess the corporate sector's preparedness to support future investment cycles, the evolving risks to financial stability, and the structural shifts in profitability dynamics and cost efficiencies.

The article examines the performance of India's private corporate sector during the COVID-19 pandemic and in the post-pandemic recovery phase across different sectors and firm sizes. The article also explores the role of cost management, policy support, and sector-specific dynamics in sustaining profitability and improving debt serviceability in the aftermath of pandemic shocks. The influence of sales growth on operating profit margin in the Indian manufacturing sector has also been examine under the panel regression framework, and how has this relationship evolved in the post-COVID period. The analysis finds that the corporate sector rebounded quickly and widely with varying speed of recovery. The evidence indicates that while large firms led the rebound in profitability, medium and small firms recorded notable improvement in debt serviceability and operational efficiency, pointing to a more balanced corporate landscape. From a macroeconomic perspective, the sector's improved balance sheet position it as an important contributor to India's medium-term growth momentum, while also reducing systemic vulnerabilities in the financial system.

II. Corporate Performance: COVID-19 Impact and Recovery

The pandemic led to a sharp decline in sales and profitability of corporates, but policy support and resilient strategies fuelled a strong comeback. The corporate sector's ability to adapt was a key to its revival. India's private corporate sector has experienced significant shifts in performance between the pre-COVID and post-COVID periods[1], reflecting underlying dynamics of economic conditions.

II.1 Sales Performance: Rebuilding Momentum – Corporate Sales Surge Post-Pandemic

Sales rebounded sharply post-pandemic, peaking at 32.5 per cent growth in 2021-22 before stabilising. Non-IT services and manufacturing led the recovery, while IT sector growth remained steady. During pre-COVID period, the listed private non-financial corporates, at aggregate level, enjoyed steady growth before 2019-20, driven by robust consumption demand, favourable economic policies, and stable macroeconomic conditions. Sales growth showed a steady increase from 3.1 per cent in 2016-17 to 14 per cent in 2018-19, aligning with steady increase in commodity prices. This steady growth in sales is also characterized in manufacturing and non-IT service sector (Chart 1 and Annex Table A1, A2). However, during 2019-20, due to weak domestic and external demand, sales of listed NGNF companies contracted, mainly dragged by subdued performance of manufacturing companies.

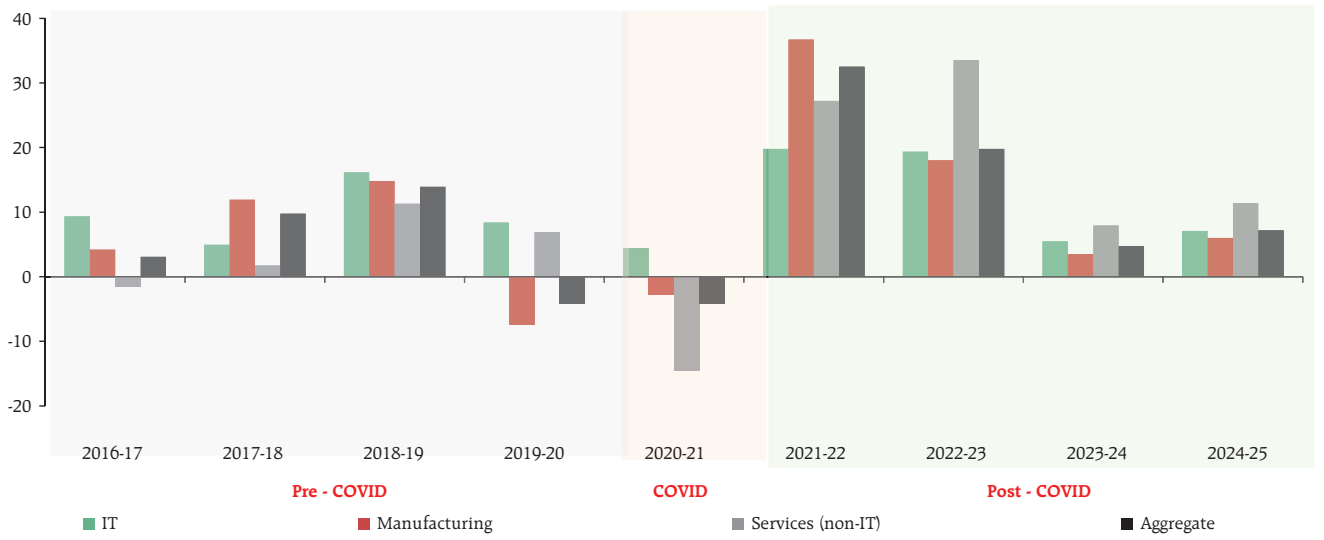
The onset of COVID-19[2] brought unprecedented challenges, including localised and regional lockdowns, supply chain disruptions, changes in consumer

[1] Indian corporate sector was impacted severely during the first wave of COVID-19 and not affected much during the second wave. Accordingly, for the analysis purpose, study period has been split into three phases - (i) Pre-COVID period (2016-17 to 2019-20), (ii) COVID period (2020-21), and (iii) Post-COVID period (2021-22 to 2024-25).

[2] Financial year 2020-21 is taken as the COVID period as the first lockdown in India was implemented from March 25, 2020. Further, financial year 2021-22 is included in the post-COVID period as the companies started to rebound and were not much impacted by the second wave of COVID-19.

Chart 1: Sales Growth

(Per cent)



Sources: Capitaline database; and RBI staff estimates.

behaviour, and operational hurdles. The overall performance of corporate sector worsened further with continued contraction in sales of manufacturing sector and set backing non-IT services sector. The contact-intensive services sector was impacted severely due to pandemic with sales contracting by 14.6 per cent in 2020-21.

With the fiscal-monetary policy induced support, post-pandemic pent-up demand, and improved consumer confidence, corporate sector witnessed a remarkable recovery, with aggregate nominal sales growth peaking at 32.5 per cent during 2021-22, partly due to favourable base effect. Aggregate sales growth moderated to 19.8 per cent in the subsequent year. Post-COVID, all the major sectors rebounded strongly, with non-IT service sector showing the highest growth, followed by manufacturing and IT sectors, reflecting a broad-based recovery and increased economic activity across the board. However, with the fading of pent-up demand and normalisation of activities and ebbing of commodity prices, corporate sales growth moderated significantly to 4.7 per cent during 2023-24 over the high base growth. Momentum remained upbeat during 2024-25 with aggregate sales growth improving to 7.2 per cent, led by improvement in all the major sectors.

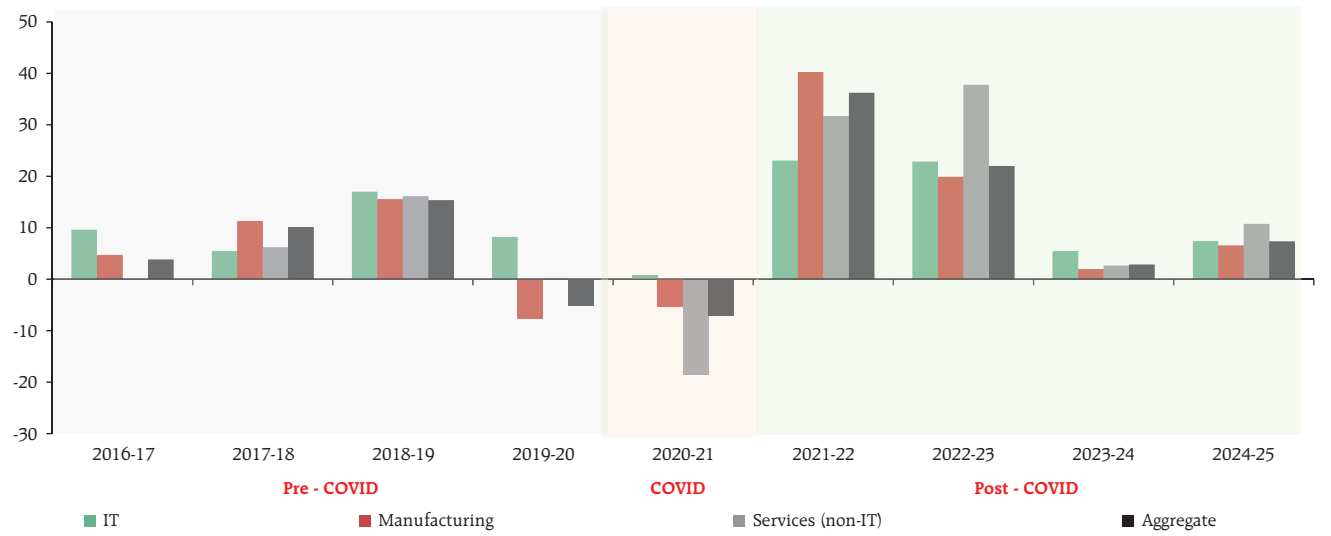
II.2 Spending Smart: How Companies Managed Costs for Survival and Growth

Companies managed costs effectively during the downturn, with lower raw material and staff costs helping offset losses. Post-pandemic, expenses surged in line with the pick-up in sales growth and reversal in commodity prices. Expense growth of listed NGNF companies broadly tracks the sales growth across the major sector as well as at aggregate level. During COVID, the expenditure at aggregate level contracted at a higher pace compared to sales, mainly due to contraction in raw material costs, along with significant moderation in staff costs growth. Contraction in expenditure is primarily contributed by manufacturing and non-IT services companies. In contrast, total expenses of IT companies exhibited positive growth, although at a slower pace, driven by healthy growth in staff cost, with staff cost to sales ratio remaining slightly lower than 50 per cent.

As the economic activities gained traction during post-COVID period, in tandem with the sharp recovery in the corporates sales, as alluded earlier, and reversal

Chart 2: Expenditure Growth

(Per cent)



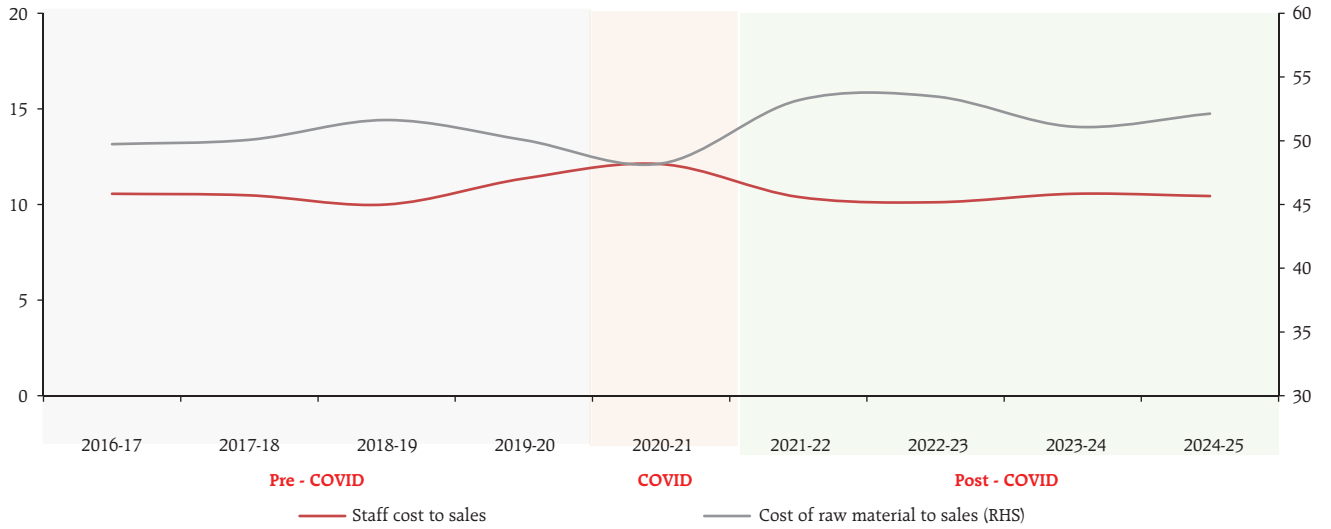
Sources: Capitaline database; and RBI staff estimates.

of commodity cycle growth, the raw material cost at aggregate level surged sharply (47.6 per cent in 2021-22) post-COVID. The staff expenses also recorded double digit growth during 2021-22 and 2022-23, after remaining muted during 2020-21. Consequently, total expenditure increased significantly during 2021-22 and 2022-23. However, in subsequent period, with deceleration in raw material cost and staff costs growth, expenses expanded at a modest pace, in tandem with slowdown in sales growth (Chart 2).

Consequently, on an average, the cost of raw material (CRM) to sales ratio during the post-COVID period remained higher than the pre-COVID levels. On the other hand, the staff cost to sales ratio, which increased during the pandemic, returned back to its pre-COVID levels, on an average (Chart 3). The input

Chart 3: Raw Material and Staff Cost (Per cent of Sales)

(Per cent, left scale; per cent, right scale)



Sources: Capitaline database; and RBI staff estimates.

costs, as percentage of sales, varied across the sectors. For instance, for manufacturing sector, raw material cost to sales hovered around 50 per cent, while staff cost remained major component of expenditure for the IT companies, with staff cost to sales ratio remained close to 50 per cent.

II.3 Turning Challenges into Profits: Corporates' Financial Resurgence

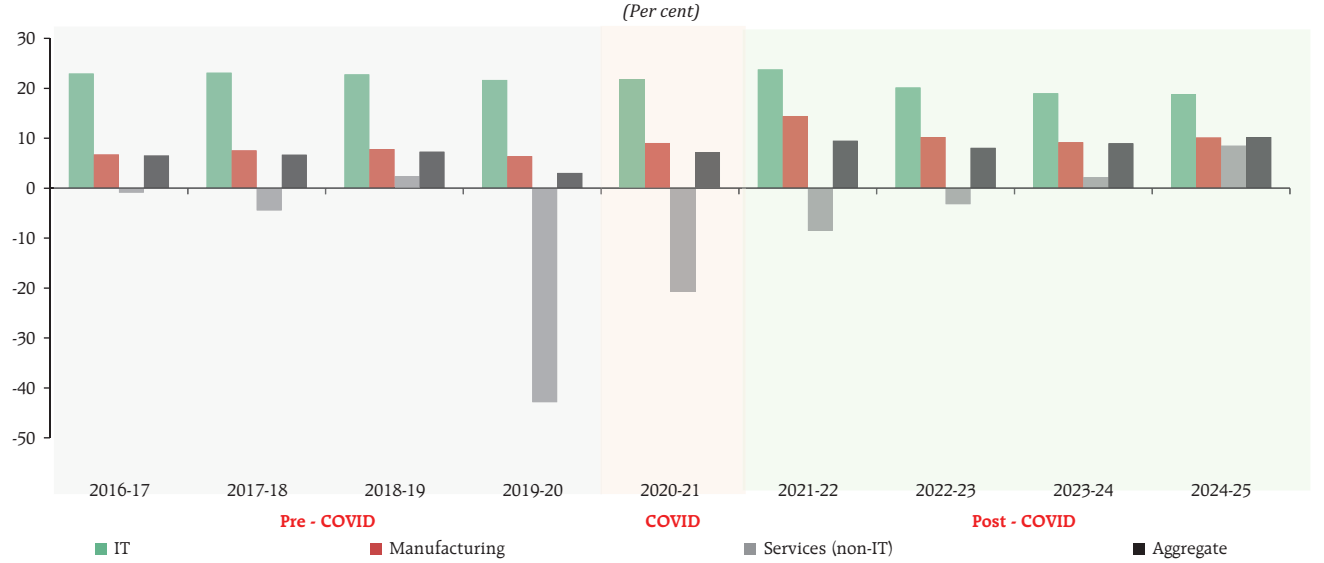
Despite initial setbacks, profitability improved during post-COVID due to effective cost management and demand recovery. Large firms led the way, while smaller firms also strengthened their financial footing. During pre-COVID period, barring the financial year 2019-20, even though high variability seen in net profit growth ((-) 0.3 per cent in 2017-18 to 36.2 per cent in 2018-19) of listed NGNF companies, led by non-operating income , net profit margins showed an increasing trend from 6.5 per cent in 2016-17 to 7.3 per cent in 2018-19, indicating improved efficiency in converting revenue into profit. Consistent growth at aggregate level was predominantly led by relatively stable and improving performance of manufacturing sector. In contrast, the non-IT services sector exhibited swings in net profit growth, due to volatile income from non-operating activities. During 2019-20, significant contraction in net profit at aggregate level, due to weak domestic and global demand, resulted in sharp moderation in net profit margin to 3.1 per cent from 7.3 per cent during the previous year, primarily dragged by non-IT services sector companies (Chart 4 and Annex Table A1, A2).

During COVID, despite contraction in sales, decline in raw material cost due to softening of commodity prices, subdued wage growth, along with the favourable base effect, net profit at aggregate level rose sharply by 115.6 per cent. Consequently, net profit margin surpassed its pre-COVID level.

During post-COVID period, with sharp rebound in sales growth led by pent-up demand, corporates' profit increased significantly from Rs. 2.5 trillion in 2020-21 to Rs. 7.1 trillion during 2024-25. Consequently, net profit margins improved and reached to double digit level in 2024-25, driven by manufacturing sector. While net profit margin of IT sector moderated during post-COVID period due to slowdown in activities coupled with higher salary outgo, net profit margin of non-IT service sector remained into negative zone since COVID before returning into positive territory in 2023-24.

Chart 4: Net Profit Margin

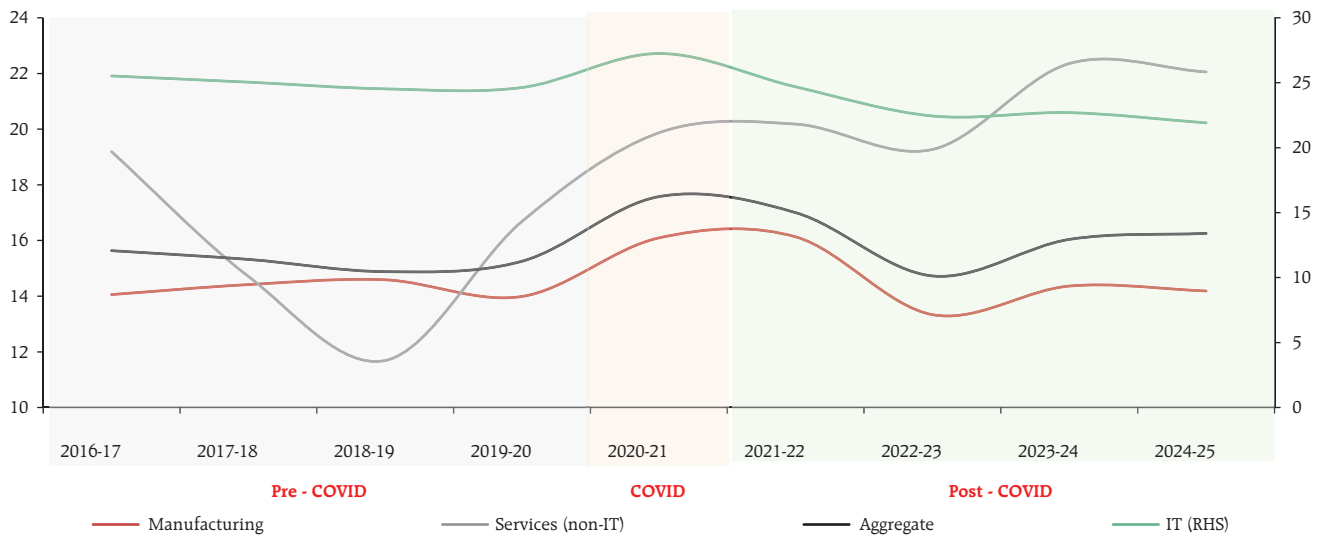
(Per cent)



Sources: Capitaline database; and RBI staff estimates.

Chart 5: Operating Profit Margin

(Per cent)



Sources: Capitaline database; and RBI staff estimates.

In contrast to the net profit margin, operating profit margin exhibited relatively lower volatility at aggregate level, though operating profit margin of non-IT sector remained volatile – from 19.2 per cent in 2016-17 to the low of 11.7 per cent in 2018-19 and bounced back to a high of 22.4 per cent in 2023-24. At aggregate level, benefiting from the lower input cost, operating profit margin improved by more than 200 bps during COVID period from average margin seen during the pre-COVID period. However, with fading off COVID led pent-up demand and rising commodity prices, corporates were able to pass on the rising input cost partially to their customers, as reflected in moderating operating profit margin during post-COVID period (Chart 5).

II.4. Value Added by Private Corporates - Beyond Survival: How Businesses Drove Economic Value in Tough Times

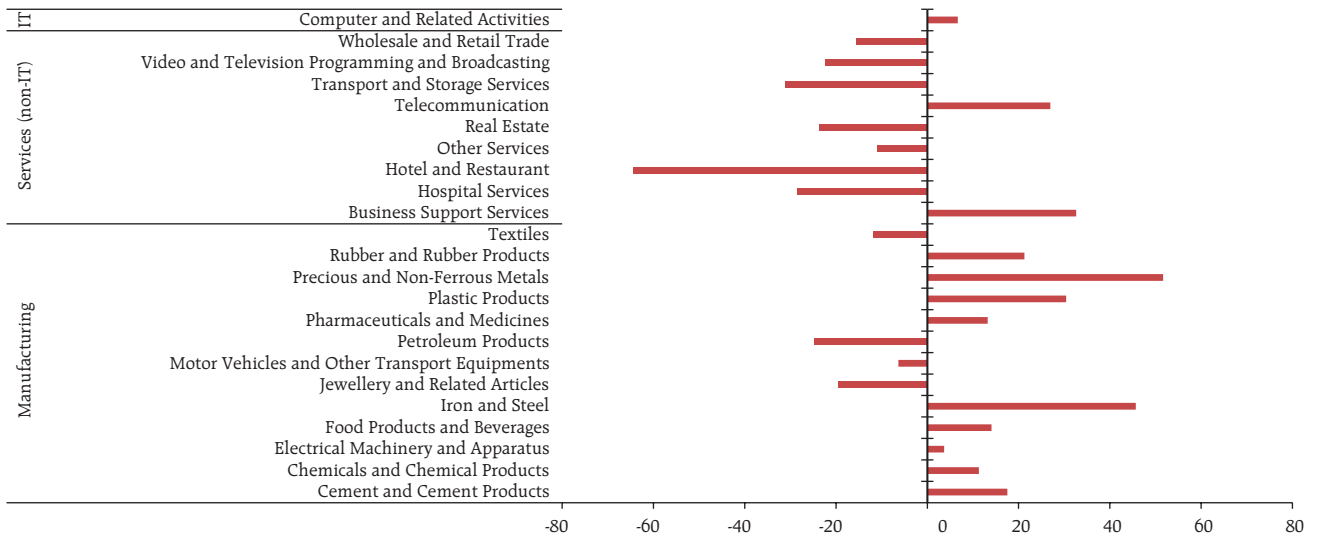
Global economy, including India, hit hard by multiple shocks – (i) COVID induced supply chain disruptions and halting of economic activities resulting into loss of output, (ii) Russia-Ukraine war triggering to a worldwide surge in inflation, and (iii) synchronised policy rate hikes by the central banks across economies to curb inflation. COVID-19 pandemic led to disruptions in global economic activity impacting not only the lives but also livelihoods. The Indian industry too faced disruptions in business activity leading to slowdown in its performance.

Weak domestic economic activity underpinned by sluggish private consumption led to significant slowdown in nominal gross value added (GVA) of listed NGNF companies to 0.7 per cent growth in 2019-20 from 11.7 per cent in the previous year, which was mainly dragged by contraction (-7.0 per cent) in GVA of listed private manufacturing companies[3]. As per national accounts statistics, nominal GVA of manufacturing sector contracted by 3.8 per cent during 2019-20. During COVID, various monetary and fiscal supportive policy initiatives helped industries such as 'Iron and Steel', 'Precious and Non-Ferrous Metals', 'Pharmaceuticals and Medicines', 'Food products and Beverages', 'Cement and Cement Products', and 'Chemical and chemical products' to remain resilient. However, within services sector, due to severe slowdown in contact-intensive industries such as 'Hotel and Restaurant', 'Transport and Storage Services', 'Hospital Services' and 'Real Estate', their

[3] GVA of listed private manufacturing companies accounts for around 23 per cent share, on an average, in nominal GVA manufacturing sector (NSO).

Chart 6: GVA Growth of Various Indutries during COVID Pandemic

(Per cent)



Sources: Capitaline database; and RBI staff estimates.

output contracted by 5.3 per cent during 2020-21. In contrast, nominal GVA of IT companies rose by 6.7 per cent during COVID due to adoption of work-from-home culture (Chart 6 and Annex Table A1, A2, A4).

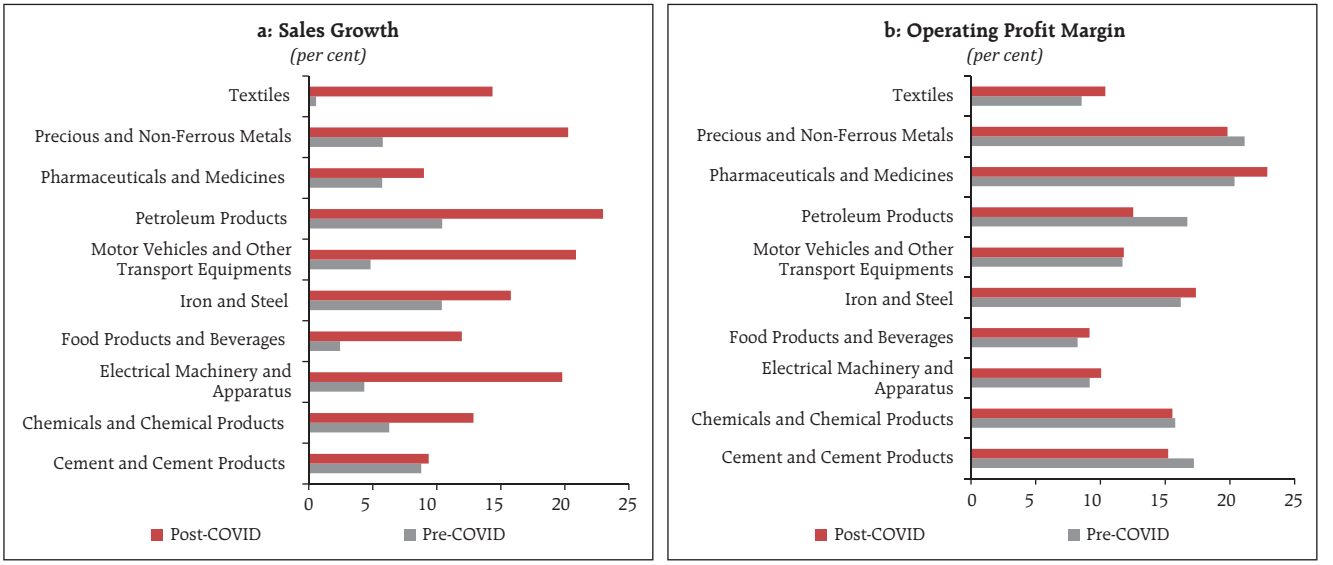
Overall, the Indian corporate sector sailed well through the pandemic recording faster recovery. Post-pandemic, nominal GVA experienced a significant increase in 2021-22, fuelled by improved sales driven by pent-up demand and higher profits. The IT sector saw a considerable rise in GVA, with staff cost growth quadrupling from the previous year. In the non-IT sector, recovery in GVA growth was primarily driven by a lowering of losses.

II.5. Industry-wise analysis within Manufacturing Sector - Winners and Laggards: How different sectors fared post-COVID

Industries within manufacturing sector recovered at different paces, with industries like 'Petroleum' and 'Motor Vehicles and Other Transport Equipment' (also called as 'Automobiles') bouncing back strongly. However, profit margins varied, reflecting industry-specific challenges. Impact of pandemic and subsequent recovery varied across industries within the manufacturing sector. Manufacturing sales growth was mainly led by industries such as 'Petroleum Products', 'Iron and Steel', and 'Motor Vehicles and Other Transport Equipment', with many industries surpassing the pre-COVID average sales growth. However, operating profit margins showed mixed results—industries like 'Precious & Non-Ferrous Metals', 'Petroleum Products', and 'Cement and Cement Products' saw margins decline compared to pre-pandemic levels (Chart 7).

Before COVID, industries such as 'Iron & Steel', 'Petroleum Products', 'Chemicals and Chemical Products', and 'Cement and Cement Products' outperformed the sector average in both sales growth and profit margins. In contrast, Electrical Machinery, Textiles, and Food Products consistently underperformed. During COVID period, depending upon the underlying demand conditions, pricing power and firms' specific characteristics, financial performance of industries altered significantly. During post-pandemic period, even though industries such as 'Petroleum', and 'Motor Vehicles and Other Transport Equipment' recorded higher sales growth, their profit margin remained lower than that of manufacturing sector. In contrast, 'Pharmaceutical' industry was able to achieve higher profit margin despite lower sales growth. 'Food Products' and 'Textiles' remained as a laggard industry (Chart 8).

Chart 7: Sales Growth and Operating Profit Margin of Manufacturing Industries

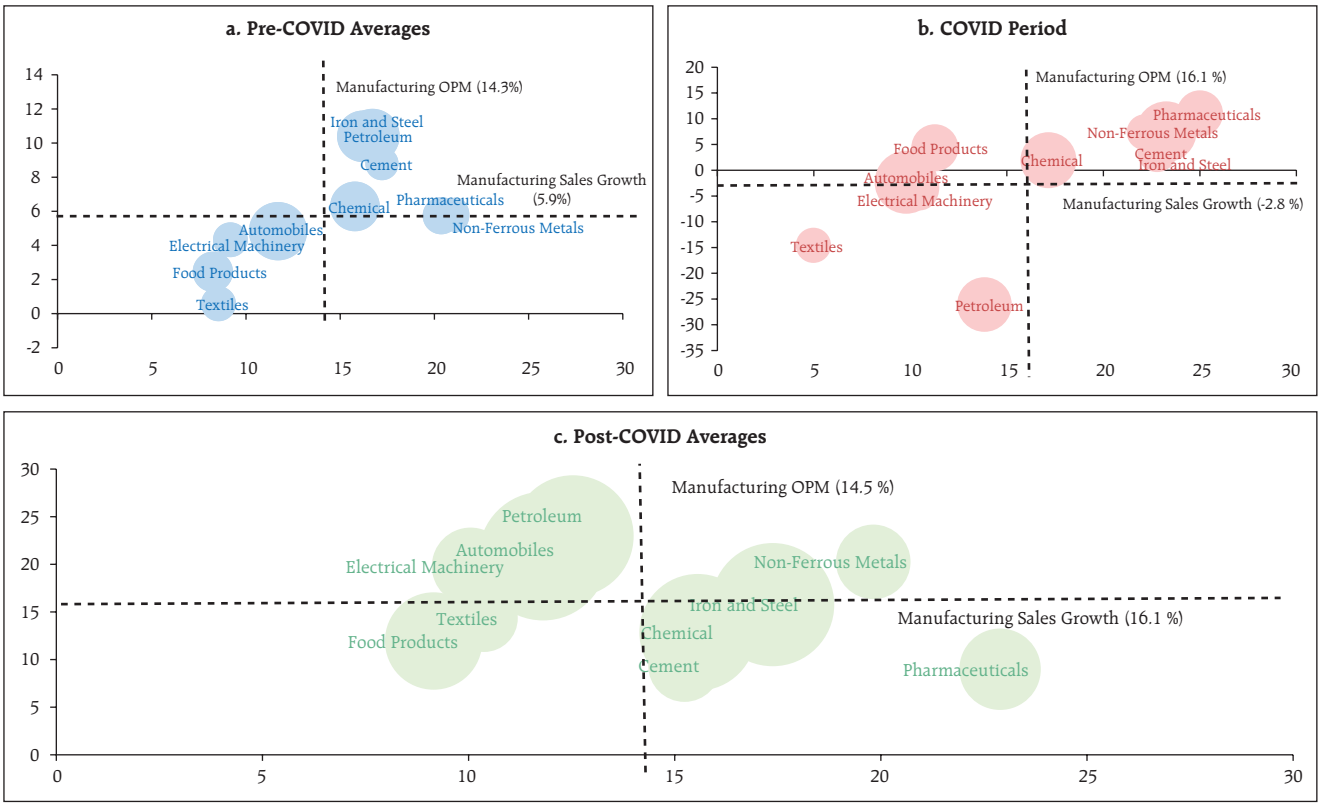


Sources: Capitaline database; and RBI staff estimates.

Thus, industry-wise profitability analysis reveals that while some industries were able to achieve higher sales growth along with higher profitability, other industries were able to maintain the sales growth by

Chart 8: Industry-wise Sales Growth and Operating Profit Margin

(Operating profit margin (Per cent), x-axis; Sales growth (Per cent), y-axis)



Note: The dotted vertical and horizontal lines indicate the average operating profit margin and sales growth of the manufacturing sector, respectively, across different COVID phases.
Sources: Capitaline database; and RBI staff estimates.

taking hit on their profit margins. This underlines the importance of firm specific characters that have played role in profitability dynamics since the pandemic. Industry level panel analysis suggests that corporates were able to maintain their profit margin with higher sales growth. Within manufacturing sector, the operating profit margin exhibits a positive relationship with sales growth for listed private corporates. This trend is observed in industries such as 'Pharmaceuticals and Medicines', 'Precious and Non-Ferrous Metals', 'Iron and Steel' and 'Chemicals and Chemical Products' (Box 1).

Box 1: Exploring operating profit margin dynamics in the Indian manufacturing sector

The trade-off between sales growth and operating profit margin is a critical consideration for businesses striving to balance expansion with profitability. While rapid sales growth can drive market share and revenue, it often requires significant investment in marketing, infrastructure, and product development, which can erode profit margins. Conversely, focusing on maintaining or increasing operating profit margins may necessitate cost-cutting measures or price adjustments that could slow down sales growth.

To empirically analyse the relationship between operating profit margin and sales growth, quarterly financial performance data on 11 major industries[4] within manufacturing sector consisting of around 1,130 listed private non-financial companies have been used, covering the period from Q1:2018-19 to Q4:2024-25. Balanced panel data framework has been deployed. To control for the industry specific characters, asset turnover ratio (ATR), staff cost to sales ratio, raw material cost to sales ratio were included in the model. Further, to control for overall macroeconomic conditions, manufacturing gross value added (GVA) growth (nominal) and wholesale price index (WPI) manufacturing inflation were used as exogenous variables. The variables used in the analysis are described in the Annex Table A5.

While the correlation test shows strong positive partial correlations of sales growth with GVA growth and WPI inflation among the exogenous variables (Annex Chart 1), the variance inflation factor (VIF) analysis confirms that no serious multi-collinearity among the variables.

The cross-sectional (CD) dependence test (Pesaran, 2004) points to existence of cross-sectional dependence. Accordingly, a second-generation unit root test developed by (Pesaran, 2007) known as cross-sectional augmented Im, Pesaran, and Shin (CIPS) was performed to avoid spurious results.

Lastly, considering the presence of cross-sectional dependence in the data, feasible generalised least square (FGLS) model was employed, which also take into account serial correlation and heteroscedasticity. The FGLS method is a static panel technique applicable for $N < T$, where N is the number of cross-sections and T is the number of time periods.

To address endogeneity, a two-stage least square approach was implemented within framework of FGLS model.

Baseline model

$$OPM_{it} = \beta_0 + \beta_1\, Sales\ growth_{it} + \beta_2\, ATR_{it} + \beta_3\, Staff\ cost\ to\ sales_{it} + \beta_4\, Raw\ material\ cost\ to\ sales_{it} + \beta_5\, WPI\ \ Manufacturing\ inflation_{it} + \beta_6\, GVA\ Manufacturing\ growth_{it} + \beta_7\, COVID\ dummy + \beta_8\, post\ COVID\ dummyX\ Sales\ Growth_{it} + \gamma_i + \varepsilon_{it},$$

$$i = 1,\ldots, N;\ t = 1,\ldots,T$$

in which i corresponds to industry in a sample and t refers to the quarter. γ_i represents industry fixed effects. Model specification was also augmented with COVID related dummy to disentangle the impact of pandemic, which takes value 1 during the periods Q4:2019-20 to

(Contd.)

[4] Based on 11 major industries, that is, textile, petroleum, chemical products, pharmaceuticals, iron & steel, electrical machinery & apparatus, cement & cement products, food products & beverages, and precious & non-ferrous metals, parts & other transport equipments, and motor vehicle accounting for cumulative share of around 85 per cent in sales of manufacturing companies.

Q4:2020-21, and 0 otherwise. Post COVID dummy takes value 1 for the periods Q1:2021-22 to Q4:2024-25 and 0 otherwise. The interaction of sales growth with the post-COVID dummy variable reflects how sales growth have influenced operating profit margins (OPM) during post-pandemic period.

The Wald test revealed that the industry-specific effects are jointly significantly influencing the operating profit margin. Empirical findings suggest that sales growth have positive and statistically significant impact on the OPM. This indicates that firms' high sales growth is typically associated with improvement profitability. However, the coefficient of sales growth interacted with post-COVID dummy is estimated to be negative, possibly indicating that during post-COVID period, corporates sacrifice sales growth to maintain their profitability (Table B1).

Estimated coefficient of COVID dummy indicates that OPM experienced rise of 71 bps, at 5 per cent level of significance. The coefficient of ATR shows the perverse sign, however, it remained statistically insignificant. From the expenditure side, as expected, the ratio of raw material cost to sales exhibited negative relationship with OPM. Further, estimated coefficients of macro variables have the expected signs.

Table B1: Impact of Sales Growth on OPM

Parameters	Coefficient Estimate	Standard Error	z-value
Sales growth	0.11	0.01	10.84***
Asset turnover ratio	-0.03	0.03	-1.06
Staff cost to sales ratio	0.63	0.35	1.82*
Cost of raw material to sales ratio	-0.13	0.05	-2.43**
WPI manufacturing inflation	-0.05	0.03	-1.44
GVA manufacturing growth	0.02	0.01	1.67*
COVID dummy variable	0.71	0.36	1.97**
Sales growth (y-o-y)* Post COVID Dummy	-0.09	0.01	-9.50***
Constant	17.81	3.84	4.64***

***p<0.01, **p<0.05, *p<0.1

Sources: Capitaline database; and RBI staff estimates.

References:

1. Pesaran, Hashem. (2004). General Diagnostic Tests for Cross Section Dependence in Panel. CESifo Working Papers. 69. 10.2139/ssrn.572504.
2. Pesaran, Hashem. (2007). A Simple Panel Unit Root Test in the Presence of Cross Section Dependence. Journal of Applied Econometrics. 22. 10.1002/jae.951.
3. Susanna Mansikkamaki. (2023). Firm growth and profitability: The role of age and size in shifts between growth–profitability configurations. Journal of Business Venturing Insights (Elsevier) 19 e00372.

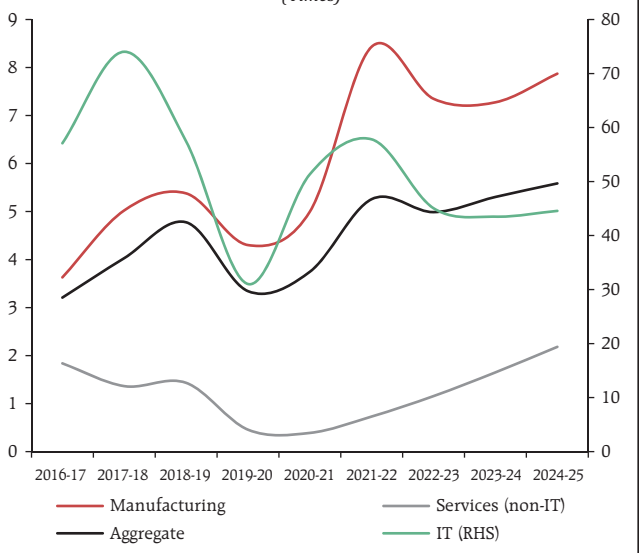
II.6. Debt serviceability – Stronger Balance Sheets: How Companies Improved Their Financial Health

Post-pandemic, companies improved their ability to service debt, with the interest coverage ratio (ICR) rising significantly. Manufacturing firms showed strong financial resilience. The interest coverage ratio, which measures a company's ability to pay interest on its debt, shows a notable improvement at aggregate level during the post-COVID period compared to pre-COVID and during COVID times. During pre-COVID period, the ICR of listed NGNF companies ranged from 3.2 to 4.8, indicating a stable ability to cover interest expenses. During COVID, the ratio inched-up to 3.7 from 3.3 during the previous year, reflecting resilience amidst economic challenges.

The decline in the ICR below unity was particularly pronounced within the non-IT services sector, underscoring increased financial strain during coronavirus pandemic. This trend was predominantly driven by significant downturn in the 'Telecommunication' and 'Transport and Storage Services' industries. ICR of non-IT services companies improved since pandemic and crossed unity. Due to substantial profit growth and effective cost management in the manufacturing sector, the ICR, on an average, improved to 7.7 post-COVID, signifying a notable enhancement in financial health and a stronger capacity to service debt. The improvement in debt serviceability was particularly attributed to the strong performance of the 'Chemicals and Chemical

Chart 9: Interest Coverage Ratio

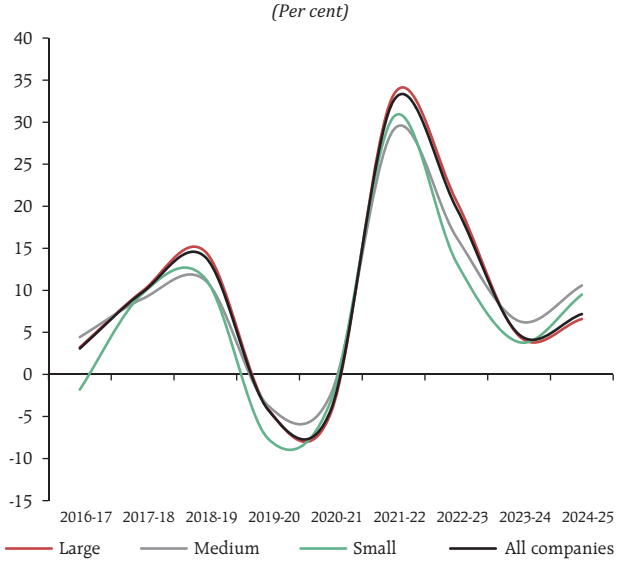
(Times)



Sources: Capitaline database; and RBI staff estimates.

Chart 10: Size-wise Sales Growth

(Per cent)



Sources: Capitaline database; and RBI staff estimates.

Products', 'Motor Vehicles and Other Transport Equipment', and 'Pharmaceuticals and Medicines' industries. Although the debt serviceability of 'Petroleum Products' industry improved after the pandemic, it remained below its pre-COVID levels. In contrast, ICR of IT sector exhibited moderating trend over the period but it remained at very high level, given its lower dependence on debt (Chart 9).

II.7. Firm size-wise analysis: Big vs Small: Who Led the Corporate Recovery?

Large corporations drove overall profitability, but medium and small firms also demonstrated greater improvements in debt servicing. Cost efficiency helped all firm sizes recover from pandemic losses. To differentiate the corporate performance based on size of a company, listed companies were classified into three size groups according to their paid-up capital in the respective year. Companies having paid-up capital more than Rs. 25 crores, between Rs 10 crore to Rs 25 crore and less than Rs 10 crore were classified as large, medium and small companies, respectively.

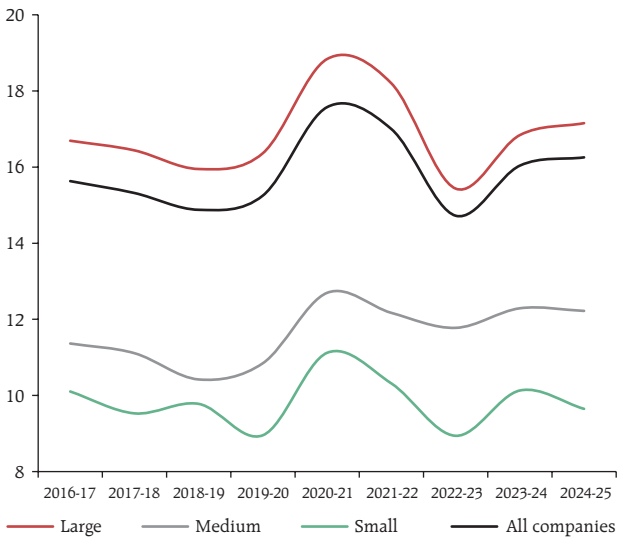
Aggregate level sales growth was mainly driven by large companies (having sales share of around 81-84 per cent across the periods). Across all size firms, corporates exhibited steady increase in sales growth during the pre-pandemic years. The onset of the pandemic and various social distancing norm related measures implemented by the government impacted the corporate performance severely across all firm sizes, as reflecting in contraction in sales and the nominal GVA growth during COVID period (Chart 10 and Annex Table A3).

Large companies emerged as the primary contributors to overall profitability, consistently achieving higher operating profit margins compared to medium and small size firms. Despite the pandemic-induced decline in sales, firms managed to improve their operating profit margins through effective cost-cutting measures and operational efficiency enhancements during the crisis (Chart 11).

Deleveraging of balance sheet by corporates and improved profitability helped better debt serviceability across the size categories. When examining debt serviceability across firm size, medium and small-sized companies demonstrated higher debt serviceability compared to their larger counterparts. However, it was the large companies that significantly drove the debt

Chart 11: Size-wise Operating Profit Margin

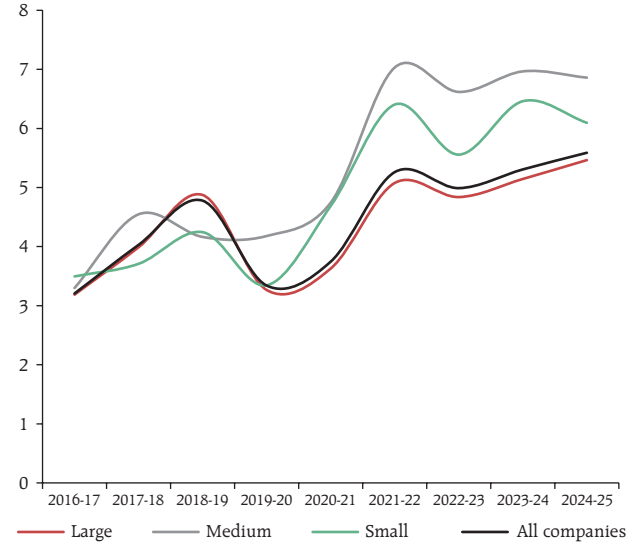
(Per cent)



Sources: Capitaline database; and RBI staff estimates.

Chart 12: Size-wise Interest Coverage Ratio

(Times)



Sources: Capitaline database; and RBI staff estimates.

serviceability metrics of listed private non-financial corporates (Chart 12).

III. Balance Sheet Analysis - Deleveraging for Stability: The Shift Towards Financial Strength

Companies pursued deleveraging, reducing their debt burdens while improving financial health. At the aggregate, the listed private non-financial companies went through a gradual process of deleveraging, as exhibited by their debt[5] to equity and debt to asset ratios, during the period under study, barring uptick seen during the pandemic year.

