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**MONETARY POLICY STATEMENT
(APRIL 7-9) 2025-26**

Governor's Statement

Governor's Statement*

Sanjay Malhotra

This was the 54th meeting overall and the first meeting in the financial year 2025-26 of the MPC. The year has begun on an anxious note for the global economy. Some of the concerns on trade frictions are coming true, unsettling the global community. We, at the Reserve Bank, while remaining alert to these global developments, began the year celebrating the completion of 90 years of this august institution since its establishment on 1st April, 1935. The Reserve Bank's journey over the last nine decades is closely intertwined with the nation's development and progress. As a custodian of monetary and financial stability, the Reserve Bank has evolved over the years into a full-service central bank with varied functions facilitating a market economy.

The Monetary Policy Committee (MPC) met on the 7th, 8th and 9th of April to deliberate and decide on the policy repo rate in the backdrop of a challenging global environment¹. The global economic outlook is fast changing. The recent trade tariff related measures have exacerbated uncertainties clouding the economic outlook across regions, posing new headwinds for global growth and inflation. Amidst this turbulence, the US dollar has weakened appreciably; bond yields have softened significantly; equity markets are correcting; and crude oil prices have fallen to their lowest in over three years. Under these circumstances, central banks are navigating cautiously, with signs of policy divergence across jurisdictions, reflecting their own domestic priorities.

The Indian economy has made steady progress towards the goals of price stability and sustained

growth. On the inflation front, while the sharper-than-expected decline in food inflation has given us comfort and confidence, we remain vigilant to the possible risks from global uncertainties and weather disturbances. Growth is improving after a weak performance in the first half of the financial year 2024-25, although it still remains lower than what we aspire for.

Decisions of the Monetary Policy Committee (MPC)

After a detailed assessment of the evolving macroeconomic and financial conditions and outlook, the MPC voted unanimously to reduce the policy repo rate by 25 basis points to 6.00 per cent with immediate effect; consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) shall stand adjusted to 5.75 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.25 per cent.

I shall now briefly set out the rationale for these decisions. The MPC noted that inflation is currently below the target, supported by a sharp fall in food inflation. Moreover, there is a decisive improvement in the inflation outlook. As per projections, there is now a greater confidence of a durable alignment of headline inflation with the target of 4 per cent over a 12-month horizon. On the other hand, impeded by a challenging global environment, growth is still on a recovery path after an underwhelming performance in the first half of 2024-25. In such challenging global economic conditions, the benign inflation outlook and moderate growth demand that the MPC continues to support growth. Accordingly, the MPC unanimously voted to reduce the policy repo rate by 25 basis points to 6.0 per cent. Moreover, it also decided to change the stance from neutral to accommodative. It also noted that the rapidly evolving situation requires continuous monitoring and assessment of the economic outlook.

Let me dwell a little on the monetary policy stance. From a cross-country perspective, monetary policy stance is typically characterised as accommodative,

* Governor's Statement - April 9, 2025.

¹ As per the Organization for Economic Co-operation and Development (OECD) Economic Outlook Interim Report, March 2025, global GDP growth is projected to moderate from 3.2 per cent in 2024 to 3.1 per cent in 2025 and 3.0 per cent in 2026, a downward revision of 20 bps and 30 bps respectively vis-à-vis its previous release of December 2024.

neutral or tightening. While an accommodative stance entails easy monetary policy that is geared towards stimulating the economy through softer interest rates; tightening refers to contractionary monetary policy whereby interest rates are hiked to restrain spending and curb economic activity, all with the objective of reining in inflation. A neutral stance is typically associated with a state of economy which neither calls for stimulating economic activity nor calls for controlling inflation by curtailing demand and provides flexibility to move in either direction on the basis of evolving economic conditions.

In our context, the stance of monetary policy signals the intended direction of policy rates going forward. Accordingly, with respect to the policy rate, which is the mandate of the MPC, today's change in stance from 'neutral' to 'accommodative' means that going forward, absent any shocks, the MPC is considering only two options – status quo or a rate cut. Let me also clarify that the stance should not be directly associated with liquidity conditions. While liquidity management is important for monetary policy including decisions related to policy rate, it is an operating tool with the RBI for various purposes including monetary policy transmission. Monetary policy decisions to change policy rates do however have implications for liquidity management, being the operational tool to carry out the policy changes. To summarise, our stance provides policy rate guidance, without any direct guidance on liquidity management. I will discuss our approach to management of liquidity a little later.

Assessment of Growth and Inflation

Impact of Global Trade and Policy Uncertainties on Growth and Inflation

Before I share our assessment of growth and inflation, a few words on the implications of the recent global trade and related policy uncertainties are in order. Let me first highlight the possible implications for growth. First and foremost, uncertainty in itself

dampens growth by affecting investment and spending decisions of businesses and households. Second, the dent on global growth due to trade frictions will impede domestic growth. Third, higher tariffs shall have a negative impact on net exports. There are, however, several known unknowns - the impact of relative tariffs, the elasticities of our export and import demand; and the policy measures adopted by the Government including the proposed Foreign Trade Agreement with the USA, to name a few. These make the quantification of the adverse impact difficult.

The risks to inflation, on the other hand, are two sided. On the upside, uncertainties may lead to possible currency pressures and imported inflation. On the downside, slowdown in global growth could entail further softening in commodity and crude oil prices, putting downward pressure on inflation. Overall, while global trade and policy uncertainties shall impede growth, its impact on domestic inflation, while requiring us to be vigilant, is not expected to be of high concern.

Growth

Real GDP is estimated to grow at 6.5 per cent in 2024-25 on top of a 9.2 per cent growth rate observed in the previous year.² In 2025-26, prospects of agriculture sector remain bright on the back of healthy reservoir levels and robust crop production.³ Manufacturing activity is showing signs of revival⁴ with business

² As per the Second Advance Estimates (SAE) released by National Statistics Office (NSO), GDP growth in 2024-25 is estimated at 6.5 per cent as against 9.2 per cent in 2023-24. Private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF) posted a growth of 7.6 per cent and 6.1 per cent, respectively. Government consumption expenditure (GFCE) increased by 3.8 per cent over the previous year. Gross value added (GVA) at basic prices (y-o-y) is expected to grow by 6.4 per cent. Agriculture and allied activities witnessed a significant improvement in growth at 4.6 per cent in 2024-25 while industrial growth moderated to 4.3 per cent even as services grew by 7.5 per cent.

³ All-India water storage in 155 major reservoirs stands at 40 per cent of the total capacity as of April 3, 2025, as against 35 per cent a year ago and decadal average of 34 per cent. (As per the second advance estimate (SAE) for 2024-25, total foodgrain production is estimated to grow by 4.8 per cent y-o-y.

⁴ Industry sector picked up modestly by 3.5 per cent in Q3:2024-25 from 2.0 per cent in Q2:2024-25 following the recovery in manufacturing GVA by 3.5 per cent during Q3 after a weak 2.1 per cent growth in Q2.

expectations remaining robust⁵, while services sector activity continues to be resilient⁶.

On the demand side, bright prospects of the agriculture sector bode well for rural demand which continues to be healthy, while urban consumption is gradually picking up with an uptick in discretionary spending.⁷ Investment activity has gained traction⁸ and it is expected to improve further on the back of sustained higher capacity utilisation,⁹ government's continued thrust on infrastructure spending,¹⁰ healthy balance sheets of banks and corporates, along with the easing of financial conditions. Merchandise exports will be weighed down by global uncertainties, while services exports are expected to remain resilient.¹¹ Headwinds from global trade disruptions continue to pose downward risks.