Deleveraging trend was mostly observed in the manufacturing and IT sector companies. In contrast, the non-IT services sector witnessed higher leverage with consistent rise till 2022-23, which was mainly due to lower equity base primarily reflecting decrease in their retained earnings. Higher leverage of non-IT services companies was predominantly reflecting stress in the telecom and transport sector companies. However, capitalisation of higher profit during 2023-24 and 2024-25 helped the sector to arrest the rising leverage trend (Chart 13).

Overall, the level of debt of listed private non-financial corporates increased from pre-COVID to the latest year. But, there has been higher increase in borrowing by large companies than their counter parts. On the other hand, the level of equity base increased at a faster pace than the debt levels across all firm size companies. Consequently, the leverage ratio improved for all sized groups[6], though the deleveraging was more evident for the other than larger sized companies (Chart 14).

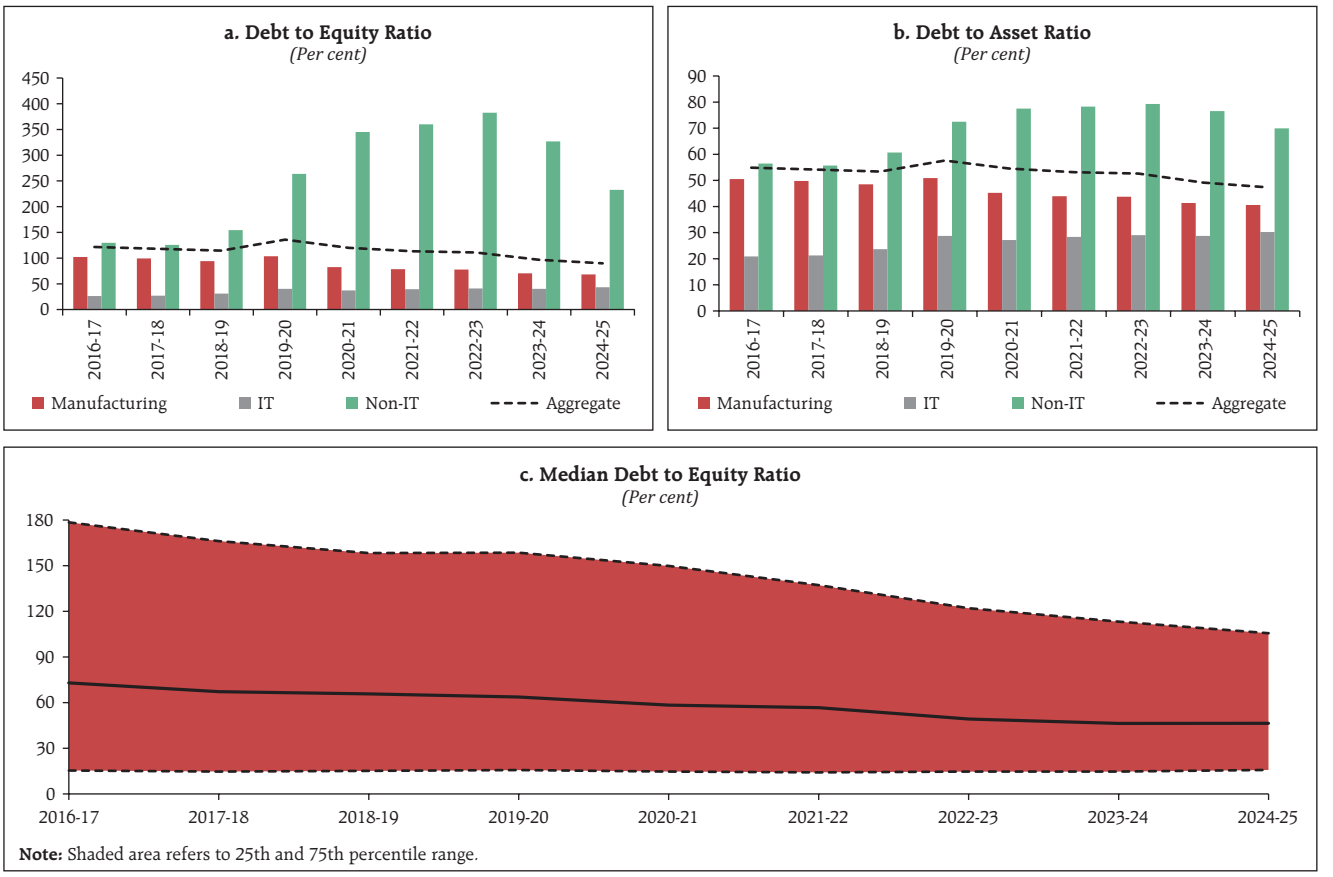
Analysis of sources and uses of funds for listed private manufacturing companies indicated that retained earnings remained the major source of funds, contributing to more than 55 per cent share in total equity and liabilities across all the years barring 2019-20. Capitalisation of higher net profit resulted in higher accumulation of retained profit across most of the periods (Chart 15).

Build-up of total assets (i.e. annual absolute change) of the manufacturing companies rose gradually during post pandemic period. The

[5] Debt is defined as difference between total liabilities and equity.

[6] For Large-sized companies, the leverage ratio (debt to equity ratio) improved to 94.0 per cent in 2024-25 from 139.2 per cent in 2019-20 and for remaining companies, it improved to 66.1 per cent in 2024-25 from 115.2 per cent in 2019-20.

Chart 13: Corporate Leverage



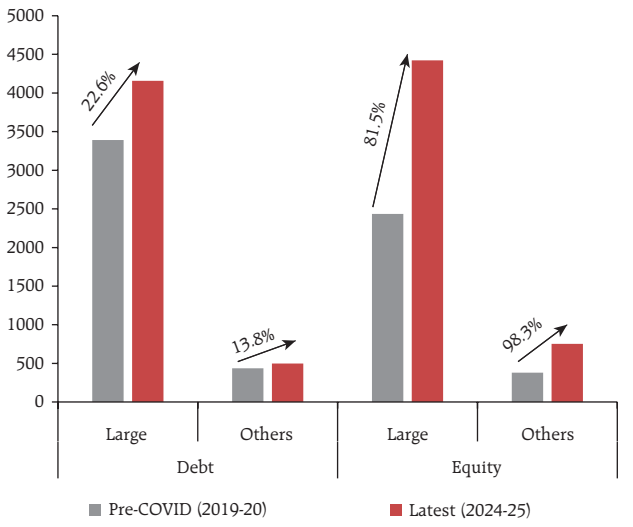
Note: Shaded area refers to 25th and 75th percentile range.

Sources: Capitaline database; and RBI staff estimates.

manufacturing companies used more than 50 per cent of the funds for the purpose of building-up the fixed assets and non-current investments (financial) across the period under study, barring COVID and the

Chart 14: Debt and Equity Levels

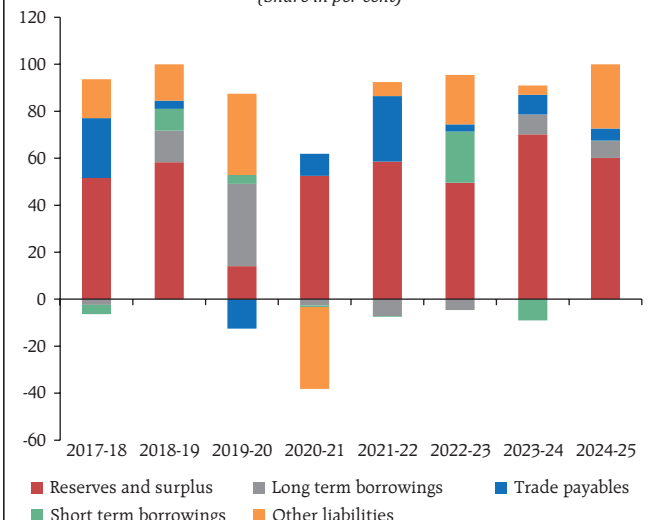
(₹ Thousand crores)



Sources: Capitaline database; and RBI staff estimates.

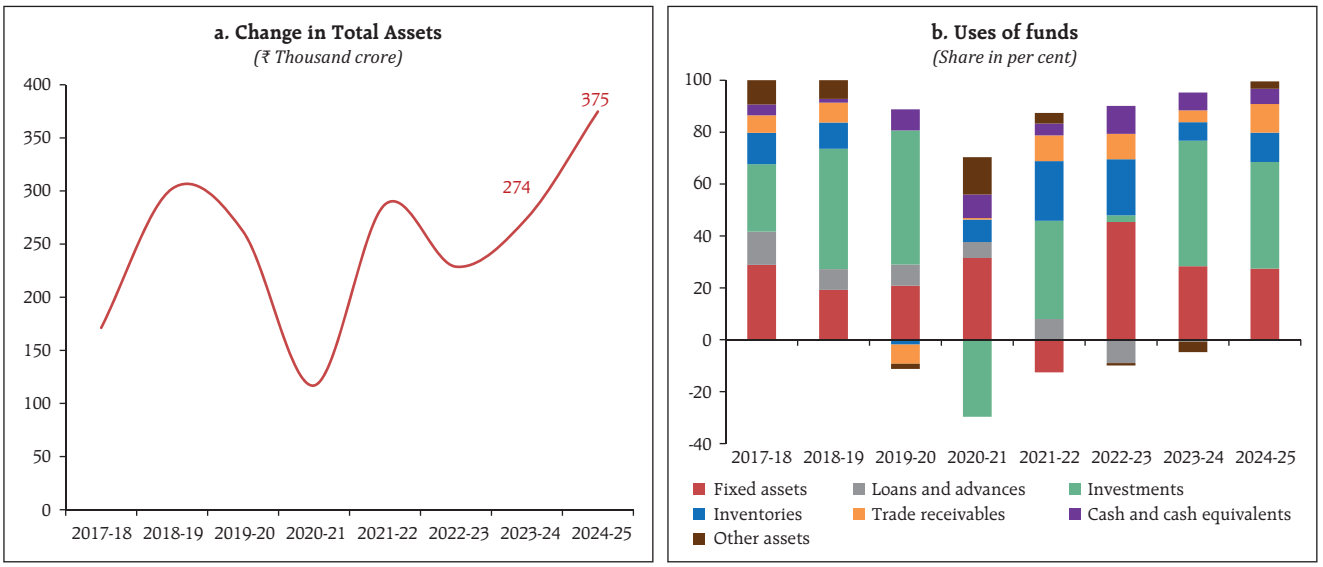
Chart 15: Sources of Funds - Manufacturing Companies

(Share in per cent)



Sources: Capitaline database; and RBI staff estimates.

Chart 16: Uses of Funds - Manufacturing Companies



Sources: Capitaline database; and RBI staff estimates.

following year. While during COVID, major portion of the funds were used for building up fixed assets, during 2021-22, funds were utilized for making non-current investments (Chart 16).

IV. Conclusion

India's private corporate sector has demonstrated significant resilience and adaptability amid economic disruptions led by the COVID-19 pandemic. While the weak domestic economic activity underpinned by sluggish private consumption during 2019-20 and the pandemic overblown the situation further causing a significant contraction in sales and profitability. Corporate sector rebounded strongly thereafter, supported by fiscal and monetary policies, pandemic-led pent up demand, and effective cost management. Sales growth peaked at 32.5 per cent in 2021-22 before normalising at 7.2 per cent in 2024-25, reflecting a transition from a rapid recovery phase to stable growth. Operating profit margins remained resilient, with large firms consistently outperforming medium and small enterprises. Despite challenges, cost optimisation strategies helped businesses sustain profitability. The manufacturing sector maintained stable profit margins, while non-IT services, after initial volatility, rebounded strongly. IT sector growth remained steady throughout.

Balance sheet analysis indicates that corporates continued to deleverage their balance sheet, which will help to undertake fresh investment activities. Medium and small firms enhanced their debt servicing capacity, contributing to overall financial stability.

The study underscores the corporate sector's ability to navigate crises and emerge stronger, positioning itself as one of the important drivers of India's economic growth. With a robust financial foundation and adaptive strategies, the sector remains well-placed to capitalize on future opportunities and contribute to sustained economic expansion. Looking ahead, sustaining corporate growth will largely depend on a combination of factors such as macroeconomic conditions, domestic demand, supportive policy measures, and global market dynamics. Additionally, strengthening supply chains, improving cost efficiencies, and fostering technological innovations will play a key role in maintaining competitiveness and shaping overall corporate performance.

References:

Bai, J., Choi, S. H., & Liao, Y. (2021). Feasible generalized least squares for panel data with cross-sectional and serial correlations. *Empirical Economics*, 60, 309-326.

International Monetary Fund (IMF). *World Economic Outlook: countering the Cost-of-Living Crisis.* Washington, DC, October (2022). Retrieved from https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022.

Kells, S. (2020), "Impacts of COVID-19 on corporate governance and assurance, international finance and economics, and non-fiction book publishing: some personal reflections", *Journal of Accounting & Organizational Change*, Vol. 16 No. 4, pp. 629-635.

Mather, P. (2020), "Leadership and governance in a crisis: some reflections on COVID-19", *Journal of Accounting & Organizational Change*, Vol. 16 No. 4, pp. 579-585.

Patra, M. D. (2022), "RBI's Pandemic Response: Stepping out of Oblivion", Keynote Address delivered at the C D Deshmukh Memorial Lecture Organised by the Council for Social Development, Hyderabad on January 28, 2022. Retrieved from https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1195.

Pramesti, N. P. E., Yasa, P. N. S., and Ningsih, N. L. A. P. (2021). The Effect of Capital Structure and Sales Growth on Company Profitability and Value in the Cosmetics Manufacturing and Household Needs Manufacturing Companies. *Jurnal Ekonomi dan Bisnis Jagaditha*, 8(2), 187-193. doi: https://doi.org/10.22225/jj.8.2.2021.187-193.

Sharjil M. Haque and Richard Varghese (2021). *The COVID-19 Impact on Corporate Leverage and Financial Fragility.* International Monetary Fund (IMF) Working Paper (2021), WP/21/265.

Topalova, P (2004). *Overview of the Indian Corporate Sector: 1989–2002.* International Monetary Fund (IMF) Working Paper (2004), WP/04/64.

William C. House, and Michael E. Benefield (1995). The impact of sales and income growth on profitability and market value measures in actual and simulated industries. *Developments In Business Simulation & Experiential Exercises*, Volume 22, 1995.

Annex

Table A1: Performance of Listed Non-Government Non-Financial Companies

(Growth in per cent)

Year	Number of Companies	Sales Growth	Expenditure Growth	Cost of Raw material Growth	Staff Cost Growth	Power and Fuel Growth	Operating profit Growth	Net profit Growth	GVA Growth
2016-17	3,007	3.1	3.8	4.8	8.7	-1.2	5.4	11.2	6.6
2017-18	3,096	9.8	10.1	12.3	7.5	17.5	5.2	-0.3	5.8
2018-19	3,151	14.0	15.3	16.9	10.6	15.7	10.5	36.2	11.7
2019-20	3,064	-4.2	-5.2	-10.2	8.1	-6.0	-3.9	-58.7	0.7
2020-21	3,049	-4.2	-7.1	-7.0	0.3	-21.6	10.4	115.6	6.2
2021-22	3,166	32.5	36.2	47.6	16.0	47.3	27.4	71.7	20.4
2022-23	3,115	19.8	22.0	20.6	16.6	48.8	2.7	-0.2	8.8
2023-24	3,281	4.7	2.8	0.1	9.2	-8.1	14.4	18.0	12.1
2024-25	3,902	7.2	7.3	6.7	7.7	-2.5	8.9	18.9	9.3

Table A2: Sector-wise Performance Parameters of Listed Non-Government Non-Financial Companies

(Growth in per cent)

	Manufacturing					Services (IT)					Services (non-IT)				
Year	Number of Companies	Sales Growth	Operating Profit Growth	Net Profit Growth	GVA Growth	Number of Companies	Sales Growth	Operating Profit Growth	Net Profit Growth	GVA Growth	Number of Companies	Sales Growth	Operating Profit Growth	Net Profit Growth	GVA Growth
2016-17	1,875	4.2	12.2	28.0	10.6	199	9.4	8.0	8.7	8.7	579	-1.5	-7.7	-114.5	-2.0
2017-18	1,891	11.9	10.4	2.0	9.7	192	5.0	3.2	10.1	6.0	626	1.8	-17.9	$	-8.5
2018-19	1,918	14.8	16.3	42.2	13.7	202	16.2	14.0	3.6	11.9	628	11.3	-12.8	$	-2.5
2019-20	1,841	-7.4	-11.6	-11.0	-7.0	195	8.4	8.7	10.0	10.5	616	6.9	47.9	$	38.0
2020-21	1,830	-2.8	10.6	23.0	7.6	198	4.4	15.5	8.0	6.7	637	-14.6	3.1	$	-5.3
2021-22	1,865	36.7	34.5	50.2	24.3	216	19.8	11.0	21.1	18.3	699	27.2	21.9	$	17.6
2022-23	1,821	18.0	-1.2	-3.8	3.9	215	19.4	8.8	-0.4	15.6	689	33.5	15.1	$	18.0
2023-24	1,846	3.5	12.4	8.5	10.5	211	5.5	5.6	10.5	7.8	927	7.9	27.9	$	21.8
2024-25	2,055	6.0	6.0	12.2	8.6	255	7.1	6.1	7.0	5.5	1,223	11.4	15.9	@	17.3

Note: The ratio / growth rate for which denominator is negative or negligible, is not calculated and is indicated as '$' and '@' respectively.

Table A3: Size-wise Performance Parameters of Listed Non-Government Non-Financial Companies

(Growth in per cent)

	Large					Medium					Small				
Year	Sales Growth	Expenditure Growth	Operating Profit Growth	Net Profit Growth	GVA Growth	Sales Growth	Expenditure Growth	Operating Profit Growth	Net Profit Growth	GVA Growth	Sales Growth	Expenditure Growth	Operating Profit Growth	Net Profit Growth	GVA Growth
2016-17	3.2	4.0	5.4	11.2	6.7	4.4	4.5	9.8	19.7	8.3	-1.8	-0.8	-5.0	-3.8	0.6
2017-18	9.9	10.1	5.8	-1.8	5.4	9.0	10.2	1.2	10.1	9.4	9.6	10.4	2.6	4.7	5.8
2018-19	14.6	16.0	11.0	43.2	13.0	11.2	12.7	5.0	-2.2	3.1	11.4	12.3	12.5	18.4	10.2
2019-20	-4.1	-4.9	-3.8	-67.5	0.7	-3.7	-5.1	-1.7	2.0	2.5	-7.6	-8.8	-11.9	-17.8	-2.8
2020-21	-4.6	-7.4	8.7	146.8	5.9	-2.3	-5.7	24.0	38.3	8.4	-3.1	-6.1	17.8	29.8	6.0
2021-22	33.3	36.9	28.4	75.3	20.5	29.1	32.6	19.6	58.7	20.0	30.6	35.9	24.4	36.8	17.4
2022-23	20.7	23.4	1.9	-0.1	8.5	16.3	16.3	10.3	-2.5	11.7	13.3	13.0	4.1	6.6	7.9
2023-24	4.6	2.3	15.2	18.1	12.1	6.3	6.4	8.0	15.7	11.5	3.8	1.8	14.3	24.8	14.0
2024-25	6.6	6.7	8.8	21.0	9.2	10.6	10.2	10.3	7.3	11.1	9.5	11.0	5.6	-3.7	6.8

Table A4: Nominal Growth in Gross Value Added

(per cent)

Industry-group	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Manufacturing	**10.6**	**9.7**	**13.7**	**-7.0**	**7.6**	**24.3**	**3.9**	**10.5**	**8.6**
Cement and Cement Products	13.1	12.1	5.1	17.9	17.5	-1.8	-13.6	21.9	-2.7
Chemicals and Chemical Products	11.4	13.8	10.1	0.4	11.3	24.5	8.6	-3.7	8.7
Computer and Electronic Equipments	-4.0	9.8	8.2	-3.2	0.9	71.0	26.2	26.5	37.1
Electrical Machinery and Apparatus	5.1	2.7	7.8	-7.1	3.7	9.3	21.5	21.1	25.2
Fabricated Metal Products	0.1	16.7	18.6	-24.7	-7.1	36.3	15.3	16.3	8.5
Food Products and Beverages	16.6	-19.4	28.9	11.8	14.0	11.7	12.0	8.9	6.8
Glass and Glass Products	7.3	5.6	8.0	1.8	-9.3	26.2	14.9	22.3	-0.6
Iron and Steel	40.0	20.2	28.4	-18.9	45.7	53.6	-30.3	16.9	-3.8
Jewellery and Related Articles	5.6	19.7	-6.0	9.6	-19.5	30.9	37.3	9.1	17.9
Leather	4.3	18.2	12.2	14.7	-19.9	23.0	-2.2	-0.3	4.3
Machinery and Machine Tools	6.5	6.5	12.1	-4.4	3.4	16.9	17.2	18.5	13.6
Medical Precision and Other Scientific Equipments	9.1	32.1	16.0	8.0	16.3	19.2	22.3	28.4	28.6
Motor Vehicles and Other Transport Equipments	8.0	15.1	12.1	-18.6	-6.4	11.8	34.3	31.0	12.6
Other Manufacturing	17.7	60.8	68.6	-61.2	5.7	38.3	7.8	5.8	5.9
Paper and Paper Products	30.1	13.8	30.2	-46.4	-29.9	39.1	57.4	-6.5	-21.9
Petroleum Products	11.0	15.0	13.4	-1.5	-24.8	33.3	16.2	11.8	-11.7
Pharmaceuticals and Medicines	1.7	6.7	11.8	10.0	13.2	-0.9	8.2	19.5	20.1
Plastic Products	3.0	6.1	12.5	-4.3	30.4	12.2	-9.0	9.5	11.2
Precious and Non-Ferrous Metals	24.4	9.3	-8.3	-17.6	51.7	42.3	4.8	-34.9	57.9
Rubber and Rubber Products	-16.4	-3.5	9.0	-0.2	21.3	-8.6	10.1	38.0	-5.0
Textiles	5.2	-7.7	7.6	-10.2	-11.8	60.7	-14.3	2.2	8.6
Tobacco Products	6.3	6.1	12.5	5.5	-8.1	13.5	21.5	6.9	3.1
Wood Products	10.8	7.0	7.1	8.0	-1.9	39.6	17.3	2.3	1.8
Services (non-IT)	**-2.0**	**-8.5**	**-2.5**	**38.0**	**-5.3**	**17.6**	**18.0**	**21.8**	**17.3**
Business Support Services	8.6	3.3	2.8	7.0	32.6	25.6	33.8	15.2	14.8
Hospital Services	8.6	10.3	22.1	31.7	-28.5	36.5	16.4	16.7	56.1
Hotel and Restaurant	2.9	2.8	0.5	1.4	-64.5	86.7	58.7	15.5	10.2
Other Services	4.1	5.9	4.3	7.1	-11.0	19.1	17.3	18.3	15.5
Real Estate	-8.8	-7.0	-3.0	23.7	-23.7	41.6	21.7	-7.0	8.6
Telecommunication	-5.7	-29.9	-19.0	76.9	27.0	8.9	4.0	19.6	19.9
Transport and Storage Services	-2.8	-1.9	-15.0	64.1	-31.2	0.3	54.1	53.9	13.5
Video and Television Programming and Broadcasting	12.9	24.8	11.8	-4.1	-22.4	16.6	0.3	15.3	-6.2
Wholesale and Retail Trade	-4.3	10.4	13.8	15.9	-15.5	46.2	37.9	16.0	15.1
Services (IT)									
Computer and Related Activities	**8.7**	**6.0**	**11.9**	**10.5**	**6.7**	**18.3**	**15.6**	**7.8**	**5.5**

Table A5: Description of Variables used in the FGLS model	
Sales growth (y-o-y)	It is the percentage change of a net sale over a given period of time. To compute the growth rates, a common set of companies for the current and previous period is considered.
Asset turnover ratio	ATR is defined as net sales to total asset ratio which measures how efficiently a company uses its assets to generate revenue. Since, total assets of a company are available on half-yearly basis, for compiling quarterly data on ATR, average total assets is compiled as indicated below: For Q1 and Q2 of current financial year, $Average\ assets = \frac{Total\ Assets_{H2,previous\ year} + Total\ Assets_{H1,current\ year}}{2}$ For Q3 and Q4 of current financial year, $Average\ assets = \frac{Total\ Assets_{H1,current\ year} + Total\ Assets_{H2,current\ year}}{2}$
Staff cost to sales ratio	It is defined as ratio of total staff expenses to net sales of the given quarter.
Cost of raw material to sales ratio	It is the ratio of cost of raw material to the net sales of the given quarter.
WPI (Manufacturing) inflation (y-o-y)	WPI Manufacturing inflation is the y-o-y growth of quarterly average of monthly WPI (manufactured products) series published by OEA, DPIIT, MoCI.
GVA (Manufacturing) growth (y-o-y)	GVA manufacturing is the y-o-y growth in quarterly manufacturing GVA (nominal), published in NAS, MoSPI.
COVID dummy	COVID dummy takes value 1 during the periods Q4:2019-20 to Q4:2020-21 and 0 otherwise.
Post COVID Dummy	Post-COVID dummy takes value 1 for the periods Q1:2021-22 to Q4:2024-25 and 0 otherwise.

Chart 1: Correlogram plot of independent variables in FGLS Model

Note: The growth rates are calculated on y-o-y basis.
Sources: Capitaline database; and RBI staff estimates.

Fundraising by Indian Small and Medium Enterprises through IPO: Recent Trends and Developments

by Bhagyashree Chattopadhyay and Shromona Ganguly ^

This study examines the performance and trends of SME IPOs in India during 2023-24 and 2024-25, with a focus on their evolution, market behaviour, and investor response. By analysing data from recent SME IPOs, the study explores the factors influencing subscription rates, listing gains, and post-listing performance. This study underscores the importance of due diligence, regulatory compliance, and data/fact/research driven investment decision in optimising IPO outcomes for both SMEs and investors.

Introduction

In a labour abundant country like India, small enterprises play a crucial role in economic development by creating jobs and facilitating export as well as ensuring balanced regional development. However, limited scale, lack of hard information on business model and high monitoring cost hinder their access to the formal credit and capital market (Saito and Villanueva, 1981). As per the World Bank Enterprise Survey (WBES) reports, the per cent of small firms considering lack of finance as their biggest obstacle stood at 18.7 per cent and 21.8 per cent globally and in India, respectively[1]. Access to finance is even more challenging for technology-based firms due to business uncertainties and lack of traditional collateral (Rajan & Zingales, 1998; Colombo & Grilli, 2007). For these innovative small businesses, capital market plays a crucial role, both in the form of fundraising through the initial public offering (IPO) in the public market or through venture capital/private equity/angel/incubation ecosystem in the private capital market. As India's startup ecosystem grows, fundraising by technology-based companies in capital markets gains prominence[2].

The SME IPO market in India witnessed a strong surge during FY 2023-24 and FY 2024-25, driven by retail participation, and favourable market sentiment. A surge in SME listings on dedicated exchanges, coupled with strong oversubscription rates, highlighted investor enthusiasm for small and mid-sized enterprises' IPO.

Set at this backdrop, this study examines the performance and trends of SME IPOs in India during FY 2023-24 and FY 2024-25, focusing on their evolution, market behaviour, and investor response. The study is organised in six sections. Section II outlines the evolution and recent trends in fundraising by SMEs through IPO in the SME exchanges, followed by an attempt made in section III to identify the key macro-economic and policy drivers that contributed to the bull run in this segment during last two years. Section IV analyses sectoral composition, and key response indicators of the SME IPOs. Section V highlights some key features of recent SME IPOs, while Section VI compares their post-IPO performance with mainboard IPOs. Finally, Section VII presents concluding observations.

II. SME IPO Market in India: Evolution and Recent Trends

India's support for small-scale industries (SSIs) began post-independence, with the Gandhi-Nehru model emphasising the role of handicrafts and cottage industries. For decades, India adopted a protectionist approach to support the SSI sector, reserving product

^ The authors are with Department of Economic and Policy Research. Views expressed in this article are those of the authors and do not represent views of the Reserve Bank of India.

[1] Latest available data for India in this survey pertains to 2022.

[2] As per the latest data provided by the Department for Promotion of Industry and Internal Trade (DPIIT), the IT startups recognised by the DPIIT registered a compounded annual growth rate of 229 per cent during 2016-2024.

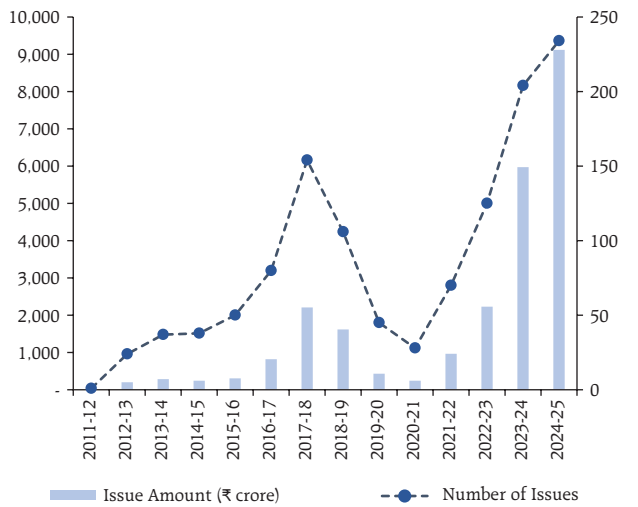
lines for SSIs (Mohan, 2002). However, since the mid-1980s, economic liberalisation and global market integration led to a shift from protectionist to market-based policies, driven by growing concerns over the impact of protection on Indian SSIs. Several economists and policymakers attributed the distorted size structure and "missing middle[3]" in Indian manufacturing to such protectionist measures (Mazumdar and Sarkar, 2009; Mohan, 2002; Krueger 2013). Despite policy shifts, the sector continues to be high in priority in the broader industrial policy during the last decade, with special mention in the *Make in India, Startup India, Atal Innovation Mission, and AatmaNirbhar Bharat* schemes. Industry 4.0 advancements have created both opportunities and challenges for Indian SMEs. The *SAMARTH Udyog Bharat 4.0* scheme, though operationalised under the aegis of the Ministry of Heavy Industries and Public Enterprises, mentions adoption of industry 4.0 technology by *both* the large and the small-scale sector as its core vision.

India's effort to create a SME-focused exchange dates back to 1989, when the Over the Counter (OTCEI) exchange was set up specifically for the SMEs, followed by the INDO NEXT Platform of Bombay Stock Exchange (BSE) in 2005. Since these initial efforts achieved limited success, a more comprehensive step came with the launch of the BSE SME platform in March 2012 and National Stock Exchange (NSE) Emerge in September 2012, which simplified listing norms related to IPO size, post-issue paid-up capital, and reporting requirements, as compared to the BSE and NSE mainboards. In addition, Securities and Exchange Board of India (SEBI) had also put in place the Institutional Trading Platform (ITP) framework in 2015 [later renamed as Innovators Growth Platform (IGP) in 2019] with a view to facilitating fundraising by new age companies in sectors like e-commerce, data analytics, bio-technology and other startups without a public listing. However, this framework failed to gain traction due to several market-microstructure related issues (SEBI, 2018)[4] and it remains a niche segment. In contrast, both BSE SME platform and NSE Emerge witnessed rapid growth in terms of number of companies and volume of funds raised over the years.

Since its inception, both BSE and NSE SME segment witnessed a broadly rising trend of activities except a brief bout of downturn noticed during 2018-2021 (Chart 1). As evident from Chart I, listings grew from 1 (₹7.25 crore) in FY 2011-12 to 80 (₹824.64 crore) in FY 2016-17. FY 2017-18 saw a significant increase with 154 issues totalling ₹2,213.39 crore. There were fluctuations in subsequent years, with lower activity in FY 2019-20 and FY 2020-21 (total issue amount at ₹435.64 crore and ₹244.29 crore, respectively) owing to the pandemic. In sync with the post-pandemic economic recovery, there was a surge in SMEs entering capital markets. FY 2023-24 witnessed a sharp rise with 204 issues opening up and fundraising to the tune of ₹5,971.19 crore.

Chart 1: SME IPO Issues across years in BSE and NSE SME Platforms

(Issue Amount (₹ crore) in Left Scale, No of Issues in Right Scale)



Source: Prime Database.

[3] The term "missing middle" is used to describe the lack of transition of firms from micro/small to medium category, as a result of which the size distribution of firms typically has very few in the mid-category. This adversely affects the productivity of the sector.

[4] Some of these issues included difficulties in complying with SEBI's lock-in period norms for promoters due to high investor churn during early stages of a start-up, as well as concerns over the abolition of special and differential voting rights among promoters post IPO.

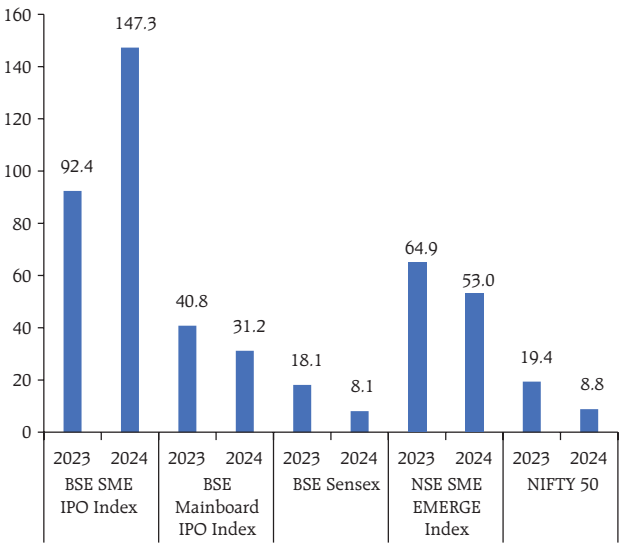
FY 2024 -25 marked a new development in the IPO market with NSE achieving record milestone of having highest number of IPOs in Asia and highest amount of equity capital raised in primary market globally (NSE press release, Jan 3, 2025). Total number of IPOs in NSE in CY 2024 stood at 268, as compared to 101 in China (Shanghai Stock Exchange), 66 in Hong Kong (Hong Kong Stock Exchange), and 93 in Japan (Japan Exchange Group). The IPO market buoyancy was partly attributed to democratisation of investment (NSE, 2024) whereby households increasingly channelise their savings to the capital market, strong fundamentals of the domestic economy as well as alluring market valuations. In sync with the buoyancy in the broader market, SME fund raising through IPOs has gained a lot of traction in the last two years. The number of SME IPOs listed in BSE and NSE SME platforms registed an increase of 87.2 per cent in 2024-25 as compared to 2022-23. Furthermore, in 2024-25, the total SME IPO issue amount grew at 52.7 per cent over the previous year.

SME IPOs have been in the spotlight in recent times, with probe by the SEBI revealing certain market irregularities[5]. Comparing the SME IPO indices to broader market indices in the last two years (Chart 2), it is observed that the BSE SME IPO index[6] outperformed the mainboard IPO index and the BSE Sensex registering significantly high returns.

Following this ebullience, and increased interest of retail investors on SME IPOs (Chart 3), SEBI has warned retail investors to be careful and watchful about the SME IPO space and urged investors to exercise caution while investing in the SME IPOs[7]. In November 2024, SEBI in consultation with NSE, BSE, and merchant bankers, reviewed the framework for the SME segment and came up with a consultation paper relating to both facilitating and regulating IPOs by SMEs. On December 18th, 2024, the SEBI board approved some of these propositions (Annex E).

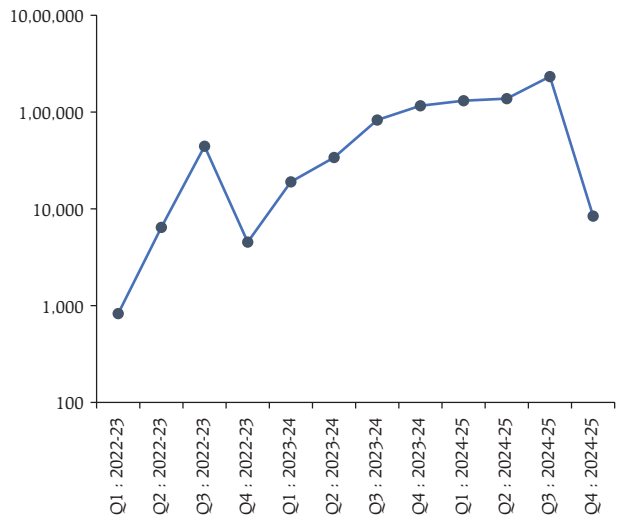
Chart 2: Annual Returns of Indices

(Percetage Return)



Source: Authors' calculation based on data obtained from BSE and NSE.

Chart 3: Quarterly Median Number of Applications by Retail Investors per SME IPO



Source: Authors' calculation based on data obtaibned from Prime Database.

[5] SEBI advisory for investors regarding investment in companies listed in SME segment (available at https://investor.sebi.gov.in/advisory-investment-in-sme-segment.html) and related SEBI orders.
As per author's calculations on the data from Prime Database, in FY 2023-24, 204 SME IPOs, which opened up issues initially aiming to cumulatively raise a sum of ₹5971 crore, ended up receiving bids for ₹5.6 lakh crore.

[6] BSE SME IPO index is a strategy index on the Bombay Stock Exchange (BSE). It captures the performance of a select group of small and medium enterprises (SMEs) after they have been listed on the BSE SME platform.

[7] SEBI Press Release Number 18/2024 dated August 18, 2024.

III. Major Drivers of the SME IPO Exuberance

III.1 Strong market sentiment and confidence

In FY 2023-24, India's stock market demonstrated remarkable performance, driven by a combination of strong economic growth, enabling government policies, and robust investor sentiment. This growth was supported by India's consistent GDP expansion, making it one of the fastest growing economies among G20 nations. Investor confidence was further bolstered by government reforms aimed at enhancing growth of infrastructure and manufacturing, along with strong corporate earnings growth in FY 2023-24 (RBI Annual Report, 2023-24). The Indian stock market also partially benefitted from substantial foreign inflows during FY 2023-24, with cumulative net FPI in equity segment reaching ₹2.08 lakh crore[8], as compared to a net outflow in the previous year[9]. Additionally, India attracted a broad base of investors, with a record 1.8 crore new investors joining the market in FY 2023-24, reflecting growing domestic participation[10]. The market's strength and investor confidence signalled a bullish outlook despite global uncertainties.

III.2 Strong Demand by Retail Investors

The strong interest from retail investors in the SME IPOs have been noteworthy, partly reflecting absence of lock-in period for retail investors, and easier availability of trading facilities nowadays. In sync with the above trend, the median number of retail participants in SME IPOs rose significantly during the period Q3: 2022-23 to Q3: 2024-25 (Chart 3). Additionally, Indian stock market is now dominated by young investors, aged below 30 years (NSE, 2025). In March 2019, this age group accounted for only 22.6 per cent of the total investor base. By July 2025, their share had grown significantly to 38.9 per cent, reflecting a rapid rise in the participation of young investors in the stock market. The median age of investors in the stock market reduced to 33 years in July 2025 from 38 years in March 2019 (NSE, 2025). Young investors typically have higher appetite for risk, which, coupled with advancement of technology facilitating trading partly explains this trend.

III.3 Increased investors' convenience through advancement in payment and settlement mechanism

Unlike the traditional IPO process where the application amount was debited immediately, the Application Supported by Blocked Amount (ASBA) system now allows the funds to remain in the investor's account, earning interest until the allotment process is completed. This means that there is no waiting for a refund in case of no allotment and no upfront payment is needed from the investor. The introduction of the use of United Payment Interface (UPI) as an additional payment mechanism within the ASBA framework in 2018 further facilitated retail investors' participation in IPO market. Recently, SEBI has nudged the Qualified Stock brokers (QSBs) in the secondary market (cash segment) to offer either of the UPI-block facility or a 3-in-1 trading facility to investors[11].

III.4 State Government Incentives

Some state governments like Tamil Nadu, and Gujarat have introduced schemes to incentivise fund raising through IPOs (Annex D). These incentives have aimed to reduce entry barriers for SMEs into equity markets, promote formalisation and encourage entrepreneurial growth. During the last two years, Maharashtra led the number of listings followed by

[8] NSDL FPI monitor

[9] However, in more recent months, FPI flows have been rather volatile, with significant outflow from the equity segment in October and November 2024. Though FPIs returned to Indian stocks in December 2024 for a brief period, Q4, 2024-25 witnessed mostly outflow from the equity segment.

[10] https://www.cogencis.com/blog/Markets_and_macro_in_the_year_that_was

[11] Through this, investors would be able to block funds in their own bank account for trading in secondary market, instead of transferring the same upfront to their broker or Trading Member (TM). In a 3-in-1 account, brokers tie-up with a bank, so that client funds with the bank can be blocked for trading in secondary markets. Investors continue to earn interest on the blocked amount.

Table 1 : Top States/UT in terms of Number of SME IPOs

	FY 2023-24	FY 2024-25	Total
Maharashtra	65	65	130
Gujarat	53	49	102
Delhi	30	35	65
West Bengal	8	20	28
Tamil Nadu	10	14	24
Rajasthan	5	12	17

Source: Prime Database; Prowess, Centre for Monitoring Indian Economy (CMIE)

Gujarat and Delhi. Maharashtra and Gujarat dominate the SME listings reflecting rapid infrastructure growth, industrial diversity, supportive policies, and ease of doing business in these states (Table 1).

IV. Sectoral Composition

The manufacturing sector led SME IPO listings in terms of issue size due to its capital-intensive nature and scalability, followed by services (Table 2). Within services, wholesale trade led by a significant margin amidst policy boost supporting India's supply chain ecosystem. While the traditional sectors like metals, infrastructure and chemicals had a strong presence in the SME IPO segment, there was also an increasing participation in digital driven sectors.

Sector-wise key response data indicates high oversubscription in utilities, clean energy, travel services, automobile manufacturing, and environmental management indicating a preference for companies aligned with long-term infrastructure, mobility, and sustainability themes (Annex B). A surge in SME listing in travel, logistics and education indicates post-pandemic pick up of growth in these sectors.

V. Salient Features of Recent SME IPOs

V.1 Strong retail interest in SME IPOs

The number of applicants for SME IPOs has surged significantly from 4 per allottee in FY 2022-23 to 245 applicants per allottee in FY 2024-25. One reason behind this surge is the active involvement of retail investors. During January-June 2023, 7 SME IPOs were oversubscribed over 100 times. From July 2023 onwards, this trend corroborated as 32 SME IPOs surpassed the 100x subscription mark, gaining

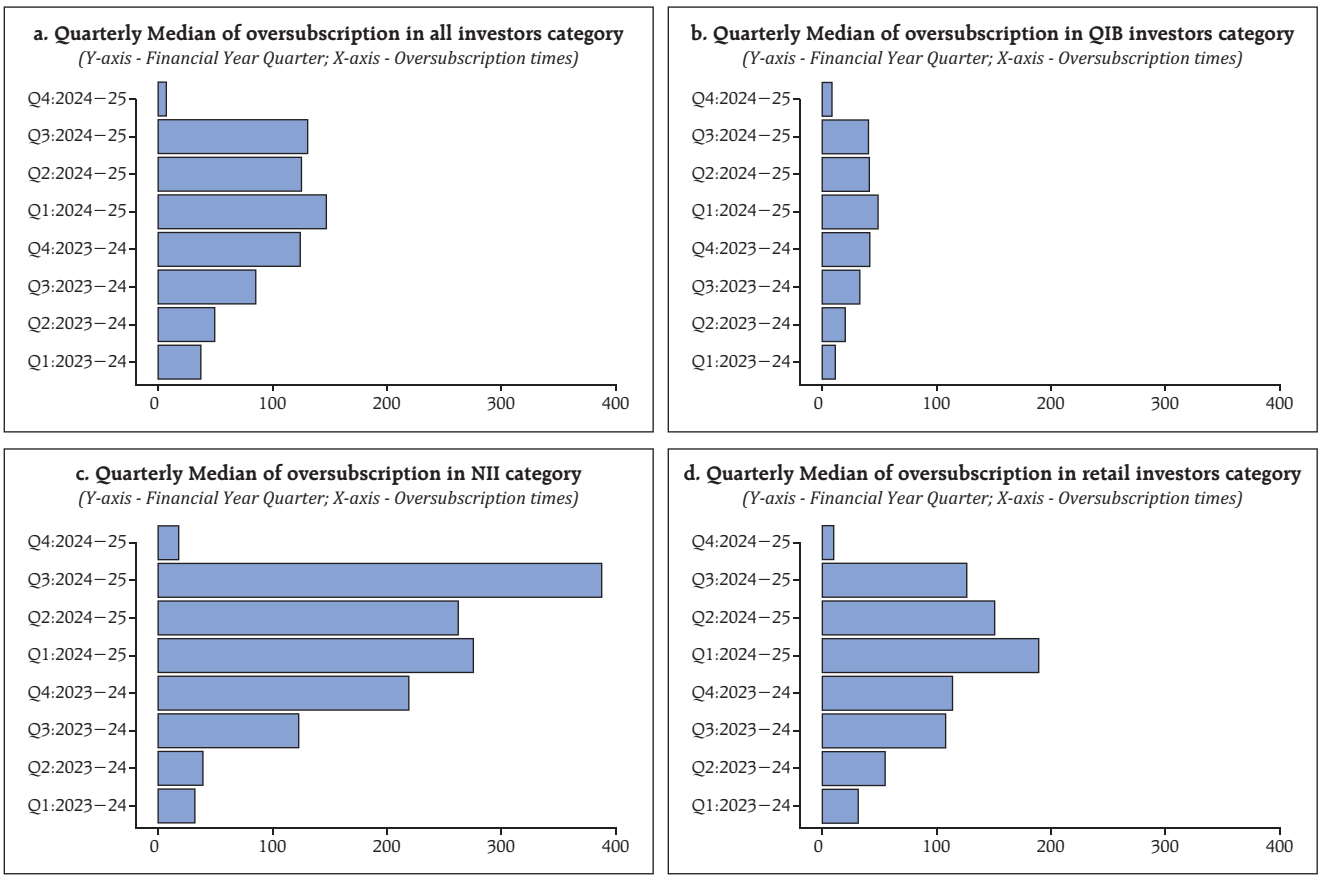
Table 2: Sector-wise SME IPOs in FY 2023-24 and FY 2024-25

Sector	Total No. of SME IPOs	Issue size of sector (₹ cr)	NIC Division (Top 5, in terms of issue size)	No. of SME IPOs	Issue Size (₹ crore)
Agriculture	11	270	Crop and animal production and related activities	11	270
Manufacturing	209	7875	Civil engineering	23	974
			Manufacturing of electrical equipment	14	898
			Manufacture of basic metals	28	865
			Manufacture of fabricated metal products	11	647
			Manufacture of chemicals and chemical products	19	604
Services	220	6935	Wholesale trade, except of motor vehicles and motorcycles	85	2248
			Computer programming, consultancy, and related activities	23	799
			Telecommunications	11	761
			Retail Trade	12	356
			Human health activities	11	287

Source: Authors' calculation based on data from Prime database and Prowess, CMIE.

[12] Recently, SEBI has taken steps to align the allocation method for non-institutional (NII) category in SME IPOs with the mainboard IPOs, primarily to curb exuberance in the NII category.

Chart 4: Oversubscription to SME IPOs by Investor Type



Source: Authors' calculation based on data from Prime database.

even more momentum since early November 2023. Oversubscription was primarily driven by non-institutional investors and retail investors[12] (Chart 4).