Taking all these factors into consideration, real GDP growth for 2025-26 is now projected at 6.5 per cent, with Q1 at 6.5 per cent; Q2 at 6.7 per cent; Q3 at 6.6 per cent; and Q4 at 6.3 per cent. While the risks are evenly balanced around these baseline projections, uncertainties remain high in the wake of the recent spike in global volatility. It may be noted that the

⁵ PMI manufacturing Future Output Index in March 2025 was placed at 64.4. Future Output Index has hovered above 60.0 since April 2023.

⁶ E-way bills increased by a robust 19.4 per cent in Q4:2024-25. Gross GST revenues rose by 9.9 per cent and toll collections expanded by 11.9 per cent during March 2025. Consumption of finished steel grew by 10.9 per cent and cement production increased by 10.5 per cent in February 2025. On the other hand, petroleum products consumption contracted by 5.4 per cent in February 2025. PMI services for March 2025 moderated to 58.5 from 59.0 in February 2025.

⁷ IIP consumer durables expanded 7.2 per cent in January 2025. Domestic air passenger traffic expanded by 12.1 per cent in February 2025 and 10.1 per cent in March.

⁸ Indicators of investment are recording healthy growth. IIP capital goods expanded by 7.8 per cent in January 2025. import of capital goods increased by 7.5 per cent during January-February 2025, consumption of finished steel and cement production during January-February 2025 grew by 10.9 per cent, and 12.5 per cent, respectively.

⁹ As per the order books, inventories, and capacity utilisation survey (OBICUS), seasonally adjusted capacity utilisation in manufacturing sector in Q3:2024-25 at 75.3 per cent was well above the long-term average.

¹⁰ As per the Union Budget 2025-26, the central government's effective capital expenditure (including grants-in-aid to state governments for capital expenditure) is budgeted to grow by 17.4 per cent.

¹¹ Services exports increased by 11.8 per cent during January-February 2025, on the back of robust software and business exports.

growth projection for the current year has been marked down by 20 basis points relative to our earlier assessment of 6.7 per cent in the February policy. This downward revision essentially reflects the impact of global trade and policy uncertainties, which I had highlighted earlier.

Inflation

Headline inflation moderated during January-February 2025 following a sharp correction in food inflation.¹² The outlook for food inflation has turned decisively positive. The uncertainties regarding *rabi* crops have abated considerably and the second advance estimates point to a record wheat production and higher production of key pulses over that last year.¹³ Along with robust *kharif* arrivals, this is expected to set the stage for a durable softening of food inflation. Sharp decline in inflation expectations in our latest survey for three months and one year ahead would also help anchor inflation expectations, going ahead.¹⁴ Furthermore, the fall in crude oil prices augurs well for the inflation outlook. Concerns on lingering global market uncertainties and recurrence of adverse weather-related supply disruptions, however, pose upside risks to the inflation trajectory.

¹² CPI headline inflation declined by a cumulative 1.6 percentage points during January-February 2025, from 5.2 per cent in December 2024 to a low of 3.6 per cent in February 2025. Buoyed by a strong seasonal correction in vegetable prices this year, food inflation dropped to a 21-month low of 3.8 per cent in February from 5.7 per cent in January 2025. Deflation in fuel group, year-on-year, was at (-) 1.3 per cent in December 2024, (-) 1.5 per cent in January 2025 and (-) 1.3 per cent in February 2025. However, CPI excluding food and fuel inflation after remaining steady at 3.6 per cent, year-on-year, during December 2024-January 2025 inched up to 4.1 per cent in February 2025.

¹³ As per the Second Advance Estimates of agricultural production (*kharif and rabi*) for the year 2024-25, released in March 2025, the wheat production has been estimated at a record 115.4 million tonnes for 2024-25, which is 1.9 per cent higher than the final estimates of 2023-24. The production of pulses (*kharif and rabi*) in 2024-25 is estimated to be 3.8 per cent higher than the final estimates of 2023-24. The production of key *rabi* season pulses, such as gram and lentil is estimated to increase by 4.5 per cent and 1.5 per cent, respectively.

¹⁴ In the latest round of survey, households' perception of the current median inflation declined by 50 basis points (bps) and reached 7.8 per cent. Households' inflation expectations for the next three months and one year ahead also came down by 40 bps and 50 bps, reaching 8.9 per cent and 9.7 per cent, respectively.

Taking all these factors into consideration, and assuming a normal monsoon, CPI inflation for the financial year 2025-26 is projected at 4.0 per cent, with Q1 at 3.6 per cent; Q2 at 3.9 per cent; Q3 at 3.8 per cent; and Q4 at 4.4 per cent. The risks are evenly balanced.

External Sector

India's services exports remained resilient in January-February 2025, driven by software, business and transportation services.¹⁵ Going forward, net services and remittance receipts are expected to remain in large surplus, partly offsetting the trade deficit. The CAD for 2024-25 and 2025-26 are expected to remain well within the sustainable level.

On the financing side, gross foreign direct investment (FDI) remained strong during the period of April 24 to January 25 in 2024-25 reflecting India's strong macroeconomic fundamentals. Net FDI however moderated sharply during this period due to higher repatriations and outward FDI.¹⁶ Net FPI inflows to India stood at 1.7 billion US dollars during 2024-25, supported by debt inflows as the equity segment recorded net outflows. External commercial borrowings and non-resident deposits, on the other hand, witnessed higher net inflows compared to that last year.¹⁷

As on 4th April, 2025, India's foreign exchange reserves stood at 676.3 billion US dollars, providing

¹⁵ India's services exports grew by 11.8 per cent on a y-o-y basis during January-February 2025.

¹⁶ Gross FDI inflows grew by 15.3 per cent to US\$ 69.4 billion in April-January 2024-25 from US\$ 60.2 billion during the same period a year ago. Net FDI inflows declined to US\$ 2.5 billion in April-January 2024-25 from US\$ 11.5 billion a year ago.

¹⁷ Net inflows under external commercial borrowings to India increased to US\$ 15.2 billion during April-February 2024-25 as compared with US\$ 2.8 billion a year ago. Non-resident deposits recorded a net inflow of US\$ 14.3 billion in April-January 2024-25, higher than US\$ 10.2 billion in the same period last year. Net FPI outflows during January 2025 and February 2025 were US\$ 6.7 billion and US\$ 4.0 billion, respectively. However, net FPI inflows stood at US\$ 3.8 billion in March 2025.

an import cover of about 11 months.¹⁸ Overall, India's external sector remains resilient as key indicators stay robust.¹⁹

Liquidity and Financial Market Conditions

System liquidity was in deficit in January 2025 with net injection under the liquidity adjustment facility (LAF) scaling a peak of ₹3.1 lakh crore on 23rd January 2025. However, as a result of a slew of measures injecting liquidity of about 6.9 lakh crore²⁰ rupees, the system liquidity deficit tapered during February-March 2025 and further turned into surplus on 29th March 2025. Coupled with government spending picking up pace during the latter half of March, system liquidity further improved and it stood at a surplus of ₹1.5 lakh crore as on 7th April, 2025.

Reflecting these developments, the weighted average call rate (WACR) softened and remained near the repo rate since the last policy meeting.²¹ The spreads of 3-month CP and 3-month CD rates over 91-day Treasury bill rate have also softened since the second half of March, suggesting improvement in liquidity conditions.²²

The Reserve Bank is committed to provide sufficient system liquidity. We will continue to monitor the evolving liquidity and financial market conditions and proactively take appropriate measures to ensure adequate liquidity.