Oversubscription levels in Q4:2024-25 saw a noticeable decline across investor segments, marking a shift from the peak exuberance observed in previous quarters. This moderation aligns with regulatory actions introduced by SEBI in December 2024, aimed at curbing speculative excesses and bringing greater discipline to the SME IPO market.

V.2 Relatively tepid response from Qualified Institutional Investors

Subscriptions from qualified institutional buyers (QIBs) boost retail investors' confidence in IPOs while also bringing expertise that benefits companies long-term. SEBI has introduced several initiatives to encourage QIBs to participate in SME IPOs. However, QIB oversubscription in the SME segment has remained limited, with demand staying stable across quarters (Chart 4b).

Additionally, only a few foreign portfolio investors have acted as anchor investors in SME IPOs. Notably, a few domestic firms have emerged as key players, serving as anchor investors in over 30 SME IPOs in 2024[13].

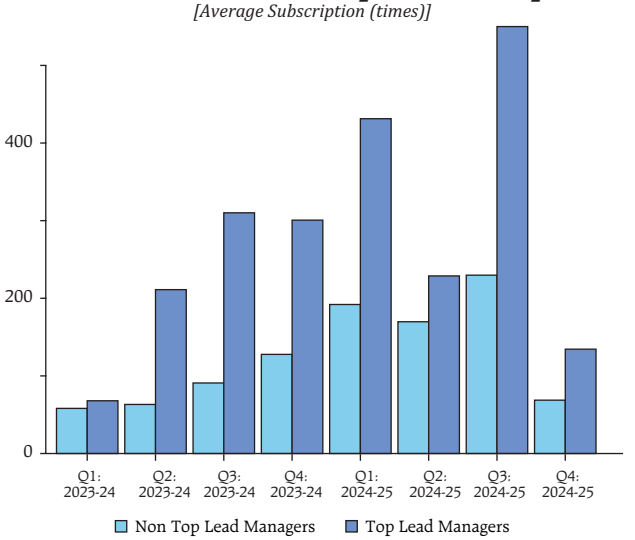
V.3 Reputation of merchant bankers as a key determinant of demand

Merchant banks are crucial intermediaries in the SME IPO process, as they also play the role of mandatory market maker during the initial years after IPO. Reputed merchant banks are typically more trusted by investors due to their strong track record, global presence, and market expertise. To

[13] Based on analysis of IPOs' data from Prime database.

Chart 5: Retail Subscription (Times) by Merchant Bank Classification (Top and Non-Top)

[Average Subscription (times)]



Source: Authors' calculation based on data from Prime database.

analyse the effect of merchant banks' reputation on subscription rates, the lead merchant banks were divided into two groups – top and non-top. The top category included seven banks managing over 50 per cent of total IPO issue (value) in FY 2023-24 and FY 2024-25, while the remaining banks were classified as non-top. Analysis shows that subscription rates of IPOs managed by the top merchant banks/Lead Managers are on an average twice as those managed by others (non-top lead managers) (Chart 5). This demonstrates the importance of the reputation of the merchant bank for attracting potential investors. Their extensive networks, strategic distribution, and strong ties with institutional investors help generate demand even before the IPO launches, significantly increasing the likelihood of oversubscription.

V.4 Listing Premiums

SME IPOs in India have been witnessing massive oversubscription, with listing at significant premiums. Some SME IPOs have surged by 100 per cent post-listing, attracting retail investors primarily seeking listing gains. During FY 2023-24 and FY 2024-25 (till October 15, 2024), 224 out of 255 SME IPOs on NSE listed at a premium, while 31 debuted at a discount. Similarly, on BSE, 91 out of 100 SME IPOs saw listing gains, with only 9 listing below issue price[14].

SME IPOs' listing premiums (measured as percentage gain of closing price on listing date over the issue price) in India tend to range from 0 to 400 per cent on the listing day (Chart 6), depending on

Chart 6a. SME IPOs' listing gains in FY 2023-24 and FY 2024-25

[Y-axis - Frequency; X-axis - Listing gains (Percentage)]

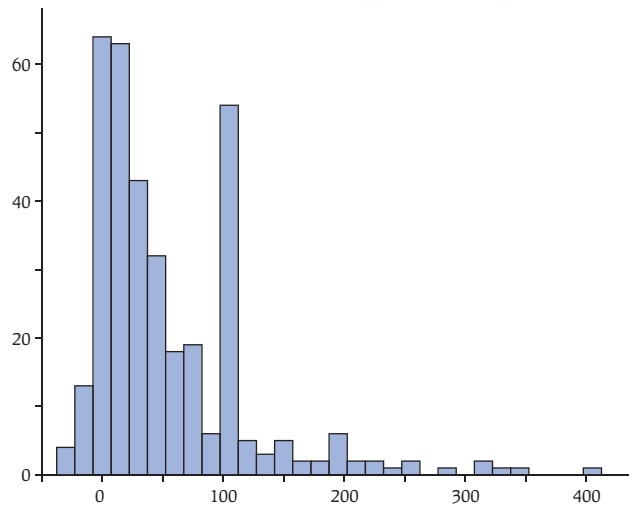
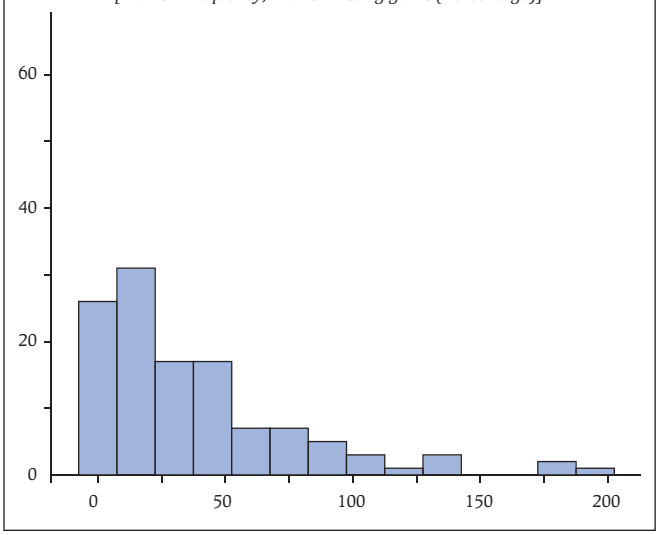


Chart 6b. Mainboard IPOs' listing gains in FY 2023-24 and FY 2024-25

[Y-axis - Frequency; X-axis - Listing gains (Percentage)]

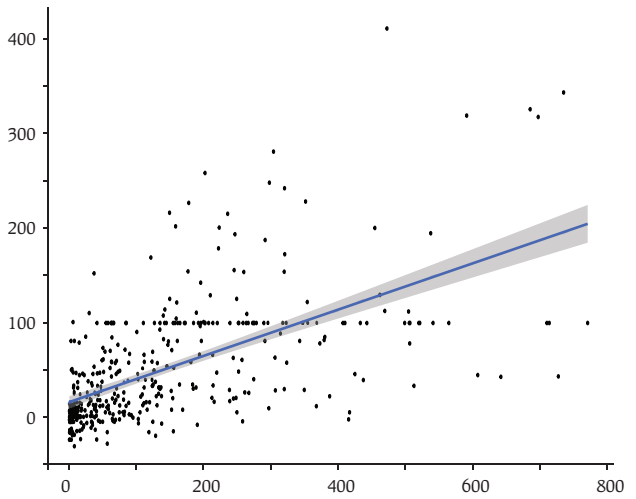


Source: Authors' calculation based on data from Prime database.

[14] SEBI consultation paper on review of SME segment framework under SEBI (ICDR) Regulations, 2018, and applicability of corporate governance provisions under SEBI (LODR) Regulations, 2015 on SME companies to strengthen pre-listing and post-listing SME provisions.

Chart 7: Oversubscription Levels and Listing Gains for SME IPOs in FY 2023-24 and 2024-25

(Y-axis - Listing gains (Percentage); X-axis - Times Subscribed)



Source: Prime Database.

factors like demand, merchant banker reputation, and the market sentiment. In contrast, mainboard IPOs, involving larger, established companies, undergo stricter regulatory scrutiny and attract a broader investor base, including institutional investors, high net worth individuals and mutual funds. As a result, their listing premiums tend to be more stable, typically averaging between 10 to 40 per cent.

Chart 7 highlights a positive correlation between SME IPOs' subscription levels and listing day returns. This underscores the crucial role of retail and institutional demand in influencing IPO performance. Higher oversubscription levels often indicate strong market sentiment, leading to substantial listing gains.

V.5 Use of IPO proceeds by SMEs

An analysis of the type of capital[15] in the SME IPO market in FY 2023-24 and FY 2024-25, reveals that in both the years, the issue of fresh capital dominates, comprising over 90 per cent of the total issue (Table 3). This indicates that companies are raising funds for growth and operational needs rather than allowing existing shareholders' exit[16].

The proceeds from an IPO are typically allocated to various strategic areas, reflecting the company's short-term and long-term priorities. Chart 8 depicts the primary reasons of fundraising by SMEs in FY 2023-24 and FY 2024-25. It is observed that capital enhancement/working capitals has the largest proportion, indicating the companies' primary focus on improving liquidity or ensuring the availability of funds for operational requirements. The second-highest requirement is for 'expansion/new projects/plant & machinery', suggesting a strong emphasis on growth and scaling operations through new infrastructure or capacity expansion. The allocation to general corporate purpose reflects miscellaneous expenses or flexibility in using funds for general business purposes. A smaller yet significant portion of the IPO proceeds was used for reducing financial leverage, indicating

Table 3: Type of Issue (Fresh Capital / Offer for Sale) in SME IPOs

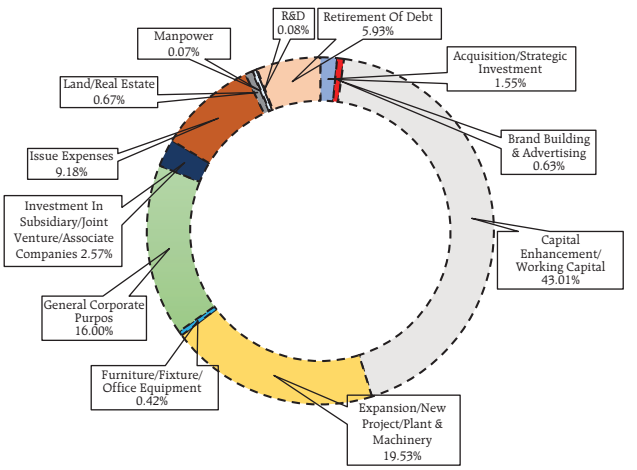
Period	Total Issue Amount (₹ cr)	Offer for Sale (₹ cr)	OFS as percentage of Total Issue Amount	Fresh Capital (₹ cr)	Fresh Capital as percentage of Total Issue Amount
FY 2023-24	5,971.19	310.26	5.19	5,660.93	94.80
FY 2024-25	9,119.97	775.6	8.5	8,344.37	91.5

Source: Authors' calculation based on data from Prime database.

[15] While fresh capital involves the issuance of new shares by the company to raise funds, offer for sale (OFS) involves the sale of existing shares held by the promoters, early investors, or other shareholders. The distinction between OFS and fresh capital in an IPO is crucial because it directly affects the company's financial trajectory, investor sentiment, shareholding structure, and long-term business strategy. While fresh capital is viewed positively, as it indicates the company's intent to grow and use the proceeds for productive purposes, OFS may raise concerns if promoters or early investors are offloading significant stakes.

[16] Available promoter stakeholding data for a sample of 109 SMEs listed in CY 2024 showed that around 14 per cent of these firms witnessed individual promoter stake dilution at IPO to the tune of 22.6 per cent (on average) as compared to their stake pre-IPO (Data sourced from Prime Database).

Chart 8: Usage of IPO Proceeds by SMEs in FY 2023-24 and FY 2024-25



Source: Authors' calculation based on data from Prime database.

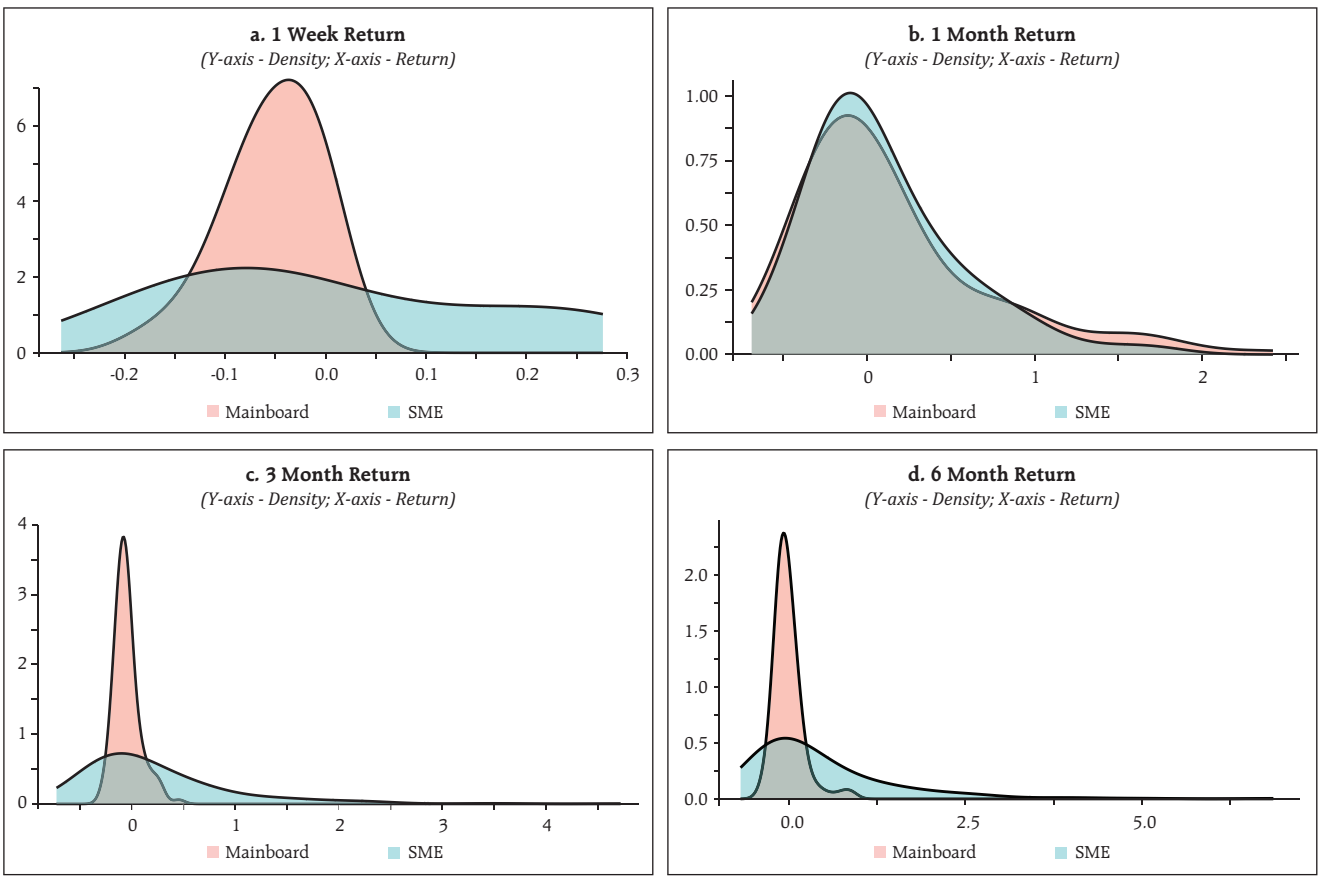
the intent of these companies to diversify funding sources.

VI. Aftermarket Performance of SME Stocks

The return distribution of the companies which underwent IPOs in the last two financial years is analysed in this section to track the post listing performance of the stock prices of the companies. Chart 9 depicts the return characteristics of the SME IPOs over 4-time horizons: 1 week, 1 month, 3 months and 6 months. Density plots showing the distribution of returns across different horizons are observed and compared against the distribution of returns of companies listed on the mainboard in the same period. The charts exhibit the differences in risk and return profiles and performance dynamics of IPOs in the the two segments over different time periods.

The return distributions of mainboard and SME IPOs reveal notable differences across various time horizons. Over one week, both mainboard and SME

Chart 9: Post IPO Returns on SME and Mainboard Stocks for Different Time Periods



Source: Authors' calculation based on data from Prime database.

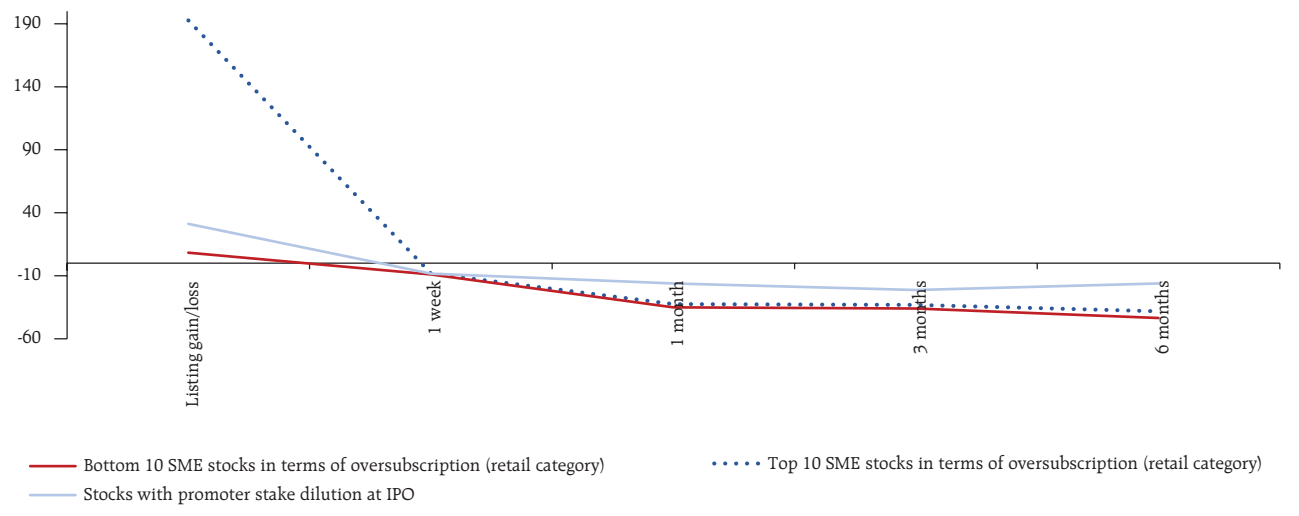
IPOs show returns centred near zero, but SME IPOs exhibit a flatter and wider distribution, indicating higher variance. At the one-month horizon, both groups display positively skewed distributions, with many companies experiencing negative returns while a few achieve very high positive returns, and differences between the two groups become less pronounced. At the three-month horizon, mainboard IPOs show a narrow distribution with returns concentrated near zero, reflecting lower variability and more predictable outcomes. In contrast, SME IPOs demonstrate a much wider spread, including some extreme high-return outliers, suggesting greater variability and the potential for both higher risks and rewards. By six months, the divergence becomes even more evident, with mainboard IPOs maintaining a tight distribution around small positive returns, while SME IPOs show a long tail driven by a few very high-return outliers. However, zero/negative return is observed in a large number of SME stocks. Overall, mainboard IPOs consistently exhibit narrower and more stable return distributions, while SME IPOs present higher variability, with greater potential for both significant gains and losses, particularly over longer time horizons.

A notable trend in recent SME IPOs is the sharp listing gains, followed by negative returns within a short period. This decline is even more pronounced in IPOs that drew strong interest from retail investors (Chart 10). The inability of many SMEs to sustain positive returns post-listing coupled with sharp listing gains following increased interest from retail investors in these stocks prompted SEBI to initiate regulatory measures aimed at restoring stability in the SME IPO segment (Annex E).

High demand for certain stocks, combined with limited allotment, often leads to inflated prices as investors compete to acquire shares. Retail investors, drawn by the potential for quick listing gains, often overlook fundamentals, leading to inflated valuations. A comparison of the price-to-earnings ratios of 100 SMEs listed in FY 2023-24 and FY 2024-25 to their respective industry averages reveals signs of over-valuation in some of these stocks. Around 20 per cent of these stocks have price-to-earnings ratios in excessive multiples when compared to their industry peers.

Table 4 shows possible overvaluation in a few stocks which were oversubscribed heavily by retail

Chart 10: Trend in SME Stocks' Return
[Median return (per cent)]



Note: Based on analysis of 370 SME IPO listing during 2023-24 and 2024-25
Source: Authors' calculation based on data from Prime database.

Table 4: P/E ratios of Select SME IPOs in FY 2023-24 and FY 2024-25: One Week after Listing

Stock	Ratio of Oversubscription (Retail) to Median Oversubscription*	P/E Ratio	Median P/E Ratio of Peer Group Companies
1	14.28	104.92	35.44
2	14.28	32.66	34.34
3	11.58	111.94	53.52
4	11.24	62.32	41.75
5	9.65	77.95	43.78
6	8.52	57.47	44.74
7	7.41	25.51	34.15
8	7.27	38.72	40.34
9	7.15	36.49	51.49
10	6.19	45.56	39.37

Note: *: Oversubscription numbers are relative to average oversubscription for SME IPOs during the period under consideration. A higher P/E ratio compared with the industry average indicates possible overvaluation of the stock. Selected companies are from top 100 in terms of oversubscription (retail). Peer group companies are selected from listed companies pertaining to the same industry and similar size categories. For determining size category, the decile-wise classification of the Prowess database is used.
Sources: Prime Database, and Prowess, CMIE.

investors during listing. Following such exuberance, some stocks had substantially higher price to earnings (P/E) ratios compared to their industry medians (Table 4 and Annex C).

VII. Conclusion

The saying, "Bull markets are born on pessimism, grow on scepticism, mature on optimism, and die on euphoria", serves as a crucial reminder for investors in the SME IPO segment. While the buzz around SME IPOs may seem exciting, investing solely on market sentiment can be risky. During bullish phases in the market, enthusiasm and investors' appetite may cause investors overlook due diligence. In this phase, demand for IPOs surge, and expectations of substantial listing gains can lead to inflated valuations. However, market reversals can quickly dampen this optimism.

SME IPOs may offer impressive gains in favourable conditions but carry higher volatility and risk during downturns, making due diligence indispensable. Investors should carefully evaluate the company's fundamentals, growth prospects, and risk factors before committing capital. Overall, SME exchanges offer a unique challenge from the regulatory perspective, where there is a need to balance the objective of market development with that of investors' protection.

Given the strong growth of start-ups in India, most of which have innovative business models, the provision of risk capital for these firms becomes crucial. Keeping in view the spurt of SME IPOs in recent months and the associated challenges from the perspective of investor protection, SEBI in consultation with NSE, BSE and merchant bankers, had initiated the review of the IPO framework for the SME segment. These measures aim to reduce information asymmetry and regulatory arbitrage, ensure proper utilisation of IPO proceeds, prevent market manipulation, and protect retail investors. The reforms are expected to foster transparency and stability in the SME IPO segment going forward.

References

Bhattacharya, A. (2017). Innovations in new venture financing: Evidence from Indian SME IPOs. *Global Finance Journal*, 34, 72-88.

Colombo, M. G., & Grilli, L. (2007). Funding gaps? Access to bank loans by high-tech start-ups. *Small*

Business Economics, *29*, 25-46.

Krueger, A. O. (2013). The Missing Middle. *Economic reform in India: Challenges, prospects, and lessons*, 299.

Mazumdar, D., & Sarkar, S. (2009). The employment problem in India and the phenomenon of the missing middle. *Indian Journal of Labour Economics*, 52(1), 43-55.

Mohan, R. (2002). Small-scale industry policy in India. *Economic policy reforms and the Indian economy*, 213.

NSE Press Release Mumbai, 03 January 2025. National Stock Exchange achieves record milestones of highest numbers of IPOs within ASIA & highest equity capital raised in primary market globally in calendar year 2024

NSE (2024). Indian Capital Markets: Transformative shifts achieved through technology and reforms

NSE (2025). Market Pulse Report. Volume 7. Issue 9. September 2025

Rajan, R., & Zingales, L. (1998). Financial development and growth. *American economic review*, 88(3), 559-586.

Securities and Exchange Board of India (SEBI). (2024). Consultation paper on review of SME segment framework under SEBI (ICDR) Regulations, 2018, and applicability of corporate governance provisions under SEBI (LODR) Regulations, 2015 on SME companies to strengthen pre-listing and post-listing SME provisions.

Saito, K. A., & Villanueva, D. P. (1981). Transaction costs of credit to the small-scale sector in the Philippines. *Economic Development and Cultural Change*, *29*(3), 631-640.

SEBI (2018). Consultation Paper-Review of framework for Institutional Trading Platform.

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

World Bank.(2024). "World Bank Enterprise Surveys: 'Biggest Obstacle' Indicator.

Annex A:

Top IPOs in India (in terms of Size) in FY 2024-25

Mainboard		SME	
Name	**IPO Size (₹ crore)**	**Name**	**IPO Size (₹ crore)**
Hyundai Motor India Pvt. Ltd.	27,858.75	Danish Power Ltd.	188
Swiggy Ltd.	11,327.43	Sahasra Electronic Solutions Ltd.	176.83
NTPC Green Energy Ltd.	10,000	Capital Numbers Infotech Ltd.	160.69
Hexaware Technologies Ltd.	8750	Rajesh Power Services Ltd.	152.29
Vishal Mega Mart Ltd	8000	Ganesh Green Bharat Ltd.	118.94

Source: Prime Database.

Annex B:

Oversubscription in SME IPOs: Sector-wise in FY 2023-24 and FY 2024-25

Sector	Total No of Companies in sector	Median Subscription times	NIC Division (Top 5 in terms of times subscibed)	No of Companies	Median over-subscription
Agriculture	11	68	Crop and animal production	11	68
Manufacturing	209	82	Electricity, gas, steam, and air conditioning supply	1	770
			Manufacture of motor vehicles, trailers, and semi-trailers	5	239
			Manufacture of beverages	1	216
			Manufacture of other non-metallic mineral products	3	156
			Manufacture of fabricated metal products	11	145
Services	220	69	Travel agency, tour operator, reservation service, and related activities	3	387
			Environmetal and Waste Management	2	219
			Education	3	210
			Activities auxiliary to financial services and insurance activities	4	196
			Telecommunications	11	161

Source: Authors' calculation based on data from Prime database and Prowess, CMIE.

Annex C:
Valuation of Listed SMEs in Comparison with Peer Group

Chart C1. PE Ratios-1week after Listing

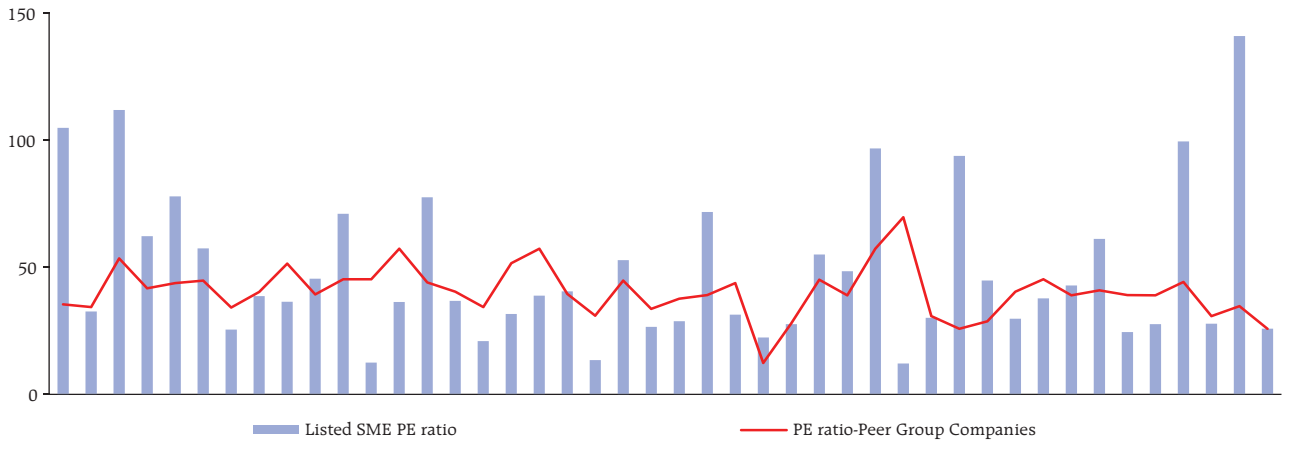


Chart C2. PE Ratios-30 Days after Listing

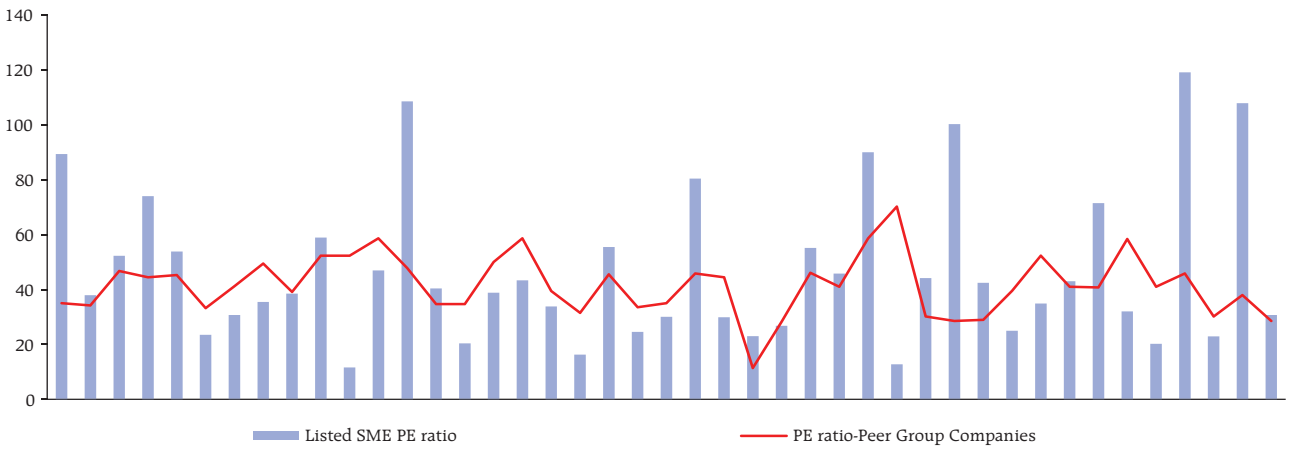
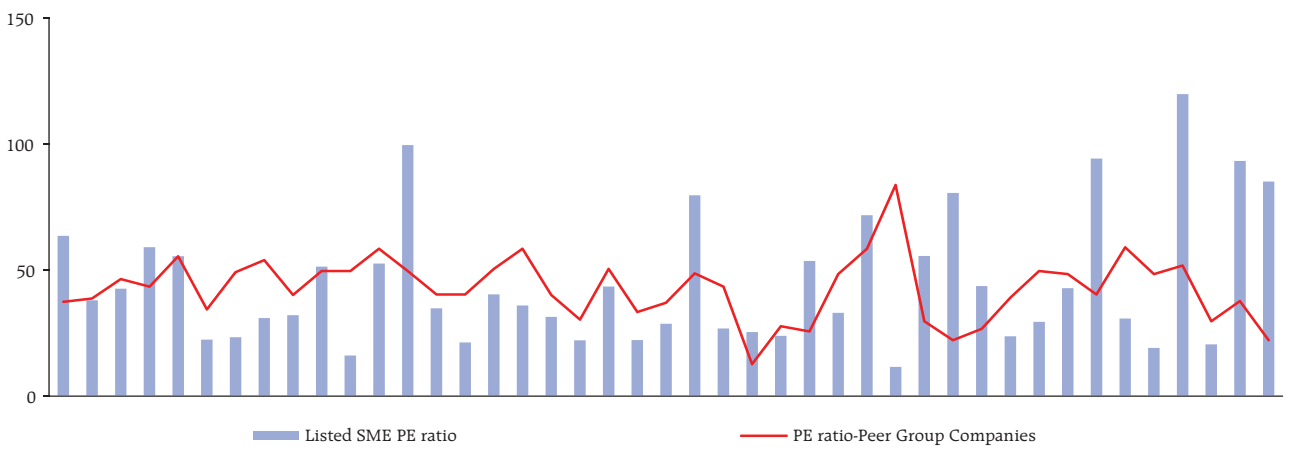


Chart C3. PE Ratios-90 Days after Listing



Note: Based on 43 SME IPO listing data during 2023 and 2024. Selection of the sample is based on data availability within the top 50 SME IPOs in terms of oversubscription. Selection of peer group companies was subject to availability of data from Prowess database.
Source: Prime Database and Prowess, CMIE

Annex D:

State Government Initiatives to boost SME Fund Raising

- Government of Maharashtra and BSE have signed a Memorandum of Understanding (MoU) in 2024 to help state MSMEs list on the BSE SME board. BSE and the Maharashtra government, under the MoU, were to carry out collaborative programs and activities to sensitise the investor network about the advantages of listing for SMEs and startups. Under the MoU, BSE would help potential businesses in connecting with intermediaries like merchant bankers, registrar, transfer agent, depositories and others apart from guiding MSMEs on capital markets, capital raising mechanism, regulatory compliance and requirements. A similar MoU was signed with NSE as well.
- Subsidy for Fund Raising from SME Exchange was introduced by the Tamil Nadu State Government with the objective to facilitate high growth potential SMEs in the state to raise equity capital through SME Exchange, in both the manufacturing and services sector. The government would provide assistance for listing and raising money in the SME stock exchange. Various expenses like merchant banker fees, due diligence fees, registrar and transfer agent fees, peer review auditor fees, exchange fees, and listing charges would be eligible for reimbursement.
- Assistance for raising capital through SME Exchange scheme was launched by Government of Gujarat in 2020 whereby 25 per cent of eligible expenditure incurred on raising of fund through SME Exchange is reimbursed by the State Government.
- Rajasthan, in its MSME policy 2024, mentioned that the state government has signed a MoU with the NSE to facilitate public listing of the state's SMEs in NSE Emerge. In addition, the state shall provide one-time support to SMEs up to a maximum of ₹15 lakh towards expenses incurred for raising of funds through NSE's/ BSE's SME exchange, subject to terms and conditions.
- The Uttar Pradesh government has signed a MoU with the NSE to facilitate capital raising for the state's SMEs. This is in addition to the state's existing policy of reimbursement of 20 percent (maximum ₹5 lakh) of the expenditure incurred on raising equity funds through the stock exchange (Uttar Pradesh MSME Policy 2022).
- The Government of Kerala has the scheme to provide reimbursement of 50 per cent expenses subject to a maximum of ₹1 crore incurred on floating IPOs through the SME platform of NSE or BSE, provided the funds thus raised are utilised for setting up/expanding enterprise in the state, in any of the priority sectors as outlined in the Kerala Industrial Policy 2023.

Annex E:
Key Reforms Proposed by SEBI for Orderly Evolution of the SME IPO Market

Reducing information asymmetry and scope for regulatory arbitrage: Keeping in mind the difficulty faced by the investors, especially the retail investors, in obtaining correct and timely information about the IPO bound SMEs, SEBI has proposed the following regulatory changes:

a) IPO-bound SMEs were not mandated to make their offer documents public, unlike their mainboard counterparts. SEBI has proposed that the Draft Red Herring Prospectus (DRHP) of the SME IPO filed with the stock exchanges must be made available to public for a period of at least 21 days from the date of IPO (in one English, Hindi and regional newspaper, apart from posting in websites of stock exchanges/lead managers for the issue).

b) In terms of Regulation 27 of the Listing Obligations and Disclosure Requirements (LODR) Regulations, a listed entity on mainboard is required to submit a quarterly compliance report. The said report mandates disclosure of composition of directors, attendance details of directors, number of meetings held etc. No such requirement was applicable to SME listed entities. SEBI has proposed that such disclosure now be made mandatory for SME IPOs.

c) Shareholding pattern, Statement of deviation(s) or variation(s) and financial results are required to be submitted half-yearly by SME listed entities and quarterly by mainboard listed entities. SEBI has proposed to make quarterly submission of these information mandatory for SME listed companies.

d) Like mainboard IPOs, it will be mandatory for the merchant banker managing the SME IPO to submit the due diligence report to the exchange at the time of filing the draft offer document. This will include site visit report by the merchant banker.

e) SME to disclose details about senior management along with their experiences, number of employees registered in Employees' Provident Fund (EPF) portal, delay in payment of due in last three years[17].

f) Keeping in mind the importance of investor protection, SEBI has proposed that post-listing exit opportunity will be extended to dissenting shareholders of the SME IPOs, in case of change in objects or variation in the terms of contract related to objects referred to in the offer document. Earlier, this option was available only for investors in mainboard IPOs.

Tightening the grip on usage of IPO proceeds: In recent times, probe by SEBI has found misuse of IPO proceeds by few SMEs. To increase the vigil in this respect, SEBI has proposed the following changes:

a) SME IPO proceeds cannot be used for the purpose of loan repayment of promoter, promoter group or any other related party.

b) In cases where the SME mentions the object of IPO as working capital, statutory auditor's certificate on a half-yearly basis certifying use of funds would be required, if issue size exceeds ₹5 crore.

c) If the project for which IPO proceeds to be used is co-financed by any bank/FI, then details regarding sanction letter of the bank/FI to be disclosed in draft/final offer document.

d) SEBI has also proposed major changes in the related party transaction (RPT) regulations. It may be noted that the SME IPOs were governed by RPT regulations as per the Companies Act, 2013, whereas the mainboard IPOs need to comply the RPT regulations as per LODR Regulations, SEBI, which is stricter. SEBI has proposed to extend RPT norms as per

[17] As per SEBI observations, many SMEs do not disclose such details about their top management (SEBI, 2024).

LODR to SMEs, subject to certain terms and conditions.

e) Earlier, SMEs could utilise 25 per cent of their total IPO proceeds for "general corporate purpose (GCP)[18]". In order to increase scrutiny on usage of funds, this ceiling is now proposed to be reduced to 10 per cent, with an absolute limit of 10 crores. This will prevent the tendency of misutilisation of IPO proceeds by SMEs.

Curbing the possibility for market manipulation: In order to prevent market manipulation and ensure that promoters of the SMEs have enough skin in the game, SEBI has proposed to increase lock-in period for promoters of SMEs along with tweaking the existing criteria for determining the minimum promoters' contribution (MPC). There was a lock-in period of three years for the MPC and one year for anything in excess of the MPC. However, in few cases, SEBI has observed that promoters' stake comes down drastically after the SME IPO. To prevent the possibility for market manipulation, SEBI has proposed to increase the lock-in period for MPC for SME IPOs from three to five years. Additionally, excess shareholding by promoters over and above MPC can be diluted only in a phased manner.

Furthermore, to eliminate the possibility whereby promoters of SMEs purchase stock of the company at cheaper price pre-IPO and sell the stocks at IPO at a higher price to the public, SEBI has proposed to change the definition regarding eligibility of securities for MPC. SEBI has proposed that price per share for determining securities ineligible for MPC shall be adjusted for corporate actions, like split/bonus.

Another important proposal in this regard is restricting the offer for sale (OFS) as percentage of issue size in the SME IPOs. This follows the trend that in many SME IPOs, promoters dilute their stake instead of raising fresh capital for expansion purpose.

Protecting investors' interest: As analysed in earlier section of this note, retail investors' participation in the SME IPOs have increased rapidly over the years. It is in this context that protecting investors' interest has gained utmost prominence when it comes to investing in SME stocks. Keeping in view the above issue, SEBI has proposed to increase the minimum application size in the case of SME IPOs from ₹1 lakh to ₹ 2 lakh[19], so that only informed and skilled investors enter the SME IPO segment. Also, requirement of minimum allottees in SME IPOs is proposed to be increased from 50 to 200, to ensure that SMEs which have investors' interest are only listed. This will also enhance aftermarket liquidity in SME exchanges, which is generally found to be lower (Bhattacharya, 2017).

Following the release of the consultation paper and the consideration of public comments on the above proposals, in its 208th board meeting on Dec 18, 2024, SEBI approved several of these proposals to enhance transparency, governance, and investors' protection in SME IPO segment[20].

Key approved reforms –

- **Profitability Requirements –** SMEs are now required to have a minimum operational profit (EBITDA) of ₹ 1 crore in at least two of the preceding three financial years to be eligible for an IPO.
- **Offer for sale (OFS) Limitations –** The portion of shares offered by existing shareholders in an IPO is capped at 20 per cent of the total issue size.
- **Usage of Issue Proceeds –** SMEs cannot use IPO proceeds to repay loans to promoters, promoter groups or related parties.

  Usage of IPO proceeds for general corporate purposes is capped at 15 per cent of IPO size or ₹ 10 crore, whichever is lower.
- **Allocation Methodology for NIIs –** Allocation methodology for NIIs in SME IPOs is to be aligned

[18] In terms of Issue of Capital and Disclosure Requirements (ICDR) Regulation 2(r), general corporate purposes is defined as: "general corporate purposes" include such identified purposes for which no specific amount is allocated or any amount so specified towards general corporate purpose or any such purpose by whatever name called, in the draft offer document, draft letter of offer, the offer document, or the letter of offer.

[19] An alternate proposal in this regard is to increase the application size to ₹ 4 lakh, based on the growth of major stock market indices in last 14 years (since the inception of separate SME exchanges).

[20] https://www.sebi.gov.in/media-and-notifications/press-releases/dec-2024/sebi-board-meeting_90042.html

with mainboard IPO procedure, whereby proportional allotment will be replaced by "draw of lots" method.

- **Pre-Listing Disclosures –** The DRHP filed with exchanges is to be made available for 21 days for public to provide comments, by making public announcement in newspaper.
- **Lock-in on promoters' holding –** Lock-in on promoters' holding held more than the minimum promoter contribution (MPC) is to be released in phased manner. 50 per cent of promoters' holding more than the MPC shall be released after 1 year and the remaining 50 per cent promoters' holding can be released after 2 years.
- **Related party transaction (RPT) norms,** as applicable to listed entities on main board, to be extended to SME listed entities, provided that the threshold for considering RPTs as material shall be 10 per cent of annual consolidated turnover or ₹ 50 crore, whichever is lower.

Compliance to Confidence: A Data Quality Model for Central Banks

by Debasis Nandi and Sujeesh Kumar ^

In a complex data ecosystem, ensuring the quality of data becomes challenging for central bankers, particularly in a regulatory landscape. As measuring data quality is contextual and subjective, it is emphasized that the need for tailored measurement strategies to develop various data quality dimensions to measure the quality of data effectively. This article provides an approach for constructing a data quality index (DQI) to evaluate the quality of the data submitted by the regulated entities. The article outlines a stepwise approach for constructing the data quality index at various levels. The proposed DQI framework enables central banks and regulators to monitor and improve data quality systematically enhancing institutional credibility, regulatory and supervisory efficiency, and public trust.

Introduction

Central Banks play an important role, *inter alia*, in maintaining financial stability and ensuring the health of the banking sector. Daily operations of the banking system produce large amount of data. Such data is an important asset for institutions like central banks, multilateral bodies, and many other organizations particularly entrusted with data collection and its maintenance to support data driven policymaking. The ultimate objective of data management is the production and dissemination of quality data–a precious asset in the present world.

A key part of the functioning of the central banks involves the collection of huge volume of banking and financial sector data from the regulated entities (REs). In a complex and dynamic data ecosystem, measuring data quality also challenging. Automation has an important role in ensuring the quality of data being collected, processed, and maintained at the data repository of the central bank. It will enable to effectively monitor various economic indicators, obtaining regulatory and supervisory insights and facilitating data driven policies for the well-being of the public.

Over the years, the data collection and dissemination process has undergone several transformational changes due to the rapid technological advancements witnessed across the globe. Organizations, particularly central banks have adopted advanced statistical techniques and technology tools to validate the data generation process and best efforts have been made to address emerging data gaps and challenges. While addressing the challenges, an evolving multitude of non-traditional data is adding more complexity in the data ecosystem. Girard (2020) noted that one of the of organizational challenges for managing data in the (AI) era is equipping staff to the latest tools and technologies.

Measuring data quality is subjective in nature as the measurement involves various techniques and depends on the type of data produced. A well-defined structure of data quality framework with suitable dimensions is an appropriate way to measure the quality of data (Van G.B. 2023). Motivated by this fact, a structural approach for measuring various dimensions of data quality and deriving data quality indices for the data generation and collection process have been attempted. With this backdrop, this article has the primary objective of providing an approach to measure the data quality considering various data quality dimensions defined in the literature. The existing data quality frameworks by various organisations does not provide specific formula for calculating various measures of data quality dimensions, while it

^ The authors are from the Department of Statistics and Information Management, Reserve Bank of India. The views expressed in this article are those of the authors and do not represent the views of the Reserve Bank of India.

specifies broad guidelines for assessing various quality dimensions. Besides, frameworks do not suggest a data quality index (DQI) measure for data collection process and dissemination process separately.

In the Indian context, the Reserve Bank of India (RBI) has recently published supervisory data quality index (sDQI) scores for the supervised entities based on four data quality dimensions viz., accuracy, completeness, timeliness and consistency. The sDQI provides a measure of the supervisory data quality, forming the basis for supervisory examinations (RBI,2025). The sDQI is intended to measure the data quality of select supervisory returns in a supervisory data collection perspective.

In the central banking context, data provided by the regulated entities not merely for the supervisory purpose, while it is being used for regulatory, policy formulation, statistical data dissemination, research and various other purposes. The approach outlines in this article is not limited to supervisory data; it encompasses all types of data collected from regulatory entities through prescribed returns. Furthermore, the DQI presented in this article extends beyond the four data quality dimensions, covering data collection and dissemination aspects. This article thus helps bridge existing gaps in this aspect.

The rest of the paper is structured into five sections. The next section presents a brief review of the literature. In Section III a description of various data quality dimensions is given, while Section IV outlines the method to construct a data quality index using several dimensions discussed in section III. Finally, section V concludes the article.

2. Review of Literature

Data quality has been defined differently across the literature. Data quality is the extent to which the data satisfies the users' needs (Wang, 1998). One of the widely accepted definitions of data quality by Wang and Strong (1996) is 'fitness for use'. While it was argued by Strong et al. (1997), that fitness for usage varies for different users under different circumstances and therefore data quality is relative and cannot be evaluated independent of users. Federal Committee on Statistical Methodology (FCSM) defined data quality as the degree to which data capture the desired information using appropriate methodology in a manner that sustains public trust. The importance of data quality was highlighted by several authors. Poor quality of data leads to wrong conclusions and substandard decision making leading to financial losses. It can result flawed risk assessments and negatively affects the organizational performance, demanding data governance strategies (Redman, 2008; Kharti & Browm, 2010; Lee *et al.*, 2004)

Researchers have pointed out several challenges in measuring data quality. As the data changes over time, data categorized as 'high-quality' today may not remain the same in the future. This dynamic nature of data requires continuous monitoring and frequent reassessments (Batini *et al.*, 2009). Measuring data quality becomes complex and tedious when it comes to large volumes of data, particularly in a big data environment. It will be more difficult to track all dimensions of data quality (Muller *et al.*, 2012). In a dynamic data environment, the selection of dimensions may be contextual and relevant. A framework developed by Fadahunsi *et al.* (2009) addressed these challenges to a certain extent. For instance, the information quality framework categorizes dimensions into intrinsic, contextual, representational, and accessibility aspects providing a comprehensive approach for evaluating data quality. Furthermore, data consistency becomes a sizable issue when the number of data source increases, regardless 'fitness of use' for any particular purpose. Therefore, a standardized approach is appropriate when there is a disagreement regarding data quality between different domains of people. Brining quality process under a data governance structure would be a solution for ensuring data quality (Smallwood, 2014).

Subjectivity in the selection of various quality matrices is also another challenge in measuring data quality. These subjective measures can vary between users, leading to inconsistencies in quality assessments (Redman, 2008). High-quality data is a fundamental requirement for any information system, while inaccurate data costs organizations deeply in correction activities, lost customers, missed opportunities, and incorrect decisions. Issues like wrong data entry can reduce the accuracy of the data. This can also lead to wrong information when data is inappropriately reported or used (Olson,2003). Garreitt *et.al.,* (2014) investigated the association between organizational trust in the management and financial reporting aspects like accruals quality, mis statements, and internal control quality. They found that trust is significantly associated with financial reporting quality and varies relatively in decentralized firms, while not those in a centralized data environment.

Measuring data quality is an important step in the data quality management process. Various approaches for measuring data quality dimensions have been discussed in the literature, while the quality dimensions considered appear to be common across the literature. These approaches are mainly quantitative, where the quality of data is measured based on statistical techniques or simple arithmetical ratio or using some modeling approach that consider various quantifiable ratios and measures (Rahm & Do, 2000 and Chandola *et al.*, 2009). However, certain quality dimensions are not directly measurable from the systems and processes. Such dimensions are measured qualitatively using survey methods (Zhang *et al.*, 2005; Lemire *et al.*, 2009). Some authors have suggested benchmarking methods, mainly for a quality comparison, wherein data quality is evaluated against benchmarks from the leading organizations. This enables the organization to understand where their data quality stands in comparison to their peers (Batini *et.al.*, 2009).

A third approach would be a hybrid approach, which is the combination of both quantitative and qualitative methods. This approach recognizes that no single method can fully address all the complexities of data quality measurement, particularly in a heterogeneous and dynamic data environment. Hybrid models are adaptable and flexible, and they can easily integrate real-time data quality monitoring with ongoing feedback from users.

Several data quality frameworks have been proposed by organizations like the IMF, World Bank and many other multinational institutions. Such frameworks often integrate multiple dimensions and provide a structured approach to evaluate data quality across several aspects. A notable framework introduced by the IMF is known as Data Quality Assessment Framework (DQAF), which provides a comprehensive model for evaluating data quality. It incorporates dimensions such as accuracy, reliability and timeliness, and is specifically designed for assessing statistical data in government and international organizations (IMF, 2003). Another seminal framework proposed by Wang and Strong (1996) is known as Information Quality Framework (IQF), which mainly emphasizes that data quality is a multi-dimensional concept that includes both technical aspects like accuracy and consistency and user perceptions of data quality. Calculating a data quality index (DQI), based on suitable quality dimensions is a typical approach, which has been used in various fields such as healthcare, industries and finance, facilitating a single composite measure for data quality. Such composite measure enables organizations to track changes in data quality over time.

3. Data Quality Dimensions

There are several quality dimensions defined in the literature. A recent and comprehensive survey on data quality dimensions across the various disciplines was conducted by Carvalhoa, *et.al.,* (2025). They

surveyed and listed almost all quality dimensions in their paper, as there is no consensus on the determination of data quality dimensions. They identified around 66 quality dimensions, allowing for users to suitably selecting the dimensions and the development of data quality frameworks. Research in this field suggests that different dimensions provide different perspectives or have different dependencies based on the purpose of the data. Central banks and multilateral institutions have specified around 14 quality dimensions in their data quality frameworks. Some of the commonly used data quality dimensions by various organizations across different countries listed in Table-1.

'Fitness for use' is a broader definition of data quality which depends on the purpose, needs and priorities, and user perspectives of the required data. These requirements can vary across group of users. Even though data is accurate, it need not be of good quality if they produced too late to be useful, or cannot be easily accessed, or appear to conflict with other data. Thus, quality is viewed as a multi-faceted concept (Enrico and Ward,2004). Therefore, organizations defined their data quality dimensions depends on data collection and dissemination needs and usage. The number of quality dimensions also can vary according to the nature and type of data collected or disseminated. These quality criteria or dimension reflects an inclusive approach to quality definition and assessment.

Based on the data quality frameworks and quality dimensions reviewed across the literature, this article presented eight data quality dimensions which are comprehensive and takes care of data quality issues largely, encompassing collection and dissemination of data. Central banks or the regulators typically design a data collection format with a clear objective to gather, analyze and monitor economic and financial data. They also keep the purpose and goals of data collection in mind, with proper identification of relevant sources

Table1: Various Dimensions of Data Quality

Sr.No	Dimensions of quality	Bank of England	European Central Bank#	OECD	Australian bureau of statistics	Federal statistical office of Germany	Government of Canada
1	Punctuality and timeliness	✓	✓	✓	✓	✓	✓
2	Accuracy	✓	✓	✓	✓	✓	✓
3	Credibility			✓			
4	Accessibility/clarity	✓		✓	✓	✓	✓
5	Consistency						✓
6	Interpretability			✓	✓		✓
7	Relevance	✓			✓	✓	✓
8	Coherence	✓		✓	✓		✓
9	Completeness		✓				✓
10	Stability		✓				
11	Plausibility		✓				
12	Reliability		✓				✓
13	Comparability	✓				✓	
14	Cost-efficiency*			✓			

Notes: i. Some organisations are used punctuality and timeliness together and some are used separately in their data quality framework.
ii. * OECD does not consider cost-efficiency as a dimension of quality, while it is a factor taken into account in any analysis of quality as it can affect quality in all dimensions.
iii. # Dimensions ae relating to supervisory data quality farmwork
Source: Compiled by the authors from the websites of the various organisations.

and variables. The nomenclature of the data formats often differs from country to country. For instance, the European Central Bank named their data format as 'reporting templates' or 'data templates'. The Federal Reserve uses the term 'call report', and the Bank of England's data format is 'statistical return'. The Reserve Bank of Australia uses 'statistical forms' to collect economic and financial data which are then used to produce various statistical releases and tables. In the Indian context, the Reserve Bank uses a template called 'Return' for collecting statistical or regulatory data for the REs. For convenience, the terminology 'Return' is used throughout this article. With this background, the following quality dimensions provides an inclusive assessment of data quality.

3.1 Timeliness

The timeliness dimension is sometimes used interchangeably with punctuality, or both are used together as 'punctuality and timeliness'. In either case, the important aspect of data quality is the timely availability of the data. The timeliness dimension mainly evaluates whether the statistics intended to be collected by the organization have been received on time as per the prescribed timeline. Adherence to deadline for filing the data by the REs is vital, as the timely availability of data is important – especially when a particular data set relates to any other data, or it is to be read along with another set of data.

Sometimes timeliness referred to as how up to date the data is or how current the data is when produced or reported–connected to relevance of the data. Both approaches are used to assess whether data is provided or reported at the expected time. Typically, this measure is expressed as a ratio considering the timely availability of data relative to the total data being collected. Organizations generally prescribe timelines for submitting returns. The return may be of any form–supervisory, regulatory, or statistical.

In a standard data quality framework, the following formula may be used for measuring the timeliness dimension:

$$Timeliness\ (T) = \frac{n_r}{n_d + \mathrm{n_r}} \times 100 \qquad (1)$$

where, n_r is the number of returns submitted within the prescribed time and n_d is the number of returns submitted with a delay, *i.e.* after the prescribed time. This percentage measure should be weighted appropriately in the data quality index calculation.

3.2 Accuracy

The accuracy dimension of data quality is generally measured by the correctness or exactness of the of the data submitted by the REs. In a data filing process, the accuracy of the data determines the quality of the overall data filed by the entities. Accuracy reflects the real data which should have desirable characteristics such as being free from errors and deviations, closeness to the true value, and high precision. However, this is difficult to measure, as it is theoretically defined as the difference between estimated values and the true (unknown) values. Data revisions can give a good assessment of accuracy since they provide a mechanism for determining how estimates change over time as they approach their 'final' value (OECD, 2003). This approach is particularly suitable for capturing accuracy of the data filed by the REs, as revisions are common in data reporting, especially in banking or financial sector.

The extent of revision determines the quality of the data–whether the change is minimal or substantial. If the change is significant from the initial filing of the same data, then it is certainly a quality issue. It is also important to determine whether change is genuine or due to a data error. Moreover, the refiling or resubmission of data is not necessarily due to the actual revisions. Validation failure can sometime lead to failure in data filing, requiring the REs to resubmit the file.

In a data quality framework, the accuracy dimension should check the number of times the data is revised and the magnitude of revision during a reporting period based on a key indicator. A revision is defined as the difference between a later and an earlier estimate of the same key item. Considering these aspects, a formula for accuracy dimension may be defined as follows:

Let '*u*' denote the total number of times a particular reporting entity had to resubmit a specific return in a given reporting period, '*v*' denotes the number of times validation failures occurred for a particular return for a particular reporting entity, and 'w' denote the number of resubmissions not due to validation failures, such that $u = v + w$.

Relative mean absolute revision (RMAR) is calculated for all resubmissions *u* (resubmission due to validation failure, *v* and other than validation failure, *w*) using the below mentioned formula:

$$RMAR_u = \frac{\sum_u |Z_f - Z_l|}{\sum_u |Z_f|} \quad (2)$$

where, Z_f is the value reported in the first submission and Z_l is the last value (final value submitted for the key aggregate *Z*

$$\text{Then, Accuracy (Ac)} = \begin{cases} 0 & \text{if } RMAR_u > 1 \\ 100 - (RMAR_u \times 100) & \text{otherwise} \end{cases} \quad (3)$$

3.3 Credibility

Credibility measures the degree of trustworthiness of the entire data generation and submission process of a return. It assesses whether all data have been produced in an automated manner without manual intervention. The credibility of the data provided by the REs depends mainly on three aspects of data process.

(i) the extent of automation in granular level data capturing mechanisms,

(ii) automation of data aggregation and calculations process to meet the regulatory requirements; and

(iii) automation of data transmission process.

Generally, regulators have control over the third process, as the data submission channels are provided by the regulator. However, the first two processes are often not visible to the regulator. To assess them, data auditors visit entities or request information via surveys.

The granular data is captured through the online transaction processing systems (OLTP) or other automated systems such as core banking systems (CBS), treasury operations systems (TOS), *etc.* which are linked to the data warehouse (DW) of the REs. The data aggregation or return generation process occurs either in the DW or through management information system (MIS) using various programs with business logics to extract the data. Part of the aggregation sometimes manually performed by punching data into predefined data templates. These processes are expected to be in an automatic manner to increase the credibility of the data collection mechanism. The third level of data process is the data transmission level where various channels being used for filing returns. These includes system-to-system channel, file upload channel, application programming interface (API) based channel, and web based or screen-based submission channels. Among these, system-to-system and API based channels ensure fully automated data submission process offering the most credible means for data submission. The credibility measure is qualitative in nature and is derived based on the scores given to the REs for their return filing process as described above. A scoring matrix suggested for measuring credibility is given in Table-2.

Return wise scores for DGP and GAP may be obtained from the REs while the DTP score can be obtained from the data submission system provided by the regulators. Finally, a weighted average score may be derived for determining the credibility dimension.

3.4 Consistency

The consistency dimension of the data quality checks the violation of various validation rules

Table 2: Credibility Scoring Matrix

Level of Automation				
Category	**< 30 percent**	**30-50 percent**	**50-80 percent**	**> 80 percent**
Data generation process (DGP)	30	50	80	100
Data aggregation process (DAP)	30	50	80	100
Channels of Data Submission				
Data transmission process (DTP)	**system-to-system**	**API**	**File upload**	**Web based/others**
Scores	100	100	80	60

Notes: i. The scores are need not be fixed and can vary according to importance /levels of automation sets by the organisations.
ii. Percent of automation is to be obtained based on the number of returns automated in each process (DGP and DAP)

including business validations. The data items can be relational or static in a data file (Batini & Scannapieca, 2006). A data template is typically relational[1] in nature implying several numbers/cells are interconnected and involve calculations. The consistency dimension checks whether the data appearing across the format follows the logical and arithmetic operations and whether the requisite data point is reported across multiple sheets or returns. These are termed integrity constrains, which are properties that must be satisfied by all instances of a database schema.

In a data submission process–when same data point or data element is required to be submitted in different returns, and the data pertains to same reporting period, then it is expected that the same value is reported across all returns. Here the data point reported may be consistent across the returns.

Let c_e be the number of datapoints which are reported across multiple returns. If c_t is the number of datapoints (out of c_e) which are reported during data submission which not matching across the returns.

Thean a return consistency (*Co*) may be arrived as follows:

$$Co = \frac{c_e}{c_t} \times 100 \qquad (4)$$

[1] Even if the data are not relational, consistency rules can be defined. For instance, in the case of a questionnaire format, semantic rules are defined in a way similar to relational constrains (Atzeni, & De Antonellis,1993; Batini & Scannapieca, 2006).

3.5 Completeness

Completeness is a qualitative measure of data quality which describes the extent to which data values are sufficiently populated using the given information/guidelines/ definitions, *etc.* The data populating process consist of data aggregation which involves arithmetical or logical calculations. Primarily, REs populates the required data through an automated process or with some manual intervention. As the REs operate at different levels of technological environments, proper guidance for return preparation is very essential for them to streamline their return preparation activities. Generally, regulator provides necessary guidelines, data definitions, compilation manuals, updates on regulatory changes and changes in data requirements etc., through circulars and press releases. The REs is also expected to maintain such documents, and track the information provided to them on various returns. It is advisable to maintain a compilation manual or procedural document for each return preparation process. This document also serves as a business continuity document for the REs. Considering all these aspects and availability of requisite documents at the REs, a qualitative measure of completeness dimension can be developed, providing appropriate scores to the REs.

Completeness can be also measured quantitatively considering data gaps, missing observations, calculation errors, *etc.* Here it refers to the extent to which users receive all the data without missing

templates and missing values and the data are accompanied by related metadata. This includes both the dataset and additional information that helps users to understand the dataset in their specific contexts. The qualitative completeness dimension is maninly applicable to the evaluation of the quality of data dissemination process

Both types of measures assess different aspects of completeness, and they serve to provide a more holistic understanding of how data is complete or incomplete. In the case of quantitative measures, some of the characteristics of completeness one should look at are empty records, attribute completeness and entity completeness. Weighted completeness can be arrived giving appropriate weights to each characteristic of completeness. Technical score relating to each quality aspects of completeness may be assessed by data auditors in the organisation

3.6 Relevance

Another important dimension of data quality is the relevance dimension, which refers to the degree to which the data is appropriate, useful, and its applicability for a specific purpose. If data produced or disseminated by a central bank is not relevant for the intended users, it cannot effectively support policy making and analysis. This dimension is used to evaluate the quality of the data disseminated by the organization. The relevance of data depends on whether it provides useful insights to the users who wants to obtain their desired level of information. The relevance dimension is often qualitative, and it evaluates how well the data meets the needs of users or stakeholders. The disseminated data should align with the context– which means that data must relate to the domain and purpose of the analysis. The data must be up-to-date, usable, and actionable for decision making. Using this dimension of quality, the data managers or auditors can make a qualitative assessment of the data being collected and check whether data is relevant depending on the situation and the user's needs. Regular data user surveys and interaction will provide input to the data managers or auditors who may provide score for this dimension by building appropriate scoring matrix.

3.7 Stability

The stability dimension of data quality indicates how data remain consistent and reliable over time. It reflects the ability of the data maintains its integrity and usefulness over various time periods, ensuring changes in the dataset are tracked and controlled without affecting its quality. Stability dimension is measured either qualitatively or using quantitative metrics depending on the context and type of data. Qualitative measures can be arrived based user feedback or expert assessments. For instance, some of the characteristics like usability, traceability[2], and how well the data has performed or used in real applications or analytical exercise of the data may be assessed. If the data users continuously find that data is reliable and consistent, the data is likely to be considered as stable.

In a quantitative aspect, measures such as data drift, consistency ratio, and change rate can be used to assess the stability dimension of data. These simple measures often involve numerical calculations using formulas. For example, the data drift indicating the change in data over time measured by comparing the data distributions at different points of time using the divergence measures like Kullback–Leibler divergence or Jensen–Shannon divergence (Csiszar, I. 1975; Nielsen, F. 2021). Similarly, data consistency ratio provides the proportion of consistent data points over time. An alternative measure would be the change rate which is measured by the ratio of number of data changes during a period and total data point for the same period. This measure will tell the user that how quickly data changes over time.

[2] Traceability means availability of time series data implying the ability to track the history of data from its origin to its present period.

3.8 Accessibility

The accessibility is another important dimension of data quality which refers to the ease with which data can be accessed, retrieved, and utilized by the users when needed. It also refers to the metadata availability to users, including the form or medium through which information is accessed, data security features, and interoperability. The assistance provided to users may be adequate to get the complete information about data and its accessibility. Although the data possess the other quality dimensions like accuracy, timeliness, and completeness indicating high-quality data, it is not valuable unless it is accessible to the data users in an easy manner whenever required. This dimension is commonly measured using qualitative criteria–conducting periodic feedback surveys by the data mangers or data auditors. Data users' feedback is very important criteria to arrive the accessibility dimension of data quality. Feedback surveys can be conducted for the users of data (both dissemination and collection). This dimension also checks for the availability of support to the users on the data portal, ease of access and easiness navigating around the data portal.

4. Data Quality Index- Methodology

Using the various data quality dimension estimated, one can arrive at a weighted measure of data quality in the form of an index. Construction of such an index enable central banks to monitor data quality progress, identify areas for improvement for each return/publication, and ensure reliable decision-making. The quality dimensions can be weighted according to the importance of each dimension estimated. The weights need not be fixed and can vary according to the importance of the data quality dimensions set by the organizations. The applicability of the dimensions is distinct for data collection and data dissemination processes. The organization can select suitable quality dimensions for the construction of a data quality indices for both data collection and dissemination processes.

Typically, returns are submitted by the REs at different frequencies, *i.e.*, weekly, fortnightly, monthly, half-yearly, *etc.* The regulator needs to decide the frequency of the DQI to be calculated *i.e.*, either monthly or quarterly. All returns falling in the desired period may be considered for calculating DQI. If someone has to calculate DQI on a monthly or quarterly basis, all returns which are falling in that month or quarter irrespective of the frequency of the returns may be considered.

Let $(f_1,f_2,...,f_p)$ be the set of p different frequencies (weekly, fortnightly, monthly, quarterly, *etc.*) of returns/publications falling in a month. The data quality index to be constructed should cover all these returns of the p frequencies in a month.

Let E_i be the set of REs submitting return to the organization, $i = 1,2, ...,l.$, R_j is the set of returns filed by the REs, $j = 1,2,...,m.$, and D_k is the set of quality dimensions under consideration, k = 1,2,...,n. For the calculation of a data quality index, the data analyst has to determine the triplet: (E_i,R_j,D_k); $i = 1,2,...,l$; $j = 1,2,...,m$; $k = 1,2,...,n$.

The quality dimension scores for triplet (E_i ,R_j,D_k) measured for i^{th} entity, j^{th} return, and k^{th} dimension is denoted by d_{ijk}. These scores are then aggregated with appropriate weights w_k for arriving am entity-return data quality index, DQI $(E_i R_j)$ and is defined as follows:

$$DQI(E_i, R_j) = \frac{1}{N}\sum_{k=1}^{n} w_k d_{ijk} \qquad (5)$$

where $N = \sum w_k$, appropriate weights for each dimension depend on the regulators data collection process and systems and their relative importance. In the Indian context, according to Verma & Nandi (2017), accuracy was the most important data quality dimension (31.25%), followed by consistency (21.25%), timeliness (20%) and completeness (11.25%). The study also considered uniqueness with a weightage of (16.25%) which is closely related to credibility dimension.

4.1 Entity Level DQI

The entity level DQI may be arrived by aggregating returns quality indices with appropriate weights based on the number of datapoints/cells of a particular return[3]. The entity level DQI is denoted by $DQI(E_i)$ and is defined as follows:

$$DQI(E_i) = \frac{1}{N}\sum_{j=1}^{m} \alpha_j DQI(E_i R_j) \quad (6)$$

where α_j are the weights based on the number data points/cells submitted by an entity E for a return R. Entities which are filing more data points will have proportionate weights in α_j. $N = \sum \alpha_j$.

4.2 Return Level DQI

The return level DQI may be arrived by weighting the overall business profile of the entity. The weights may be derived using the share of total banking business undertaken by the entity, *E* to the overall banking business, is a key indicator to give relative importance to the entity[4]*E*.

The return level $DQI(R_j)$ may be calculated as follows:

$$DQI(R_j) = \frac{1}{N}\sum_{i=1}^{l} \beta_i DQI\,(E_i R_j) \quad (7)$$

where β_i is the weights based on the entities business, $N = \sum \beta_i$.

4.3 Computation of DQI at the Regulators

An enterprise level data quality index can be derived by aggregating either entity-level DQI or return level-DQI. Accordingly, an enterprise level DQI, denoted by $DQI_{EP\ level}$ and is defined as follows:

$$DQI_{EP\ level} = \frac{1}{N}\sum_{h=1}^{(l,m)} \delta_h DQI_h\,(E,R)_{(h)} \quad (8)$$

where $N = \sum \delta_h$, depending on the choice of entity weights or returns weights for arriving an enterprise level DQI.

[3] If same set of returns are applicable for all REs. In case the returns are different for different entities, return weights may be calculated for the returns applicable to a particular entity only.

[4] This may be proxied by the sum of aggregate deposit and total credit from the previous financial year for banks.

Even though the data collection process of a Central bank is operating in a centralized environment, there are multiple departments/verticals/domains that take care of different sets of data. For example, foreign exchange market data is collected and published by the foreign exchange department, which is the domain owner of forex related data and returns. Similarly, banking data is collected and disseminated by the banking department or regulatory department. The department-level or domain-level data quality indices can be also estimated by grouping the returns which are applicable to a department or domain. Accordingly, a weighted average DQI can be derived considering the number of data points/cells submitted by a regulatory entity to a department or vertical. Such a department-level data quality index can be used for comparisons between different departments or domains. This will enable monitoring of data collection quality concerning divergent returns handled by different domains/departments of the central banks.

Following the DQI methodology mentioned in this article, dissemination quality indices can also be derived considering each statistical tables (similar to return) or for a publication (consisting multiple tables) using appropriate dimensions and weights. Adopting the approaches provided in this article may be useful for the organizations to institutionalize their data quality measurements and enhance overall data quality framework and enhancing overall data governance.

4. 4 Interpretation of the DQI

The DQI can provide a single measure of overall data quality, considering the importance of each dimension and the frequency with which the data is used. It is desirable to have thresholds for the DQI to categorize the data. A DQI score closer to 100 ($\geq$ 80) suggests excellent data quality, while lower scores indicate areas for improvement. If $70 \leq DQI < 80$, then data quality is good, while if $DQI < 70$, the

organization needs improvement in their data quality. The same criteria can also be used for any dimensions or any levels of DQI

5. Conclusion

This paper reviews various data quality dimensions across the literature and provides a robust and scalable framework for selecting contextual and content-dependent data quality dimensions and their estimation. This will facilitate central banks or organizations to adopt and implement suitable data quality dimensions and a data quality index at various levels for monitoring and improving their data quality. Even though, the article suggests eight quality dimensions and two distinct approaches for the data collection and dissemination processes, organizations may employ either process depending on their domain of operations.

Additional information at the organizations/ department/vertical levels can also incorporated into the data quality dimensions with appropriate weights. The weighting patterns given in the article are not strictly applicable to organizations, it is left to the organizations to decide upon their processes and systems.

While the data quality management is a continuous process, the framework provided in this article can serve as a benchmark for the other financial institutions or data-driven policymakers aiming to integrate data quality into their data governance strategies. This article contributes to the ongoing discourse on the enhancement of data quality framework within central banks and other data-driven organizations.

References

Atzeni, P. and De Antonellis, V. (1993), "Relational Database Theory", The Benjamin Publishing Company.

Batini, C., Cappiello, C., Francalanci, C., and Maurino, A. (2009), "Methodologies for Data Quality Assessment and Improvement", *ACM Computing Surveys*, 41(3):1-41.

Batini,C. and Scannapieca, M.(2006), "Data Quality Concepts, Methodologies and Techniques", Springer-Verlag, Berlin Heidelberg.

Carvalhoa,A.M., Soaresb, S., Montenegrob, J. and Conceiçaob,L. (2025). "Data Quality: revisiting dimensions towards new framework development", *Procedia Computer Science* 253, 247–256.

Chandola, V., Banerjee, A., and Kumar, V. (2009), "Anomaly Detection: A Survey", *ACM Computing Surveys*, 41(3):1-58.

Csiszar, I (1975). I-Divergence Geometry of Probability Distributions and Minimization Problems". Annals of Probability. 3 (1): 146–158.

Enrico, G. and Ward, D. (2004). "Quality framework for OECD statistics getting our own house in order", paper presented in the conference on data quality for international organizations, Germany, May 2004.

Fadahunsi, K. P., Akinlua, J. T., O Connor, S., Wark, P. A., and Gallagher, J. (2019), "Protocol for a systematic review and qualitative synthesis of information quality frameworks in eHealth", *BMJ Open*, 9(3).

Garreitt, J., Hoitash. R and Prawitt,D.F. (2014), "Trust and Financial Reporting Quality" *Journal of Accounting Research*, 52 (5).

Girard, M. (2020), "Helping Organizations Master Data Governance", *Policy Brief No. 163*, Centre for International Governance Innovation.

IMF (2003), "Data quality Assessment Framework and Data Quality Program", International Monetary Fund, Washington.

Khatri, V. and Brown, C. V. (2010), "Designing data governance", *Communications of the ACM*,53(1):148-152.

Lee, Y.W., Pipino,L. , Strong, D.M., and Wang, R.Y.(2004), "Process embedded data integrity", *Journal of Database Management*,15(1):87-103.

Lemire, D., MacLellan, C., and Kargupta, H. (2009), "Task-Dependent Data Quality", *IEEE Transactions on Data Engineering*, 31(4):205-221.

Muller, H. J., Rojas, R. G., and Wilke, G. (2012), "Big data analytics and the role of data quality", *Information Systems and E-Business Management*, 10(1):37-52.

Nielsen, F. (2021). On a variational definition for the Jensen-Shannon symmetrization of distances based on the information radius. Entropy. 23 (4).

OECD (2003), "Quality Framework and Guidelines for OECD Statistical Activities", OECD, Paris.

Olson, J. E (2003), "Data Quality: The Accuracy Dimension", *The Morgan Kaufmann Series in Data Management Systems*, 3-23.

Rahm, E., and Do, H. H. (2000), "Data Cleaning: Problems and Current Approaches", *IEEE Transactions on Knowledge and Data Engineering*, 11(4):147-162.

RBI (2025). "Supervisory Data Quality Index for Scheduled Commercial Banks", Reserve Bank of India, Press release March 2025.

Redman, T. C. (2008), "Data Quality: The Field Guide", Digital Press.

Smallwood, R.F. (2014), "Information Governance: Concepts, Strategies, and Best Practices", John Wiley and Sons.

Strong, D. M. Yang W. L, and Wang, R.Y. (1997), "Data Quality in Context", *Communications of the ACM*, 40(5).

Van Gils, B. (2023), "Data in Context-Models as Enablers for Managing and Using Data". The Enterprise Engineering Series. Springer.

Verma P. and Nandi, D (2017), "Data Quality of Data Warehouse: A Case Study", *International Journal of Advances in Electronics and Computer Science*, 4(9).

Wang, R.Y (1998), "A Product Perspective on Total Data", *Communications of the ACM*, 41(2).

Wang, R.Y. and Strong, D.M. (1996), "Beyond accuracy: What data quality means to data consumers", *Journal of Management Information System*, 12(4).

Zhang, S., Lee, K. P., and Chen, D. (2005), "Measuring Perceived Data Quality", *Data and Knowledge Engineering*, 55(3): 289-319.

Steel Under Siege: Understanding the Impact of Dumping on India

by Anirban Sanyal and Sanjay Singh ^

India's steel sector faced significant headwinds due to cheap imports and dumping from major global steel producers during 2023-24 and 2024-25. This article analyses the impact of cheap imports on India's domestic production and consumption of steel using structural vector autoregression and panel data regression models. Empirical estimates indicate that steel imports have seen a surge largely driven by lower import price of steel with adverse implications for domestic steel production. Further, price elasticity of India's steel imports varies in the range of (-) 0.73 to (-) 1.01.

Introduction

India is a major consumer of finished steel with the consumption demand scaling new heights in the recent period. Steel-intensive construction and infrastructure development in India are the key contributors to the rising demand for steel. During 2022-23 to 2024-25, India's steel consumption grew more than 13 per cent in FY: 2022-23 and FY: 2023-24. The consumption growth clocked 11.5 per cent on YoY basis in FY: 2024-25[1]. The domestic steel production grew at 9.3 per cent and 12.5 per cent in the previous two financial years but the production growth slowed to 6.8 per cent in FY 2024-25. The high consumption growth was facilitated through cheaper imports.

Moderate price in the global market, excess capacity across major steel producing countries like China, Japan, Vietnam *etc.* led to dumping[2] of cheap steel which dampened domestic steel production.[3] With sluggish economic growth anticipated in China and other major steel-producing and consuming regions, cross-border trade in steel is increasingly being redirected towards high-growth markets, like India. Further, the imposition of new tariffs on steel imports by the US enhances the threat of dumping.

Against this backdrop, this article empirically validates and estimates the impact of cheap imports on India's domestic production and consumption of steel. Additionally, the elasticity of steel imports with regard to its import prices is also estimated to understand the sensitivity of the global prices on India's steel import intensity. The article uses monthly data from April 2013 till March 2025[4]. Unit value index (UVI)[5] of iron and steel imports has been used to instrument the import intensity of steel and evaluate the impact of dumping. Further, the elasticity of steel imports is derived using destination-wise imports of iron & steel and corresponding UVI under a panel data regression framework. The findings suggest that the lower price of imported steel increased steel imports which facilitated to meet the growing consumption demand of steel, and domestic production got adversely affected. Lastly, the panel regression estimates using destination-wise imports data shows a high and significant elasticity of import

^ The authors are Assistant Adviser and Director, respectively, in the Department of Statistics and Information Management, Reserve Bank of India. Views expressed in the article are those of the authors and do not reflect the views of the Reserve Bank of India.

[1] According to CRISIL's Market Intelligence and Analytics report (2025), India is projected to surpass other major steel-consuming economies in 2025, with demand growth estimated at 8-9 per cent.

[2] Steel dumping refers to the export of steel by one country to another at prices lower than its domestic market or production cost, often due to subsidies or overproduction. In recent times, India has faced significant challenges from steel dumping, particularly from countries, like, China, Thailand, Vietnam, South Korea, and Russia, which have flooded the Indian market with cheap steel. This practice threatened the domestic steel industry by undercutting local producers and leading to reduced profitability across the sector.

[3] According to ICRA (2024), in 2024-25, India's domestic steel industry's capacity utilisation may have dropped below 80 per cent for the first time in four years, as cheaper imports flood the market.

[4] The analysis uses the domestic steel production data from the Eight Core Industries which is available from April 2012 onwards. Accordingly, the YoY growth rate of domestic production is derived from April 2013 onwards.

[5] The unit value index of imports measures changes in the average cost of imported goods.

price on India's steel imports suggesting a strong impact of global price movements on India's steel imports.

The rest of the article is organised as follows – Section 2 outlines the empirical framework; Section 3 discusses the data and stylised facts. The findings are discussed in Section 4. Section 5 summarises the findings and major policy implications.

2. Empirical Framework

The linkage between global price changes and import intensity can be viewed through the firms' optimal factor allocations under a nested production function framework where steel is used as an input. The requirement of steel is met through domestic sourcing and imports. Mathematically, India's steel consumption is modelled through the production framework of a small open economy model proposed by Gali and Monacelli (2005). In this framework, a two stage production function is assumed – in the first stage, intermediate goods (such as steel) are procured from home country and abroad (*i.e.,* imports); in the second stage, the aggregated intermediate goods basket is used to produce the final good. The first stage of the production process is represented as follows:

$$M_t = (M_t^H)^{\alpha}(M_t^F)^{1-\alpha} \quad \dots (1)$$

where, M_t is the intermediate goods bundle used in the second stage, M_t^H represents intermediate goods sourced from home country and M_t^F represents imported intermediate goods. The domestically produced and imported intermediate goods are aggregates of various goods using a constant elasticity of substitution aggregator, *i.e.*,

$$M_t^H = \left[\int_0^1 M_t^H(j)^{\frac{\sigma-1}{\sigma}}dj\right]^{\frac{\sigma}{\sigma-1}} \text{ and}$$

$$M_t^F = \left[\int_0^1 M_t^F(j)^{\frac{\eta-1}{\eta}}dj\right]^{\frac{\eta}{\eta-1}} \quad \dots (2)$$

where, $\frac{1}{\sigma}$ and $\frac{1}{\eta}$ are the elasticities of substitution of domestic and foreign produced varieties of intermediate goods. α is the production share of home-produced intermediate goods. $\alpha > \frac{1}{2}$ denotes home-bias.

The second stage of the production process involves production of final goods using standard Cobb-Douglas production function:

$$Y_t = A_t\left[L_t^{\gamma}K_t^{1-\gamma}\right]^{\beta}[M_t]^{1-\beta} \quad \dots (3)$$

where, Y_t is the final goods produced, L_t is the labour demand and K_t is the capital used. β is the share of labour – capital, whereas γ is the labour share in the nested production function of labour and capital. A_t is the total factor productivity. The firm is a price taker in the intermediate goods market.

Following the profit maximization of the firm, the optimal factor allocations of the intermediate goods is given by[6]:

$$M_t^H(u) = (1-\beta)\alpha\left(\frac{P_t^H(u)}{P_t^H}\right)^{-\sigma}\frac{MC_t}{P_t^H}\,Y_t \quad \dots (4)$$

$$M_t^F(u) = (1-\beta)(1-\alpha)\left(\frac{P_t^F(u)}{P_t^F}\right)^{-\eta}\frac{MC_t}{\epsilon_t P_t^F}\,Y_t \quad \dots (5)$$

where, $P_t^H(u)$ $[P_t^F(u)]$ is the price of the domestic [foreign produced] intermediate goods of variety 'u', P_t^H (P_t^F) is the aggregate price of the home (foreign)-produced intermediate goods bundle, ϵ_t is the suitable exchange rate and MC_t is the marginal cost of home-produced final goods. P_t^H and P_t^F are derived as:

$$P_t^H = \left[\int_0^1 P_t^H(u)^{1-\sigma}du\right]^{\frac{1}{1-\sigma}} \text{ and}$$

$$P_t^F = \left[\int_0^1 P_t^F(u)^{1-\eta}du\right]^{\frac{1}{1-\eta}} \quad \dots (6)$$

Producers prefer imported steel over domestically-produced steel as the intermediate input for production owing to its lower price in the global market. While this eases marginal cost pressures for

[6] These conditions can be derived by maximizing profit. The optimal factor allocations are the shares of the output, and the allocation of various varieties is derived from the constant elasticity of substitution (CES) aggregator. Here, the assumption is that the foreign intermediate goods are invoiced in producer currency.

the producers, domestic steel production is adversely impacted as the demand of domestic produced steel moderates and domestic producers react to lower demand through market clearing conditions.

A structural vector autoregression (SVAR) model is used to analyse the impact of steel imports on India's domestic steel production and consumption. As indicated earlier, the UVI of iron & steel imports is used as an external instrument following Olea, Stock and Watson (2021), while the endogenous variables in the model are volume growth of steel imports, wholesale price index (WPI) of steel[7], domestic steel production and steel consumption. The variables are transformed into YoY growth rates for the SVAR estimates.[8]

In the second part of the analysis, the import elasticity is estimated using a panel data regression framework with steel import destinations as the cross-sectional unit. Here, the reduced form panel regression follows the Ricardian trade framework and can be expressed as follows:

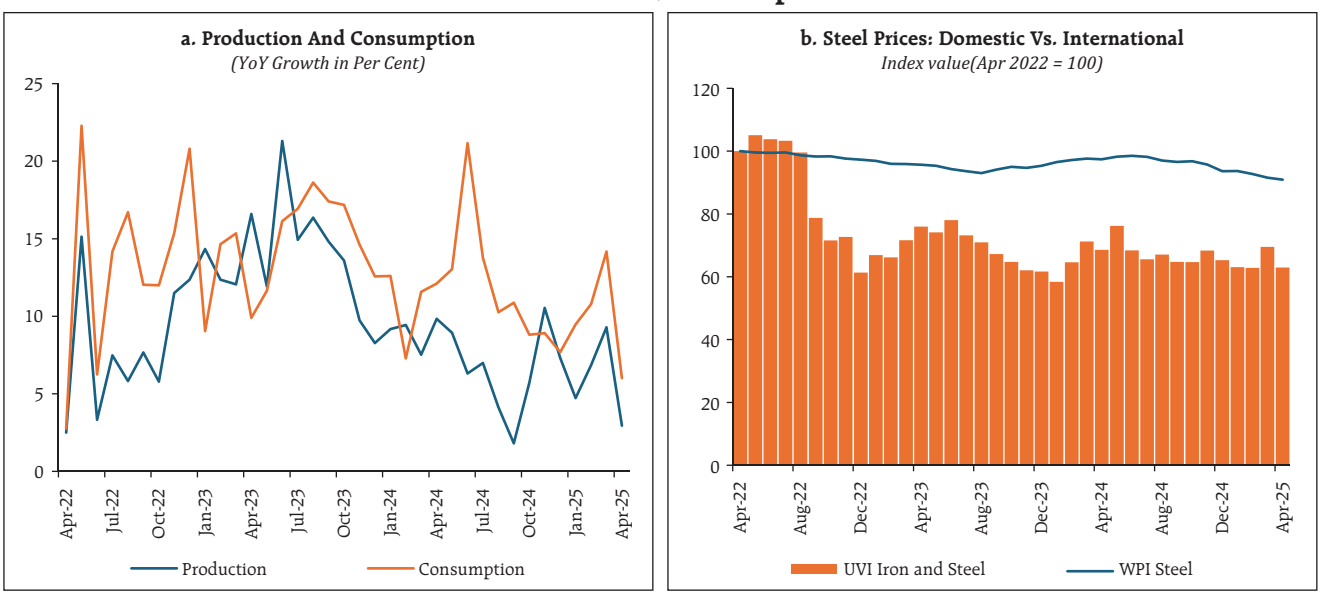
$$\log\left(M_t^{(F,i)}(u)\right) = \theta_1 log UVI_t^i(u) + \theta_2 X_t + FE + \eta_t$$

where, $M_t^{F,i}(u)$ is steel imports from destination 'i', $UVI_t^i(u)$ is the unit value index of imports from country 'i', X_t is the vector of macroeconomic controls which includes lagged values of consumption growth, domestic production and input cost pressure and η_t is the residual term. Fixed effects, namely, source country and time effects, are used to absorb the unobserved heterogeneity.

3. Data and Stylised Facts

The empirical analysis is carried out using monthly data from April 2013 to April 2025. India's steel consumption grew by 12.9 per cent on average (average of monthly growth rates) since April 2022 till November 2024. The gap between domestic consumption and production widened since 2022 (Chart 1a). Steel prices eased since April 2022 both in the domestic and global fronts. The UVI of imported iron and steel moderated sharper than WPI-steel (Chart 1b).

Chart 1: Steel Production, Consumption and Prices



[7] Derived by aggregating the price indices of various steel products.

[8] The optimal lag length for the SVAR model is arrived at using Hannan-Quinn (HQ) and Bayesian information criteria.

India imported steel products to supplement its consumption demand. India's iron and steel imports expanded by 10.7 per cent in the first half of 2024-25 and recorded a contraction in second half of 2024-25 mainly on account of safeguard duties. India recorded a high growth of 22.0 per cent in its steel imports in 2023-24 fuelled by softer steel prices in the international market (Chart 2).

India imports nearly 45 per cent of steel from the top 5 destinations namely Korea Republic (South) (import share 14.6 per cent), China (import share 9.8 per cent), USA (import share 7.8 per cent), Japan (import share 7.1 per cent) and the United Kingdom (import share 6.2 per cent)[9]. Imports increased from China, Japan, South Korea, Indonesia and Vietnam during 2024-25 (Chart 3a). UVI declined or remained unchanged across all major import destinations, barring USA and South Korea (Chart 3b).

Chart 2: India's Iron And Steel Imports (Volume)

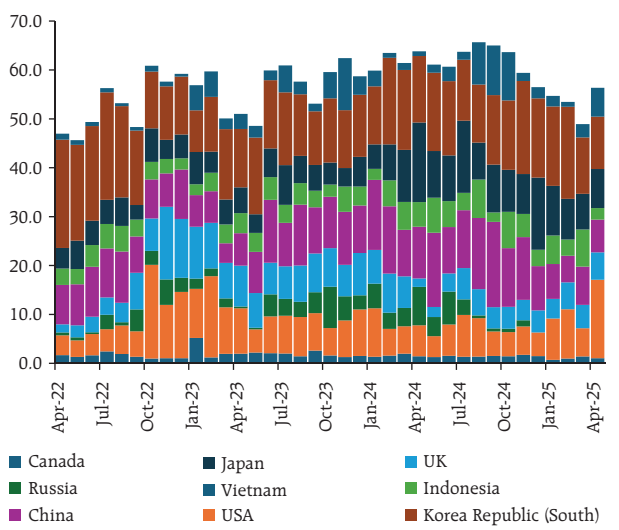
(In '000 tonnes, YoY growth in per cent)

4. Empirical Findings

The SVAR model estimates the endogenous time dynamics among imports, domestic prices, domestic production and final consumption of steel. However, the import intensity can be influenced by other factors such as the global price of steel. Hence, the UVI of iron & steel imports is used as an external instrument in the econometric framework to gauge import intensity driven by import prices. With an

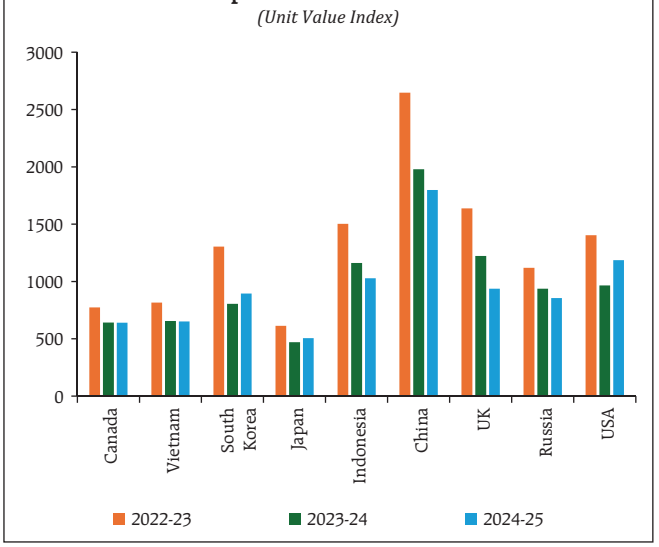
Chart 3: Major Import Destinations and Unit Value Index of India's Steel Imports

a. Major Steel Import Destinations



b. Unit Value Of Imports of Iron & Steel Across Destinations

(Unit Value Index)



[9] The share is average share over April 2022 till August 2024.

Table 1: Impact of UVI on the Steel Imports

	Model 1	Model 2	Model 3	Model 4
Dependent variable: Import growth in steel (YoY Growth)				
(Intercept)	0.82 (3.32)	0.87 (3.38)	-4.57 (3.18)	-0.41 (3.38)
UVI	-0.57 *** (0.12)	-0.57 *** (0.12)	-1.41 *** (0.18)	-1.33 *** (0.18)
Steel consumption growth (-1)		0.01 (0.05)	0.07 (0.05)	0.07 (0.05)
WPI of steel products (-1)			2.60 *** (0.45)	2.97 *** (0.45)
COVID				-26.11 ** (8.65)
R^2	0.14	0.14	0.31	0.36
Adj. R^2	0.13	0.13	0.30	0.34
F-Stat	21.7***	10.9***	20.2***	18.3***

Notes: 1. The above estimates are derived using OLS with HAC Type -3 adjustments.
2. COVID is a time dummy, which takes value '1' for April 2020 to July 2021 otherwise '0'.
3. Figures in parentheses are robust standard errors.
4. All variables are transformed in YoY growth except COVID.
5. *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$

easing in UVI, the import intensity is expected to increase. In order to check the relation between UVI and imports, growth in the import volume was regressed over UVI controlling for factors such as domestic consumption growth and prices. The coefficient of UVI is negative and significant, which supports the hypothesis pertaining to the price channel (Table 1).[10]

Following the validation of UVI as an instrument for import growth, the SVAR model is estimated with UVI as an external instrument. The assessment of the UVI impact is carried out through the impulse response functions. One standard deviation (SD) of negative shock on UVI increases the import volume. Higher imports at a cheaper price reduces the demand for domestically produced steel, thereby moderating its domestic price[11]. The domestic production of steel moderates with a lag of 8-10 months as the domestic producers struggle to match up with the lower price of imported steel. The domestic consumption of steel, on the other hand, improves with a lag of 5-7 months, owing to cheaper steel imports leading to a drop in the price of final goods (Chart 4).