¹⁸ Based on actual merchandise imports (on a BoP basis) during the four quarters (Q4:2023-24 to Q3:2024-25).

¹⁹ India's external debt to GDP ratio stood at 19.1 per cent at end-December 2024 (18.5 per cent at end-March 2024), while the net international investment position (IIP) moderated to (-) 9.8 per cent of GDP at end-December 2024 from (-) 10.1 per cent of GDP at end-March 2024.

²⁰ The Reserve Bank conducted 8 OMO purchase auctions injecting liquidity amounting to ₹2.85 lakh crore. 3 term VRR auctions injected liquidity to the tune of ₹1.83 lakh crore. 3 USD/INR Buy/Sell swaps auctions injected liquidity to the tune of ₹2.18 lakh crore so far. 2 OMO purchase auctions for an amount of ₹40,000 crore are scheduled later in April 2025.

²¹ Average spread of WACR over the policy repo rate was 6 bps during February-March 2025 compared to 13 bps during December-January.

²² CD and CP spreads averaged 88 bps and 113 bps respectively since mid-March 2025 as compared to 143 bps and 112 bps, respectively during the first half of March.

Financial Stability

Financial soundness parameters of the banking sector continue to be robust.²³ The liquidity buffer in the banking system is well above the regulatory threshold.²⁴ Profitability indicators are also healthy reflecting robust operational efficiency of the system.²⁵ Similarly, the system-level parameters of NBFCs too are sound.²⁶

Additional Measures

I shall now announce six additional measures related to banking regulation, fintech and payment systems.

First, it is proposed to enable securitisation of stressed assets through market-based mechanism. This is in addition to the existing ARC route under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.

Second, the extant guidelines on co-lending are presently applicable only to arrangements between banks and NBFCs. Moreover, they are restricted to priority sector loans. To exploit the huge potential of such lending arrangements, it is proposed to extend them to all regulated entities and to all loans – priority sector or otherwise.

Third, loans against the collateral of gold jewellery and ornaments, commonly known as gold loans, are extended by regulated entities for both consumption and income-generation purposes. In order to harmonise guidelines across various types

of regulated entities, to the extent possible, keeping in view their differential risk-bearing capabilities, we shall issue comprehensive regulations on prudential norms and conduct related aspects for such loans.

Fourth, to harmonise the regulations governing non-fund-based facilities across regulated entities, we propose to issue comprehensive guidelines. Instructions related to partial credit enhancement (PCE) by regulated entities are also proposed to be revised. This is expected to broaden the funding sources for infrastructure financing.

The draft of these four guidelines and regulations are being published today for public consultation. We shall finalise these guidelines based on the feedback received.

The other two announcements relate to enabling NPCI to decide, in consultation with the banks and other stakeholders, the transaction limits in UPI for person to merchant transactions; and making the Regulatory Sandbox theme-neutral and 'on-tap'. Necessary directions for the implementation of these two measures shall be issued separately.

Concluding Remarks

The global economy is going through a period of exceptional uncertainties. The difficulty to extract signal from a noisy and uncertain environment poses challenges for policy making. Nevertheless, monetary policy can play a vital anchoring role in ensuring that the economy remains on an even keel.

In our context, as I mentioned earlier, the domestic growth-inflation trajectory demands monetary policy to be growth supportive, while being watchful on the inflation front. We are aiming for a non-inflationary growth that is built on the foundations of an improved demand and supply response and sustained macroeconomic balance. As before, we shall remain agile and decisive in our response and put in place policies that are clear, consistent, credible and in the best interest of the economy.

Thank you. Namaskar and Jai Hind.

²³ The system-level Capital to Risk Weighted Assets Ratio (CRAR) of 16.43 per cent in December 2024 was well above the regulatory minimum level. Gross non-performing asset (GNPA) ratio at 2.42 per cent in December 2024 improved by 54 bps over December 2023. Special Mention Account (SMA)-2 ratio was 0.90 per cent in December 2024.

²⁴ Liquidity Coverage Ratio (LCR) was 130 per cent as of December 2024.

²⁵ As on December 2024, system level return on asset (RoA), return on equity (RoE), and net interest margin (NIM) were at 1.37 per cent, 14.14 per cent, and 3.49 per cent, respectively.

²⁶ Total CRAR of NBFCs was 26.22 per cent and Tier I CRAR was 24.13 per cent in December 2024. GNPA ratio improved from 2.70 per cent in December 2023 to 2.53 per cent in December 2024. The RoA decreased from 3.11 per cent in December 2023 to 2.86 per cent in December 2024.

MONETARY POLICY STATEMENT (APRIL 7-9) 2025-26

Resolution of the Monetary Policy Committee (MPC)
April 7-9, 2025

Monetary Policy Statement, 2025-26 Resolution of the Monetary Policy Committee (MPC) April 7 to 9, 2025*

Monetary Policy Decisions

The Monetary Policy Committee (MPC) held its 54th meeting from April 7 to 9, 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. Rajiv Ranjan, and Shri M. Rajeshwar Rao attended the meeting.

After assessing the current and evolving macroeconomic situation, the MPC unanimously voted to reduce the policy repo rate by 25 basis points to 6.00 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) shall stand adjusted to 5.75 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.25 per cent. This decision is in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

Growth and Inflation Outlook

The global economic outlook is fast changing. The recent trade tariff related measures have exacerbated uncertainties clouding the economic outlook across regions, posing new headwinds for global growth and inflation. Financial markets have responded through sharp fall in dollar index and equity sell-offs with significant softening in bond yields and crude oil prices.

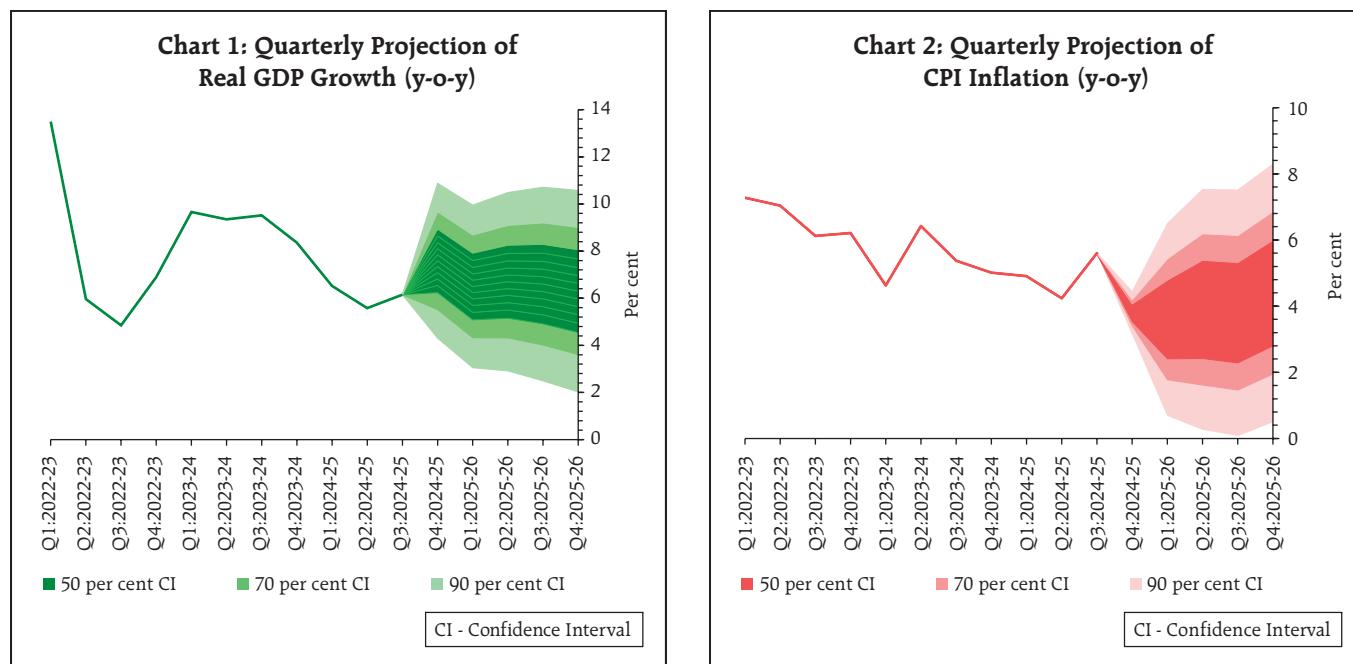
The National Statistics Office (NSO) has estimated real Gross Domestic Product (GDP) growth

at 6.5 per cent for 2024-25, on top of 9.2 per cent in 2023-24. Going forward, sustained demand from rural areas, an anticipated revival in urban consumption, expected recovery of fixed capital formation supported by increased government capital expenditure, higher capacity utilisation, and healthy balance sheets of corporates and banks are expected to support growth. Merchandise exports would be weighed down by the evolving global economic landscape which appears to be uncertain at the current juncture, while services exports are expected to sustain the resilience. On the supply side, while agricultural prospects appear bright, industrial activity continues to recover, and services sector is expected to be resilient. Headwinds from global trade disruptions continue to pose downward risks. Taking all these factors into consideration, real GDP growth for 2025-26 is now projected at 6.5 per cent, with Q1 at 6.5 per cent; Q2 at 6.7 per cent; Q3 at 6.6 per cent; and Q4 at 6.3 per cent. (Chart 1). The risks are evenly balanced.

CPI headline inflation declined by a cumulative 1.6 percentage points during January-February 2025, from 5.2 per cent in December 2024 to a low of 3.6 per cent in February 2025. On the back of a strong seasonal correction in vegetable prices this year, food inflation dropped to a 21-month low of 3.8 per cent in February. Fuel group continued to remain in deflation. Core inflation, after remaining steady in December 2024-January 2025, inched up to 4.1 per cent in February 2025, driven primarily by a sharp pick-up in gold prices.

The outlook for food inflation has turned decisively positive. There has been a substantial and broad-based seasonal correction in vegetable prices. The uncertainties on *rabi* crops have abated considerably and the second advance estimates point to a record wheat production and higher production of key pulses over last year. Along with robust *kharif* arrivals, this is expected to set the stage for a durable

* Released on April 9, 2025.



softening in food inflation. Sharp decline in inflation expectations for three months and one year ahead period would help anchor inflation expectations going ahead. Furthermore, the fall in crude oil prices augurs well for the inflation outlook. Concerns on lingering global market uncertainties and recurrence of adverse weather-related supply disruptions pose upside risks to the inflation trajectory. Taking all these factors into consideration, and assuming a normal monsoon, CPI inflation for the financial year 2025-26 is projected at 4.0 per cent, with Q1 at 3.6 per cent; Q2 at 3.9 per cent; Q3 at 3.8 per cent; and Q4 at 4.4 per cent. The risks are evenly balanced.

Rationale for Monetary Policy Decisions

The MPC noted that inflation is currently below the target, supported by a sharp fall in food inflation. Moreover, there is a decisive improvement in the inflation outlook. As per projections, there is now a greater confidence of a durable alignment of headline inflation with the target of 4 per cent over

a 12-month horizon. On the other hand, impeded by a challenging global environment, growth is still on a recovery path after an underwhelming performance in the first half of 2024-25. While the risks are evenly balanced around the baseline projections of growth, uncertainties remain high in the wake of the recent spurt in global volatility. In such challenging global economic conditions, the benign inflation and moderate growth outlook demands that the MPC continues to support growth. Accordingly, the MPC unanimously voted to reduce the policy repo rate by 25 basis points to 6.00 per cent. Moreover, it also decided to change the stance from neutral to accommodative. However, it noted that the rapidly evolving situation requires continuous monitoring and assessment of the economic outlook.

The minutes of the MPC's meeting will be published on April 23, 2025.

The next meeting of the MPC is scheduled from June 4 to 6, 2025.

**MONETARY POLICY STATEMENT
(APRIL 7-9) 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) Payment Systems; and (iii) Fintech.

I. Regulations

1. Securitisation of Stressed Assets Framework

A prudentially structured securitisation transaction can be an enabler for resolution of stressed assets as it is expected to improve risk distribution and provide an exit route from such exposures for lenders. With this objective, RBI had released a discussion paper on Securitisation of Stressed Assets Framework in January 2023, to seek comments from market participants on various aspects of the framework. After factoring in the suggestions received from the stakeholders on the discussion paper, the draft framework for securitisation of stressed assets is being issued for public comments. The framework intends to enable securitisation of stressed assets through a market-based mechanism, in addition to the existing ARC route under SARFAESI Act, 2002.

2. Framework on Co-lending arrangements (CLA)

The extant guidelines on co-lending are applicable only to arrangements between banks and NBFCs for priority sector loans. In light of the evolution of such lending practices, and the potential of such lending arrangements in catering to the credit needs of a wider segment in a sustainable manner, it has been decided to expand the scope for co-lending and issue a generic regulatory framework for all forms of co-lending arrangements among REs. The draft guidelines are being issued for public comments.

3. Review of Guidelines for Lending against Gold Jewellery

Loans against the collateral of gold jewellery and ornaments are extended by regulated entities

(REs) for both consumption and income-generation purposes. Prudential and conduct related regulations for such loans have been issued from time to time and they vary for different categories of REs. With a view to harmonizing such regulations across REs while keeping in view their risk-taking capabilities, and also to address a few concerns that have been observed, it has been decided to issue comprehensive regulations, on prudential norms and conduct related aspects, for such loans. The draft guidelines in this regard are being issued for public comments.

4. Review of Non-Fund Based Facilities

Non-fund based (NFB) facilities like Guarantees, Letters of Credit, Co-Acceptances etc. play a significant role in facilitating effective credit intermediation, besides enabling seamless business transactions, including trade transactions. It has now been decided to harmonize and consolidate guidelines covering these facilities across all REs. The revised guidelines include a review of instructions on issuance of partial credit enhancement by REs, with a view to, inter alia, broadening funding sources for infrastructure financing. Draft guidelines in this regard are being issued for public comments.

II. Payment Systems

5. Enhancing transaction limits in UPI

At present, the transaction amount for UPI, covering both Person to Person (P2P) and Person to Merchant payments (P2M), is capped at ₹1 lakh except for specific use cases of P2M payments which have higher limits, some at ₹2 lakh and others at ₹5 lakh.

To enable the ecosystem to respond efficiently to new use cases, it is proposed that NPCI, in consultation with banks and other stakeholders of the UPI ecosystem, may announce and revise such limits based on evolving user needs. Appropriate safeguards will be put in place to mitigate risks associated with higher limits. Banks shall continue

to have the discretion to decide their own internal limits within the limits announced by NPCI.

P2P transactions on UPI shall continue to be capped at ₹1 lakh, as hitherto. NPCI will be advised accordingly.