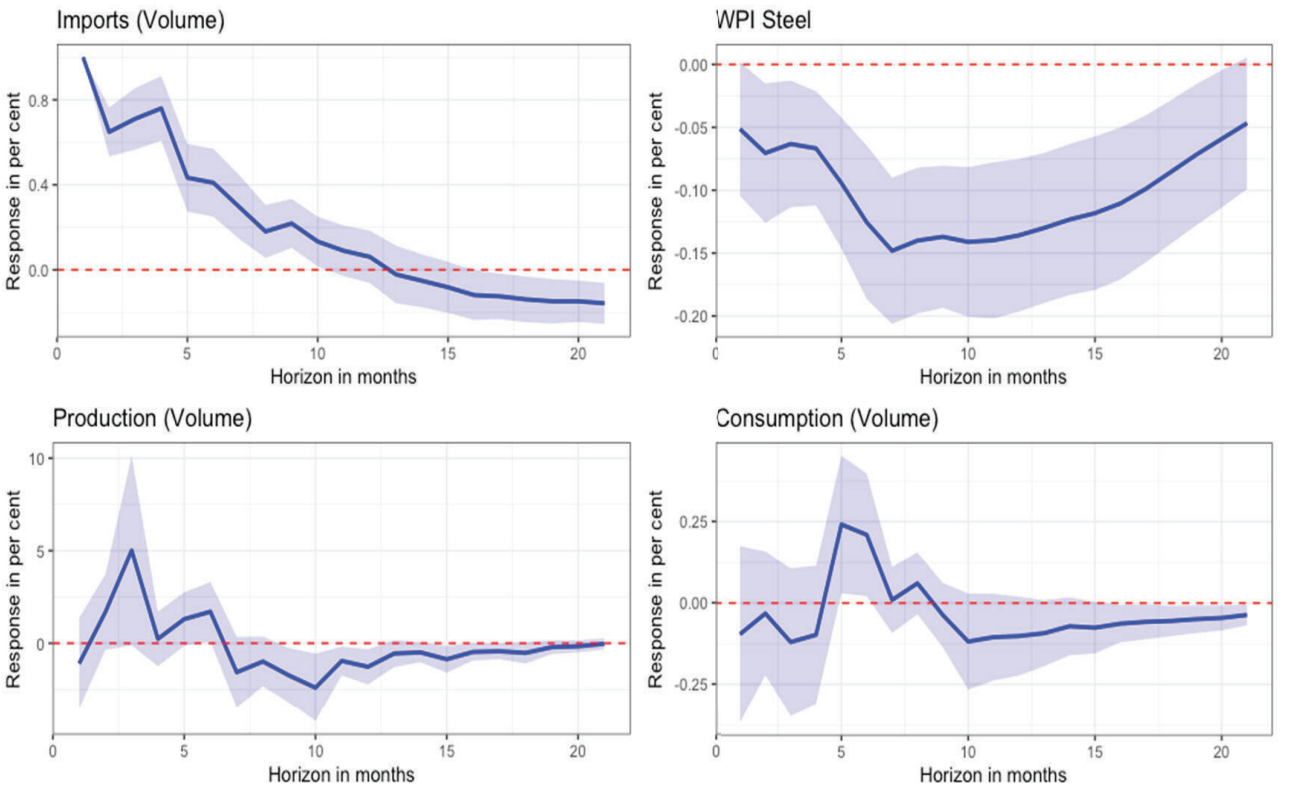
Next, the import price elasticity of steel based on UVI is validated using the destination-wise detailed data on steel imports spanning over same time period. Lagged values of consumption growth, domestic production and input cost pressure are used as additional controls to factor in domestic macroeconomic developments. Alternate estimation methods are used, *viz.*, OLS regression, mean group estimate, panel data fixed effects and random effects. Unlike the SVAR model, the import elasticity is derived through the effects of the log of UVI on log values of imports. This specification is used to derive the elasticity from the estimated coefficient i.e. the coefficient indicates the change in log imports in response to unit change in log UVI which is the import elasticity.

The estimates show a negative and significant elasticity of UVI on imports, *i.e.*, when the UVI goes up, the import intensity of steel goes down. The average price elasticity of steel imports is estimated to vary within 0.78 – 1.01. Further, the consumption growth provides the impetus for imports, whereas domestic production dampens import intensity. Higher interlinkages through input-output channels within the sector are absorbed within the aggregate impact (Table 2).

[10] The F-statistic of the regression estimates are higher in magnitude and are statistically significant, thus satisfying the criteria of a good instrument. This follows Angrist and Pischke (2009) and Wooldridge (2010).

[11] The moderation in the domestic prices is driven by the lower import prices and demand moderation in the domestic front.

Chart 4: Impulse Response of One SD Negative Shock to UVI



A robustness of the coefficients is validated using inverse hyperbolic sine (asinh) transformation[12]. Using the asinh transformation, the estimates fall in similar lines. The average price elasticity stands in the range 0.73 – 0.89 (Table 3).

Table 2: Panel Regression Estimates Estimating Import Price Elasticity of Steel

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	log(Imports)		log(Imports)		log(Imports)		log(Imports)	
log(UVI)	-0.825***	-0.779***	-1.423***	-1.101***	-0.940*	-0.924*	-0.939**	-0.923*
	(0.081)	(0.087)	(0.125)	(0.302)	(0.415)	(0.487)	(0.414)	(0.486)
Δ Consumption (-1)		0.006		0.004***		0.007		0.007*
		(0.004)		(0.001)		(0.004)		(0.004)
Δ WPI Steel (-1)		-0.003		-0.001		-0.001		-0.001
		(0.002)		(0.001)		(0.004)		(0.002)
Δ Production(-1)		-0.009		-0.005**		-0.010		-0.010*
		(0.006)		(0.002)		(0.006)		(0.006)
Constant	16.059***	15.772***	20.313***	18.124***	16.804***	16.707***	16.800***	16.703***
	(0.545)	(0.584)	(0.508)	(2.187)	(2.804)	(3.271)	(2.823)	(3.248)
	OLS		Mean Group		Fixed Effect		Random Effect	

[12] Asinh transformation is widely used in the trade literature to adjust for the zero trade values as the monthly imports may be zero for some trade partners for some months. However, one of the major criticism of using the inverse hyperbolic sine transformation is that it induces extra skewness in the distribution (Bellemare and Wichman, 2020). However, it may be noted here that the distribution share of India's steel imports remained steady over time which reduced the chances of higher skewness in imports distribution.

Table 3: Panel Regression Estimates for Price Elasticity with Asinh Transformation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	asinh(Imports)		asinh(Imports)		asinh(Imports)		asinh(Imports)	
log(UVI)	-0.805***	-0.729***	-1.416***	-1.004***	-0.904*	-0.894*	-0.901**	-0.881*
	(0.080)	(0.083)	(0.121)	(0.291)	(0.411)	(0.479)	(0.410)	(0.413)
Δ Consumption (-1)		0.004		0.005***		0.006		0.006*
		(0.004)		(0.001)		(0.004)		(0.004)
Δ WPI Steel (-1)		-0.003		-0.001		-0.001		-0.001
		(0.002)		(0.001)		(0.004)		(0.002)
Δ Production(-1)		-0.010*		-0.005**		-0.011*		-0.010*
		(0.006)		(0.002)		(0.006)		(0.006)
Constant	17.324***	17.005***	21.933***	19.574***	18.149***	18.041***	18.144***	18.036***
	(0.601)	(0.644)	(0.513)	(2.391)	(3.092)	(3.608)	(3.108)	(3.583)
	OLS		Mean Group		Fixed Effect		Random Effect	

5. Conclusion

In recent times, India's steel sector has encountered challenges due to increased imports and competitive pricing from major steel-producing countries. These factors have affected domestic market share, lowered capacity utilisation, and added pressure on domestic producers. The pricing strategies of exporting nations remain a concern for the steel industry. Addressing these challenges calls for a balanced approach, including policy support and initiatives to enhance the competitiveness of India's steel production through innovation, cost efficiency, and sustainable practices.

The findings from aggregate and panel data analyses indicate that a lower UVI for steel import increases import intensity at the expense of domestic production. Recently, India's key import partners have reduced the UVI of steel products, driving higher import growth. This surge in imports has been primarily fuelled by lower import prices of steel, which in turn has adversely impacted domestic steel production. The average import price elasticity is found to be in the range of (-) 0.73 to (-) 1.01 based on alternate model specifications.

Reference

Angrist, Joshua D., and Pischke , Jörn-Steffen (2009). Mostly Harmless Econometrics: An Empiricist's Companion. *Princeton University Press.*

Bellemare, M.F. and Wichman, C.J. (2020). Elasticities and the Inverse Hyperbolic Sine Transformation. *Oxford Bulletin Economics and Statistics, 82, 50-61.*

CRISIL (2025). Market Intelligence and Analytics report. January 12.

Gali, Jordi and Monacelli , Tommaso (2005). Monetary Policy and Exchange Rate Volatility in a Small Open Economy, *Review of Economic Studies, 72, 707–734.*

ICRA (2024), Steel Industry - Trends and Outlook, *December 2024.*

Olea, Jose' L. Montiel, Stock, James H. and Watson, Mark W. (2021). Inference in Structural Vector Autoregressions Identified with an External Instrument. *Journal of Econometrics, 225(1), 74-87.*

Wooldridge, Jeffrey M (2010). Econometric Analysis of Cross Section and Panel Data. *The MIT Press.*

CURRENT STATISTICS

Select Economic Indicators

Reserve Bank of India

Money and Banking

Prices and Production

Government Accounts and Treasury Bills

Financial Markets

External Sector

Payment and Settlement Systems

Occasional Series

Contents

Notes: .. = Not available.

– = Nil/Negligible.

P = Preliminary/Provisional. PR = Partially Revised.

No. 1: Select Economic Indicators

Item	2024-25	2023-24	2024-25		2025-26
		Q4	Q1	Q4	Q1
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GVA at Basic Prices	6.4	7.3	6.5	6.8	7.6
1.1.1 Agriculture	4.6	0.9	1.5	5.4	3.7
1.1.2 Industry	4.5	9.9	7.8	4.7	5.8
1.1.3 Services	7.5	8.0	7.2	7.9	9.0
1.1a Final Consumption Expenditure	6.5	6.3	7.0	4.7	7.1
1.1b Gross Fixed Capital Formation	7.1	6.0	6.7	9.4	7.8
	2024-25	2024		2025	
		Jul.	Aug.	Jul.	Aug.
	1	2	3	4	5
1.2 Index of Industrial Production	4.0	5.0	0.0	4.3	4.0
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	10.3	10.6	11.9	10.2	9.3
2.1.2 Credit #	11.0	13.7	13.1	10.0	10.1
2.1.2.1 Non-food Credit #	11.0	13.7	13.1	9.9	10.0
2.1.3 Investment in Govt. Securities	9.7	8.1	6.3	6.6	6.7
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	4.3	7.2	4.8	4.7	5.8
2.2.2 Broad Money (M3)	9.4	9.7	9.8	9.6	9.8
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.50	4.50	4.00	4.00
3.2 Statutory Liquidity Ratio	18.00	18.00	18.00	18.00	18.00
3.3 Cash-Deposit Ratio	4.3	5.1	5.1	4.3	4.4
3.4 Credit-Deposit Ratio	80.8	79.3	78.4	79.2	79.0
3.5 Incremental Credit-Deposit Ratio #	86.1	53.1	47.7	33.5	43.3
3.6 Investment-Deposit Ratio	29.7	29.8	29.3	28.8	28.6
3.7 Incremental Investment-Deposit Ratio	28.1	28.8	20.8	3.8	7.7
4 Interest Rates (%)					
4.1 Policy Repo Rate	6.25	6.50	6.50	5.50	5.50
4.2 Fixed Reverse Repo Rate	3.35	3.35	3.35	3.35	3.35
4.3 Standing Deposit Facility (SDF) Rate *	6.00	6.25	6.25	5.25	5.25
4.4 Marginal Standing Facility (MSF) Rate	6.50	6.75	6.75	5.75	5.75
4.5 Bank Rate	6.50	6.75	6.75	5.75	5.75
4.6 Base Rate	9.10/10.40	9.10/10.40	9.10/10.40	8.50/10.30	8.50/10.30
4.7 MCLR (Overnight)	8.15/8.45	8.10/8.60	8.15/8.45	7.95/8.20	7.80/8.15
4.8 Term Deposit Rate >1 Year	6.00/7.25	6.00/7.30	6.00/7.25	5.85/6.70	5.85/6.60
4.9 Savings Deposit Rate	2.70/3.00	2.70/3.00	2.70/3.00	2.50/2.50	2.50/2.50
4.10 Call Money Rate (Weighted Average)	6.35	6.59	6.59	5.55	5.45
4.11 91-Day Treasury Bill (Primary) Yield	6.52	6.67	6.63	5.40	5.51
4.12 182-Day Treasury Bill (Primary) Yield	6.52	6.79	6.72	5.52	5.60
4.13 364-Day Treasury Bill (Primary) Yield	6.47	6.80	6.72	5.57	5.64
4.14 10-Year G-Sec Par Yield (FBIL)	6.62	6.97	6.90	6.41	6.67
5 Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (Rs. Per Foreign Currency)	85.58	83.73	83.87	86.52	87.85
5.2 INR-Euro Spot Rate (Rs. Per Foreign Currency)	92.32	90.86	92.91	101.73	102.47
5.3 Forward Premia of US$ 1-month (%)	3.12	1.11	1.12	1.81	1.76
3-month (%)	2.56	1.20	1.34	1.76	1.80
6-month (%)	2.28	1.43	1.64	1.85	1.97
6 Inflation (%)					
6.1 All India Consumer Price Index	4.6	3.6	3.7	1.6	2.1
6.2 Consumer Price Index for Industrial Workers	3.39	2.1	2.4	2.7	3.2
6.3 Wholesale Price Index	2.3	2.1	1.2	-0.6	0.5
6.3.1 Primary Articles	5.2	3.2	2.5	-5.0	-2.1
6.3.2 Fuel and Power	-1.3	1.9	-0.5	-2.4	-3.2
6.3.3 Manufactured Products	1.7	1.6	1.0	2.0	2.5
7 Foreign Trade (% Change)					
7.1 Imports	6.2	11.2	10.0	8.6	-10.1
7.2 Exports	0.1	0.6	-14.1	7.3	6.7

Note : Financial Benchmark India Pvt. Ltd. (FBIL) has commenced publication of the G-Sec benchmarks with effect from March 31, 2018 as per RBI circularFMRD.DIRD. 7/14.03.025/2017-18 dated March 31, 2018. FBIL has started dissemination of reference rates w.e.f. July 10, 2018.

#: Bank credit growth and related ratios for all fortnights from December 3, 2021 to November 18, 2022 are adjusted for past reporting errors by select scheduled commercial banks (SCBs).

Data include the impact of merger of a non-bank with a bank w.e.f. July 1, 2023.

*: As per Press Release No. 2022-2023/41 dated April 08, 2022.

Reserve Bank of India

No. 2: RBI - Liabilities and Assets *

(₹ Crore)

Item	As on the Last Friday/ Friday						
	2024-25	2024	2025				
		Sep.	Aug. 29	Sep. 05	Sep. 12	Sep. 19	Sep. 26
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	3683836	3447381	3763879	3776964	3777204	3761714	3759636
1.1.2 Notes held in Banking Department	11	22	13	12	15	16	16
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**3683847**	**3447403**	**3763892**	**3776976**	**3777219**	**3761730**	**3759652**
1.2 Assets							
1.2.1 Gold	235379	199209	271256	282361	289078	289600	298778
1.2.2 Foreign Securities	3448129	3247889	3492206	3494274	3487902	3471979	3460443
1.2.3 Rupee Coin	340	305	429	341	239	151	431
1.2.4 Government of India Rupee Securities	-	-	-	-	-	-	-
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	1709285	1851979	1737992	1771756	1744672	1834382	1819019
2.1.1.1 Central Government	100	100	101	101	100	101	101
2.1.1.2 Market Stabilisation Scheme	-		-	-	-	-	-
2.1.1.3 State Governments	42	42	42	42	42	42	42
2.1.1.4 Scheduled Commercial Banks	943060	1020447	959655	926601	909536	884937	897509
2.1.1.5 Scheduled State Co-operative Banks	7776	8254	8031	8174	7506	7605	7602
2.1.1.6 Non-Scheduled State Co-operative Banks	5963	5134	5120	5335	4933	4804	4841
2.1.1.7 Other Banks	46963	49498	48027	48326	44987	45370	45316
2.1.1.8 Others	593085	600409	583536	622828	623263	726960	698795
2.1.1.9 Financial Institution Outside India	112296	168095	133480	160350	154303	164562	164813
2.1.2 Other Liabilities	2150508	2008888	2399650	2449109	2495021	2482467	2514283
2.1/2.2 Total Liabilities or Assets	**3859793**	**3860867**	**4137642**	**4220865**	**4239693**	**4316849**	**4333302**
2.2 Assets							
2.2.1 Notes and Coins	11	22	13	12	15	16	16
2.2.2 Balances Held Abroad	1413591	1944750	1691216	1694477	1724854	1722384	1731117
2.2.3 Loans and Advances							
2.2.3.1 Central Government	-	-	-	-	-	-	-
2.2.3.2 State Governments	26284	24412	19623	44070	29150	32445	32622
2.2.3.3 Scheduled Commercial Banks	251984	33302	1950	3936	1184	57401	84836
2.2.3.4 Scheduled State Co-op.Banks	-	-	-	-	-	-	-
2.2.3.5 Industrial Dev. Bank of India	-	-	-	-	-	-	-
2.2.3.6 NABARD	-	-	-	-	-	-	-
2.2.3.7 EXIM Bank	-	-	-	-	-	-	-
2.2.3.8 Others	36426	8496	10975	7779	7778	13606	16985
2.2.3.9 Financial Institution Outside India	111768	167968	132802	159658	153376	163682	163895
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	-	-	-	-	-	-	-
2.2.4.2 Government Treasury Bills	-	-	-	-	-	-	-
2.2.5 Investments	1560630	1316708	1767243	1773195	1772982	1774902	1733646
2.2.6 Other Assets	459101	365211	513821	537738	550353	552412	570186
2.2.6.1 Gold	429510	351532	494347	514585	526825	527777	544157

* Data are provisional.

No. 3: Liquidity Operations by RBI

(₹ Crore)

Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Aug. 1, 2025	-	-	-	171795	1100	204806	-	-	-	-375501
Aug. 2, 2025	-	-	-	-	284	232922	-	-	-	-232638
Aug. 3, 2025	-	-	-	-	46	204672	-	-	-	-204626
Aug. 4, 2025	-	-	-	-	1232	239701	-	-	-	-238469
Aug. 5, 2025	-	-	-	-	1087	236724	-	-	-	-235637
Aug. 6, 2025	-	-	-	67755	1697	163097	-	-	-	-229155
Aug. 7, 2025	-	-	-	49055	11066	86154	-1538	-	-	-125681
Aug. 8, 2025	-	-	-	159089	4352	168392	1579	-	-	-321550
Aug. 9, 2025	-	-	-	-	396	84124	-	-	-	-83728
Aug. 10, 2025	-	-	-	-	359	86805	-	-	-	-86446
Aug. 11, 2025	-	-	-	44790	1071	97719	-	-	-	-141438
Aug. 12, 2025	-	-	-	-	1271	83758	-	-	-	-82487
Aug. 13, 2025	-	-	-	-	1814	111927	345	-	-	-109768
Aug. 14, 2025	-	-	-	182790	1127	132763	400	-	-	-314026
Aug. 15, 2025	-	-	-	-	134	119519	-	-	-	-119385
Aug. 16, 2025	-	-	-	-	214	133135	-	-	-	-132921
Aug. 17, 2025	-	-	-	-	239	120519	-	-	-	-120280
Aug. 18, 2025	-	-	-	23360	1273	111903	-361	-	-	-134351
Aug. 19, 2025	-	-	-	-	1992	105186	-	-	-	-103194
Aug. 20, 2025	-	-	-	-	4249	74157	-	-	-	-69908
Aug. 21, 2025	-	-	31025	-	7687	83484	-632	-	-	-45404
Aug. 22, 2025	-	-	-	75781	1818	155889	892	-	-	-228960
Aug. 23, 2025	-	-	-	-	322	90563	-	-	-	-90241
Aug. 24, 2025	-	-	-	-	533	92624	-	-	-	-92091
Aug. 25, 2025	-	-	-	-	1837	116270	-299	-	-	-114732
Aug. 26, 2025	-	-	-	-	1590	127715	268	-	-	-125857
Aug. 27, 2025	-	-	-	-	1292	115946	-	-	-	-114654
Aug. 28, 2025	-	-	-	49515	3579	126448	-	-	-	-172384
Aug. 29, 2025	-	-	-	138366	1950	117618	-	-	-	-254034
Aug. 30, 2025	-	-	-	-	953	138905	-	-	-	-137952
Aug. 31, 2025	-	-	-	-	780	129849	-	-	-	-129069

No. 4: Sale/ Purchase of U.S. Dollar by the RBI

i) Operations in onshore / offshore OTC segment

Item	2024-25	2024	2025	
		Aug.	Jul.	Aug.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1-1.2)	-34511	-6494	-2540	-7695
1.1 Purchase (+)	364200	16141	0	0
1.2 Sale (–)	398711	22635	2540	7695
2 ₹ equivalent at contract rate (₹ Crores)	-291233	-54476	-22267	-67456
3 Cumulative (over end-March) (US $ Million)	-34511	-1092	-6097	-13792
(₹ Crore)	-291233	-9604	-54148	-121604
4 Outstanding Net Forward Sales (-)/ Purchase (+) at the end of month (US $ Million)	-84345	-18980	-57850	-53355

ii) Operations in currency futures segment

Item	2024-25	2024	2025	
		Aug.	Jul.	Aug.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1-1.2)	0	0	0	0
1.1 Purchase (+)	31415	1993	0	0
1.2 Sale (–)	31415	1993	0	0
2 Outstanding Net Currency Futures Sales (-)/ Purchase (+) at the end of month (US $ Million)	0	-897	0	-450

No. 4 A : Maturity Breakdown (by Residual Maturity) of Outstanding Forwards of RBI (US $ Million)

Item	As on August 31 , 2025		
	Long (+)	Short (-)	Net (1-2)
	1	2	3
1. Upto 1 month	0	5850	-5850
2. More than 1 month and upto 3 months	0	14445	-14445
3. More than 3 months and upto 1 year	0	12960	-12960
4. More than 1 year	0	20100	-20100
Total (1+2+3+4)	**0**	**53355**	**-53355**

No. 5: RBI's Standing Facilities

(₹ Crore)

Item	As on the Last Reporting Friday							
	2024-25	2024	2025					
		Sep. 20	Apr. 18	May. 30	Jun. 27	Jul. 25	Aug. 22	Sep. 19
	1	2	3	4	5	6	7	8
1 MSF	9961	21731	2003	1540	1065	1906	1818	310
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	-	-	-	-	-	-	-	-
2.2 Outstanding	-	-	-	-	-	-	-	-
3 Liquidity Facility for PDs								
3.1 Limit	9900	9900	14900	14900	14900	14900	14900	14900
3.2 Outstanding	9517	8547	7999	8595	7010	10299	10985	10319
4 Others								
4.1 Limit	76000	76000	76000	76000	76000	76000	76000	76000
4.2 Outstanding	-	-	-	-	-	-	-	-
5 Total Outstanding (1+2.2+3.2+4.2)	19478	30278	10002	10135	8075	12205	12803	10629

Money and Banking

No. 6: Money Stock Measures

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/ reporting Fridays				
	2024-25	2024	2025		
		Aug. 23	Jul. 25	Aug. 08	Aug. 22
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	3630751	3404741	3707458	3727559	3715737
1.1 Notes in Circulation	3687816	3478635	3763742	3779110	3773434
1.2 Circulation of Rupee Coin	35889	33563	37314	37314	37314
1.3 Circulation of Small Coins	743	743	743	743	743
1.4 Cash on Hand with Banks	93696	108200	94341	89608	95755
2 Deposit Money of the Public	2953329	2680305	3126308	3099834	3142161
2.1 Demand Deposits with Banks	2840023	2588482	3018666	2990112	3032516
2.2 'Other' Deposits with Reserve Bank	113307	91822	107642	109722	109645
3 M1 (1 + 2)	**6584081**	**6085046**	**6833766**	**6827393**	**6857897**
4 Post Office Saving Bank Deposits	212331	199827	212331	212331	212331
5 M2 (3 + 4)	**6796412**	**6284873**	**7046097**	**7039724**	**7070228**
6 Time Deposits with Banks	**20702508**	**19698002**	**21306108**	**21461319**	**21450604**
7 M3 (3 + 6)	**27286589**	**25783048**	**28139873**	**28288712**	**28308502**
8 Total Post Office Deposits	1443555	1370491	1443555	1443555	1443555
9 M4 (7 + 8)	28730144	27153539	29583428	29732267	29752057

No. 7 : Sources of Money Stock (M_3)

(₹ Crore)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2024-25	2024	2025		
		Aug. 23	Jul. 25	Aug. 08	Aug. 22
	1	2	3	4	5
1 Net Bank Credit to Government	**8510825**	**7694769**	**8541317**	**8681282**	**8585943**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	1508105	1025545	1502150	1615236	1511706
1.1.1 Claims on Government	1591591	1343455	1810116	1822625	1795840
1.1.1.1 Central Government	1558903	1316653	1786091	1779833	1768377
1.1.1.2 State Governments	32688	26802	24026	42792	27463
1.1.2 Government deposits with RBI	83485	317910	307966	207388	284134
1.1.2.1 Central Government	83443	317868	307924	207346	284091
1.1.2.2 State Governments	42	42	43	42	43
1.2 Other Banks' Credit to Government	7002720	6669224	7039167	7066046	7074237
2 Bank Credit to Commercial Sector	**19068129**	**17709792**	**19300981**	**19407618**	**19449509**
2.1 RBI's credit to commercial sector	38246	10307	12383	12425	13069
2.2 Other banks' credit to commercial sector	19029883	17699485	19288597	19395194	19436439
2.2.1 Bank credit by commercial banks	18243972	16945309	18501377	18606167	18646842
2.2.2 Bank credit by co-operative banks	766659	735395	767165	768946	769722
2.2.3 Investments by commercial and co-operative banks in other securities	19252	18781	20056	20081	19876
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**6148527**	**5930301**	**6467260**	**6503298**	**6468572**
3.1 RBIs net foreign exchange assets (3.1.1 - 3.1.2)	5550947	5563594	5869680	5905718	5870992
3.1.1 Gross foreign assets	5550956	5563586	5869677	5905712	5870987
3.1.2 Foreign liabilities	9	-8	-3	-6	-5
3.2 Other banks' net foreign exchange assets	597580	366707	597580	597580	597580
4 Government's Currency Liabilities to the Public	**36632**	**34306**	**38057**	**38057**	**38057**
5 Banking Sector's Net Non-monetary Liabilities	**6477524**	**5586120**	**6207741**	**6341544**	**6233580**
5.1 Net non-monetary liabilities of RBI	2147427	1893229	2235868	2333098	2288911
5.2 Net non-monetary liabilities of other banks (residual)	4330098	3692891	3971873	4008446	3944669
M_3(1+2+3+4–5)	**27286589**	**25783048**	**28139873**	**28288712**	**28308502**

No. 8: Monetary Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2024-25	2024	2025		
		Aug. 23	Jul. 25	Aug. 08	Aug. 22
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1+1.2.1+1.3)	6584081	6085046	6833766	6827393	6857897
NM_2 (NM_1 + 1.2.2.1)	15768688	14834346	16288486	16349581	16376038
NM_3 (NM_2 +1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	27909568	26439312	28681808	28827653	28871731
1 Components					
1.1 Currency with the Public	3630751	3404741	3707458	3727559	3715737
1.2 Aggregate Deposits of Residents	23250261	22031372	24029154	24150530	24183940
1.2.1 Demand Deposits	2840023	2588482	3018666	2990112	3032516
1.2.2 Time Deposits of Residents	20410239	19442890	21010489	21160418	21151424
1.2.2.1 Short-term Time Deposits	9184607	8749300	9454720	9522188	9518141
1.2.2.1.1 Certificates of Deposits (CDs)	527375	441388	507798	509055	494788
1.2.2.2 Long-term Time Deposits	11225631	10693589	11555769	11638230	11633283
1.3 'Other' Deposits with RBI	113307	91822	107642	109722	109645
1.4 Call/Term Funding from Financial Institutions	915248	911377	837554	839842	862409
2 Sources					
2.1 Domestic Credit	28802443	26570742	29125727	29376179	29305221
2.1.1 Net Bank Credit to the Government	8510825	7694769	8541317	8681282	8585943
2.1.1.1 Net RBI credit to the Government	1508105	1025545	1502150	1615236	1511706
2.1.1.2 Credit to the Government by the Banking System	7002720	6669224	7039167	7066046	7074237
2.1.2 Bank Credit to the Commercial Sector	20291618	18875973	20584410	20694897	20719277
2.1.2.1 RBI Credit to the Commercial Sector	38246	10307	12383	12425	13069
2.1.2.2 Credit to the Commercial Sector by the Banking System	20253372	18865667	20572027	20682472	20706208
2.1.2.2.1 Other Investments (Non-SLR Securities)	1208294	1150445	1243910	1271404	1253713
2.2 Government's Currency Liabilities to the Public	36632	34306	38057	38057	38057
2.3 Net Foreign Exchange Assets of the Banking Sector	5605462	5420274	5943463	6030195	5986001
2.3.1 Net Foreign Exchange Assets of the RBI	5550947	5563594	5869680	5905718	5870992
2.3.2 Net Foreign Currency Assets of the Banking System	54514	-143320	73784	124477	115008
2.4 Capital Account	4481192	4421744	5127183	5155270	5156447
2.5 Other items (net)	2053777	1164266	1298257	1461509	1301101

No. 9: Liquidity Aggregates

(₹ Crore)

Aggregates	2024-25	2024	2025		
		Aug.	Jun.	Jul.	Aug.
	1	2	3	4	5
1 NM_3	**27896780**	**26439312**	**28786422**	**28681808**	**28871731**
2 Postal Deposits	756786	724264	756786	756786	756786
3 L_1 (1 + 2)	**28653566**	**27163576**	**29543208**	**29438594**	**29628517**
4 Liabilities of Financial Institutions	95148	68118	113786	113786	116169
4.1 Term Money Borrowings	10	395	5	5	5
4.2 Certificates of Deposit	80810	54670	98755	98755	100855
4.3 Term Deposits	14328	13054	15026	15027	15310
5 L_2 (3 + 4)	**28748714**	**27231695**	**29656993**	**29552381**	**29744686**
6 Public Deposits with Non-Banking Financial Companies	121178	..	129567	..	..
7 L_3 (5 + 6)	**28869892**	**..**	**29786560**	**..**	**..**

Note : Figures in the columns might not add up to the total due to rounding off of numbers.

No. 10: Reserve Bank of India Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2024-25	2024	2025		
		Aug. 23	Jul. 25	Aug. 8	Aug. 22
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	3724448	3512941	3801799	3817167	3811491
1.2 Bankers' Deposits with the RBI	991488	1023595	978898	988320	993927
1.2.1 Scheduled Commercial Banks	926001	960220	918229	926802	932900
1.3 'Other' Deposits with the RBI	113307	91822	107642	109722	109645
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	4829243	4628359	4888339	4915209	4915063
2 Sources					
2.1 RBI's Domestic Credit	1389090	923688	1216470	1304532	1294924
2.1.1 Net RBI credit to the Government	1508105	1025545	1502150	1615236	1511706
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1.1 + 2.1.1.1.2 + 2.1.1.1.3 + 2.1.1.1.4 – 2.1.1.1.5)	1475460	998785	1478167	1572487	1484286
2.1.1.1.1 Loans and Advances to the Central Government	-	-	-	-	-
2.1.1.1.2 Investments in Treasury Bills	-	-	-	-	-
2.1.1.1.3 Investments in dated Government Securities	1558574	1316259	1785639	1779572	1767876
2.1.1.1.3.1 Central Government Securities	1558574	1316259	1785639	1779572	1767876
2.1.1.1.4 Rupee Coins	329	393	451	261	501
2.1.1.1.5 Deposits of the Central Government	83443	317868	307924	207346	284091
2.1.1.2 Net RBI credit to State Governments	32646	26760	23983	42749	27420
2.1.2 RBI's Claims on Banks	-157261	-112164	-298063	-323129	-229852
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	-157261	-112164	-298063	-323129	-229852
2.1.3 RBI's Credit to Commercial Sector	38246	10307	12383	12425	13069
2.1.3.1 Loans and Advances to Primary Dealers	9182	8541	10299	10340	10985
2.1.3.2 Loans and Advances to NABARD	-	-	-	-	-
2.2 Government's Currency Liabilities to the Public	36632	34306	38057	38057	38057
2.3 Net Foreign Exchange Assets of the RBI	5550947	5563594	5869680	5905718	5870992
2.3.1 Gold	668162	511818	741528	755391	744074
2.3.2 Foreign Currency Assets	4882794	5051768	5128149	5150321	5126913
2.4 Capital Account	1875114	1863913	2179408	2243012	2204951
2.5 Other Items (net)	272313	29316	56460	90087	83960

No. 11: Reserve Money - Components and Sources

(₹ Crore)

Item	2024-25	Outstanding as on March 31/last Fridays of the month/Fridays						
		2024	2025					
		Aug. 30	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
	1	2	3	4	5	6	7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 + 2.4 + 2.5 – 2.6)	4829243	4668483	4963561	4915209	4951207	4915063	4940913
1 Components							
1.1 Currency in Circulation	3724448	3493088	3791927	3817167	3826234	3811491	3802317
1.2 Bankers' Deposits with RBI	991488	1082361	1062588	988320	1015400	993927	1020834
1.3 'Other' Deposits with RBI	113307	93034	109046	109722	109574	109645	117762
2 Sources							
2.1 Net Reserve Bank Credit to Government	1508105	1085576	1672489	1615236	1642610	1511706	1580652
2.2 Reserve Bank Credit to Banks	-157261	-130881	-375453	-323129	-318970	-229852	-254030
2.3 Reserve Bank Credit to Commercial Sector	38246	10604	12336	12425	13170	13069	13034
2.4 Net Foreign Exchange Assets of RBI	5550947	5579313	5859517	5905718	5910984	5870992	5948355
2.5 Government's Currency Liabilities to the Public	36632	34594	38057	38057	38057	38057	38438
2.6 Net Non- Monetary Liabilities of RBI	2147427	1910724	2243385	2333098	2334644	2288911	2385536

No. 12: Commercial Bank Survey

(₹ Crore)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2024-25	2024	2025		
		Aug. 23	Jul. 25	Aug. 8	Aug. 22
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	22288331	21070014	23054208	23171236	23205355
1.1.1 Demand Deposits	2698049	2446039	2876368	2846730	2889395
1.1.2 Time Deposits of Residents	19590283	18623975	20177840	20324506	20315960
1.1.2.1 Short-term Time Deposits	8788876	8345262	9057108	9123108	9119262
1.1.2.1.1 Certificates of Deposits (CDs)	527375	441388	507798	509055	494788
1.1.2.2 Long-term Time Deposits	10741960	10199765	11069799	11150465	11145765
1.2 Call/Term Funding from Financial Institutions	915248	911377	837554	839842	862409
2 Sources					
2.1 Domestic Credit	26156690	24468278	26502935	26634914	26664877
2.1.1 Credit to the Government	6697298	6365128	6726284	6749709	6756507
2.1.2 Credit to the Commercial Sector	19459392	18103150	19776651	19885205	19908370
2.1.2.1 Bank Credit	18243972	16945309	18501377	18606167	18646842
2.1.2.1.1 Non-food Credit	18207441	16920948	18444703	18553885	18596386
2.1.2.2 Net Credit to Primary Dealers	15458	16000	39782	16137	16319
2.1.2.3 Investments in Other Approved Securities	630	358	544	459	459
2.1.2.4 Other Investments (in non-SLR Securities)	1199332	1141482	1234948	1262442	1244750
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1-2.2.2-2.2.3)	54514	-143320	73784	124477	115008
2.2.1 Foreign Currency Assets	529621	283039	526520	575258	554451
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	292270	255112	295619	300901	299180
2.2.3 Overseas Foreign Currency Borrowings	182837	171247	157117	149880	140262
2.3 Net Bank Reserves (2.3.1+2.3.2-2.3.3)	791777	1168575	1298767	1327587	1246606
2.3.1 Balances with the RBI	882415	960220	918229	926802	932900
2.3.2 Cash in Hand	81874	96191	82475	77656	83854
2.3.3 Loans and Advances from the RBI	172512	-112164	-298063	-323129	-229852
2.4 Capital Account	2581908	2533660	2923604	2888088	2927326
2.5 Other items (net) (2.1+2.2+2.3-2.4-1.1-1.2)	807812	507195	685360	813051	656642
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	878795	759393	832554	875748	893063
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	118268	122730	140516	109423	115916

No. 13: Scheduled Commercial Banks' Investments

(₹ Crore)

Item	As on March 21, 2025	2024	2025		
		Aug. 23	Jul. 25	Aug. 08	Aug. 22
	1	2	3	4	5
1 SLR Securities	6697928	6365487	6726828	6750168	6756966
2 Other Government Securities (Non-SLR)	165500	158539	160321	162020	161651
3 Commercial Paper	63163	66632	63538	72909	73804
4 Shares issued by					
4.1 PSUs	13874	12953	14816	14841	14987
4.2 Private Corporate Sector	95984	95920	97826	101521	98923
4.3 Others	7664	7347	7715	7691	7717
5 Bonds/Debentures issued by					
5.1 PSUs	130308	120612	131793	134985	133322
5.2 Private Corporate Sector	248138	244395	245764	250165	244270
5.3 Others	150000	144139	157888	167941	162251
6 Instruments issued by					
6.1 Mutual funds	119867	109634	138865	141408	140297
6.2 Financial institutions	204865	181702	216055	208961	207528

Note: 1. Data against column Nos. (1), (2) & (3) are Final and for column Nos. (4) & (5) data are Provisional.
2. Data include the impact of merger of a non bank with a bank w.e.f. July 1, 2023.

No. 14: Business in India - All Scheduled Banks and All Scheduled Commercial Banks

(₹ Crore)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2024-25	2024	2025		2024-25	2024	2025	
		Aug.	Jul.	Aug.		Aug.	Jul.	Aug.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	208	208	195	195	135	135	121	121
1 Liabilities to the Banking System	**458011**	**541312**	**476008**	**448306**	**451305**	**536780**	**469955**	**440120**
1.1 Demand and Time Deposits from Banks	315675	334046	347964	329183	309414	330012	342422	321524
1.2 Borrowings from Banks	112027	128765	105216	92202	111976	128550	105206	92173
1.3 Other Demand and Time Liabilities	30310	78501	22828	26921	29916	78218	22327	26423
2 Liabilities to Others	**25053097**	**24097455**	**25688230**	**26115123**	**24557481**	**23629065**	**25177053**	**25599553**
2.1 Aggregate Deposits	23055487	22139250	23843715	24202235	22580601	21688112	23349827	23707673
2.1.1 Demand	2748263	2715452	2925734	3051908	2698049	2666996	2876368	3001393
2.1.2 Time	20307224	19423797	20917980	21150327	19882552	19021116	20473459	20706280
2.2 Borrowings	920568	920015	841980	819580	915248	915858	837554	815149
2.3 Other Demand and Time Liabilities	1077042	1038191	1002536	1093308	1061632	1025094	989672	1076731
3 Borrowings from Reserve Bank	**311466**	**6968**	**1906**	**1950**	**311466**	**6968**	**1906**	**1950**
3.1 Against Usance Bills /Promissory Notes	-	-	-	-	-	-	-	-
3.2 Others	311466	6968	1906	1950	311466	6968	1906	1950
4 Cash in Hand and Balances with Reserve Bank	985044	1134910	1022191	1070393	964289	1112899	1000704	1049343
4.1 Cash in Hand	84399	95928	85044	91835	81874	93444	82475	89688
4.2 Balances with Reserve Bank	900645	1038982	937147	978558	882415	1019456	918229	959655
5 Assets with the Banking System	**432645**	**479881**	**458151**	**435974**	**348496**	**414893**	**369221**	**348752**
5.1 Balances with Other Banks	273720	284096	327705	307280	215801	233398	264197	245338
5.1.1 In Current Account	13239	28162	15890	10899	10619	25424	13780	8810
5.1.2 In Other Accounts	260481	255934	311815	296381	205182	207974	250417	236528
5.2 Money at Call and Short Notice	44772	23818	36664	33835	25838	13637	17911	15384
5.3 Advances to Banks	43856	42175	28849	30457	39504	41391	27214	29154
5.4 Other Assets	70296	129792	64933	64401	67353	126467	59900	58877
6 Investment	**6850574**	**6509652**	**6887824**	**6951875**	**6697928**	**6357943**	**6726828**	**6784782**
6.1 Government Securities	6842024	6501765	6878471	6942689	6697298	6357504	6726284	6784263
6.2 Other Approved Securities	8550	7887	9353	9186	630	439	544	519
7 Bank Credit	**18708286**	**17448862**	**18968340**	**19202582**	**18243972**	**17010621**	**18501377**	**18732057**
7a Food Credit	87145	74656	108648	99067	36531	24036	56674	47093
7.1 Loans, Cash-credits and Overdrafts	18370704	17133011	18627704	18857112	17909851	16697901	18163165	18388591
7.2 Inland Bills-Purchased	76523	68481	77657	79073	74963	67049	77094	78758
7.3 Inland Bills-Discounted	222320	208532	226698	231103	221059	207367	225406	229973
7.4 Foreign Bills-Purchased	15357	16582	13538	13301	15122	16397	13316	13088
7.5 Foreign Bills-Discounted	23382	22256	22743	21993	22977	21906	22395	21648

Note: Data in column Nos. (4) & (8) are Provisional
Data include the impact of merger of a non-bank with a bank w.e.f. July 1, 2023.

No. 15: Deployment of Gross Bank Credit by Major Sectors

(₹ Crore)

Sector	Outstanding as on				Growth(%)	
	Mar. 21, 2025	2024	2025		Financial year so far	Y-o-Y
		Aug. 23	Jul. 25	Aug. 22	2025-26	2025
	1	2	3	4	%	%
I. Bank Credit (II + III)	**18243936**	**16945162**	**18501872**	**18644997**	**2.2**	**10.0**
II. Food Credit	**36531**	**24361**	**56674**	**50456**	**38.1**	**107.1**
III. Non-food Credit	**18207404**	**16920802**	**18445197**	**18594541**	**2.1**	**9.9**
1. Agriculture & Allied Activities	**2287061**	**2160634**	**2313845**	**2324719**	**1.6**	**7.6**
2. Industry (Micro and Small, Medium and Large)	**3935857**	**3756194**	**3947778**	**4002072**	**1.7**	**6.5**
2.1 Micro and Small	790430	743704	883101	898780	13.7	20.9
2.2 Medium	360475	324746	363994	367293	1.9	13.1
2.3 Large	2784953	2687743	2700683	2735998	-1.8	1.8
3. Services	**5161542**	**4643586**	**5113966**	**5137774**	**-0.5**	**10.6**
3.1 Transport Operators	258409	243486	265924	266868	3.3	9.6
3.2 Computer Software	32915	27990	36579	37829	14.9	35.2
3.3 Tourism, Hotels & Restaurants	83091	80570	85458	85840	3.3	6.5
3.4 Shipping	7305	7257	8727	8923	22.1	23.0
3.5 Aviation	46026	44837	45213	45857	-0.4	2.3
3.6 Professional Services	195956	173738	194935	197147	0.6	13.5
3.7 Trade	1187030	1052621	1179121	1183548	-0.3	12.4
3.7.1. Wholesale Trade[1]	648619	553316	637065	635841	-2.0	14.9
3.7.2 Retail Trade	538410	499305	542056	547706	1.7	9.7
3.8 Commercial Real Estate	532757	494809	560514	560651	5.2	13.3
3.9 Non-Banking Financial Companies (NBFCs)[2] of which,	1635737	1522204	1568925	1574362	-3.8	3.4
3.9.1 Housing Finance Companies (HFCs)	323146	322093	315767	318570	-1.4	-1.1
3.9.2 Public Financial Institutions (PFIs)	228678	196565	198406	199719	-12.7	1.6
3.10 Other Services[3]	1182316	996074	1168570	1176749	-0.5	18.1
4. Personal Loans	**5953521**	**5555484**	**6161047**	**6213373**	**4.4**	**11.8**
4.1 Consumer Durables	23402	24396	23114	22921	-2.1	-6.0
4.2 Housing	3010477	2833166	3081152	3108791	3.3	9.7
4.3 Advances against Fixed Deposits	141101	121817	140433	142074	0.7	16.6
4.4 Advances to Individuals against share & bonds	10080	9722	9730	9807	-2.7	0.9
4.5 Credit Card Outstanding	284366	276576	291088	288691	1.5	4.4
4.6 Education	137456	126148	141537	144539	5.2	14.6
4.7 Vehicle Loans	622794	595758	643654	647829	4.0	8.7
4.8 Loan against gold jewellery[4]	208735	140391	294166	305814	46.5	117.8
4.9 Other Personal Loans	1515112	1427510	1536172	1542907	1.8	8.1
5. Priority Sector (Memo)						
(i) Agriculture & Allied Activities[5]	2287794	2152535	2288548	2310308	1.0	7.3
(ii) Micro & Small Enterprises[6]	2239409	2027278	2489085	2510253	12.1	23.8
(iii) Medium Enterprises[7]	601451	529582	596343	604659	0.5	14.2
(iv) Housing	746651	749534	940427	945763	26.7	26.2
(v) Education Loans	62825	61988	68839	70067	11.5	13.0
(vi) Renewable Energy	10325	6844	12160	13235	28.2	93.4
(vii) Social Infrastructure	1316	1072	943	936	-28.9	-12.7
(viii) Export Credit	12479	11618	12875	12529	0.4	7.8
(ix) Others	49552	60587	44331	44088	-11.0	-27.2
(x) Weaker Sections including net PSLC- SF/MF	1820904	1692726	1842667	1861780	2.2	10.0

Notes:

(1) Data are provisional. Bank credit, Food credit and Non-food credit data are based on Section-42 return, which covers all scheduled commercial banks (SCBs), while 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 SCBs, pertaining to the last reporting Friday of the month.

(2) Data since July 28, 2023 include the impact of the merger of a non-bank with a bank.

1 Wholesale trade includes food procurement credit outside the food credit consortium.

2 NBFCs include HFCs, PFIs, Microfinance Institutions (MFIs), NBFCs engaged in gold loan and others.

3 "Other Services" include Mutual Fund (MFs), Banking and Finance other than NBFCs and MFs, and other services which are not indicated elsewhere under services.

4 Since May 2024, a bank has changed the classification of a category of agricultural loan into "Loans against gold jewellery" under retail segment.

5 "Agriculture and Allied Activities" under the priority sector also include priority sector lending certificates (PSLCs).

6 "Micro and Small Enterprises" under the priority sector include credit to micro and small enterprises in industry and services sectors and also include PSLCs.

7 "Medium Enterprises" under the priority sector include credit to medium enterprises in industry and services sectors.

No. 16: Industry-wise Deployment of Gross Bank Credit

(₹ Crore)

Industry	Outstanding as on				Growth(%)	
	Mar. 21, 2025	2024	2025		Financial year so far	Y-o-Y
		Aug. 23	Jul. 25	Aug. 22	2025-26	2025
	1	2	3	4	%	%
2 Industries (2.1 to 2.19)	3935857	3756194	3947778	4002072	1.7	6.5
2.1 Mining & Quarrying (incl. Coal)	56756	52810	54751	56740	0.0	7.4
2.2 Food Processing	219527	199514	216389	211735	-3.5	6.1
2.2.1 Sugar	28522	20808	20158	18470	-35.2	-11.2
2.2.2 Edible Oils & Vanaspati	20927	18436	21048	20565	-1.7	11.5
2.2.3 Tea	5084	6043	4925	4994	-1.8	-17.4
2.2.4 Others	164994	154227	170258	167706	1.6	8.7
2.3 Beverage & Tobacco	35513	31077	34731	36413	2.5	17.2
2.4 Textiles	277267	255993	270465	272419	-1.7	6.4
2.4.1 Cotton Textiles	107227	94108	98267	97159	-9.4	3.2
2.4.2 Jute Textiles	4288	4130	4329	4526	5.6	9.6
2.4.3 Man-Made Textiles	49091	46081	48545	48690	-0.8	5.7
2.4.4 Other Textiles	116661	111675	119324	122044	4.6	9.3
2.5 Leather & Leather Products	12980	12615	13385	13340	2.8	5.7
2.6 Wood & Wood Products	27826	24731	28053	28071	0.9	13.5
2.7 Paper & Paper Products	52848	49051	52961	53843	1.9	9.8
2.8 Petroleum, Coal Products & Nuclear Fuels	154178	158505	157907	172075	11.6	8.6
2.9 Chemicals & Chemical Products	267814	257192	268991	274397	2.5	6.7
2.9.1 Fertiliser	32011	34119	29718	28943	-9.6	-15.2
2.9.2 Drugs & Pharmaceuticals	88738	82683	86835	89048	0.3	7.7
2.9.3 Petro Chemicals	26892	29019	30494	31166	15.9	7.4
2.9.4 Others	120172	111370	121944	125241	4.2	12.5
2.10 Rubber, Plastic & their Products	103464	91839	102513	104220	0.7	13.5
2.11 Glass & Glassware	13443	12515	12920	13098	-2.6	4.7
2.12 Cement & Cement Products	59752	60851	59668	61279	2.6	0.7
2.13 Basic Metal & Metal Product	433502	413557	440996	450518	3.9	8.9
2.13.1 Iron & Steel	300156	295207	298486	305116	1.7	3.4
2.13.2 Other Metal & Metal Product	133345	118350	142509	145402	9.0	22.9
2.14 All Engineering	240135	215640	252030	258626	7.7	19.9
2.14.1 Electronics	52862	52395	57446	60975	15.3	16.4
2.14.2 Others	187272	163244	194585	197652	5.5	21.1
2.15 Vehicles, Vehicle Parts & Transport Equipment	119057	112816	121116	121798	2.3	8.0
2.16 Gems & Jewellery	85734	86229	91482	94068	9.7	9.1
2.17 Construction	150701	141627	146725	148352	-1.6	4.7
2.18 Infrastructure	1322831	1306202	1325756	1334182	0.9	2.1
2.18.1 Power	682953	638639	704850	707502	3.6	10.8
2.18.2 Telecommunications	118940	132305	106891	110144	-7.4	-16.7
2.18.3 Roads	311219	328001	316260	316926	1.8	-3.4
2.18.4 Airports	9156	8261	8296	7693	-16.0	-6.9
2.18.5 Ports	5916	6340	5505	5450	-7.9	-14.0
2.18.6 Railways	13595	11988	11457	11521	-15.3	-3.9
2.18.7 Other Infrastructure	181052	180669	172498	174944	-3.4	-3.2
2.19 Other Industries	302530	273430	296940	296896	-1.9	8.6

Note: (1) Data since July 28, 2023 include the impact of the merger of a non-bank with a bank.

No. 17: State Co-operative Banks Maintaining Accounts with the Reserve Bank of India

(₹ Crore)

Item	Last Reporting Friday (in case of March)/Last Friday/ Reporting Friday								
	2024-25	2024	2025						
		Jul. 26	May 02	May 16	May 30	Jun. 13	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5	6	7	8	9
Number of Reporting Banks	34	34	34	34	34	34	34	34	34
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	**146871.0**	**134816.8**	**147608.7**	**147866.9**	**145985.2**	**147828.9**	**147839.5**	**147662.0**	**146816.8**
2 Demand and Time Liabilities									
2.1 Demand Liabilities	**29215.6**	**28112.2**	**28452.9**	**27298.2**	**26758.2**	**26529.6**	**26248.7**	**27486.4**	**26588.4**
2.1.1 Deposits									
2.1.1.1 Inter-Bank	9022.9	8204.5	8119.3	8033.8	7428.2	7289.6	6767.4	7387.6	7217.4
2.1.1.2 Others	14063.9	13980.0	14316.8	13861.7	11836.7	13791.0	13170.9	13463.0	13008.8
2.1.2 Borrowings from Banks	700.0	179.9	1289.0	824.2	2912.2	721.2	1543.3	964.6	760.2
2.1.3 Other Demand Liabilities	5428.9	5747.8	4727.9	4578.4	4581.2	4727.8	4767.0	5671.2	5602.1
2.2 Time Liabilities	**201100.7**	**183917.4**	**199704.6**	**200375.1**	**199917.5**	**199176.8**	**199275.4**	**198798.4**	**198088.7**
2.2.1 Deposits									
2.2.1.1 Inter-Bank	66874.3	61265.5	64977.2	64945.2	64334.4	63644.4	63111.1	63174.8	62813.5
2.2.1.2 Others	132807.1	120836.7	133291.9	134005.2	134148.5	134037.9	134668.6	134199.0	133808.0
2.2.2 Borrowings from Banks	643.9	653.8	615.5	615.5	615.5	615.5	615.5	614.7	614.7
2.2.3 Other Time Liabilities	775.4	1161.3	820.0	809.2	819.0	878.9	880.3	809.9	852.5
3 Borrowing from Reserve Bank	699.5		499.8	499.8	499.8	499.8	499.8	729.7	944.5
4 Borrowings from a notified bank / Government	126928.5	86318.6	113687.2	112391.9	113039.0	113368.7	113728.9	114754.7	114530.1
4.1 Demand	53459.8	24467.9	48334.5	47731.0	47805.0	48429.0	48853.6	51115.0	50687.4
4.2 Time	73468.7	61850.7	65352.6	64660.9	65234.0	64939.6	64875.3	63639.7	63842.7
5 Cash in Hand and Balances with Reserve Bank	**13390.9**	**13611.0**	**12935.0**	**15919.7**	**16813.3**	**14110.1**	**23560.3**	**12644.7**	**12394.2**
5.1 Cash in Hand	1052.1	687.9	970.1	756.2	772.5	824.3	774.2	926.3	807.2
5.2 Balance with Reserve Bank	12338.8	12923.1	11964.9	15163.5	16040.7	13285.8	22786.0	11718.4	11587.0
6 Balances with Other Banks in Current Account	**1656.3**	**1700.0**	**1306.3**	**1197.9**	**1102.6**	**1230.4**	**1132.7**	**1244.0**	**1180.3**
7 Investments in Government Securities	**77220.1**	**75409.2**	**78309.8**	**79425.0**	**79798.1**	**80061.3**	**80872.4**	**83406.4**	**83374.4**
8 Money at Call and Short Notice	**26531.1**	**18960.1**	**22926.3**	**53472.9**	**21442.9**	**18248.3**	**19854.6**	**23005.0**	**20692.8**
9 Bank Credit (10.1+11)	**174828.8**	**136993.2**	**173379.6**	**173468.6**	**173065.3**	**173173.8**	**171391.3**	**170564.4**	**170198.2**
10 Advances									
10.1 Loans, Cash-Credits and Overdrafts	**174590.4**	**136836.3**	**173105.4**	**173203.9**	**172775.8**	**172882.6**	**171119.8**	**170281.6**	**169936.2**
10.2 Due from Banks	124607.6	134692.9	116990.1	116484.5	116407.6	116476.4	117780.4	116845.5	116943.7
11 Bills Purchased and Discounted	238.4	156.9	274.2	264.7	289.5	291.2	271.5	282.8	261.9

Prices and Production

No. 18: Consumer Price Index (Base: 2012=100)

Group/Sub group	2024-25			Rural			Urban			Combined		
	Rural	Urban	Combined	Sep.24	Aug.25	Sep.25 (P)	Sep.24	Aug.25	Sep.25 (P)	Sep.24	Aug.25	Sep.25 (P)
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food and beverages	**198.6**	**205.3**	**201.1**	**202.1**	**199.9**	**199.2**	**209.5**	**207.8**	**206.8**	**204.8**	**202.8**	**202.0**
1.1 Cereals and products	195.0	193.7	194.6	194.3	197.5	197.6	192.8	197.9	198.1	193.8	197.6	197.8
1.2 Meat and fish	222.3	231.9	225.7	220.2	222.8	223.9	229.4	233.9	236.2	223.4	226.7	228.2
1.3 Egg	192.8	197.5	194.6	190.3	193.3	195.6	195.2	197.4	200.4	192.2	194.9	197.5
1.4 Milk and products	186.3	187.0	186.6	186.6	190.8	191.0	187.6	192.4	192.9	187.0	191.4	191.7
1.5 Oils and fats	175.4	165.5	171.8	169.4	202.3	203.4	160.9	184.5	185.3	166.3	195.8	196.8
1.6 Fruits	188.3	194.2	191.0	188.1	211.8	209.8	195.1	216.0	211.0	191.4	213.8	210.4
1.7 Vegetables	222.1	269.6	238.2	251.1	203.9	197.4	306.6	249.0	240.9	269.9	219.2	212.2
1.8 Pulses and products	208.0	213.5	209.8	214.1	182.0	181.6	219.7	186.5	185.5	216.0	183.5	182.9
1.9 Sugar and confectionery	130.4	132.6	131.2	131.0	135.7	136.3	132.9	137.4	137.8	131.6	136.3	136.8
1.10 Spices	228.5	223.9	227.0	229.6	221.6	221.9	224.7	218.9	219.3	228.0	220.7	221.0
1.11 Non-alcoholic beverages	185.2	173.9	180.5	184.7	191.4	191.8	173.3	180.6	180.9	179.9	186.9	187.2
1.12 Prepared meals, snacks, sweets	199.4	209.7	204.2	198.9	206.1	206.7	209.3	217.8	218.4	203.7	211.5	212.1
2 Pan, tobacco and intoxicants	**207.3**	**212.6**	**208.7**	**206.9**	**212.1**	**212.7**	**213.3**	**218.2**	**218.8**	**208.6**	**213.7**	**214.3**
3 Clothing and footwear	**197.9**	**186.7**	**193.5**	**197.6**	**201.4**	**201.8**	**186.5**	**191.0**	**191.2**	**193.2**	**197.3**	**197.6**
3.1 Clothing	198.8	188.8	194.9	198.5	202.4	202.8	188.7	193.3	193.6	194.6	198.8	199.2
3.2 Footwear	192.7	174.7	185.2	192.4	195.7	195.6	174.7	178.5	178.1	185.0	188.6	188.3
4 Housing	--	**181.5**	**181.5**	--	--	--	**181.0**	**186.7**	**188.2**	**181.0**	**186.7**	**188.2**
5 Fuel and light	**181.2**	**169.7**	**176.9**	**181.1**	**184.4**	**184.2**	**169.9**	**175.0**	**174.3**	**176.9**	**180.8**	**180.4**
6 Miscellaneous	**189.3**	**180.7**	**185.1**	**188.9**	**198.2**	**199.7**	**180.8**	**188.8**	**189.8**	**185.0**	**193.6**	**194.9**
6.1 Household goods and services	185.7	177.1	181.6	185.2	188.8	188.9	177.0	181.9	181.9	181.3	185.5	185.6
6.2 Health	198.4	193.2	196.4	197.9	206.0	206.7	193.0	200.7	201.0	196.0	204.0	204.5
6.3 Transport and communication	175.5	164.8	169.9	176.2	179.8	179.6	165.4	168.3	168.2	170.5	173.7	173.6
6.4 Recreation and amusement	180.1	175.5	177.5	179.8	183.1	183.4	175.5	179.2	179.0	177.4	180.9	180.9
6.5 Education	190.8	186.2	188.1	191.6	197.3	197.5	187.4	194.2	194.3	189.1	195.5	195.6
6.6 Personal care and effects	204.3	206.2	205.1	201.4	232.4	240.8	203.4	234.4	242.2	202.2	233.2	241.4
General Index (All Groups)	**194.9**	**190.0**	**192.6**	**196.7**	**198.7**	**198.8**	**191.4**	**195.0**	**195.3**	**194.2**	**197.0**	**197.2**

Source: National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.
P: Provisional

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2024-25	2024	2025	
				Sep.	Aug.	Sep.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2016	2.88	142.6	143.3	147.1	-
2 Consumer Price Index for Agricultural Labourers	2019	9.69	-	136.3	136.3	136.2
3 Consumer Price Index for Rural Labourers	2019	9.78	-	136.0	136.6	136.4

Source: Labour Bureau, Ministry of Labour and Employment, Government of India.
CPI-AL and RL indices for 2024 (Base Year 2019) are calculated using the published inflation rates.

No. 20: Monthly Average Price of Gold and Silver in Mumbai

Item	2024-25	2024	2025	
		Aug.	Jul.	Aug.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	75842	70441	97581	99696
2 Silver (₹ per kilogram)	89131	82751	110958	114032

Source: India Bullion & Jewellers Association Ltd., Mumbai for Gold and Silver prices in Mumbai.

No. 21: Wholesale Price Index

(Base: 2011-12 = 100)

Commodities	Weight	2024-25	2024	2025		
			Sep.	Jul.	Aug.(P)	Sep.(P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**154.9**	**154.7**	**154.4**	**155.2**	**154.9**
1.1 PRIMARY ARTICLES	**22.618**	**192.5**	**195.5**	**188.5**	**191.0**	**189.0**
1.1.1 FOOD ARTICLES	**15.256**	**205.3**	**210.8**	**199.7**	**202.6**	**199.8**
1.1.1.1 Food Grains (Cereals+Pulses)	3.462	210.1	212.4	204.1	205.3	204.4
1.1.1.2 Fruits & Vegetables	3.475	241.4	264.1	220.8	231.4	219.2
1.1.1.3 Milk	4.440	185.8	185.3	190.4	190.7	190.8
1.1.1.4 Eggs, Meat & Fish	2.402	173.4	172.6	171.8	173.2	174.8
1.1.1.5 Condiments & Spices	0.529	232.7	243.2	200.0	199.6	202.1
1.1.1.6 Other Food Articles	0.948	213.6	207.9	221.0	218.6	216.9
1.1.2 NON-FOOD ARTICLES	**4.119**	**161.7**	**162.2**	**164.7**	**169.1**	**167.3**
1.1.2.1 Fibres	0.839	161.4	163.8	165.4	168.0	168.1
1.1.2.2 Oil Seeds	1.115	181.5	184.6	197.8	203.5	202.1
1.1.2.3 Other non-food Articles	1.960	138.7	140.2	138.3	139.5	139.1
1.1.2.4 Floriculture	0.204	277.4	244.7	234.5	269.4	244.5
1.1.3 MINERALS	**0.833**	**229.0**	**223.2**	**236.1**	**235.1**	**238.3**
1.1.3.1 Metallic Minerals	0.648	219.2	213.8	228.5	227.3	230.8
1.1.3.2 Other Minerals	0.185	263.4	256.4	262.7	262.4	264.4
1.1.4 CRUDE PETROLEUM & NATURAL GAS	**2.410**	**151.3**	**146.1**	**141.2**	**139.7**	**140.6**
1.2 FUEL & POWER	**13.152**	**150.0**	**147.2**	**143.7**	**143.6**	**143.4**
1.2.1 COAL	**2.138**	**135.6**	**135.6**	**136.0**	**136.3**	**136.1**
1.2.1.1 Coking Coal	0.647	143.4	143.4	146.4	146.4	146.4
1.2.1.2 Non-Coking Coal	1.401	125.8	125.8	126.6	126.6	126.6
1.2.1.3 Lignite	0.090	232.4	232.0	207.7	215.0	208.5
1.2.2 MINERAL OILS	**7.950**	**156.2**	**154.3**	**149.7**	**149.5**	**148.7**
1.2.3 ELECTRICITY	**3.064**	**144.1**	**136.7**	**133.7**	**133.3**	**134.9**
1.3 MANUFACTURED PRODUCTS	**64.231**	**142.6**	**141.9**	**144.6**	**144.9**	**145.2**
1.3.1 MANUFACTURE OF FOOD PRODUCTS	**9.122**	**172.0**	**171.0**	**177.5**	**178.4**	**178.8**
1.3.1.1 Processing and Preserving of meat	0.134	155.7	152.2	158.4	158.3	157.9
1.3.1.2 Processing and Preserving of fish, Crustaceans, Molluscs and products thereof	0.204	144.9	144.9	149.9	149.3	150.0
1.3.1.3 Processing and Preserving of fruit and Vegetables	0.138	132.6	132.8	136.5	135.8	135.1
1.3.1.4 Vegetable and Animal oils and Fats	2.643	168.5	162.8	182.2	185.0	186.4
1.3.1.5 Dairy products	1.165	180.8	180.0	183.8	184.0	184.7
1.3.1.6 Grain mill products	2.010	186.9	186.6	185.7	186.6	186.3
1.3.1.7 Starches and Starch products	0.110	167.0	174.6	152.7	150.7	150.8
1.3.1.8 Bakery products	0.215	170.5	169.6	176.4	176.5	176.8
1.3.1.9 Sugar, Molasses & honey	1.163	139.1	138.2	143.0	144.1	143.9
1.3.1.10 Cocoa, Chocolate and Sugar confectionery	0.175	160.6	160.5	177.2	177.0	177.0
1.3.1.11 Macaroni, Noodles, Couscous and Similar farinaceous products	0.026	156.7	153.8	160.6	160.1	160.5
1.3.1.12 Tea & Coffee products	0.371	190.7	204.5	200.3	194.5	189.5
1.3.1.13 Processed condiments & salt	0.163	192.6	192.8	190.9	190.1	190.4
1.3.1.14 Processed ready to eat food	0.024	152.7	151.7	157.2	157.3	155.0
1.3.1.15 Health supplements	0.225	185.1	186.2	187.9	187.8	190.7
1.3.1.16 Prepared animal feeds	0.356	204.1	211.4	201.3	203.8	204.2
1.3.2 MANUFACTURE OF BEVERAGES	**0.909**	**134.1**	**134.3**	**135.1**	**135.6**	**135.7**
1.3.2.1 Wines & spirits	0.408	136.0	136.0	138.3	138.8	138.9
1.3.2.2 Malt liquors and Malt	0.225	138.7	138.6	140.1	140.7	140.4
1.3.2.3 Soft drinks; Production of mineral waters and Other bottled waters	0.275	127.5	128.3	126.3	126.7	127.2
1.3.3 MANUFACTURE OF TOBACCO PRODUCTS	**0.514**	**177.8**	**177.5**	**179.9**	**179.9**	**181.1**
1.3.3.1 Tobacco products	0.514	177.8	177.5	179.9	179.9	181.1

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2024-25	2024	2025		
			Sep.	Jul.	Aug.(P)	Sep.(P)
	1	2	3	4	5	6
1.3.4 MANUFACTURE OF TEXTILES	**4.881**	**136.3**	**135.8**	**136.8**	**137.8**	**138.1**
1.3.4.1 Preparation and Spinning of textile fibres	2.582	121.4	121.6	120.2	120.7	120.4
1.3.4.2 Weaving & Finishing of textiles	1.509	158.3	156.4	161.0	163.0	164.5
1.3.4.3 Knitted and Crocheted fabrics	0.193	124.0	123.4	125.3	127.3	126.7
1.3.4.4 Made-up textile articles, Except apparel	0.299	160.4	160.9	161.0	160.8	160.6
1.3.4.5 Cordage, Rope, Twine and Netting	0.098	142.7	141.1	155.2	158.9	161.1
1.3.4.6 Other textiles	0.201	134.9	136.1	133.1	133.0	133.8
1.3.5 MANUFACTURE OF WEARING APPAREL	**0.814**	**153.4**	**153.6**	**155.7**	**155.9**	**156.2**
1.3.5.1 Manufacture of Wearing Apparel (woven), Except fur Apparel	0.593	150.9	150.9	154.0	154.1	154.1
1.3.5.2 Knitted and Crocheted apparel	0.221	160.1	160.9	160.3	160.7	161.9
1.3.6 MANUFACTURE OF LEATHER AND RELATED PRODUCTS	**0.535**	**125.3**	**125.0**	**128.0**	**127.9**	**127.3**
1.3.6.1 Tanning and Dressing of leather; Dressing and Dyeing of fur	0.142	106.1	104.9	111.9	110.7	109.4
1.3.6.2 Luggage, HandbAgs, Saddlery and Harness	0.075	142.5	142.8	141.6	141.9	142.2
1.3.6.3 Footwear	0.318	129.7	129.7	131.9	132.3	131.7
1.3.7 MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK	**0.772**	**149.2**	**148.6**	**149.6**	**150.0**	**150.0**
1.3.7.1 Saw milling and Planing of wood	0.124	141.1	142.2	141.6	142.7	142.1
1.3.7.2 Veneer sheets; Manufacture of plywood, Laminboard, Particle board and Other panels and Boards	0.493	148.6	147.1	148.6	148.7	149.0
1.3.7.3 Builder's carpentry and Joinery	0.036	215.3	216.4	215.3	215.3	215.3
1.3.7.4 Wooden containers	0.119	140.6	140.9	142.7	143.3	142.7
1.3.8 MANUFACTURE OF PAPER AND PAPER PRODUCTS	**1.113**	**139.2**	**139.8**	**139.9**	**139.8**	**140.3**
1.3.8.1 Pulp, Paper and Paperboard	0.493	144.6	144.6	144.1	143.9	144.6
1.3.8.2 Corrugated paper and Paperboard and Containers of paper and Paperboard	0.314	147.3	146.9	150.8	150.9	150.2
1.3.8.3 Other articles of paper and Paperboard	0.306	122.4	124.6	121.9	121.9	123.4
1.3.9 PRINTING AND REPRODUCTION OF RECORDED MEDIA	**0.676**	**187.3**	**185.3**	**190.5**	**191.4**	**190.7**
1.3.9.1 Printing	0.676	187.3	185.3	190.5	191.4	190.7
1.3.10 MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS	**6.465**	**136.5**	**136.5**	**137.1**	**137.1**	**137.1**
1.3.10.1 Basic chemicals	1.433	138.6	138.1	141.2	140.9	141.2
1.3.10.2 Fertilizers and Nitrogen compounds	1.485	143.1	142.7	142.9	142.9	143.0
1.3.10.3 Plastic and Synthetic rubber in primary form	1.001	133.6	134.0	134.6	135.1	134.2
1.3.10.4 Pesticides and Other agrochemical products	0.454	128.8	128.8	131.2	131.6	132.4
1.3.10.5 Paints, Varnishes and Similar coatings, Printing ink and Mastics	0.491	139.5	141.3	137.2	137.1	137.5
1.3.10.6 Soap and Detergents, Cleaning and Polishing preparations, Perfumes and Toilet preparations	0.612	139.7	138.9	142.7	142.7	142.5
1.3.10.7 Other chemical products	0.692	135.4	136.5	132.7	132.8	132.6
1.3.10.8 Man-made fibres	0.296	104.9	104.6	103.5	102.9	102.7
1.3.11 MANUFACTURE OF PHARMACEUTICALS, MEDICINAL CHEMICAL AND BOTANICAL PRODUCTS	**1.993**	**144.3**	**144.1**	**146.0**	**146.0**	**145.8**
1.3.11.1 Pharmaceuticals, Medicinal chemical and Botanical products	1.993	144.3	144.1	146.0	146.0	145.8
1.3.12 MANUFACTURE OF RUBBER AND PLASTICS PRODUCTS	**2.299**	**129.0**	**128.7**	**129.2**	**129.5**	**129.0**
1.3.12.1 Rubber Tyres and Tubes; Retreading and Rebuilding of Rubber Tyres	0.609	115.6	115.0	114.9	114.9	114.7
1.3.12.2 Other Rubber Products	0.272	112.1	113.7	114.2	113.8	113.1
1.3.12.3 Plastics products	1.418	138.1	137.4	138.2	138.7	138.1
1.3.13 MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS	**3.202**	**131.5**	**130.6**	**133.4**	**133.7**	**133.9**
1.3.13.1 Glass and Glass products	0.295	163.2	163.4	163.6	162.9	162.2
1.3.13.2 Refractory products	0.223	121.6	119.8	124.0	124.0	123.9
1.3.13.3 Clay Building Materials	0.121	124.4	123.9	129.3	133.4	134.8
1.3.13.4 Other Porcelain and Ceramic Products	0.222	124.6	124.5	125.6	125.6	125.6
1.3.13.5 Cement, Lime and Plaster	1.645	130.4	128.9	132.8	133.1	133.7

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2024-25	2024	2025		
			Sep.	Jul.	Aug.(P)	Sep.(P)
	1	2	3	4	5	6
1.3.13.6 Articles of Concrete, Cement and Plaster	0.292	139.2	138.7	139.5	140.2	140.1
1.3.13.7 Cutting, Shaping and Finishing of Stone	0.234	134.4	135.4	138.4	138.2	139.3
1.3.13.8 Other Non-Metallic Mineral Products	0.169	95.2	97.2	94.0	94.0	91.9
1.3.14 MANUFACTURE OF BASIC METALS	**9.646**	**139.7**	**137.7**	**137.2**	**137.4**	**137.4**
1.3.14.1 Inputs into steel making	1.411	133.6	130.4	129.7	129.8	131.8
1.3.14.2 Metallic Iron	0.653	141.8	138.3	128.6	128.3	127.5
1.3.14.3 Mild Steel - Semi Finished Steel	1.274	117.9	114.1	115.9	115.9	115.4
1.3.14.4 Mild Steel -Long Products	1.081	140.4	138.9	135.3	135.8	135.6
1.3.14.5 Mild Steel - Flat products	1.144	134.2	132.5	133.0	132.2	130.8
1.3.14.6 Alloy steel other than Stainless Steel- Shapes	0.067	135.4	132.9	130.2	128.8	128.3
1.3.14.7 Stainless Steel - Semi Finished	0.924	131.1	130.7	122.8	123.0	122.4
1.3.14.8 Pipes & tubes	0.205	164.7	163.3	161.3	161.3	161.8
1.3.14.9 Non-ferrous metals incl. precious metals	1.693	157.4	155.6	163.0	164.1	164.5
1.3.14.10 Castings	0.925	144.9	144.9	143.3	143.6	143.5
1.3.14.11 Forgings of steel	0.271	172.2	170.8	173.9	174.3	175.9
1.3.15 MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT	**3.155**	**136.0**	**136.3**	**136.5**	**136.9**	**136.9**
1.3.15.1 Structural Metal Products	1.031	130.8	131.5	131.4	132.1	131.8
1.3.15.2 Tanks, Reservoirs and Containers of Metal	0.660	149.5	150.1	149.7	149.2	149.2
1.3.15.3 Steam generators, Except Central Heating Hot Water Boilers	0.145	109.8	111.2	112.5	113.2	113.3
1.3.15.4 Forging, Pressing, Stamping and Roll-Forming of Metal; Powder Metallurgy	0.383	138.0	138.9	134.2	135.7	133.8
1.3.15.5 Cutlery, Hand Tools and General Hardware	0.208	102.0	102.0	104.8	105.5	104.8
1.3.15.6 Other Fabricated Metal Products	0.728	144.9	144.0	146.9	146.8	148.6
1.3.16 MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS	**2.009**	**121.5**	**121.7**	**122.4**	**122.1**	**122.1**
1.3.16.1 Electronic Components	0.402	117.9	117.6	120.7	120.1	120.9
1.3.16.2 Computers and Peripheral Equipment	0.336	134.2	135.4	131.4	130.4	129.7
1.3.16.3 Communication Equipment	0.310	146.0	145.1	147.0	147.2	147.2
1.3.16.4 Consumer Electronics	0.641	101.1	101.0	100.2	100.0	99.4
1.3.16.5 Measuring, Testing, Navigating and Control equipment	0.181	119.9	120.9	126.6	126.6	126.6
1.3.16.6 Watches and Clocks	0.076	167.9	167.5	175.0	175.0	175.2
1.3.16.7 Irradiation, Electromedical and Electrotherapeutic equipment	0.055	114.4	117.7	115.4	115.4	119.4
1.3.16.8 Optical instruments and Photographic equipment	0.008	107.4	107.0	117.9	117.9	117.5
1.3.17 MANUFACTURE OF ELECTRICAL EQUIPMENT	**2.930**	**133.7**	**133.4**	**134.5**	**135.0**	**135.5**
1.3.17.1 Electric motors, Generators, Transformers and Electricity distribution and Control apparatus	1.298	132.3	131.6	132.5	133.2	133.7
1.3.17.2 Batteries and Accumulators	0.236	141.3	141.3	144.7	144.9	144.8
1.3.17.3 Fibre optic cables for data transmission or live transmission of images	0.133	118.6	121.2	115.7	115.9	116.2
1.3.17.4 Other electronic and Electric wires and Cables	0.428	154.4	153.2	158.3	159.2	160.4
1.3.17.5 Wiring devices, Electric lighting & display equipment	0.263	118.4	118.7	118.3	118.2	117.9
1.3.17.6 Domestic appliances	0.366	131.8	131.7	130.6	130.8	131.3
1.3.17.7 Other electrical equipment	0.206	123.4	123.2	126.3	125.5	126.9
1.3.18 MANUFACTURE OF MACHINERY AND EQUIPMENT	**4.789**	**130.8**	**130.9**	**132.3**	**132.5**	**132.5**
1.3.18.1 Engines and Turbines, Except aircraft, Vehicle and Two wheeler engines	0.638	132.8	133.2	136.5	137.1	137.3
1.3.18.2 Fluid power equipment	0.162	134.5	133.8	135.0	135.0	134.7
1.3.18.3 Other pumps, Compressors, Taps and Valves	0.552	118.5	118.5	120.2	120.0	120.6
1.3.18.4 Bearings, Gears, Gearing and Driving elements	0.340	128.5	127.6	130.2	129.9	130.1
1.3.18.5 Ovens, Furnaces and Furnace burners	0.008	86.6	85.8	88.2	86.6	86.6
1.3.18.6 Lifting and Handling equipment	0.285	130.0	129.5	131.0	131.2	130.7

No. 21: Wholesale Price Index (Concld.)

(Base: 2011-12 = 100)

Commodities	Weight	2024-25	2024	2025		
			Sep.	Jul.	Aug.(P)	Sep.(P)
	1	2	3	4	5	6
1.3.18.7 Office machinery and Equipment	0.006	130.2	130.2	130.2	130.2	130.2
1.3.18.8 Other general-purpose machinery	0.437	145.3	148.5	141.9	142.4	140.9
1.3.18.9 Agricultural and Forestry machinery	0.833	145.5	145.2	146.4	146.2	145.6
1.3.18.10 Metal-forming machinery and Machine tools	0.224	123.2	122.8	127.4	127.4	127.6
1.3.18.11 Machinery for mining, Quarrying and Construction	0.371	89.8	88.8	93.1	92.9	92.9
1.3.18.12 Machinery for food, Beverage and Tobacco processing	0.228	126.1	126.1	127.1	127.0	127.0
1.3.18.13 Machinery for textile, Apparel and Leather production	0.192	141.4	142.8	141.5	144.9	146.7
1.3.18.14 Other special-purpose machinery	0.468	144.9	144.7	147.6	147.9	147.9
1.3.18.15 Renewable electricity generating equipment	0.046	69.2	68.5	69.4	69.4	69.3
1.3.19 MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS	**4.969**	**129.9**	**129.6**	**130.6**	**130.7**	**130.6**
1.3.19.1 Motor vehicles	2.600	130.6	130.0	131.1	131.2	131.1
1.3.19.2 Parts and Accessories for motor vehicles	2.368	129.1	129.1	130.1	130.1	130.0
1.3.20 MANUFACTURE OF OTHER TRANSPORT EQUIPMENT	**1.648**	**145.2**	**144.4**	**151.1**	**151.8**	**152.1**
1.3.20.1 Building of ships and Floating structures	0.117	180.5	177.9	190.7	190.7	190.7
1.3.20.2 Railway locomotives and Rolling stock	0.110	108.9	110.0	110.0	111.0	110.3
1.3.20.3 Motor cycles	1.302	146.0	145.2	152.1	152.9	153.4
1.3.20.4 Bicycles and Invalid carriages	0.117	134.9	133.7	138.2	138.2	137.8
1.3.20.5 Other transport equipment	0.002	163.2	163.0	165.6	165.6	165.9
1.3.21 MANUFACTURE OF FURNITURE	**0.727**	**160.3**	**159.4**	**164.8**	**164.7**	**164.5**
1.3.21.1 Furniture	0.727	160.3	159.4	164.8	164.7	164.5
1.3.22 OTHER MANUFACTURING	**1.064**	**183.8**	**178.9**	**228.8**	**227.7**	**236.6**
1.3.22.1 Jewellery and Related articles	0.996	185.4	180.1	233.1	232.0	241.5
1.3.22.2 Musical instruments	0.001	201.9	204.7	196.0	203.5	198.3
1.3.22.3 Sports goods	0.012	164.9	164.4	171.9	172.4	172.7
1.3.22.4 Games and Toys	0.005	163.1	162.7	162.7	162.6	164.8
1.3.22.5 Medical and Dental instruments and Supplies	0.049	158.6	159.7	162.1	160.9	160.9
2 FOOD INDEX	**24.378**	**192.9**	**195.9**	**191.4**	**193.5**	**192.0**

Source: Office of the Economic Adviser, Ministry of Commerce and Industry, Government of India.

No. 22: Index of Industrial Production (Base:2011-12=100)

Industry	Weight	2023-24	2024-25	April-August		August	
				2024-25	2025-26	2024	2025
	1	2	3	4	5	6	7
General Index	100.00	146.7	152.6	149.9	154.1	145.8	151.7
1 Sectoral Classification							
1.1 Mining	14.37	128.9	132.8	125.1	122.3	107.1	113.5
1.2 Manufacturing	77.63	144.7	150.6	147.3	153.1	146.1	151.6
1.3 Electricity	7.99	198.3	208.6	219.3	220.8	212.3	221.1
2 Use-Based Classification							
2.1 Primary Goods	34.05	147.7	153.5	152.2	152.1	141.6	148.9
2.2 Capital Goods	8.22	106.6	112.6	106.6	115.2	107.4	112.1
2.3 Intermediate Goods	17.22	157.3	164.0	161.2	169.7	162.3	170.4
2.4 Infrastructure/ Construction Goods	12.34	176.3	188.2	183.3	198.8	181.5	200.8
2.5 Consumer Durables	12.84	118.6	128.0	126.6	131.4	129.8	134.4
2.6 Consumer Non-Durables	15.33	153.7	151.4	147.8	144.8	141.8	132.8

Source : Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India.

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(₹ Crore)

Item	Financial Year	April – August			
	2025-26 (Budget Estimates)	2025-26 (Actuals)	2024-25 (Actuals)	Percentage to Budget Estimates	
				2025-26	2024-25
	1	2	3	4	5
1 Revenue Receipts	**3420409**	**1250739**	**1208312**	**36.6**	**38.6**
1.1 Tax Revenue (Net)	2837409	810407	873845	28.6	33.8
1.2 Non-Tax Revenue	583000	440332	334467	75.5	61.3
2 Non Debt Capital Receipt	**76000**	**31970**	**8866**	**42.1**	**11.4**
2.1 Recovery of Loans	29000	8553	8046	29.5	28.7
2.2 Other Receipts	47000	23417	820	49.8	1.6
3 Total Receipts (excluding borrowings) (1+2)	**3496409**	**1282709**	**1217178**	**36.7**	**38.0**
4 Revenue Expenditure of which :	3944255	1449283	1351367	36.7	36.4
4.1 Interest Payments	1276338	528668	400160	41.4	34.4
5 Capital Expenditure	1121090	431579	300987	38.5	27.1
6 Total Expenditure (4+5)	**5065345**	**1880862**	**1652354**	**37.1**	**34.3**
7 Revenue Deficit (4-1)	**523846**	**198544**	**143055**	**37.9**	**24.7**
8 Fiscal Deficit (6-3)	**1568936**	**598153**	**435176**	**38.1**	**27.0**
9 Gross Primary Deficit (8-4.1)	**292598**	**69485**	**35016**	**23.7**	**7.8**

Source: Controller General of Accounts (CGA), Ministry of Finance, Government of India and Union Budget 2025-26.

No. 24: Treasury Bills – Ownership Pattern

(₹ Crore)

Item	2024-25	2024	2025					
		Aug. 30	Jul. 25	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
	1	2	3	4	5	6	7	8
1 91-day								
1.1 Banks	26554	2796	15002	11941	9085	11454	10311	11578
1.2 Primary Dealers	25258	9371	17505	15107	17348	11523	12215	15291
1.3 State Governments	40315	66587	71677	61727	72088	76088	74688	73688
1.4 Others	115688	90133	98093	103652	105268	109723	111174	108331
2 182-day								
2.1 Banks	44887	55481	54296	57634	58470	53554	55520	53477
2.2 Primary Dealers	62218	44716	56692	54848	50380	50747	49746	48560
2.3 State Governments	11078	16093	17460	17460	17460	17281	19281	19330
2.4 Others	104994	99903	80911	77418	80051	82599	87634	84863
3 364-day								
3.1 Banks	72304	82259	74597	74646	77391	78259	76032	75805
3.2 Primary Dealers	86939	123440	74963	74862	78900	77819	78405	76472
3.3 State Governments	37389	37845	47732	47540	47306	44789	45548	46601
3.4 Others	162757	186301	157340	156392	148609	148622	149263	150423
4 14-day Intermediate								
4.1 Banks								
4.2 Primary Dealers								
4.3 State Governments	188072	180908	184745	144358	96155	144913	170177	155211
4.4 Others	572	1073	1026	1721	457	606	871	673
Total Treasury Bills (Excluding 14 day Intermediate T Bills) #	790381	814924	766268	753227	762354	762459	769817	764420

14D intermediate T-Bills are non-marketable unlike 91D, 182D and 364D T-Bills. These bills are 'intermediate' by nature as these are liquidated to replenish shortfall in the daily minimum cash balances of State Governments.
Note: Primary Dealers (PDs) include banks undertaking PD business.

No. 25: Auctions of Treasury Bills

(Amount in ₹ Crore)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price (₹)	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2025-26										
Jul. 30	10000	102	25879	16274	60	9976	16274	26250	98.67	5.3970
Aug. 6	10000	104	19120	12184	74	9977	12184	22162	98.66	5.4597
Aug. 13	10000	119	26050	5021	70	9979	5021	15000	98.65	5.4902
Aug. 20	10000	133	33337	1926	55	9974	1926	11900	98.65	5.4848
Aug. 28	10000	93	22227	2321	55	9979	2321	12300	98.65	5.5087
182-day Treasury Bills										
2025-26										
Jul. 30	6000	122	30192	1007	29	5993	1007	7000	97.32	5.5206
Aug. 6	6000	94	24822	1706	34	5994	1706	7700	97.31	5.5475
Aug. 13	6000	103	20021	21	39	5979	21	6000	97.30	5.5678
Aug. 20	6000	105	18865	2008	51	5992	2008	8000	97.30	5.5757
Aug. 28	6000	89	18583	1811	43	5989	1811	7800	97.28	5.6001
364-day Treasury Bills										
2025-26										
Jul. 30	5000	103	26370	164	35	4989	164	5153	94.74	5.5673
Aug. 6	5000	89	22935	44	15	4969	44	5013	94.73	5.5790
Aug. 13	5000	98	20723	1068	37	4980	1068	6047	94.72	5.5898
Aug. 20	5000	76	13718	2784	41	4992	2784	7777	94.71	5.5986
Aug. 28	5000	75	12673	2176	52	4989	2176	7165	94.68	5.6397

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on	Range of Rates	Weighted Average Rates
	Borrowings/ Lendings	Borrowings/ Lendings
	1	2
August 01 ,2025	4.75-5.55	5.44
August 02 ,2025	4.75-5.24	4.95
August 04 ,2025	4.75-5.45	5.37
August 05 ,2025	4.75-5.45	5.36
August 06 ,2025	4.75-5.50	5.33
August 07 ,2025	4.75-6.00	5.44
August 08 ,2025	4.75-5.70	5.55
August 11 ,2025	4.75-5.45	5.36
August 12 ,2025	4.85-5.55	5.45
August 13 ,2025	4.75-5.55	5.46
August 14 ,2025	4.85-5.68	5.46
August 16 ,2025	4.75-5.45	5.01
August 18 ,2025	4.70-5.55	5.40
August 19 ,2025	4.70-5.52	5.43
August 20 ,2025	4.75-5.55	5.47
August 21 ,2025	4.75-5.75	5.52
August 22 ,2025	4.00-5.65	5.52
August 25 ,2025	4.00-5.50	5.45
August 26 ,2025	4.75-5.50	5.44
August 28 ,2025	4.75-5.60	5.46
August 29 ,2025	4.75-5.55	5.47
August 30 ,2025	4.75-5.24	4.97
September 01 ,2025	4.75-5.55	5.42
September 02 ,2025	4.75-5.50	5.39
September 03 ,2025	4.75-5.40	5.35
September 04 ,2025	4.75-5.50	5.37
September 05 ,2025	4.90-5.60	5.07
September 06 ,2025	4.75-5.00	4.99
September 09 ,2025	4.75-5.60	5.35
September 10 ,2025	4.75-5.40	5.34
September 11 ,2025	4.75-5.40	5.35
September 12 ,2025	4.75-5.50	5.43
September 15 ,2025	4.75-5.55	5.43

Note: Includes Notice Money.

No. 27: Certificates of Deposit

Item	2024	2025			
	Sep. 20	Aug. 8	Aug. 22	Sep. 5	Sep. 19
	1	2	3	4	5
1 Amount Outstanding (₹ Crore)	474683.60	511313.00	494942.79	495293.61	501817.39
1.1 Issued during the fortnight (₹ Crore)	67552.42	27981.81	36879.16	41964.99	71730.10
2 Rate of Interest (per cent)	7.11-7.83	5.64-6.24	5.66-6.27	5.69-6.50	5.49-6.82

No. 28: Commercial Paper

Item	2024	2025					
	Aug. 31	Jul. 15	Jul. 31	Aug. 15	Aug. 31	Sep. 15	Sep. 30
	1	2	3	4	5	6	7
1 Amount Outstanding (₹ Crore)	471121.50	534009.15	547229.30	554479.70	543870.10	526704.30	488262.80
1.1 Reported during the fortnight (₹ Crore)	78270.05	79530.05	73858.50	56758.35	60807.60	99422.20	70288.00
2 Rate of Interest (per cent)	6.90-13.77	5.51-12.67	5.57-13.84	5.68-12.67	5.72-13.83	5.72-11.97	5.73-12.34

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Crore)

Item	2024-25	2024	2025					
		Aug. 30	Jul. 25	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
	1	2	3	4	5	6	7	8
1 Call Money	18990	17258	29057	28874	27991	24392	29137	27549
2 Notice Money	2506	4045	380	7303	390	7032	403	9328
3 Term Money	941	958	1240	1851	1097	1271	1419	1360
4 Triparty Repo	692068	791363	682533	802721	659645	803167	706895	880736
5 Market Repo	578912	601046	610007	738403	658871	794301	664441	776484
6 Repo in Corporate Bond	5212	4270	9721	10605	12377	11835	11865	12741
7 Forex (US $ million)	131877	127583	123941	147435	125078	113818	113060	143071
8 Govt. of India Dated Securities	56065	82172	82508	96887	116361	122790	100674	113169
9 State Govt. Securities	3971	2572	7952	8303	10039	7152	8004	6971
10 Treasury Bills								
10.1 91-Day	2514	3373	4981	5484	5560	5979	5889	4381
10.2 182-Day	2218	2703	3470	2867	5294	2461	3716	4324
10.3 364-Day	1854	2703	2395	3239	2189	2316	1173	2150
10.4 Cash Management Bills		0	0	0	0	0	0	0
11 Total Govt. Securities (8+9+10)	66622	93522	101306	116780	139442	140697	119456	130995
11.1 RBI	1715	648	627	691	666	1265	476	1196

No. 30: New Capital Issues by Non-Government Public Limited Companies

(Amount in ₹ Crore)

Security & Type of Issue	2024-25		2024-25 (Apr.-Aug.)		2025-26 (Apr.-Aug.) *		Aug. 2024		Aug. 2025 *	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
	1	2	3	4	5	6	7	8	9	10
1 Equity Shares	**464**	**210190**	**197**	**69097**	**191**	**72763**	**43**	**18815**	**59**	**21544**
1.1 Public	322	190478	139	58061	134	59857	33	15469	44	18261
1.2 Rights	142	19712	58	11036	57	12907	10	3346	15	3284
2 Public Issue of Bonds/ Debentures	**43**	**8149**	**16**	**3161**	**18**	**4236**	**4**	**445**	**1**	**150**
3 Total (1+2)	**507**	**218339**	**213**	**72257**	**209**	**76999**	**47**	**19260**	**60**	**21694**
3.1 Public	365	198627	155	61221	152	64094	37	15914	45	18411
3.2 Rights	142	19712	58	11036	57	12907	10	3346	15	3284

Note : 1. Since April 2020, monthly data on equity issues is compiled on the basis of their listing date.
2. Figures in the columns might not add up to the total due to rounding off numbers.
3. The table covers only public and rights issuances of equity and debt. It does not include data on private placement of debt, qualified institutional placements and preferential allotments.

Source : Securities and Exchange Board of India.

* : Data is Provisional

External Sector

No. 31: Foreign Trade

Item	Unit	2024-25	2024	2025					
			Aug.	Mar.	Apr.	May	Jun.	Jul.	Aug.
		1	2	3	4	5	6	7	8
1 Exports	₹ Crore	3703412	275936	364291	327621	326309	300476	319390	306997
	US $ Million	437705	32890	42048	38291	38304	34978	37089	35078
1.1 Oil	₹ Crore	535157	35277	42411	61039	46329	38292	36110	38984
	US $ Million	63383	4205	4895	7134	5438	4458	4193	4454
1.2 Non-oil	₹ Crore	3168255	240658	321880	266582	279979	262184	283279	268013
	US $ Million	374321	28685	37152	31157	32865	30521	32896	30624
2 Imports	₹ Crore	6089909	574772	550211	559542	518468	464633	556669	539032
	US $ Million	720241	68510	63507	65397	60860	54088	64643	61591
2.1 Oil	₹ Crore	1570226	101739	164684	177153	125636	118534	134119	116092
	US $ Million	185779	12127	19008	20705	14748	13799	15574	13265
2.2 Non-oil	₹ Crore	4519683	473032	385527	382389	392832	346099	422551	422940
	US $ Million	534462	56383	44499	44692	46113	40289	49068	48326
3 Trade Balance	₹ Crore	-2386497	-298836	-185921	-231921	-192159	-164157	-237279	-232035
	US $ Million	-282537	-35620	-21460	-27106	-22557	-19109	-27554	-26513
3.1 Oil	₹ Crore	-1035069	-66462	-122274	-116114	-79307	-80242	-98008	-77108
	US $ Million	-122396	-7922	-14113	-13571	-9309	-9341	-11381	-8810
3.2 Non-oil	₹ Crore	-1351428	-232374	-63647	-115807	-112853	-83915	-139271	-154927
	US $ Million	-160141	-27698	-7346	-13535	-13247	-9769	-16173	-17702

Note: Data in the table are provisional.
Source: Directorate General of Commercial Intelligence and Statistics.