III. Fintech

6. 'On Tap' application facility under theme neutral Regulatory Sandbox

The Reserve Bank has been operating the Regulatory Sandbox (RS) framework since 2019, and four specific thematic cohorts have been announced and completed till date. An 'On Tap' application facility for themes of closed cohorts was announced

in October 2021. A fifth 'Theme Neutral' cohort with a specified time window for receiving applications was also announced in October 2023, which will close in May 2025. Under this cohort, any innovative product or solution within the regulatory ambit of RBI could be tested if found eligible. Based on the experience gained and feedback received from stakeholders, it is now proposed to make the Regulatory Sandbox 'Theme Neutral' and 'On Tap'.

This initiative is expected to foster continuous innovation and keep pace with the rapidly evolving FinTech / regulatory landscape. Additional details in this regard will be communicated separately.

MONETARY POLICY STATEMENT (APRIL 7-9) 2025-26

Monetary Policy Report - April 2025

I. Macroeconomic Outlook

The domestic economic outlook remains resilient supported by improved consumption demand and strong macroeconomic fundamentals. Inflation is expected to align with the target on account of favourable food inflation outlook. Heightened trade tensions, volatile financial markets, geopolitical strife, and climate risks weigh heavily on the outlook. Monetary policy aims to facilitate conducive macroeconomic conditions that reinforce price stability and sustained economic growth.

I.1 Key Developments since the October 2024 MPR

Since the release of the Monetary Policy Report (MPR) in October 2024, global economic activity has remained resilient in 2024 although below historical average, with high frequency indicators hinting at slowdown in growth momentum in 2025. Escalating trade tensions led by a slew of tariff impositions impart uncertainty to the growth outlook. Headline inflation though decelerating, has remained above the target in many economies owing to the lacklustre and uneven pace of disinflation. The decline in headline inflation on account of subdued core inflation (*i.e.*, CPI excluding food and fuel) augurs well, although persistent high services inflation weighs heavily on the outlook. The divergence in monetary policy pathways across countries has continued. As compared to the highly synchronous tightening phase, there is now a hesitant and guarded rate cut cycle under progress.

Financial markets have been on edge due to shifting expectations of monetary policy and fears of tariff wars. Geopolitical uncertainties, ratcheting up of trade tensions and withdrawal of portfolio investors caused retreat in equities from the highs in January 2025. The sell off further intensified since March due to fears of trade war. Sovereign bond yields in advanced economies (AEs) hardened in Q4:2024 but have softened thereafter due to growth slowdown

concerns. Gold prices continued to strengthen and reached new heights every month in 2025 till March. The US dollar index firmed in Q4:2024 due to delayed expectations of rate easing by the US Federal Reserve and anticipated policies of the new US administration but has retreated since mid-January 2025 amidst weaker growth expectations and heightened trade policy uncertainty. Global commodity prices softened somewhat in Q4:2024 but increased sharply in Q1:2025, largely on account of metals and agricultural prices. Brent crude oil prices rose sharply from late December 2024 till mid-January 2025, reflecting sanctions on Russia's energy sector, threats of tariff imposition, and cold weather conditions. It has softened since then following a moderation in geopolitical risk premium and improved supply response from Organization of the Petroleum Exporting Countries *plus* (OPEC+). Of late, energy and metal prices have softened after the tariff imposition owing to uncertain global economic outlook.

Turning to the domestic economy, the second advance estimates (SAE) released by the national statistical office (NSO) estimated real gross domestic product (GDP) growth at 6.5 per cent year-on-year (y-o-y) in 2024-25 on the back of robust growth in private final consumption expenditure. On the supply side, real gross value added (GVA) expanded by 6.4 per cent, y-o-y, driven by agriculture and services sectors. Real GDP growth for Q3:2024-25 was placed at 6.2 per cent y-o-y, driven by robust private and government consumption expenditure.

Headline consumer price index (CPI) inflation, which averaged 4.6 per cent during H1:2024-25, increased to 6.2 per cent in October 2024 but has since been easing with February 2025 inflation print at a seven month low of 3.6 per cent, driven by sharp decline in vegetable prices inflation. Core inflation which averaged 3.3 per cent in H1:2024-25, however, inched up to an average of 3.8 per cent in H2:2024-

25 (up to February). On the contrary, food inflation which remained elevated at an average of 8.5 per cent during October-December 2024, decelerated to 3.8 per cent in February 2025. The deflation in fuel inflation, however, moderated.

After retaining the policy repo rate at 6.5 per cent since February 2023, the Monetary Policy Committee (MPC) has embarked on monetary easing in H2:2024-25. It changed the stance from withdrawal of accommodation to neutral in October 2024, and cut the policy repo rate by 25 basis points (bps) to 6.25 per cent in its February 2025 meeting. In December 2024, the Reserve Bank reduced the cash reserve ratio (CRR) maintained by banks by 50 bps.

Monetary Policy Committee Meetings: October 2024 - March 2025

When the MPC met in October 2024, the global economy exhibited resilience, although intense geopolitical conflicts, geoeconomic fragmentation, financial market volatility and elevated public debt continued to pose downside risks. Inflation was softening but the growing divergence in growth-inflation dynamics across countries resulted in varying monetary policy responses. Domestically, real GDP registered a growth of 6.7 per cent, y-o-y, in Q1:2024-25, mainly driven by private consumption and investment. The outlook for agriculture remained positive, with above average rainfall, better *kharif* sowing and healthy reservoir levels. Manufacturing activity gained momentum due to improved domestic demand, lower input costs and a supportive policy environment while services sector growth remained robust. Investment activity was expected to stay buoyant due to resilient bank credit growth, higher capacity utilisation, healthy balance sheet of banks and government's thrust on infrastructure spending. Real GDP growth for 2024-25 was projected at 7.2 per cent. Headline inflation fell sharply from 5.1 per cent in June to 3.6 per cent and 3.7 per cent in July and August, respectively. Deflation in fuel

further deepened but core inflation edged up. After a transient spike in the near term, headline inflation was expected to moderate. Considering the major upside risks on account of unexpected weather events and worsening of geopolitical conflicts, the projection of CPI inflation for 2024-25 was retained at 4.5 per cent. By a majority of 5-1, the MPC decided to keep the policy repo rate unchanged at 6.5 per cent emphasising the need to remain vigilant of the evolving inflation outlook. Keeping in view the well-balanced growth-inflation dynamics, the MPC also unanimously decided to change the stance from 'withdrawal of accommodation' to 'neutral' to provide flexibility to monitor and assess the outlook on inflation and growth and act in accordance with the evolving situation while remaining unambiguously focused on achieving a durable alignment of inflation with the target, while supporting growth.

At the time of the December 2024 meeting, the global economy was steady even as inflation was easing. However, geopolitical risks and policy uncertainty, particularly trade policies, resulted in heightened volatility in financial markets. On the domestic front, real GDP growth of 5.4 per cent in Q2:2024-25 was much lower than expected as expansion in private consumption and investment decelerated, although government spending recovered during the quarter. Real GVA growth was tempered by deceleration in growth of industrial activity reflecting subdued performance of manufacturing companies, contraction in mining activity and lower electricity demand. Real GDP growth for 2024-25 was projected at 6.6 per cent. Headline CPI inflation increased to 6.2 per cent in October breaching the upper tolerance band, driven by an unanticipated rise in food prices. Core inflation also registered an uptick in October. CPI inflation projection for 2024-25 was revised upwards to 4.8 per cent. The MPC emphasised on the importance of maintaining price stability as a foundation for long-term high economic growth and remained committed towards restoring the growth-inflation balance in

the overall interest of the economy. It decided by a majority of 4-2 to keep the policy repo rate unchanged at 6.5 per cent and voted unanimously to continue with the neutral stance.

In the run up to the February 2025 meeting, the global economic landscape remained challenging with global growth being below the historical average although high frequency indicators showed signs of resilience along with expansion in world trade. The pace of disinflation was marred by services price inflation. Strengthening dollar exerted pressure on emerging market currencies and imparted volatility in financial markets. On the domestic front, real GDP growth, as per the first advance estimates (FAE) of the NSO, was estimated to grow at 6.4 per cent in 2024-25, underpinned by a recovery in private consumption. Looking ahead, improved *rabi* prospects and recovery in industrial activity was expected to support growth in 2025-26. Real GDP growth for 2025-26 was projected at 6.7 per cent. Headline inflation softened sequentially in November and December from its October high driven by the moderation in food inflation, which was aided by easing of vegetable prices. Core inflation remained subdued and fuel deflation continued. Inflationary pressures were expected to moderate in the near term, due to good *kharif* production, easing in vegetable prices and favourable *rabi* crop prospects while continued uncertainty in global financial markets, volatility in energy prices and adverse weather events posed upside risks. CPI inflation projection for 2024-25 was retained at 4.8 per cent. Also, assuming a normal monsoon next year, CPI inflation for 2025-26 is projected at 4.2 per cent. The MPC noted that inflation is on a declining trajectory largely due to favourable outlook on food prices and impact of past monetary policy measures and is further expected to moderate in 2025-26, gradually aligning with the target. Therefore, the evolving growth-inflation dynamics opened up space to support growth. Accordingly, the MPC unanimously voted to reduce the policy repo rate by 25 bps to 6.25 per cent. The MPC also decided to

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

Country	Policy Meetings: October 2024 - March 2025			
	Total meetings	Meetings with full consensus	Meetings without full consensus	Variation in policy rate (basis points)
Brazil	4	4	0	350
Chile	4	4	0	-50
Colombia	4	0	4	-75
Czech Republic	4	2	2	-50
Hungary*	6	3	2	0
India	3	1	2	-25
Japan	4	2	2	25
South Africa	3	1	2	-50
Sweden	4	4	0	-100
Thailand	3	1	2	-50
UK	4	0	4	-50
US	4	3	1	-50

Note: *: Total number of meetings happened is six. However, the minutes of last meeting (March 25, 2025) is not published to date.

Sources: Central bank websites.

continue with the neutral stance so as to retain the flexibility to respond to the evolving macroeconomic environment.

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). While most AEs and emerging market economies (EMEs) undertook policy easing, concerns on slower pace of disinflation compounded by developments on the geopolitical front and trade fragmentation suggested shallow rate cut cycle amidst policy uncertainties. Few exceptions like Japan and Brazil which continued with monetary tightening to keep inflation around their respective targets.

Macroeconomic Outlook

Chapters II and III analyse macroeconomic developments relating to inflation and economic activity during H2:2024-25 (October 2024 - March 2025). Turning to the baseline assumptions, international crude prices exhibited declining pattern during October-December 2024, hovering around US\$

Table I.2: Baseline Assumptions for Projections

Indicator	MPR October 2024	MPR April 2025
Crude Oil (Indian Basket)	US\$ 80 per barrel during H2: 2024-25	US\$ 70 per barrel during 2025-26
Exchange rate	₹ 83.50/US\$ during H2: 2024-25	₹ 86/US\$ during 2025-26
Monsoon	Normal for 2025-26	Normal for 2025-26
Global growth	3.2 per cent in 2024 3.3 per cent in 2025	3.1 per cent in 2025 3.0 per cent in 2026
Fiscal deficit (per cent of GDP)	To remain within BE 2024-25 Centre: 4.9 Combined: 7.3	To remain within BE 2025-26 Centre: 4.4 Combined: 7.1
Domestic macroeconomic/structural policies during the forecast period	No major change	No major change

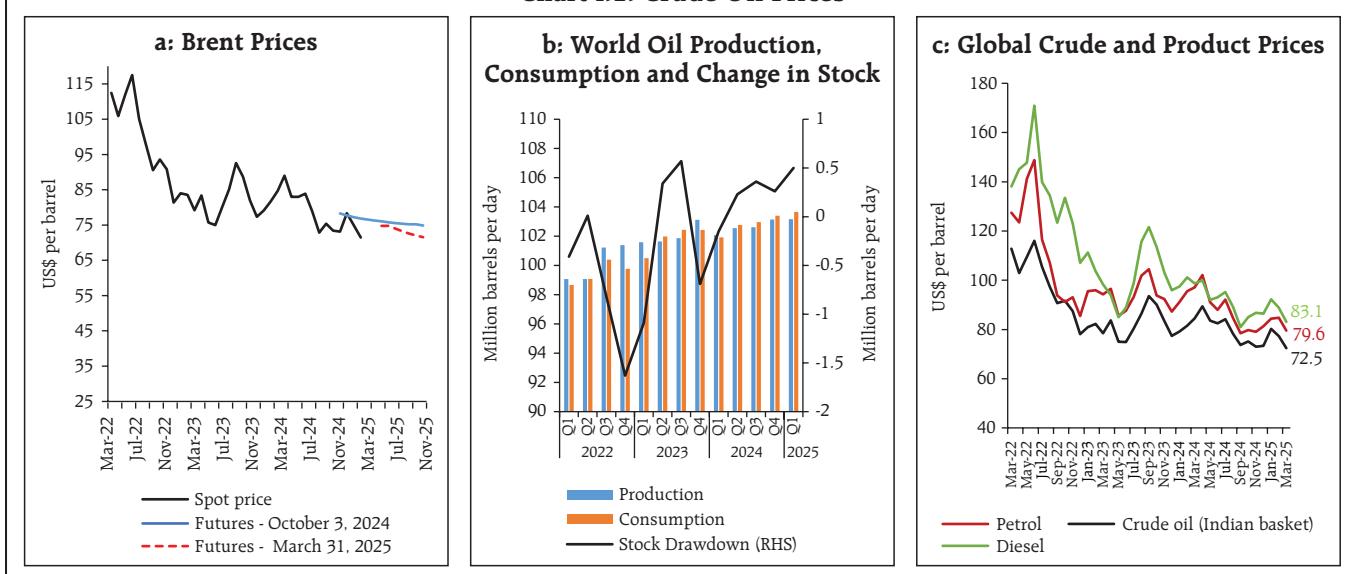
- Notes:** 1. The Indian basket of crude oil represents a derived numeraire comprising sour grade (Oman and Dubai average) and sweet grade (Brent) crude oil.
2. The exchange rate path assumed here is for the purpose of generating the baseline projections and does not indicate any 'view' on the level 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; International Monetary Fund (IMF); and Organisation for Economic Cooperation and Development (OECD).

74 per barrel on account of relatively modest growth in global oil demand as well as robust supply from

non-OPEC countries. Anxiety over the impact of sanctions over Russia and speculation of increased restrictions on Iran, along with fears of potential supply disruptions, triggered an upswing in prices in early January to around US\$ 84 per barrel. Since then, prices gradually declined in February and fell to its lowest levels in recent times in March 2025 primarily due to announcement of production increase by OPEC along with reduced geopolitical risk premiums and adequate inventory. Geopolitical developments continue to impart significant uncertainty to the outlook (Charts I.1a and I.1b). The spread between global petroleum product prices and crude prices softened (Chart I.1c). Considering these factors, the baseline assumption for crude price (Indian basket) is reduced to US\$ 70 per barrel during 2025-26 (Table I.2).