No. 32: Foreign Exchange Reserves

Item	Unit	2024	2025					
		Oct. 04	Aug. 22	Aug. 29	Sep. 05	Sep. 12	Sep. 19	Sep. 26
		1	2	3	4	5	6	7
1 Total Reserves	**₹ Crore**	**5887828**	**6046195**	**6125356**	**6162689**	**6206009**	**6189683**	**6211881**
	US $ Million	**701176**	**690720**	**694230**	**698268**	**702966**	**702570**	**700236**
1.1 Foreign Currency Assets	₹ Crore	5144410	5096748	5152367	5158375	5182347	5163937	5160999
	US $ Million	612643	582251	583937	584477	587014	586150	581757
1.2 Gold	₹ Crore	552160	744074	765603	796946	815903	817376	842935
	US $ Million	65756	85003	86769	90299	92419	92779	95017
	Volume (Metric Tonnes)	858.31	879.98	879.98	879.98	879.98	879.98	880.18
1.3 SDRs	SDRs Million	13702	13709	13709	13709	13709	13709	13709
	₹ Crore	154715	164003	165665	165409	165738	166321	166683
	US $ Million	18425	18736	18775	18742	18773	18879	18789
1.4 Reserve Tranche Position in IMF	₹ Crore	36543	41371	41721	41960	42022	42049	41264
	US $ Million	4352	4731	4749	4751	4760	4762	4673

***** Difference, if any, is due to rounding off.
Note: Exclude investment in foreign currency denominated bonds issued by IIFC (UK), SDRs transferred by Government of India to RBI, foreign currency received under SAARC and ACU currency swap arrangements and RBI's contribution to funding of Nexus Global Payments. Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

No. 33: Non-Resident Deposits

(US $ Million)

Scheme	Outstanding				Flows	
	2024-25	2024	2025		2024-25	2025-26
		Jul.	Jun.	Jul. (P)	Apr.-Jul.	Apr.-Jul.(P)
	1	2	3	4	5	6
1 NRI Deposits	**164677**	**157157**	**168327**	**167862**	**5820**	**4657**
1.1 FCNR(B)	32809	28572	33583	33581	2839	772
1.2 NR(E)RA	100733	99981	102750	102029	1780	2418
1.3 NRO	31135	28603	31993	32251	1201	1468

P: Provisional.

No. 34: Foreign Investment Inflows

(US $ Million)

Item	2024-25	2024-25	2025-26 (P)	2024 (P)	2025 (P)	
		Apr.-Aug.	Apr.-Aug.	Aug.	Jul.	Aug.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1-1.1.2)	**959**	**4578**	**10128**	**1042**	**5039**	**-616**
1.1.1 Direct Investment to India (1.1.1.1-1.1.1.2)	**29130**	**14448**	**22555**	**3511**	**7304**	**1121**
1.1.1.1 Gross Inflows/Gross Investments	**80615**	**37034**	**43760**	**8718**	**11105**	**6049**
1.1.1.1.1 Equity	50993	26163	31990	6470	8760	3812
1.1.1.1.1.1 Government (SIA/FIPB)	2208	377	1513	56	11	141
1.1.1.1.1.2 RBI	34686	18136	22689	4273	6366	2795
1.1.1.1.1.3 Acquisition of shares	13124	7271	6844	2064	2306	798
1.1.1.1.1.4 Equity capital of unincorporated bodies	975	379	945	78	78	78
1.1.1.1.2 Reinvested earnings	22759	8848	9500	1812	1812	1812
1.1.1.1.3 Other capital	6863	2023	2271	436	533	425
1.1.1.2 Repatriation/Disinvestment	**51486**	**22586**	**21205**	**5207**	**3801**	**4928**
1.1.1.2.1 Equity	49525	21684	20444	5005	3666	4701
1.1.1.2.2 Other capital	1960	902	761	202	135	227
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3-1.1.2.4)	**28171**	**9870**	**12427**	**2468**	**2265**	**1736**
1.1.2.1 Equity capital	16945	6429	7126	1330	1452	922
1.1.2.2 Reinvested Earnings	6846	2853	3025	571	571	571
1.1.2.3 Other Capital	7955	2101	3326	751	565	355
1.1.2.4 Repatriation/Disinvestment	3575	1513	1049	183	323	112
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3-1.2.4)	**3564**	**11082**	**-3711**	**4298**	**-2724**	**-2595**
1.2.1 GDRs/ADRs	-	-	-	-	-	-
1.2.2 FIIs	3283	11012	-2517	4286	-2483	-2515
1.2.3 Offshore funds and others	-	-	-	-	-	-
1.2.4 Portfolio investment by India	-281	-71	1193	-12	241	80
1 Foreign Investment Inflows	**4523**	**15660**	**6417**	**5340**	**2315**	**-3211**

P: Provisional

No. 35: Outward Remittances under the Liberalised Remittance Scheme (LRS) for Resident Individuals

(US $ Million)

Item	2024-25	2024	2025		
		Aug.	Jun.	Jul.	Aug.
	1	2	3	4	5
1 Outward Remittances under the LRS	**29563.12**	**3211.54**	**2127.39**	**2452.93**	**2642.91**
1.1 Deposit	705.26	45.56	42.12	46.24	42.75
1.2 Purchase of immovable property	322.82	22.49	37.75	39.48	36.02
1.3 Investment in equity/debt	1698.94	125.30	206.12	156.19	152.18
1.4 Gift	2938.69	244.41	190.51	223.53	190.43
1.5 Donations	11.81	0.67	1.26	0.73	0.78
1.6 Travel	16964.57	2013.30	1235.17	1445.34	1618.81
1.7 Maintenance of close relatives	3722.03	315.40	262.97	298.11	272.05
1.8 Medical Treatment	81.19	7.65	5.59	6.26	3.99
1.9 Studies Abroad	2918.91	416.39	138.76	229.25	319.17
1.10 Others	198.90	20.36	7.15	7.80	6.73

No. 36: Indices of Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) of the Indian Rupee

Item	2023-24	2024-25	2024	2025	
			Sep.	Aug.	Sep.
	1	2	3	4	5
40-Currency Basket (Base: 2015-16=100)					
1 Trade-Weighted					
1.1 NEER	90.75	91.01	90.35	85.41	84.55
1.2 REER	103.71	105.24	105.38	98.80	97.65
2 Export-Weighted					
2.1 NEER	93.13	93.52	93.06	87.35	86.34
2.2 REER	101.22	102.34	102.74	96.00	94.67
6-Currency Basket (Trade-weighted)					
1 Base : 2015-16 =100					
1.1 NEER	83.62	82.38	81.53	77.47	76.38
1.2 REER	101.66	102.72	102.49	97.13	95.84
2 Base : 2022-23 =100					
2.1 NEER	97.31	95.87	94.88	90.16	88.89
2.2 REER	99.86	100.90	100.68	95.41	94.14

Note: Data for 2024-25 and 2025-26 so far is provisional.

No. 37: External Commercial Borrowings (ECBs) – Registrations

(Amount in US $ Million)

Item	2024-25	2024	2025	
		Aug.	Jul.	Aug.
	1	2	3	4
1 Automatic Route				
1.1 Number	1328	99	126	96
1.2 Amount	47800	5460	3220	2217
2 Approval Route				
2.1 Number	51	3	1	2
2.2 Amount	13384	449	101	1050
3 Total (1+2)				
3.1 Number	1379	102	127	98
3.2 Amount	61184	5909	3321	3267
4 Weighted Average Maturity (in years)	5.05	4.50	5.30	5.50
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over alternative reference rate (ARR) for Floating Rate Loans@	1.48	1.49	1.61	1.41
5.2 Interest rate range for Fixed Rate Loans	0.00-11.67	0.01-10.00	0.00-10.80	0.00-10.50
Borrower Category				
I. Corporate Manufacturing	13900	1452	299	207
II. Corporate-Infrastructure	15462	1042	1260	698
a.) Transport	614	0	0	26
b.) Energy	6900	983	724	198
c.) Water and Sanitation	28	0	0	0
d.) Communication	13	0	0	0
e.) Social and Commercial Infrastructure	184	0	0	0
f.) Exploration,Mining and Refinery	5356	0	160	470
g.) Other Sub-Sectors	2367	59	376	4
III. Corporate Service-Sector	3226	372	379	498
IV. Other Entities	1026	0	0	0
a.) units in SEZ	26	0	0	0
b.) SIDBI	0	0	0	0
c.) Exim Bank	1000	0	0	0
V. Banks	0	0	0	0
VI. Financial Institution (Other than NBFC)	0	0	0	0
VII. NBFCs	26318	3009	1372	1853
a). NBFC- IFC/AFC	12389	773	121	467
b). NBFC-MFI	459	18	15	0
c). NBFC-Others	13470	2218	1236	1386
VIII. Non-Government Organization (NGO)	0	0	0	0
IX. Micro Finance Institution (MFI)	0	0	0	0
X. Others	1252	34	11	11

Note: Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.
@ With effect from July 01, 2023, the benchmark rate is changed to Alternative Reference Rate (ARR)

No. 38: India's Overall Balance of Payments

(US$ Million)

Item	Apr-Jun 2024			Apr-Jun 2025 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance Of Payments (1+2+3)	**507129**	**501903**	**5226**	**545826**	**541318**	**4508**
1 Current Account (1.1+ 1.2)	**241832**	**250508**	**-8676**	**256736**	**259106**	**-2370**
1.1 Merchandise	**111158**	**174963**	**-63805**	**113087**	**181551**	**-68464**
1.2 Invisibles (1.2.1+1.2.2+1.2.3)	**130674**	**75545**	**55129**	**143649**	**77555**	**66094**
1.2.1 Services	88465	48784	39681	97428	49507	47920
1.2.1.1 Travel	7352	9171	-1819	5855	9085	-3230
1.2.1.2 Transportation	8506	8609	-103	7708	8395	-687
1.2.1.3 Insurance	903	593	310	926	613	313
1.2.1.4 G.n.i.e.	161	309	-147	134	323	-188
1.2.1.5 Miscellaneous	71542	30102	41440	82805	31092	51712
1.2.1.5.1 Software Services	41926	4479	37447	47324	5853	41471
1.2.1.5.2 Business Services	23000	16625	6375	29511	15868	13643
1.2.1.5.3 Financial Services	2215	1267	948	1945	703	1242
1.2.1.5.4 Communication Services	519	444	75	503	380	123
1.2.2 Transfers	29520	3215	26304	34048	3029	31019
1.2.2.1 Official	18	312	-293	20	217	-197
1.2.2.2 Private	29502	2904	26598	34028	2812	31216
1.2.3 Income	12689	23546	-10857	12174	25019	-12845
1.2.3.1 Investment Income	10552	22568	-12016	10044	23992	-13948
1.2.3.2 Compensation of Employees	2137	978	1159	2130	1027	1103
2 Capital Account (2.1+2.2+2.3+2.4+2.5)	**264502**	**251395**	**13107**	**289090**	**281389**	**7700**
2.1 Foreign Investment (2.1.1+2.1.2)	**183768**	**176600**	**7168**	**173561**	**166248**	**7313**
2.1.1 Foreign Direct Investment	23925	17701	6224	27222	21517	5705
2.1.1.1 In India	22777	12171	10606	26607	12476	14131
2.1.1.1.1 Equity	16402	11673	4728	19418	12078	7340
2.1.1.1.2 Reinvested Earnings	5225		5225	5876		5876
2.1.1.1.3 Other Capital	1151	498	653	1313	398	914
2.1.1.2 Abroad	1147	5529	-4382	615	9041	-8426
2.1.1.2.1 Equity	1147	2728	-1580	615	4752	-4137
2.1.1.2.2 Reinvested Earnings	0	1712	-1712	0	1884	-1884
2.1.1.2.3 Other Capital	0	1090	-1090	0	2405	-2405
2.1.2 Portfolio Investment	159844	158899	945	146339	144731	1608
2.1.2.1 In India	159240	158343	897	145201	142720	2481
2.1.2.1.1 FIIs	159240	158343	897	145201	142720	2481
2.1.2.1.1.1 Equity	139824	140833	-1009	123636	118245	5391
2.1.2.1.1.2 Debt	19416	17510	1906	21565	24475	-2910
2.1.2.1.2 ADR/GDRs	0	0	0	0	0	0
2.1.2.2 Abroad	604	556	48	1138	2011	-872
2.2 Loans (2.2.1+2.2.2+2.2.3)	**31815**	**26686**	**5129**	**65326**	**59337**	**5989**
2.2.1 External Assistance	3640	2267	1373	3120	2398	722
2.2.1.1 By India	6	26	-20	6	11	-5
2.2.1.2 To India	3634	2241	1393	3114	2387	727
2.2.2 Commercial Borrowings	12627	11098	1529	46754	42206	4548
2.2.2.1 By India	4138	4255	-117	36024	35153	871
2.2.2.2 To India	8489	6843	1646	10730	7053	3677
2.2.3 Short Term to India	15548	13321	2228	15453	14734	719
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	13729	13321	408	15453	13689	1764
2.2.3.2 Suppliers' Credit up to 180 days	1820	0	1820	0	1045	-1045
2.3 Banking Capital (2.3.1+2.3.2)	**36380**	**33511**	**2870**	**33634**	**35189**	**-1555**
2.3.1 Commercial Banks	36259	33511	2749	33625	35189	-1564
2.3.1.1 Assets	10705	13570	-2865	8579	13083	-4504
2.3.1.2 Liabilities	25554	19941	5614	25046	22106	2939
2.3.1.2.1 Non-Resident Deposits	23426	19401	4025	23778	20164	3614
2.3.2 Others	121	0	121	10	0	10
2.4 Rupee Debt Service	**0**	**61**	**-61**	**0**	**61**	**-61**
2.5 Other Capital	**12538**	**14537**	**-1999**	**16568**	**20554**	**-3986**
3 Errors & Omissions	**795**	**0**	**795**	**0**	**823**	**-823**
4 Monetary Movements (4.1+ 4.2)	**0**	**5226**	**-5226**	**0**	**4508**	**-4508**
4.1 I.M.F.	0	0	0	0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)		5226	-5226		4508	-4508

Note: P: Preliminary.

No. 39: India's Overall Balance of Payments

(₹ Crore)

Item	Apr-Jun 2024			Apr-Jun 2025 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance Of Payments (1+2+3)	**4230634**	**4187037**	**43597**	**4669620**	**4631057**	**38563**
1 Current Account (1.1+ 1.2)	**2017438**	**2089818**	**-72379**	**2196416**	**2216691**	**-20275**
1.1 Merchandise	**927317**	**1459598**	**-532281**	**967474**	**1553197**	**-585723**
1.2 Invisibles (1.2.1+1.2.2+1.2.3)	**1090122**	**630220**	**459902**	**1228942**	**663494**	**565447**
1.2.1 Services	738001	406971	331030	833507	423543	409964
1.2.1.1 Travel	61335	76511	-15177	50087	77720	-27633
1.2.1.2 Transportation	70959	71816	-856	65943	71818	-5876
1.2.1.3 Insurance	7534	4950	2584	7924	5245	2679
1.2.1.4 G.n.i.e.	1346	2575	-1229	1148	2761	-1612
1.2.1.5 Miscellaneous	596827	251118	345709	708405	265999	442406
1.2.1.5.1 Software Services	349760	37363	312397	404862	50070	354792
1.2.1.5.2 Business Services	191873	138694	53178	252469	135754	116715
1.2.1.5.3 Financial Services	18478	10572	7906	16636	6012	10624
1.2.1.5.4 Communication Services	4331	3702	629	4305	3251	1053
1.2.2 Transfers	246264	26824	219440	291287	25911	265375
1.2.2.1 Official	153	2599	-2446	172	1858	-1686
1.2.2.2 Private	246112	24225	221887	291114	24053	267061
1.2.3 Income	105857	196425	-90569	104148	214040	-109892
1.2.3.1 Investment Income	88028	188267	-100239	85926	205255	-119329
1.2.3.2 Compensation of Employees	17829	8158	9670	18222	8785	9437
2 Capital Account (2.1+2.2+2.3+2.4+2.5)	**2206565**	**2097219**	**109346**	**2473204**	**2407326**	**65878**
2.1 Foreign Investment (2.1.1+2.1.2)	**1533057**	**1473256**	**59801**	**1484840**	**1422274**	**62567**
2.1.1 Foreign Direct Investment	199586	147666	51920	232886	184078	48808
2.1.1.1 In India	190016	101538	88478	227624	106733	120892
2.1.1.1.1 Equity	136827	97382	39445	166121	103325	62795
2.1.1.1.2 Reinvested Earnings	43588	0	43588	50274	0	50274
2.1.1.1.3 Other Capital	9600	4156	5444	11230	3407	7822
2.1.1.2 Abroad	9570	46128	-36558	5262	77345	-72084
2.1.1.2.1 Equity	9570	22755	-13184	5262	40654	-35392
2.1.1.2.2 Reinvested Earnings	0	14278	-14278	0	16116	-16116
2.1.1.2.3 Other Capital	0	9095	-9095	0	20575	-20575
2.1.2 Portfolio Investment	1333471	1325590	7881	1251954	1238196	13759
2.1.2.1 In India	1328434	1320949	7485	1242216	1220994	21223
2.1.2.1.1 FIIs	1328434	1320949	7485	1242216	1220994	21223
2.1.2.1.1.1 Equity	1166461	1174878	-8416	1057724	1011603	46121
2.1.2.1.1.2 Debt	161973	146071	15901	184493	209391	-24898
2.1.2.1.2 ADR/GDRs	0	0	0	0	0	0
2.1.2.2 Abroad	5037	4641	396	9738	17202	-7464
2.2 Loans (2.2.1+2.2.2+2.2.3)	**265411**	**222623**	**42788**	**558876**	**507639**	**51237**
2.2.1 External Assistance	30365	18913	11451	26690	20513	6177
2.2.1.1 By India	52	217	-166	52	94	-42
2.2.1.2 To India	30313	18696	11617	26638	20419	6219
2.2.2 Commercial Borrowings	105337	92583	12753	399987	361074	38913
2.2.2.1 By India	34517	35497	-980	308187	300735	7452
2.2.2.2 To India	70820	57087	13733	91800	60339	31461
2.2.3 Short Term to India	129710	111126	18583	132199	126052	6147
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	114529	111126	3402	132199	117110	15089
2.2.3.2 Suppliers' Credit up to 180 days	15181	0	15181	0	8942	-8942
2.3 Banking Capital (2.3.1+2.3.2)	**303498**	**279556**	**23942**	**287747**	**301047**	**-13300**
2.3.1 Commercial Banks	302487	279556	22931	287664	301047	-13384
2.3.1.1 Assets	89303	113205	-23902	73395	111925	-38530
2.3.1.2 Liabilities	213184	166351	46833	214268	189122	25147
2.3.1.2.1 Non-Resident Deposits	195426	161851	33575	203422	172503	30920
2.3.2 Others	1011	0	1011	84	0	84
2.4 Rupee Debt Service	**0**	**508**	**-508**	**0**	**524**	**-524**
2.5 Other Capital	**104599**	**121277**	**-16677**	**141740**	**175841**	**-34101**
3 Errors & Omissions	**6630**	**0**	**6630**	**0**	**7040**	**-7040**
4 Monetary Movements (4.1+ 4.2)	**0**	**43597**	**-43597**	**0**	**38563**	**-38563**
4.1 I.M.F.	0	0	0	0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	0	43597	-43597	0	38563	-38563

Note: P: Preliminary.

No. 40: Standard Presentation of BoP in India as per BPM6

(US$ Million)

Item	Apr-Jun 2024			Apr-Jun 2025 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**241831**	**250477**	**-8646**	**256736**	**259087**	**-2351**
1.A Goods and Services (1.A.a+1.A.b)	**199623**	**223747**	**-24124**	**210514**	**231059**	**-20544**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**111158**	**174963**	**-63805**	**113087**	**181551**	**-68464**
1.A.a.1 General merchandise on a BOP basis	111119	166616	-55497	112707	174065	-61359
1.A.a.2 Net exports of goods under merchanting	39	0	39	380	0	380
1.A.a.3 Nonmonetary gold		8347	-8347		7486	-7486
1.A.b Services (1.A.b.1 to 1.A.b.13)	**88465**	**48784**	**39681**	**97428**	**49507**	**47920**
1.A.b.1 Manufacturing services on physical inputs owned by others	268	22	246	253	40	213
1.A.b.2 Maintenance and repair services n.i.e.	81	238	-157	76	267	-191
1.A.b.3 Transport	8506	8609	-103	7708	8395	-687
1.A.b.4 Travel	7352	9171	-1819	5855	9085	-3230
1.A.b.5 Construction	1478	563	915	1098	891	207
1.A.b.6 Insurance and pension services	903	593	310	926	613	313
1.A.b.7 Financial services	2215	1267	948	1945	703	1242
1.A.b.8 Charges for the use of intellectual property n.i.e.	341	4448	-4107	446	5352	-4906
1.A.b.9 Telecommunications, computer, and information services	42541	5215	37326	47932	6470	41462
1.A.b.10 Other business services	23000	16625	6375	29511	15868	13643
1.A.b.11 Personal, cultural, and recreational services	1175	1249	-74	1210	1157	54
1.A.b.12 Government goods and services n.i.e.	161	309	-147	134	323	-188
1.A.b.13 Others n.i.e.	444	475	-31	334	345	-11
1.B Primary Income (1.B.1 to 1.B.3)	**12689**	**23546**	**-10857**	**12174**	**25019**	**-12845**
1.B.1 Compensation of employees	2137	978	1159	2130	1027	1103
1.B.2 Investment income	8660	21944	-13284	8498	23345	-14846
1.B.2.1 Direct investment	3384	12672	-9288	3156	14533	-11377
1.B.2.2 Portfolio investment	70	2411	-2341	113	1815	-1702
1.B.2.3 Other investment	1110	6641	-5531	1001	6826	-5825
1.B.2.4 Reserve assets	4095	220	3876	4228	170	4058
1.B.3 Other primary income	1892	624	1268	1545	647	898
1.C Secondary Income (1.C.1+1.C.2)	**29520**	**3185**	**26335**	**34048**	**3010**	**31038**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	29502	2904	26598	34028	2812	31216
1.C.1.1 Personal transfers (Current transfers between resident and/non-resident households)	28644	1989	26655	33162	2061	31101
1.C.1.2 Other current transfers	857	914	-57	866	750	115
1.C.2 General government	18	281	-263	20	198	-178
2 Capital Account (2.1+2.2)	**185**	**150**	**35**	**177**	**577**	**-400**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	4	45	-41	23	398	-374
2.2 Capital transfers	182	105	76	154	179	-26
3 Financial Account (3.1 to 3.5)	**264317**	**256501**	**7816**	**288913**	**285339**	**3574**
3.1 Direct Investment (3.1A+3.1B)	**23925**	**17701**	**6224**	**27222**	**21517**	**5705**
3.1.A Direct Investment in India	22777	12171	10606	26607	12476	14131
3.1.A.1 Equity and investment fund shares	21627	11673	9953	25294	12078	13217
3.1.A.1.1 Equity other than reinvestment of earnings	16402	11673	4728	19418	12078	7340
3.1.A.1.2 Reinvestment of earnings	5225		5225	5876		5876
3.1.A.2 Debt instruments	1151	498	653	1313	398	914
3.1.A.2.1 Direct investor in direct investment enterprises	1151	498	653	1313	398	914
3.1.B Direct Investment by India	1147	5529	-4382	615	9041	-8426
3.1.B.1 Equity and investment fund shares	1147	4439	-3292	615	6636	-6021
3.1.B.1.1 Equity other than reinvestment of earnings	1147	2728	-1580	615	4752	-4137
3.1.B.1.2 Reinvestment of earnings		1712	-1712		1884	-1884
3.1.B.2 Debt instruments	0	1090	-1090	0	2405	-2405
3.1.B.2.1 Direct investor in direct investment enterprises		1090	-1090		2405	-2405
3.2 Portfolio Investment	**159844**	**158899**	**945**	**146339**	**144731**	**1608**
3.2.A Portfolio Investment in India	159240	158343	897	145201	142720	2481
3.2.1 Equity and investment fund shares	139824	140833	-1009	123636	118245	5391
3.2.2 Debt securities	19416	17510	1906	21565	24475	-2910
3.2.B Portfolio Investment by India	604	556	48	1138	2011	-872
3.3 Financial derivatives (other than reserves) and employee stock options	**6053**	**9666**	**-3613**	**5501**	**10588**	**-5087**
3.4 Other investment	**74496**	**65009**	**9487**	**109851**	**103996**	**5855**
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	23547	19401	4146	23788	20164	3624
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	121	0	121	10	0	10
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	23426	19401	4025	23778	20164	3614
3.4.2.3 General government			0			0
3.4.2.4 Other sectors			0			0
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	29100	27475	1626	59721	59629	92
3.4.3.A Loans to India	24956	23193	1763	23691	24465	-774
3.4.3.B Loans by India	4144	4281	-137	36030	35163	866
3.4.4 Insurance, pension, and standardized guarantee schemes	47	133	-86	43	92	-49
3.4.5 Trade credit and advances	15548	13321	2228	15453	14734	719
3.4.6 Other accounts receivable/payable - other	6253	4680	1574	10848	9378	1470
3.4.7 Special drawing rights			0			0
3.5 Reserve assets	**0**	**5226**	**-5226**	**0**	**4508**	**-4508**
3.5.1 Monetary gold			0			0
3.5.2 Special drawing rights n.a.			0			0
3.5.3 Reserve position in the IMF n.a.			0			0
3.5.4 Other reserve assets (Foreign Currency Assets)	0	5226	-5226	0	4508	-4508
4 Total assets/liabilities	**264317**	**256501**	**7816**	**288913**	**285339**	**3574**
4.1 Equity and investment fund shares	169302	167301	2001	156227	149648	6579
4.2 Debt instruments	88762	79295	9467	121838	121805	33
4.3 Other financial assets and liabilities	6253	9906	-3652	10848	13886	-3038
5 Net errors and omissions	**795**	**0**	**795**	**0**	**823**	**-823**

Note: P: Preliminary.

No. 41: Standard Presentation of BoP in India as per BPM6

(₹ Crore)

Item	Apr-Jun 2024			Apr-Jun 2025 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**2017436**	**2089564**	**-72128**	**2196412**	**2216528**	**-20117**
1.A Goods and Services (1.A.a+1.A.b)	**1665317**	**1866568**	**-201251**	**1800981**	**1976740**	**-175759**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**927317**	**1459598**	**-532281**	**967474**	**1553197**	**-585723**
1.A.a.1 General merchandise on a BOP basis	926993	1389964	-462971	964221	1489154	-524933
1.A.a.2 Net exports of goods under merchanting	324	0	324	3253	0	3253
1.A.a.3 Nonmonetary gold	0	69634	-69634	0	64043	-64043
1.A.b Services (1.A.b.1 to 1.A.b.13)	**738001**	**406970**	**331030**	**833507**	**423543**	**409964**
1.A.b.1 Manufacturing services on physical inputs owned by others	2234	183	2051	2162	341	1821
1.A.b.2 Maintenance and repair services n.i.e.	676	1983	-1307	654	2286	-1632
1.A.b.3 Transport	70959	71816	-856	65943	71818	-5876
1.A.b.4 Travel	61335	76511	-15177	50087	77720	-27633
1.A.b.5 Construction	12327	4693	7635	9390	7619	1771
1.A.b.6 Insurance and pension services	7534	4950	2584	7924	5245	2679
1.A.b.7 Financial services	18478	10572	7906	16636	6012	10624
1.A.b.8 Charges for the use of intellectual property n.i.e.	2843	37103	-34261	3818	45787	-41969
1.A.b.9 Telecommunications, computer, and information services	354891	43507	311384	410065	55353	354712
1.A.b.10 Other business services	191873	138694	53178	252469	135754	116715
1.A.b.11 Personal, cultural, and recreational services	9803	10418	-615	10353	9894	459
1.A.b.12 Government goods and services n.i.e.	1346	2575	-1229	1148	2761	-1612
1.A.b.13 Others n.i.e.	3703	3965	-262	2858	2953	-95
1.B Primary Income (1.B.1 to 1.B.3)	**105857**	**196425**	**-90569**	**104148**	**214040**	**-109892**
1.B.1 Compensation of employees	17829	8158	9670	18222	8785	9437
1.B.2 Investment income	72241	183061	-110820	72705	199717	-127012
1.B.2.1 Direct investment	28232	105711	-77480	27000	124332	-97331
1.B.2.2 Portfolio investment	582	20112	-19530	969	15529	-14560
1.B.2.3 Other investment	9262	55405	-46143	8563	58401	-49838
1.B.2.4 Reserve assets	34166	1833	32333	36172	1455	34717
1.B.3 Other primary income	15787	5206	10581	13221	5537	7683
1.C Secondary Income (1.C.1+1.C.2)	**246262**	**26570**	**219692**	**291283**	**25749**	**265534**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	246112	24225	221887	291114	24053	267061
1.C.1.1 Personal transfers (Current transfers between resident and/non-resident households)	238960	16597	222364	283709	17634	266075
1.C.1.2 Other current transfers	7151	7628	-477	7405	6419	986
1.C.2 General government	150	2345	-2195	168	1695	-1527
2 Capital Account (2.1+2.2)	**1547**	**1253**	**295**	**1515**	**4936**	**-3421**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	32	375	-343	199	3401	-3202
2.2 Capital transfers	1515	878	637	1316	1535	-219
3 Financial Account (3.1 to 3.5)	**2205020**	**2139817**	**65203**	**2471694**	**2441116**	**30578**
3.1 Direct Investment (3.1A+3.1B)	**199586**	**147666**	**51920**	**232886**	**184078**	**48808**
3.1.A Direct Investment in India	190016	101538	88478	227624	106733	120892
3.1.A.1 Equity and investment fund shares	180416	97382	83034	216395	103325	113069
3.1.A.1.1 Equity other than reinvestment of earnings	136827	97382	39445	166121	103325	62795
3.1.A.1.2 Reinvestment of earnings	43588	0	43588	50274	0	50274
3.1.A.2 Debt instruments	9600	4156	5444	11230	3407	7822
3.1.A.2.1 Direct investor in direct investment enterprises	9600	4156	5444	11230	3407	7822
3.1.B Direct Investment by India	9570	46128	-36558	5262	77345	-72084
3.1.B.1 Equity and investment fund shares	9570	37033	-27463	5262	56770	-51509
3.1.B.1.1 Equity other than reinvestment of earnings	9570	22755	-13184	5262	40654	-35392
3.1.B.1.2 Reinvestment of earnings	0	14278	-14278	0	16116	-16116
3.1.B.2 Debt instruments	0	9095	-9095	0	20575	-20575
3.1.B.2.1 Direct investor in direct investment enterprises	0	9095	-9095	0	20575	-20575
3.2 Portfolio Investment	**1333471**	**1325590**	**7881**	**1251954**	**1238196**	**13759**
3.2.A Portfolio Investment in India	1328434	1320949	7485	1242216	1220994	21223
3.2.1 Equity and investment fund shares	1166461	1174878	-8416	1057724	1011603	46121
3.2.2 Debt securities	161973	146071	15901	184493	209391	-24898
3.2.B Portfolio Investment by India	5037	4641	396	9738	17202	-7464
3.3 Financial derivatives (other than reserves) and employee stock options	**50493**	**80637**	**-30144**	**47060**	**90579**	**-43519**
3.4 Other investment	**621470**	**542327**	**79143**	**939793**	**889701**	**50093**
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	196437	161851	34586	203506	172503	31003
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	1011	0	1011	84	0	84
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	195426	161851	33575	203422	172503	30920
3.4.2.3 General government	0	0	0	0	0	0
3.4.2.4 Other sectors	0	0	0	0	0	0
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	242762	229201	13561	510918	510131	787
3.4.3.A Loans to India	208194	193487	14707	202679	209303	-6624
3.4.3.B Loans by India	34569	35714	-1146	308239	300829	7410
3.4.4 Insurance, pension, and standardized guarantee schemes	396	1109	-714	366	783	-417
3.4.5 Trade credit and advances	129710	111126	18583	132199	126052	6147
3.4.6 Other accounts receivable/payable - other	52166	39039	13127	92803	80231	12572
3.4.7 Special drawing rights	0	0	0	0	0	0
3.5 Reserve assets	**0**	**43597**	**-43597**	**0**	**38563**	**-38563**
3.5.1 Monetary gold	0	0	0	0	0	0
3.5.2 Special drawing rights n.a.	0	0	0	0	0	0
3.5.3 Reserve position in the IMF n.a.	0	0	0	0	0	0
3.5.4 Other reserve assets (Foreign Currency Assets)	0	43597	-43597	0	38563	-38563
4 Total assets/liabilities	**2205020**	**2139817**	**65203**	**2471694**	**2441116**	**30578**
4.1 Equity and investment fund shares	1412373	1395681	16693	1336545	1280262	56282
4.2 Debt instruments	740481	661501	78980	1042346	1042060	286
4.3 Other financial assets and liabilities	52166	82636	-30470	92803	118794	-25990
5 Net errors and omissions	**6630**	**0**	**6630**	**0**	**7040**	**-7040**

Note: P: Preliminary.

No. 42: India's International Investment Position

(US$ Million)

Item	As on Financial Year/Quarter End							
	2024-25		2024		2025			
			Jun.		Mar.		Jun.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1. Direct investment Abroad/in India	270441	556903	246653	552829	270441	556903	278867	571227
1.1 Equity Capital*	173559	521931	156635	520605	173559	521931	179580	535378
1.2 Other Capital	96882	34972	90018	32224	96882	34972	99287	35849
2. Portfolio investment	15426	272042	12410	277347	15426	272042	16305	272544
2.1 Equity	10391	141938	10665	160898	10391	141938	13111	147392
2.2 Debt	5034	130104	1745	116449	5034	130104	3193	125152
3. Other investment	186700	641155	140909	588623	186700	641155	195426	657723
3.1 Trade credit	33422	131164	32822	125907	33422	131164	33782	131887
3.2 Loan	25891	250109	20803	224491	25891	250109	24464	259789
3.3 Currency and Deposits	79332	167598	57747	160628	79332	167598	82528	171749
3.4 Other Assets/Liabilities	48055	92285	29537	77597	48055	92285	54651	94298
4. Reserves	668326		651997		668326		698118	
5. Total Assets/ Liabilities	1140893	1470099	1051969	1418799	1140893	1470099	1188715	1501494
6. Net IIP (Assets - Liabilities)	-329206		-366830		-329206		-312779	

Note: * Equity capital includes share of investment funds and reinvested earnings.

Payment and Settlement Systems

No. 43: Payment System Indicators

PART I - Payment System Indicators - Payment & Settlement System Statistics

System	Volume (Lakh)				Value (₹ Crore)			
	FY 2024-25	2024	2025		FY 2024-25	2024	2025	
		Aug.	Jul.	Aug.		Aug.	Jul.	Aug.
	1	-2	-1	0	5	2	3	4
A. Settlement Systems								
Financial Market Infrastructures (FMIs)								
1 CCIL Operated Systems (1.1 to 1.3)	47.40	3.88	5.21	4.28	296218030	23205978	32781616	28151946
1.1 Govt. Securities Clearing (1.1.1 to 1.1.3)	17.87	1.62	1.63	1.50	185733719	15544033	19293299	16614170
1.1.1 Outright	10.56	0.99	0.84	0.81	16056018	1468219	1274228	1240951
1.1.2 Repo	4.72	0.41	0.55	0.47	77286611	6391039	8664018	7489700
1.1.3 Tri-party Repo	2.58	0.22	0.24	0.22	92391091	7684775	9355053	7883520
1.2 Forex Clearing	28.06	2.13	3.48	2.69	100639565	6911072	12739681	10788097
1.3 Rupee Derivatives @	1.46	0.13	0.10	0.10	9844746	750873	748636	749679
B. Payment Systems								
I Financial Market Infrastructures (FMIs)	-	-	-	-	-	-	-	-
1 Credit Transfers - RTGS (1.1 to 1.2)	3024.55	237.53	277.67	259.68	201387682	15910436	18863902	16371216
1.1 Customer Transactions	3010.32	236.33	276.46	258.52	181153129	14385410	16624624	14993007
1.2 Interbank Transactions	14.23	1.19	1.21	1.16	20234553	1525025	2239279	1378209
II Retail								
2 Credit Transfers - Retail (2.1 to 2.6)	2061014.91	166465.50	212335.07	218816.17	79781976	6408703	7319321	7102303
2.1 AePS (Fund Transfers) @	3.64	0.31	0.31	0.31	190	13	16	16
2.2 APBS $	32964.43	2783.25	2705.04	3817.08	554034	35283	42355	66150
2.3 IMPS	56249.68	4533.37	4821.90	4772.62	7139110	577888	631411	597549
2.4 NACH Cr $	16938.86	1534.87	1628.20	1854.46	1670223	144196	143081	167856
2.5 NEFT	96198.05	7983.23	8500.14	8288.60	44361464	3590588	3993960	3785260
2.6 UPI @	1858660.25	149630.47	194679.48	200083.10	26056955	2060736	2508498	2485473
2.6.1 of which USSD @	17.24	1.45	1.59	0.69	185	15	31	7
3 Debit Transfers and Direct Debits (3.1 to 3.3)	21659.95	1774.78	1912.72	1929.02	2208583	177162	217899	214928
3.1 BHIM Aadhaar Pay @	230.08	19.06	19.95	25.38	6907	576	619	718
3.2 NACH Dr $	19762.28	1621.10	1753.66	1764.13	2199327	176386	217102	214031
3.3 NETC (linked to bank account) @	1667.59	134.62	139.11	139.51	2349	199	179	178
4 Card Payments (4.1 to 4.2)	63861.15	5322.94	5982.42	6055.24	2605110	211726	231987	228565
4.1 Credit Cards (4.1.1 to 4.1.2)	47740.76	3900.49	4861.81	4934.43	2109197	168184	193849	191159
4.1.1 PoS based $	24571.10	2023.95	2432.75	2500.52	795022	63048	70380	72747
4.1.2 Others $	23169.66	1876.54	2429.06	2433.91	1314175	105136	123469	118412
4.2 Debit Cards (4.2.1 to 4.2.1)	16120.39	1422.45	1120.61	1120.80	495914	43542	38138	37406
4.2.1 PoS based $	11980.33	1061.40	832.19	843.59	332556	29346	23921	24663
4.2.2 Others $	4140.06	361.05	288.42	277.21	163358	14196	14216	12743
5 Prepaid Payment Instruments (5.1 to 5.2)	70254.08	5466.90	7124.06	7966.16	216751	16555	20758	22253
5.1 Wallets	52898.40	4092.83	5431.45	6246.19	154066	11599	16915	17169
5.2 Cards (5.2.1 to 5.2.2)	17355.68	1374.07	1692.61	1719.97	62686	4956	3842	5083
5.2.1 PoS based $	8240.14	710.24	660.66	669.51	11512	908	908	1030
5.2.2 Others $	9115.54	663.82	1031.95	1050.45	51174	4048	2935	4054
6 Paper-based Instruments (6.1 to 6.2)	6095.38	508.49	494.59	446.03	7113350	568848	607504	540025
6.1 CTS (NPCI Managed)	6095.38	508.49	494.59	446.03	7113350	568848	607504	540025
6.2 Others	0.00	–	–	–	–	–	–	–
Total - Retail Payments (2+3+4+5+6)	2222885.46	179538.61	227848.86	235212.61	91925771	7382994	8397469	8108073
Total Payments (1+2+3+4+5+6)	2225910.01	179776.13	228126.54	235472.29	293313453	23293430	27261371	24479289
Total Digital Payments (1+2+3+4+5)	2219814.63	179267.64	227631.95	235026.26	286200103	22724582	26653867	23939264

PART II - Payment Modes and Channels

System	Volume (Lakh)				Value (₹ Crore)			
	FY 2024-25	2024	2025		FY 2024-25	2024	2025	
		Aug.	Jul.	Aug.		Aug.	Jul.	Aug.
	1	2	3	4	5	6	7	8
A. Other Payment Channels								
1 Mobile Payments (mobile app based) (1.1 to 1.2)	1756976.91	144463.15	180367.99	184421.90	39206221	3182912	3658441	3539374
1.1 Intra-bank $	110801.96	10667.99	10205.69	10513.87	7207439	614654	634811	605031
1.2 Inter-bank $	1646174.95	133795.17	170162.30	173908.03	31998782	2568258	3023629	2934344
2 Internet Payments (Netbanking / Internet Browser Based) @ (2.1 to 2.2)	47478.09	3980.06	3987.57	2899.82	131858133	10547357	12803198	7172910
2.1 Intra-bank @	13056.37	1159.37	935.66	592.15	69086996	5630895	6734105	3104858
2.2 Inter-bank @	34421.72	2820.69	3051.90	2307.67	62771136	4916461	6069093	4068053
B. ATMs								
3 Cash Withdrawal at ATMs $ (3.1 to 3.3)	60308.11	5157.20	4472.41	4625.94	3063077	255021	232955	240098
3.1 Using Credit Cards $	97.25	8.46	6.63	6.71	5084	434	362	366
3.2 Using Debit Cards $	59965.70	5128.53	4447.66	4601.37	3046987	253703	231722	238883
3.3 Using Pre-paid Cards $	245.16	20.20	18.13	17.86	11005	883	871	849
4 Cash Withdrawal at PoS $ (4.1 to 4.2)	3.58	0.30	0.13	0.13	37	3	1	1
4.1 Using Debit Cards $	3.33	0.28	0.11	0.10	35	3	1	1
4.2 Using Pre-paid Cards $	0.25	0.02	0.02	0.02	3	0	0	0
5 Cash Withrawal at Micro ATMs @	11640.55	972.97	996.95	1245.48	296622	23935	25574	31157
5.1 AePS @	11640.55	972.97	996.95	1245.48	296622	23935	25574	31157

PART III - Payment Infrastructures (Lakh)

System	As on March 2025	2024	2025	
		Aug.	Jul.	Aug.
	1	2	3	4
Payment System Infrastructures				
1 Number of Cards (1.1 to 1.2)	11006.97	10739.74	11243.50	11303.57
1.1 Credit Cards	1098.85	1054.24	1116.23	1123.14
1.2 Debit Cards	9908.12	9685.49	10127.27	10180.42
2 Number of PPIs @ (2.1 to 2.2)	13396.53	15182.14	13746.53	14584.13
2.1 Wallets @	8673.62	11322.72	8870.16	9692.18
2.2 Cards @	4722.91	3859.42	4876.37	4891.95
3 Number of ATMs (3.1 to 3.2)	2.56	2.55	2.49	2.49
3.1 Bank owned ATMs $	2.20	2.20	2.13	2.12
3.2 White Label ATMs $	0.36	0.35	0.36	0.36
4 Number of Micro ATMs @	14.82	14.50	14.67	14.71
5 Number of PoS Terminals	110.98	93.01	119.21	119.73
6 Bharat QR @	67.18	63.97	66.65	65.97
7 UPI QR *	6579.30	5912.93	6881.22	6978.38

@: New inclusion w.e.f. November 2019
#: Data reported by Co-operative Banks, LABs and RRBs included with effect from December 2021.
$: Inclusion separately initiated from November 2019 - would have been part of other items hitherto.
*: New inclusion w.e.f. September 2020; Includes only static UPI QR Code

Note : 1. Data is provisional.
2. ECS (Debit and Credit) has been merged with NACH with effect from January 31, 2020.
3. The data from November 2019 onwards for card payments (Debit/Credit cards) and Prepaid Payment Instruments (PPIs) may not be comparable with earlier months/ periods, as more granular data is being published along with revision in data definitions.
4. Only domestic financial transactions are considered. The new format captures e-commerce transactions; transactions using FASTags, digital bill payments and card-to-card transfer through ATMs, etc.. Also, failed transactions, chargebacks, reversals, expired cards/ wallets, are excluded.

Part I-A. Settlement systems
1.1.3: Tri- party Repo under the securities segment has been operationalised from November 05, 2018.
Part I-B. Payments systems
4.1.2: 'Others' includes e-commerce transactions and digital bill payments through ATMs, etc.
4.2.2: 'Others' includes e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc.
5. Available from December 2010.
5.1: includes purchase of goods and services and fund transfer through wallets.
5.2.2: includes usage of PPI Cards for online transactions and other transactions.
6.1: Pertain to three grids – Mumbai, New Delhi and Chennai.
6.2: 'Others' comprises of Non-MICR transactions which pertains to clearing houses managed by 21 banks.
Part II-A. Other payment channels
1: Mobile Payments –
o Include transactions done through mobile apps of banks and UPI apps.
o The data from July 2017 includes only individual payments and corporate payments initiated, processed, and authorised using mobile device. Other corporate payments which are not initiated, processed, and authorised using mobile device are excluded.
2: Internet Payments – includes only e-commerce transactions through 'netbanking' and any financial transaction using internet banking website of the bank.
Part II-B. ATMs
3.3 and 4.2: only relates to transactions using bank issued PPIs.
Part III. Payment systems infrastructure
3: Includes ATMs deployed by Scheduled Commercial Banks (SCBs) and White Label ATM Operators (WLAOs). WLAs are included from April 2014 onwards.

Occasional Series

No. 44: Small Savings

(₹ Crore)

Scheme		2023-24	2024		2025	
			Feb.	Dec.	Jan.	Feb.
		1	2	3	4	5
1 Small Savings	**Receipts**	**232460**	**14570**	**11133**	**12581**	**11379**
	Outstanding	**1865029**	**1819758**	**1982465**	**1994553**	**2005585**
1.1 Total Deposits	**Receipts**	**161344**	**10025**	**8734**	**9178**	**8077**
	Outstanding	**1298795**	**1268920**	**1395484**	**1404661**	**1412738**
1.1.1 Post Office Saving Bank Deposits	Receipts	17229	1520	1090	2702	814
	Outstanding	191692	218498	201999	204701	205515
1.1.2 Sukanya Samriddhi Yojna	Receipts	35174	2233	2244	2347	2282
	Outstanding	157611	109222	177007	179354	181636
1.1.3 National Saving Scheme, 1987	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.1.4 National Saving Scheme, 1992	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.1.5 Monthly Income Scheme	Receipts	26696	1927	827	1279	1045
	Outstanding	269007	267205	282142	283421	284466
1.1.6 Senior Citizen Scheme 2004	Receipts	38167	2153	1531	1922	1952
	Outstanding	175472	173476	194605	196527	198479
1.1.7 Post Office Time Deposits	Receipts	25341	2632	2125	2853	2108
	Outstanding	305776	303000	330912	333764	335872
1.1.7.1 1 year Time Deposits	Outstanding	140423	138552	159174	161578	163358
1.1.7.2 2 year Time Deposits	Outstanding	11967	11730	14299	14476	14637
1.1.7.3 3 year Time Deposits	Outstanding	8932	8782	10308	10487	10645
1.1.7.4 5 year Time Deposits	Outstanding	144454	143936	147131	147223	147232
1.1.8 Post Office Recurring Deposits	Receipts	18713	-420	1025	-1831	-25
	Outstanding	197134	195727	207269	205438	205413
1.1.9 Post Office Cumulative Time Deposits	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.1.10 Other Deposits	Receipts	8	-20	-108	-95	-100
	Outstanding	1754	1444	1195	1100	1000
1.1.11 PM Care for children	Receipts	16	0	0	1	1
	Outstanding	349	348	355	356	357
1.2 Saving Certificates	**Receipts**	**56069**	**3940**	**2226**	**3019**	**2858**
	Outstanding	**418021**	**414597**	**438074**	**440601**	**443112**
1.2.1 National Savings Certificate VIII issue	Receipts	16853	1446	430	796	762
	Outstanding	183905	180181	192621	193417	194179
1.2.2 Indira Vikas Patras	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.2.3 Kisan Vikas Patras	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.2.4 Kisan Vikas Patras - 2014	Receipts	20939	1428	1113	1376	1247
	Outstanding	220560	219498	228707	230083	231330
1.2.5 National Saving Certificate VI issue	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.2.6 National Saving Certificate VII issue	Receipts	0	0	0	0	0
	Outstanding	0	0	0	0	0
1.2.7 M.S. Certificates	Receipts	18277	1066	683	847	849
	Outstanding	18277	17235	25303	26150	26999
1.2.8 Other Certificates	Outstanding	-4721	-2317	-8557	-9049	-9396
1.3 Public Provident Fund	**Receipts**	**15047**	**605**	**173**	**384**	**444**
	Outstanding	**148213**	**136241**	**148907**	**149291**	**149735**

Note : Data on receipts from April 2017 are net receipts, i.e., gross receipt minus gross payment.
Source: Accountant General, Post and Telegraphs.