Second, the nominal exchange rate of the Indian rupee (₹) saw two-way movements in the range of ₹83.8-87.6 per US dollar during H2:2024-25 with a depreciating bias in 2025 till early March. The strengthening of US dollar since early October 2024 resulted in depreciation of EME currencies including rupee and increased volatility in financial markets.

Chart I.1: Crude Oil Prices

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

Since mid-January, however, the dollar has retreated with high frequency indicators pointing towards lacklustre growth and elevated policy uncertainty. Accordingly, EME currencies have recovered, *albeit* not fully. Taking into consideration the uncertainty around US dollar movements, fluctuations of global capital flows and international crude oil prices, the baseline assumption for the exchange rate is revised to ₹86 per US dollar as against ₹83.50 in the October 2024 MPR.

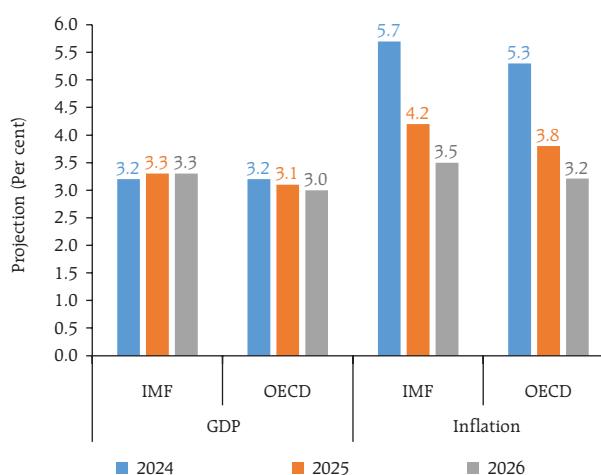
Third, global growth was projected at 3.1 per cent in 2025 and 3.0 per cent in 2026 by the Organisation for Economic Cooperation and Development (OECD) in its Economic Outlook Interim Report released in March 2025. The global disinflation continues, with inflation expected to decline to 4.2 per cent in 2025 and to 3.5 per cent in 2026, according to World Economic Outlook in its January 2025 update by International Monetary Fund (IMF) (Chart I.2). Global trade growth (goods and services combined) is projected to decelerate from 3.4 per cent in 2024 to

3.2 per cent in 2025 before rebounding to 3.3 per cent in 2026. The recent reciprocal tariff announcements by the US administration and associated policy uncertainty, however, poses headwinds to global growth and inflation.

I.2 The Outlook for Inflation

In H2:2024-25 so far (up to February), headline inflation breached the upper tolerance band briefly in October 2024, but has since eased on the back of declining food inflation. In the March 2025, round of the Reserve Bank's households survey¹, the three months and one year ahead inflation expectations of urban households' decreased by 40 bps and 50 bps, reaching 8.9 per cent and 9.7 per cent, respectively, as compared to the January 2025 round. The proportion of respondents expecting the general price level to increase by more than the current rate declined for both horizons *vis-à-vis* the previous round (Chart I.3). In this context, it is pertinent to note that various economic agents form their inflation expectations based on different factors (Box I.1).

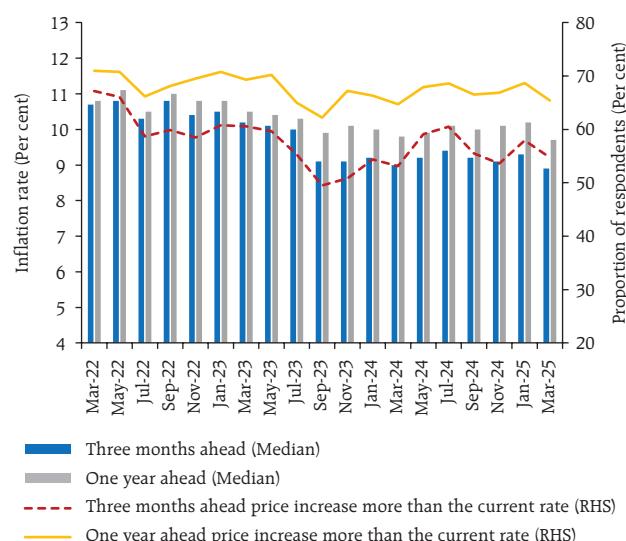
Chart I.2: IMF and OECD Projections for Growth and Inflation



Note: OECD inflation projections are for G-20 countries

Sources: Economic Outlook Interim Report March 2025 Update, OECD; World Economic Outlook January 2025 update, IMF.

Chart I.3: Inflation Expectations of Households



Source: Inflation Expectations Survey of Households, RBI.

¹ 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 March 2025 round are based on responses from 6,091 households.

Box I.1: What Affects Inflation Expectations of Economic Agents?

Anchoring inflation expectations is paramount in monetary policy formulation, particularly in an inflation-targeting framework. Empirical evidence suggests that positive changes in interest rates cause inflation expectations to decline (Goncalves *et al.*, 2025). However, monetary responses of different agents vary, *i.e.*, different categories of respondents respond differently to changes in monetary policy. An increase in the repo rate was found to have a sobering impact on inflation expectations of the financial and business sector agents but have a contrary impact for trade unions (Mlangeni and Buthelezi, 2023).

To examine this phenomenon in the Indian context, a vector error correction model (VECM) is used to explore the relationship between key indicators and inflation expectations of different economic agents such as financial sector employees, daily workers, and self-employed workers, using the bi-monthly inflation expectations data from January 2017 to January 2025 with the following specification:

$$\Delta x_t = \Gamma * x_{t-1} + \epsilon_t \quad \text{where } \Gamma = \alpha * \beta^t$$

where x_t is the vector of endogenous variables, α is the adjustment coefficient and β^t is the cointegrating vector (which defines the long-term relationship between the variables) and ϵ_t is the error term.

The model is defined as follows:

$$\Delta Y_{t+1} = \alpha * (Y_t + \beta_1 * wacr_{t-1} + \beta_2 * inflation_{t-1} + \beta_3 * govt_share_{t-1} + \beta_4 * ln_crude_oil_t + c) + \epsilon_t$$

where Y_t is one year ahead inflation expectations of financial sector employees, daily workers, and the self-employed, $wacr$ is the weighted average call rate representing monetary policy; $inflation$ is CPI inflation; $govt_share$ is the share of government expenditure in GDP and ln_crude_oil represents natural logarithm of global crude oil prices which is an average of Brent, West Texas Intermediate (WTI) spot and Dubai Fateh. The unit root test suggests that all variables are integrated of order 1. Using appropriate lag length criteria, Johansen Cointegrating test finds a cointegrating relationship among the variables.