No. 45 : Ownership Pattern of Central and State Governments Securities

(Per cent)

Central Government Dated Securities					
Category	2024			2025	
	Jun.	Sep.	Dec.	Mar.	Jun.
	1	2	3	4	5
(A) Total (in ₹. Crore)	**10946860**	**11271589**	**11422728**	**11642652**	**11854200**
1 Commercial Banks	37.52	37.55	37.98	36.18	35.28
2 Co-operative Banks	1.42	1.35	1.36	1.29	1.29
3 Non-Bank PDs	0.70	0.77	0.65	0.76	0.59
4 Insurance Companies	26.11	25.95	26.14	25.81	25.95
5 Mutual Funds	2.87	3.14	3.11	2.68	2.46
6 Provident Funds	4.41	4.25	4.25	4.24	4.35
7 Pension Funds	4.74	4.86	5.05	4.91	4.96
8 Financial Institutions	0.57	0.63	0.64	0.71	0.74
9 Corporates	1.44	1.60	1.45	1.49	1.26
10 Foreign Portfolio Investors	2.34	2.80	2.81	3.12	2.80
11 RBI	11.92	11.16	10.55	12.78	14.21
12 Others	5.97	5.92	6.01	6.01	6.13
12.1 State Governments	2.13	2.19	2.21	2.25	2.29

State Governments Securities					
Category	2024			2025	
	Jun.	Sep.	Dec.	Mar.	Jun.
	1	2	3	4	5
(B) Total (in ₹. Crore)	**5727482**	**5909490**	**6055711**	**6399564**	**6524417**
1 Commercial Banks	33.85	34.39	35.11	35.40	35.54
2 Co-operative Banks	3.38	3.29	3.22	3.08	3.02
3 Non-Bank PDs	0.59	0.60	0.53	0.61	0.60
4 Insurance Companies	25.85	25.56	25.16	24.07	24.12
5 Mutual Funds	2.08	1.93	1.89	1.93	1.84
6 Provident Funds	22.94	23.02	22.90	23.60	23.72
7 Pension Funds	4.87	4.87	4.82	5.07	4.96
8 Financial Institutions	1.58	1.57	1.58	1.48	1.59
9 Corporates	2.03	1.95	1.97	2.05	1.93
10 Foreign Portfolio Investors	0.05	0.04	0.03	0.05	0.02
11 RBI	0.62	0.60	0.58	0.55	0.54
12 Others	2.17	2.18	2.19	2.10	2.12
12.1 State Governments	0.26	0.26	0.26	0.25	0.25

Treasury Bills					
Category	2024			2025	
	Jun.	Sep.	Dec.	Mar.	Jun.
	1	2	3	4	5
(C) Total (in ₹. Crore)	**858193**	**747242**	**760045**	**790381**	**784059**
1 Commercial Banks	47.79	44.74	40.45	46.58	42.87
2 Co-operative Banks	1.49	1.58	1.22	2.17	1.80
3 Non-Bank PDs	2.69	2.28	1.41	2.09	1.10
4 Insurance Companies	5.78	5.26	4.73	4.23	4.07
5 Mutual Funds	14.50	15.06	15.41	16.15	15.72
6 Provident Funds	0.60	0.26	0.04	0.20	0.09
7 Pension Funds	0.00	0.00	0.00	0.02	0.00
8 Financial Institutions	6.56	6.36	6.77	7.73	6.31
9 Corporates	4.79	4.66	4.56	4.50	3.77
10 Foreign Portfolio Investors	0.20	0.15	0.12	0.09	0.02
11 RBI	0.00	0.00	0.00	0.00	0.00
12 Others	15.59	19.65	25.29	16.23	24.26
12.1 State Governments	11.55	14.95	20.11	11.23	18.34

Notes: (1) The table format is revised since monthly Bulletin for the month of June 2023.
(2) Central Government Dated Securities include special securities and Sovereign Gold Bonds.
(3) State Government Securities include special bonds issued under Ujwal DISCOM Assurance Yojana (UDAY).
(4) Bank PDs are clubbed under Commercial Banks.
(5) The category 'Others' comprises State Governments, DICGC, PSUs, Trusts, Foreign Central Banks, HUF/ Individuals etc.
(6) Data since September 2023 includes the impact of the merger of a non-bank with a bank.

No. 46: Combined Receipts and Disbursements of the Central and State Governments

(₹ Crore)

Item	2019-20	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE
	1	2	3	4	5	6
1 Total Disbursements	**5410887**	**6353359**	**7098451**	**7880522**	**9110725**	**9800798**
1.1 Developmental	3074492	3823423	4189146	4701611	5514584	5862996
1.1.1 Revenue	2446605	3150221	3255207	3574503	3965270	4195108
1.1.2 Capital	588233	550358	861777	1042159	1453849	1526993
1.1.3 Loans	39654	122844	72163	84949	95464	140895
1.2 Non-Developmental	2253027	2442941	2810388	3069896	3467270	3800321
1.2.1 Revenue	2109629	2271637	2602750	2895864	3266628	3537378
1.2.1.1 Interest Payments	955801	1060602	1226672	1377807	1562660	1711972
1.2.2 Capital	141457	169155	175519	171131	196073	259346
1.2.3 Loans	1941	2148	32119	2902	4569	3597
1.3 Others	83368	86995	98916	109015	128871	137481
2 Total Receipts	**5734166**	**6397162**	**7156342**	**7855370**	**9054999**	**9650488**
2.1 Revenue Receipts	3851563	3688030	4823821	5447913	6379349	7209647
2.1.1 Tax Receipts	3231582	3193390	4160414	4809044	5456913	6142276
2.1.1.1 Taxes on commodities and services	2012578	2076013	2626553	2865550	3248450	3631569
2.1.1.2 Taxes on Income and Property	1216203	1114805	1530636	1939550	2204462	2506181
2.1.1.3 Taxes of Union Territories (Without Legislature)	2800	2572	3225	3943	4001	4526
2.1.2 Non-Tax Receipts	619981	494640	663407	638870	922436	1067371
2.1.2.1 Interest Receipts	31137	33448	35250	42975	49552	57273
2.2 Non-debt Capital Receipts	110094	64994	44077	62716	86733	118239
2.2.1 Recovery of Loans & Advances	59515	16951	27665	15970	55895	45125
2.2.2 Disinvestment proceeds	50578	48044	16412	46746	30839	73114
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**1449230**	**2600335**	**2230553**	**2369892**	**2644642**	**2472912**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	1440548	2530155	2194406	2332768	2619811	2456959
3A.1.1 Net Bank Credit to Government	571872	890012	627255	687904	346483	...
3A.1.1.1 Net RBI Credit to Government	190241	107493	350911	529	-257913	...
3A.1.2 Non-Bank Credit to Government	868676	1640143	1567151	1644864	2273328	...
3A.2 External Financing	8682	70180	36147	37124	24832	15952
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	1440548	2530155	2194406	2332768	2619811	2456959
3B.1.1 Market Borrowings (net)	971378	1696012	1213169	1651076	1962969	1983757
3B.1.2 Small Savings (net)	209232	458801	526693	358764	434151	447511
3B.1.3 State Provident Funds (net)	38280	41273	28100	13880	21386	19857
3B.1.4 Reserve Funds	10411	4545	42153	68803	52385	-33653
3B.1.5 Deposits and Advances	-14227	25682	42203	51989	35819	-10138
3B.1.6 Cash Balances	-323279	-43802	-57891	25152	55726	150310
3B.1.7 Others	548753	347643	399980	163104	57374	-100684
3B.2 External Financing	8682	70180	36147	37124	24832	15952
4 Total Disbursements as per cent of GDP	*26.9*	*32.0*	*30.1*	*29.2*	*30.8*	*30.0*
5 Total Receipts as per cent of GDP	*28.5*	*32.2*	*30.3*	*29.1*	*30.7*	*29.6*
6 Revenue Receipts as per cent of GDP	*19.2*	*18.6*	*20.4*	*20.2*	*21.6*	*22.1*
7 Tax Receipts as per cent of GDP	*16.1*	*16.1*	*17.6*	*17.8*	*18.5*	*18.8*
8 Gross Fiscal Deficit as per cent of GDP	*7.2*	*13.1*	*9.5*	*8.8*	*9.0*	*7.6*

… : Not available; RE: Revised Estimates; BE: Budget Estimates

Source : Budget Documents of Central and State Governments.

Notes: GDP data is based on 2011-12 base. GDP for 2024-25 is from Union Budget 2024-25.
Data pertains to all States and Union Territories.
1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.
1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.
2: Data are net of variation in cash balances of the Central and State Governments and includes borrowing receipts of the Central and State Governments.
3A.1.1: Data as per RBI records.
3B.1.1: Borrowings through dated securities.
3B.1.2: Represent net investment in Central and State Governments' special securities by the National Small Savings Fund (NSSF).
This data may vary from previous publications due to adjustments across components with availability of new data.
3B.1.6: Include Ways and Means Advances by the Centre to the State Governments.
3B.1.7: Include Treasury Bills, loans from financial institutions, insurance and pension funds, remittances, cash balance investment account.

No. 47: Financial Accommodation Availed by State Governments under various Facilities

(₹ Crore)

Sr. No	State/Union Territory	During August-2025					
		Special Drawing Facility (SDF)		Ways and Means Advances (WMA)		Overdraft (OD)	
		Average amount availed	Number of days availed	Average amount availed	Number of days availed	Average amount availed	Number of days availed
	1	2	3	4	5	6	7
1	Andhra Pradesh	6651.08	31	1999.66	24	2612.87	9
2	Arunachal Pradesh	-	-	-	-	-	-
3	Assam	1097.02	15	-	-	-	-
4	Bihar	-	-	-	-	-	-
5	Chhattisgarh	-	-	-	-	-	-
6	Goa	-	-	-	-	-	-
7	Gujarat	-	-	-	-	-	-
8	Haryana	666.32	7	-	-	-	-
9	Himachal Pradesh	-	-	669.03	26	254.47	12
10	Jammu & Kashmir UT	29.70	6	789.89	4	-	-
11	Jharkhand	1296.44	30	572.00	8	-	-
12	Karnataka	-	-	-	-	-	-
13	Kerala	1691.73	31	1263.18	28	922.52	3
14	Madhya Pradesh	-	-	-	-	-	-
15	Maharashtra	-	-	-	-	-	-
16	Manipur	67.84	30	37.89	11	-	-
17	Meghalaya	442.17	31	137.22	8	-	-
18	Mizoram	26.74	6	-	-	-	-
19	Nagaland	373.28	31	-	-	-	-
20	Odisha	-	-	-	-	-	-
21	Puducherry	-	-	-	-	-	-
22	Punjab	4866.12	31	1117.60	26	753.17	3
23	Rajasthan	3651.88	27	1877.14	25	-	-
24	Tamil Nadu	-	-	-	-	-	-
25	Telangana	5081.47	31	2068.43	27	554.63	17
26	Tripura	-	-	-	-	-	-
27	Uttar Pradesh	-	-	-	-	-	-
28	Uttarakhand	187.19	3	-	-	-	-
29	West Bengal	-	-	-	-	-	-

Notes: 1. SDF is availed by State Governments against the collateral of Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF) & Auction Treasury Bills (ATBs) balances and other investments in government securities.
2. WMA is advance by Reserve Bank of India to State Governments for meeting temporary cash mismatches.
3. OD is advanced to State Governments beyond their WMA limits.
4. Average amount availed is the total accommodation (SDF/WMA/OD) availed divided by number of days for which accommodation was extended during the month.
5. - : Nil.

Source: Reserve Bank of India.

No. 48: Investments by State Governments

(₹ Crore)

Sr. No	State/Union Territory	As on end of August 2025			
		Consolidated Sinking Fund (CSF)	Guarantee Redemption Fund (GRF)	Government Securities	Auction Treasury Bills (ATBs)
	1	2	3	4	5
1	Andhra Pradesh	12069	1191	0	0
2	Arunachal Pradesh	3062	8	0	6050
3	Assam	7906	94	0	0
4	Bihar	14938	970	0	18000
5	Chhattisgarh	8582	998	0	9630
6	Goa	1171	477	0	0
7	Gujarat	15963	696	0	2000
8	Haryana	2731	1778	0	0
9	Himachal Pradesh	-	-	0	0
10	Jammu & Kashmir UT	54	54	0	0
11	Jharkhand	3127	-	0	780
12	Karnataka	21109	780	0	54986
13	Kerala	3365	0	0	0
14	Madhya Pradesh	-	1329	0	1400
15	Maharashtra	74396	3205	0	0
16	Manipur	72	146	0	0
17	Meghalaya	1329	113	0	0
18	Mizoram	526	84	0	0
19	Nagaland	1973	48	0	0
20	Odisha	19062	2135	0	11636
21	Puducherry	605	-	0	1750
22	Punjab	10465	958	0	0
23	Rajasthan	2911	376	0	5750
24	Tamil Nadu	3587	-	0	2638
25	Telangana	8245	1811	0	0
26	Tripura	1376	31	0	0
27	Uttarakhand	5903	317	0	0
28	Uttar Pradesh	18177	3422	0	15000
29	West Bengal	14669	1077	0	10000
	Total	**257375**	**22098**	**0**	**139620**

Notes: 1. CSF and GRF are reserve funds maintained by some State Governments with the Reserve Bank of India.
2. ATBs include investment by State Governments in Treasury bills of 91 days, 182 days and 364 days in the primary market.
3. - : Not Applicable (not a member of the scheme).

No. 49: Market Borrowings of State Governments

(₹ Crore)

Sr. No.	State	2023-24		2024-25		2025-26						Total amount raised, so far in 2025-26	
						June		July		August			
		Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross	Net
	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Andhra Pradesh	68400	55330	78205	57123	14000	13000	5600	3300	5000	3800	37172	29172
2	Arunachal Pradesh	902	672	1010	704	-	-	-	-	-	-	-	-130
3	Assam	18500	16000	19000	13850	-	-	1400	1400	1104	1104	6004	5054
4	Bihar	47612	29910	47546	30890	-	-	6000	6000	6000	6000	12000	12000
5	Chhattisgarh	32000	26213	24500	16913	1000	1000	-	-700	-	-	3970	3270
6	Goa	2550	1560	1050	250	100	100	100	-	300	200	600	100
7	Gujarat	30500	11947	38200	16280	1500	300	3000	3000	3500	2500	16500	7740
8	Haryana	47500	28364	49500	31710	3000	425	3000	945	3000	2000	16000	8470
9	Himachal Pradesh	8072	5856	7359	4725	800	800	1919	1919	1500	1000	6419	5269
10	Jammu & Kashmir UT	16337	13904	13170	11416	705	705	1100	600	1100	650	4705	3255
11	Jharkhand	1000	-2505	3500	-2005	-	-	-	-1000	-	-	-	-1000
12	Karnataka	81000	63003	92025	71525	-	-1000	-	-	-	-	-	-1000
13	Kerala	42438	26638	53666	37966	5000	4000	5000	2500	4988	1988	21988	11988
14	Madhya Pradesh	38500	26264	63400	47206	3277	2277	6800	5300	8800	7300	23877	19877
15	Maharashtra	110000	79738	123000	90917	8000	6500	24000	21000	12000	9000	57500	46500
16	Manipur	1426	1076	1500	1037	-	-	250	100	-	-	1000	650
17	Meghalaya	1364	912	1882	997	500	430	-	-50	300	-	1150	630
18	Mizoram	901	641	1169	939	125	50	100	100	100	100	325	250
19	Nagaland	2551	2016	1550	950	-	-100	-	-	-	-	-	-200
20	Odisha	0	-4658	20780	17780	-	-	3000	3000	2000	2000	5000	5000
21	Puducherry	1100	475	1600	880	200	200	-	-200	-	-	200	-
22	Punjab	42386	29517	40828	32466	4500	2858	5000	4400	1500	-	22300	16058
23	Rajasthan	73624	49718	75185	49479	9500	4938	5500	4000	6000	5000	35100	24038
24	Sikkim	1916	1701	1951	1621	-	-	-	-	-	-	-	-
25	Tamil Nadu	113001	75970	123625	89894	13000	9750	7000	5500	8000	5600	39300	23150
26	Telangana	49618	39385	56209	42199	8500	7200	8500	6000	8000	7200	33900	24952
27	Tripura	0	-550	0	-150	-	-	-	-200	-	-	800	600
28	Uttar Pradesh	97650	85335	45000	23185	-	-3233	3000	1000	3000	2000	12000	-233
29	Uttarakhand	6300	3800	10400	8000	1000	250	1000	1000	-	-500	3000	1750
30	West Bengal	69910	48910	76500	54600	7500	6000	5500	4000	5500	4000	18500	11500
	Grand Total	1007058	717140	1073310	753345	82207	56449	96769	72914	81692	60942	379310	258709

- : Nil.

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.

Source: Reserve Bank of India.

No. 50 (a): Flow of Financial Assets and Liabilities of Households - Instrument-wise

(Amount in ₹ Crore)

Item	2022-23				
	Q1	Q2	Q3	Q4	Annual
Net Financial Assets (I-II)	**287802.7**	**297217.6**	**293954.9**	**451660.3**	**1330635.4**
Per cent of GDP	*4.4*	*4.6*	*4.3*	*6.4*	*4.9*
I. Financial Assets	**577822.4**	**632335.6**	**748109.7**	**968986.1**	**2927253.7**
Per cent of GDP	*8.9*	*9.8*	*11.0*	*13.6*	*10.9*
of which:					
1.Total Deposits (a+b)	**185429.1**	**317361.2**	**280233.1**	**325852.7**	**1108876.2**
(a) Bank Deposits	**163172.4**	**299532.7**	**256399.7**	**307866.8**	**1026971.5**
i. Commercial Banks	158613.3	300565.0	248459.8	284968.0	992606.2
ii. Co-operative Banks	4559.0	-1032.4	7939.8	22898.9	34365.3
(b) Non-Bank Deposits	**22256.8**	**17828.6**	**23833.5**	**17985.9**	**81904.7**
of which:					
Other Financial Institutions (i+ii)	**6504.8**	**2076.7**	**8081.6**	**2234.0**	**18897.1**
i. Non-Banking Financial Companies	4230.6	3267.2	3246.9	3945.8	14690.4
ii. Housing Finance Companies	2274.2	-1190.5	4834.7	-1711.8	4206.6
2. Life Insurance Funds	**73357.5**	**151737.1**	**167581.7**	**156268.5**	**548944.9**
3. Provident and Pension Funds (including PPF)	**146719.1**	**118171.9**	**136388.4**	**216513.6**	**617793.1**
4. Currency	**66438.9**	**-54579.3**	**76760.1**	**148990.1**	**237609.7**
5. Investments	**51502.6**	**48530.1**	**49778.6**	**64150.6**	**213961.9**
of which:					
(a) Mutual Funds	35443.5	44484.0	40205.9	58954.5	179087.8
(b) Equity	13560.9	1378.2	6434.1	1664.9	23038.1
6. Small Savings (excluding PPF)	**54375.1**	**51114.5**	**37367.7**	**57210.6**	**200068.0**
II. Financial Liabilities	**290019.7**	**335118.0**	**454154.8**	**517325.8**	**1596618.3**
Per cent of GDP	*4.5*	*5.2*	*6.7*	*7.3*	*5.9*
Loans/Borrowings					
1. Financial Corporations (a+b)	**289781.5**	**334879.7**	**453916.6**	**517087.5**	**1595665.3**
(a) Banking Sector	**234235.0**	**263450.2**	**370782.9**	**383843.2**	**1252311.4**
of which:					
i. Commercial Banks	230283.8	261265.3	368304.6	331291.0	1191144.8
(b) Other Financial Institutions	**55546.4**	**71429.5**	**83133.7**	**133244.3**	**343353.9**
i. Non-Banking Financial Companies	30531.7	36650.3	55791.7	94565.3	217539.1
ii. Housing Finance Companies	22336.7	33031.2	24903.3	36745.8	117017.0
iii. Insurance Corporations	2678.0	1747.9	2438.7	1933.2	8797.8
2. Non-Financial Corporations (Private Corporate Business)	**33.7**	**33.7**	**33.7**	**33.7**	**135.0**
3. General Government	**204.5**	**204.5**	**204.5**	**204.5**	**818.0**

No. 50 (a): Flow of Financial Assets and Liabilities of Households - Instrument-wise (Contd.)

(Amount in ₹ Crore)

Item	2023-24				
	Q1	Q2	Q3	Q4	Annual
Net Financial Assets (I-II)	**349607.1**	**283994.4**	**294431.6**	**666547.4**	**1594580.4**
Per cent of GDP	*4.8*	*3.9*	*3.8*	*8.4*	*5.3*
I. Financial Assets	**671244.1**	**810128.8**	**805066.2**	**1187279.1**	**3473718.2**
Per cent of GDP	*9.3*	*11.2*	*10.4*	*14.9*	*11.5*
of which:					
1.Total Deposits (a+b)	**266680.3**	**407948.0**	**296931.3**	**406706.9**	**1378266.4**
(a) Bank Deposits	**253004.1**	**501768.5**	**277432.0**	**390720.4**	**1422924.9**
i. Commercial Banks	243833.9	502260.7	280096.7	383460.6	1409651.9
ii. Co-operative Banks	9170.2	-492.2	-2664.7	7259.8	13273.0
(b) Non-Bank Deposits	**13676.2**	**-93820.5**	**19499.4**	**15986.5**	**-44658.5**
of which:					
Other Financial Institutions (i+ii)	**-485.4**	**-107982.1**	**5337.7**	**1824.9**	**-101304.9**
i. Non-Banking Financial Companies	6119.3	4782.3	4895.8	1942.9	17740.3
ii. Housing Finance Companies	-6604.7	-112764.4	441.9	-118.0	-119045.2
2. Life Insurance Funds	**157301.9**	**140356.8**	**160135.2**	**189267.6**	**647061.4**
3. Provident and Pension Funds (including PPF)	**163686.0**	**148356.1**	**153435.1**	**253882.9**	**719360.2**
4. Currency	**-48636.2**	**-36700.8**	**56719.0**	**146643.8**	**118025.7**
5. Investments	**41014.3**	**72664.6**	**79238.2**	**108336.6**	**301253.8**
of which:					
(a) Mutual Funds	32085.6	55768.8	60134.6	90973.0	238962.1
(b) Equity	3756.7	7146.3	9941.1	8236.1	29080.1
6. Small Savings (excluding PPF)	**91197.8**	**77504.1**	**58607.4**	**82441.4**	**309750.7**
II. Financial Liabilities	**321637.1**	**526134.4**	**510634.6**	**520731.7**	**1879137.8**
Per cent of GDP	*4.5*	*7.3*	*6.6*	*6.5*	*6.2*
Loans/Borrowings					
1. Financial Corporations (a+b)	**321519.8**	**526016.2**	**510516.4**	**520613.5**	**1878665.8**
(a) Banking Sector	**213606.3**	**868873.9**	**402647.1**	**392330.5**	**1877457.7**
of which:					
i. Commercial Banks	208026.5	875654.0	389898.0	382557.9	1856136.4
(b) Other Financial Institutions	**107913.6**	**-342857.7**	**107869.2**	**128283.0**	**1208.0**
i. Non-Banking Financial Companies	81448.8	59683.7	85031.8	100836.5	327000.7
ii. Housing Finance Companies	23784.0	-404294.0	21233.4	25852.9	-333423.7
iii. Insurance Corporations	2680.7	1752.6	1604.0	1593.6	7631.0
2. Non-Financial Corporations (Private Corporate Business)	**33.7**	**34.7**	**34.7**	**34.7**	**138.0**
3. General Government	**83.5**	**83.5**	**83.5**	**83.5**	**334.0**

No. 50 (a): Flow of Financial Assets and Liabilities of Households - Instrument-wise (Concld.)

(Amount in ₹ Crore)

Item	2024-25				
	Q1	Q2	Q3	Q4	Annual
Net Financial Assets (I-II)	**551994.2**	**496676.1**	**271043.1**	**674489.0**	**1994202.4**
Per cent of GDP	*7.0*	*6.3*	*3.2*	*7.6*	*6.0*
I. Financial Assets	**840665.3**	**901135.4**	**689663.5**	**1129381.1**	**3560845.4**
Per cent of GDP	*10.6*	*11.5*	*8.1*	*12.8*	*10.8*
of which:					
1.Total Deposits (a+b)	**274567.9**	**403591.4**	**158320.8**	**418183.6**	**1254663.6**
(a) Bank Deposits	**254885.4**	**388328.6**	**141290.0**	**401577.5**	**1186081.4**
i. Commercial Banks	251171.1	389734.0	147864.7	395337.4	1184107.2
ii. Co-operative Banks	3714.3	-1405.4	-6574.7	6240.0	1974.2
(b) Non-Bank Deposits	**19682.4**	**15262.8**	**17030.8**	**16606.1**	**68582.2**
of which:					
Other Financial Institutions (i+ii)	**7461.4**	**3041.8**	**4809.8**	**4385.1**	**19698.2**
i. Non-Banking Financial Companies	6289.7	3230.0	4444.5	4220.0	18184.2
ii. Housing Finance Companies	1171.7	-188.2	365.4	165.1	1514.0
2. Life Insurance Funds	**175427.0**	**178835.2**	**90159.4**	**90393.0**	**534814.6**
3. Provident and Pension Funds (including PPF)	**170218.2**	**170219.6**	**170758.3**	**281332.6**	**792528.6**
4. Currency	**34212.5**	**-57615.2**	**70840.8**	**162236.1**	**209674.1**
5. Investments	**120638.2**	**152637.1**	**159255.2**	**103720.8**	**536251.4**
of which:					
(a) Mutual Funds	106987.0	137618.0	124132.0	97193.0	465930.0
(b) Equity	14448.0	15645.0	36063.1	7410.3	73566.5
6. Small Savings (excluding PPF)	**65601.6**	**53467.4**	**40329.0**	**73515.0**	**232913.0**
II. Financial Liabilities	**288671.1**	**404459.3**	**418620.4**	**454892.1**	**1566642.9**
Per cent of GDP	*3.7*	*5.2*	*4.9*	*5.2*	*4.7*
Loans/Borrowings					
1. Financial Corporations (a+b)	**288492.4**	**404280.6**	**418441.7**	**454713.3**	**1565928.0**
(a) Banking Sector	**205040.4**	**322147.7**	**319626.6**	**387045.6**	**1233860.3**
of which:					
i. Commercial Banks	208525.3	321241.4	302569.3	379856.5	1212192.4
(b) Other Financial Institutions	**83452.0**	**82132.9**	**98815.0**	**67667.7**	**332067.7**
i. Non-Banking Financial Companies	65813.7	65488.7	75764.5	39833.9	246900.8
ii. Housing Finance Companies	15125.2	14233.6	20561.4	25756.8	75677.0
iii. Insurance Corporations	2513.1	2410.7	2489.1	2077.1	9489.9
2. Non-Financial Corporations (Private Corporate Business)	**34.7**	**34.7**	**34.7**	**34.7**	**139.0**
3. General Government	**144.0**	**144.0**	**144.0**	**144.0**	**576.0**

Notes :
1. Net Financial Savings of households refer to the net financial assets, which are measured as difference of financial asset and liabilities flows.
2. Preliminary estimates for 2024-25 and revised estimates for 2022-23 and 2023-24.
3. The preliminary estimates for 2024-25 will undergo revision with the release of first revised estimates of national income, consumption expenditure, savings, and capital formation, 2024-25 by the NSO.
4. Non-bank deposits apart from other financial institutions, comprises state power utilities, co-operative non credit societies etc.
5. Figures in the columns may not add up to the total due to rounding off.

No. 50 (b): Stocks of Financial Assets and Liabilities of Households- Select Indicators

(Amount in ₹ Crore)

Item	Jun-2022	Sep-2022	Dec-2022	Mar-2023
Financial Assets (a+b+c+d+e+f+g+h)	**25621348.1**	**26423992.1**	**27187715.6**	**27844981.1**
Per cent of GDP	*102.8*	*102.6*	*103.3*	*103.5*
(a) Bank Deposits (i+ii)	**11843527.1**	**12143059.7**	**12399459.4**	**12707326.2**
i. Commercial Banks	10987692.1	11288257.2	11536717.0	11821685.0
ii. Co-operative Banks	855834.9	854802.6	862742.4	885641.2
(b) Non-Bank Deposits				
of which:				
Other Financial Institutions	**216170.0**	**218246.7**	**226328.2**	**228562.2**
i. Non-Banking Financial Companies	74794.2	78061.4	81308.3	85254.0
ii. Housing Finance Companies	141375.8	140185.3	145020.0	143308.2
(c) Life Insurance Funds	**5325967.3**	**5559681.9**	**5786592.6**	**5795430.6**
(d) Currency	**2950343.2**	**2895763.9**	**2972524.0**	**3121514.1**
(e) Mutual funds	**2048097.3**	**2260209.7**	**2355315.8**	**2367792.5**
(f) Public Provident Fund (PPF)	**851913.4**	**858591.1**	**864730.6**	**939449.0**
(g) Pension Funds	**744459.2**	**796454.0**	**853412.0**	**898343.0**
(h) Small Savings (excluding PPF)	**1640870.6**	**1691985.1**	**1729352.9**	**1786563.5**
Financial Liabilities (a+b)	**8911860.9**	**9246740.6**	**9700657.2**	**10217744.7**
Per cent of GDP	*35.8*	*35.9*	*36.9*	*38.0*
Loans/Borrowings				
(a) Banking Sector	**7095467.7**	**7358918.0**	**7729700.9**	**8113544.1**
of which:				
i. Commercial Banks	6620073.1	6881338.5	7249643.0	7580934.1
ii. Co-operative Banks	473897.0	476024.8	478486.9	530915.0
(b) Other Financial Institutions	**1816393.1**	**1887822.6**	**1970956.3**	**2104200.7**
of which:				
i. Non-Banking Financial Companies	869174.9	905825.3	961617.0	1056182.3
ii. Housing Finance Companies	835181.3	868212.5	893115.8	929861.7
iii. Insurance Corporations	112036.9	113784.8	116223.5	118156.7

No. 50 (b): Stocks of Financial Assets and Liabilities of Households- Select Indicators (Contd.)

(Amount in ₹ Crore)

Item	Jun-2023	Sep-2023	Dec-2023	Mar-2024
Financial Assets (a+b+c+d+e+f+g+h)	**28754605.9**	**29637615.0**	**30737884.8**	**32025210.0**
Per cent of GDP	*104.2*	*104.4*	*105.0*	*106.3*
(a) Bank Deposits (i+ii)	**12960330.3**	**13462098.8**	**13739530.7**	**14130251.1**
i. Commercial Banks	12065518.9	12567779.6	12847876.2	13231336.9
ii. Co-operative Banks	894811.4	894319.2	891654.5	898914.3
(b) Non-Bank Deposits				
of which:				
Other Financial Institutions	**228076.8**	**120094.7**	**125432.4**	**127257.3**
i. Non-Banking Financial Companies	91373.3	96155.6	101051.4	102994.3
ii. Housing Finance Companies	136703.5	23939.1	24381.0	24263.0
(c) Life Insurance Funds	**6064436.9**	**6255801.1**	**6553726.0**	**6820611.8**
(d) Currency	**3072877.9**	**3036177.0**	**3092896.0**	**3239539.8**
(e) Mutual funds	**2626046.1**	**2829859.3**	**3156299.3**	**3387208.3**
(f) Public Provident Fund (PPF)	**955060.6**	**960343.6**	**964851.5**	**1051376.5**
(g) Pension Funds	**970016.0**	**1017975.0**	**1091276.0**	**1172651.0**
(h) Small Savings (excluding PPF)	**1877761.2**	**1955265.4**	**2013872.8**	**2096314.2**
Financial Liabilities (a+b)	**10539264.5**	**11065280.7**	**11575797.1**	**12096410.5**
Per cent of GDP	*38.2*	*39.0*	*39.6*	*40.2*
Loans/Borrowings				
(a) Banking Sector	**8327150.3**	**9196024.2**	**9598671.3**	**9991001.8**
of which:				
i. Commercial Banks	7788960.6	8664614.6	9054512.6	9437070.5
ii. Co-operative Banks	536409.2	529527.7	542240.6	551852.1
(b) Other Financial Institutions	**2212114.2**	**1869256.5**	**1977125.7**	**2105408.7**
of which:				
i. Non-Banking Financial Companies	1137631.1	1197314.8	1282346.6	1383183.0
ii. Housing Finance Companies	953645.7	549351.7	570585.1	596438.0
iii. Insurance Corporations	120837.4	122590.0	124194.0	125787.7

No. 50 (b): Stocks of Financial Assets and Liabilities of Households- Select Indicators (Concld.)

(Amount in ₹ Crore)

Item	Jun-2024	Sep-2024	Dec-2024	Mar-2025
Financial Assets (a+b+c+d+e+f+g+h)	**33253098.6**	**34421189.5**	**34532805.6**	**35264710.9**
Per cent of GDP	*107.9*	*109.6*	*107.2*	*106.6*
(a) Bank Deposits (i+ii)	**14385136.5**	**14773465.1**	**14914755.1**	**15316332.6**
i. Commercial Banks	13482508.0	13872242.0	14020106.6	14415444.1
ii. Co-operative Banks	902628.6	901223.2	894648.5	900888.5
(b) Non-Bank Deposits				
of which:				
Other Financial Institutions	**134718.7**	**137760.5**	**142570.3**	**146955.5**
i. Non-Banking Financial Companies	109284.0	112514.0	116958.5	121178.5
ii. Housing Finance Companies	25434.7	25246.5	25611.9	25777.0
(c) Life Insurance Funds	**7123527.6**	**7385938.1**	**7272871.3**	**7293099.1**
(d) Currency	**3273752.3**	**3216137.1**	**3286977.8**	**3449213.9**
(e) Mutual funds	**3866386.1**	**4291914.4**	**4224091.7**	**4128924.5**
(f) Public Provident Fund (PPF)	**1059829.5**	**1063056.1**	**1064212.0**	**1157449.2**
(g) Pension Funds	**1247832.0**	**1337535.0**	**1371615.0**	**1443509.0**
(h) Small Savings (excluding PPF)	**2161915.8**	**2215383.2**	**2255712.2**	**2329227.2**
Financial Liabilities (a+b)	**12384902.9**	**12789183.5**	**13207625.1**	**13662338.5**
Per cent of GDP	*40.2*	*40.7*	*41.0*	*41.3*
Loans/Borrowings				
(a) Banking Sector	**10196042.2**	**10518189.9**	**10837816.5**	**11224862.1**
of which:				
i. Commercial Banks	9645595.7	9966837.1	10269406.4	10649262.8
ii. Co-operative Banks	548284.4	549069.4	566104.4	573131.8
(b) Other Financial Institutions	**2188860.7**	**2270993.6**	**2369808.7**	**2437476.4**
of which:				
i. Non-Banking Financial Companies	1448996.8	1514485.5	1590250.0	1630083.9
ii. Housing Finance Companies	611563.2	625796.8	646358.2	672115.0
iii. Insurance Corporations	128300.7	130711.4	133200.5	135277.5

Notes :
1. Data as ratios to GDP have been calculated based on the Provisional Estimates of National Income 2024-25, released by NSO on May 30, 2025.
2. Pension funds comprises funds with the National Pension Scheme.
3. Outstanding deposits with Small Savings are sourced from the Controller General of Accounts, Government of India.
4. Non-bank deposits apart from other financial institutions, comprises state power utilities, co-operative non credit societies etc. Data for outstanding deposits are available only for other financial institutions.
5. Figures in the columns may not add up to the total due to rounding off.

Explanatory Notes to the Current Statistics

Table No. 1

1.2& 6: Annual data are average of months.
3.5 & 3.7: Relate to ratios of increments over financial year so far.
4.1 to 4.4, 4.8,4.9 &5: Relate to the last friday of the month/financial year.
4.5, 4.6 & 4.7: Relate to five major banks on the last Friday of the month/financial year.
4.10 to 4.12: Relate to the last auction day of the month/financial year.
4.13: Relate to last day of the month/ financial year
7.1&7.2: Relate to Foreign trade in US Dollar.

Table No. 2

2.1.2: Include paid-up capital, reserve fund and Long-Term Operations Funds.
2.2.2: Include cash, fixed deposits and short-term securities/bonds, e.g., issued by IIFC (UK).

Table No. 4

Maturity-wise position of outstanding forward contracts is available at http://nsdp.rbi.org.in under ''Reserves Template''.

Table No. 5

Special refinance facility to Others, *i.e.* to the EXIM Bank, is closed since March 31, 2013.

Table No. 6

For scheduled banks, March-end data pertain to the last reporting Friday.
1.1: Notes in Circulation include CBDC-Retail (R) and CBDC-Wholesale (W).
1.4: Cash on Hand with Banks includes CBDC-W.
2.2: Exclude balances held in IMF Account No.1, RBI employees' provident fund, pension fund, gratuity and superannuation fund.

Table Nos. 7 & 11

3.1 in Table 7 and 2.4 in Table 11: Include foreign currency denominated bonds issued by IIFC (UK).

Table No. 8

NM_2 and NM_3 do not include FCNR (B) deposits.
2.4: Consist of paid-up capital and reserves.
2.5: includes other demand and time liabilities of the banking system.

Table No. 9

Financial institutions comprise EXIM Bank, SIDBI, NABARD and NHB.
L_1 and L_2 are compiled monthly and L_3 quarterly.
Wherever data are not available, the last available data have been repeated.

Table No. 13

Data against column Nos. (1), (2) & (3) are Final and for column Nos. (4) & (5) data are Provisional.

Table No. 14

Data in column Nos. (4) & (8) are Provisional.

Table No. 17

2.1.1: Exclude reserve fund maintained by co-operative societies with State Co-operative Banks

2.1.2: Exclude borrowings from RBI, SBI, IDBI, NABARD, notified banks and State Governments.

4: Include borrowings from IDBI and NABARD.

Table No. 24

Primary Dealers (PDs) include banks undertaking PD business.

Table No. 30

Exclude private placement and offer for sale.

1: Exclude bonus shares.

2: Include cumulative convertible preference shares and equi-preference shares.

Table No. 32

Exclude investment in foreign currency denominated bonds issued by IIFC (UK), SDRs transferred by Government of India to RBI and foreign currency received under SAARC and ACU currency swap arrangements. Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

Table No. 34

1.1.1.1.2 & 1.1.1.1.1.4: Estimates.

1.1.1.2: Estimates for latest months.

'Other capital' pertains to debt transactions between parent and subsidiaries/branches of FDI enterprises.

Data may not tally with the BoP data due to lag in reporting.

Table No. 35

1.10: Include items such as subscription to journals, maintenance of investment abroad, student loan repayments and credit card payments.

Table No. 36

Increase in indices indicates appreciation of rupee and *vice versa*. For 6-Currency index, base year 2022-23 is a moving one, which gets updated every year. REER figures are based on Consumer Price Index (combined). The details on methodology used for compilation of NEER/REER indices are available in December 2005, April 2014 and January 2021 issues of the RBI Bulletin.

Table No. 37

Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.

Table Nos. 38, 39, 40 & 41

Explanatory notes on these tables are available in December issue of RBI Bulletin, 2012.

Table No. 43

Part I-A. Settlement systems

1.1.3: Tri- party Repo under the securities segment has been operationalised from November 05, 2018.

Part I-B. Payments systems

4.1.2: 'Others' includes e-commerce transactions and digital bill payments through ATMs, *etc.*

4.2.2: 'Others' includes e-commerce transactions, card to card transfers and digital bill payments through ATMs, *etc.*

5: Available from December 2010.

5.1: includes purchase of goods and services and fund transfer through wallets.

5.2.2: includes usage of PPI Cards for online transactions and other transactions.

6.1: Pertain to three grids – Mumbai, New Delhi and Chennai.

6.2: 'Others' comprises of Non-MICR transactions which pertains to clearing houses managed by 21 banks.

Part II-A. Other payment channels

1: Mobile Payments –
- Include transactions done through mobile apps of banks and UPI apps.
- The data from July 2017 includes only individual payments and corporate payments initiated, processed, and authorised using mobile device. Other corporate payments which are not initiated, processed, and authorised using mobile device are excluded.

2: Internet Payments – includes only e-commerce transactions through 'netbanking' and any financial transaction using internet banking website of the bank.

Part II-B. ATMs

3.3 and 4.2: only relates to transactions using bank issued PPIs.

Part III. Payment systems infrastructure

3: Includes ATMs deployed by Scheduled Commercial Banks (SCBs) and White Label ATM Operators (WLAOs). WLAs are included from April 2014 onwards.

Table No. 45

(-) represents nil or negligible

The table format is revised since monthly Bulletin for the month of June 2023.

Central Government Dated Securities include special securities and Sovereign Gold Bonds.

State Government Securities include special bonds issued under Ujwal DISCOM Assurance Yojana (UDAY).

Bank PDs are clubbed under Commercial Banks.

The category 'Others' comprises State Governments, DICGC, PSUs, Trusts, Foreign Central Banks, HUF/ Individuals *etc.*

Data since September 2023 includes the impact of the merger of a non-bank with a bank.

Table No. 46

GDP data is based on 2011-12 base. GDP for 2023-24 is from Union Budget 2023-24.

Data pertains to all States and Union Territories.

1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.

1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.

2: Data are net of variation in cash balances of the Central and State Governments and includes borrowing receipts of the Central and State Governments.

3A.1.1: Data as per RBI records.

3B.1.1: Borrowings through dated securities.

3B.1.2: Represent net investment in Central and State Governments' special securities by the National Small Savings Fund (NSSF).

This data may vary from previous publications due to adjustments across components with availability of new data.

3B.1.6: Include Ways and Means Advances by the Centre to the State Governments.

3B.1.7: Include Treasury Bills, loans from financial institutions, insurance and pension funds, remittances, cash balance investment account.

Table No. 47

SDF is availed by State Governments against the collateral of Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF) & Auction Treasury Bills (ATBs) balances and other investments in government securities.

WMA is advance by Reserve Bank of India to State Governments for meeting temporary cash mismatches.

OD is advanced to State Governments beyond their WMA limits.

Average amount Availed is the total accommodation (SDF/WMA/OD) availed divided by number of days for which accommodation was extended during the month.

- : Nil.

Table No. 48

CSF and GRF are reserve funds maintained by some State Governments with the Reserve Bank of India.

ATBs include Treasury bills of 91 days, 182 days and 364 days invested by State Governments in the primary market.

--: Not Applicable (not a member of the scheme).

The concepts and methodologies for Current Statistics are available in Comprehensive Guide for Current Statistics of the RBI Monthly Bulletin **(https://rbi.org.in/Scripts/PublicationsView.aspx?id=17618)**

Time series data of 'Current Statistics' is available at https://data.rbi.org.in.

Detailed explanatory notes are available in the relevant press releases issued by RBI and other publications/releases of the Bank such as **Handbook of Statistics on the Indian Economy**.

Recent Publications of the Reserve Bank of India

Name of Publication	Price	
	India	Abroad
1. Reserve Bank of India Bulletin 2025	₹350 per copy ₹250 per copy (concessional rate*) ₹4,000 (one year subscription) ₹3,000 (one year concessional rate*)	US$ 15 per copy US$ 150 (one-year subscription) (inclusive of air mail courier charges)
2. Handbook of Statistics on the Indian States 2023-24	₹550 (Normal) ₹600 (inclusive of postage)	US$ 24 (inclusive of air mail courier charges)
3. Handbook of Statistics on the Indian Economy 2024-25	₹600 (Normal) ₹650 (inclusive of postage) ₹450 (concessional) ₹500 (concessional with postage)	US$ 50 (inclusive of air mail courier charges)
4. State Finances - A Study of Budgets of 2024-25	₹600 per copy (over the counter) ₹650 per copy (inclusive of postal charges)	US$ 24 per copy (inclusive of air mail courier charges)
5. Report on Currency and Finance 2023-24	₹575 per copy (over the counter) ₹625 per copy (inclusive of postal charges)	US$ 22 per copy (inclusive of air mail courier charges)
6. Reserve Bank of India Occasional Papers Vol. 45, No. 1, 2024	₹200 per copy (over the counter) ₹250 per copy (inclusive of postal charges)	US$ 18 per copy (inclusive of air mail courier charges)
7. Finances of Panchayati Raj Institutions	₹300 per copy (over the counter) ₹350 per copy (inclusive of postal charges)	US$ 16 per copy (inclusive of air mail courier charges)
8. Report on Trend and Progress of Banking in India 2023-24	Issued as Supplement to RBI Bulletin January, 2025	
9. Annual Report 2024-25	Issued as Supplement to RBI Bulletin June, 2025	
10. Financial Stability Report, June 2025	Issued as Supplement to RBI Bulletin July, 2025	
11. Monetary Policy Report - October 2025	Included in RBI Bulletin October 2025	
12. Report on Municipal Finances - November 2024	₹300 per copy (over the counter) ₹350 per copy (inclusive of postal charges)	US$ 16 per copy (inclusive of air mail courier charges)
13. Banking Glossary (English-Hindi)	₹100 per copy (over the counter) ₹150 per copy (inclusive of postal charges)	

Notes

1. Many of the above publications are available at the RBI website (www.rbi.org.in).
2. Time Series data are available at the Database on Indian Economy (https://data.rbi.org.in).
3. The Reserve Bank of India History 1935-2008 (5 Volumes) are available at leading book stores in India.

* Concession is available for students, teachers/lecturers, academic/education institutions, public libraries and Booksellers in India provided the proof of eligibility is submitted.

General Instructions

1. All communications should be addressed to:
   Director, Division of Reports and Knowledge Dissemination,
   Department of Economic and Policy Research (DRKD, DEPR),
   Reserve Bank of India, Amar Building, Ground Floor,
   Sir P. M. Road, Fort, P. B. No.1036, Mumbai - 400 001.
   Telephone: 022- 2260 3000 Extn: 4002, Email: spsdepr@rbi.org.in.
2. Publications are available for sale between 10:30 am to 3:00 pm (Monday to Friday).
3. Publications will not be supplied on a cash-on-delivery basis.
4. Publications once sold will not be taken back.
5. Back issues of the publication are generally not available.
6. Wherever concessional price is not indicated, a discount of 25 per cent is available for students, faculty, academic/education institutions, public libraries, and book sellers in India provided the proof of eligibility is submitted.
7. Subscription should be made preferably by NEFT and transaction details including payer's name, subscription number (if any), account number, date and amount should be emailed to **spsdepr@rbi.org.in**, or sent by post.
   a. Details required for NEFT transfer are as follows:

Beneficiary Name	Department of Economic and Policy Research, RBI
Name of the Bank	Reserve Bank of India
Branch and address	Fort, Mumbai
IFSC of Bank Branch	RBIS0MBPA04
Type of Account	Current Account
Account Number	41-8024129-19

   b. In case of subscription through non-digital modes, please send the demand draft/cheque payable at Mumbai in favour of Reserve Bank of India, Mumbai.
8. Complaints regarding 'non-receipt of publication' may be sent within a period of two months.