The results suggest that monetary policy changes have a differential impact on inflation expectations of various groups. Inflation expectations are found to be negatively associated with the change in the policy interest rate in the long-run for financial sector employees and the self-

Table 1: Long Run Estimates of VEC Model

Variable	Financial sector employees	Daily workers	Self employed
wacr(-1)	-0.297* (0.113)	-0.260 (0.136)	-0.407* (0.121)
inflation(-1)	0.443** (0.095)	0.529*** (0.115)	0.526*** (0.102)
govt_share(-1)	0.053 (0.056)	-0.229** (0.067)	-0.059 (0.060)
ln_crude_oil	1.248 (0.509)	4.127*** (0.617)	3.901*** (0.546)
constant	2.451 (1.987)	-5.017 (2.409)	-5.977 (2.131)
Error Correction, α	-0.904** (0.132)	-0.278* (0.094)	-0.417* (0.125)
R-squared	0.503	0.158	0.193
Johansen cointegration test for no. of C.E.	2	2	2
Observations	49	49	49

Standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

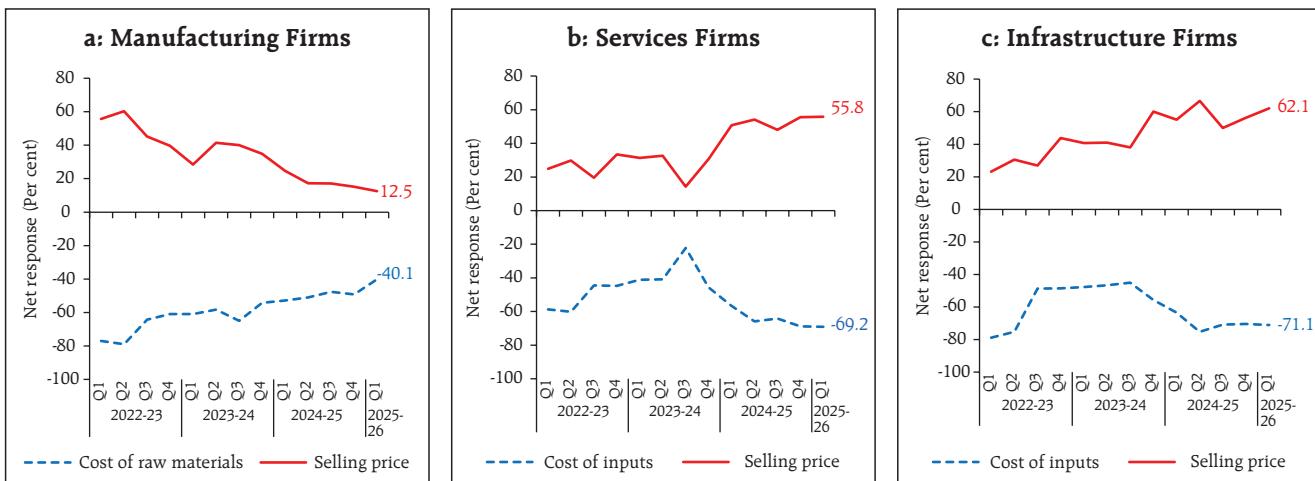
C.E. denotes cointegrating equations

Source: RBI staff estimates.

employed. Also, financial sector employees are found to have a higher adjustment factor as compared to other groups, which suggest faster reaction to any deviation in actual inflation from the long-run steady state. Past inflation impacts positively in the formation of inflation expectations for all groups suggesting persistence. In contrast, crude oil prices are found to impact inflation expectations of self-employed and daily workers only (Table 1). Overall, the findings suggest that the formation of inflation expectations of different economic agents are governed by diverse factors corroborating cross-country experience.

References:

1. Goncalves, M., Rodrigues, M., and Genta, F (2025). "Monetary Policy and Inflation Expectations: High-Frequency Evidence from Brazil", *IMF Working Paper WP/25/48*.
2. Mlangeni, T., and Buthelezi, E. M (2023). "Monetary policy and inflation expectations: impact and causal analysis of heterogeneous economic agents' expectations in South Africa", *Journal of Applied Economics*, 27:1.

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 view point 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.

Manufacturing firms polled in the January-March 2025 round of the Reserve Bank's industrial outlook survey expect pressures from cost of raw materials to ease and growth in selling price to moderate in Q1:2025-26 *vis-à-vis* the previous quarter (Chart I.4a).² Both services sector companies and infrastructure firms expect higher input cost pressures and higher output prices in Q1:2025-26 (Charts I.4b and I.4c).³ In the Purchasing Managers Index (PMI) surveys for March 2025, input prices increased for manufacturing firms and declined for services firms *vis-à-vis* the previous month while output prices declined for both.

Professional forecasters surveyed by the Reserve Bank in March 2025 projected CPI inflation to decline from 5.6 per cent in Q3:2024-25 to 3.9 per cent in Q4. They expect it to remain around 3.9-4.0 per cent till Q3 of 2025-26 before increasing to 4.5 per cent in Q4:2025-26 (Chart I.5a and Table I.3).⁴ Core inflation (*i.e.*, CPI excluding food and beverages, pan, tobacco

and intoxicants, and fuel and light) is expected to be at 4.0 per cent during Q4:2024-25, thereafter, it is expected to remain around 4.2-4.3 per cent till Q3:2025-26 and at 4.5 per cent in Q4.

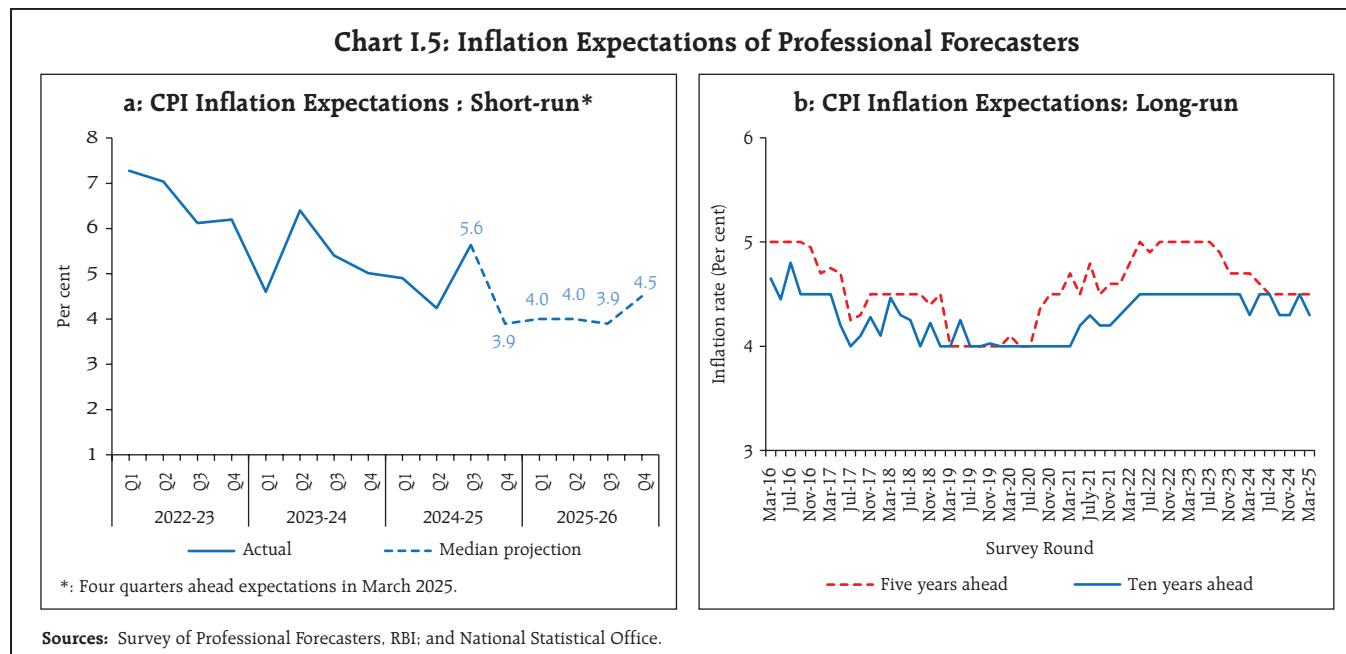
Long-run inflation expectations of professional forecasters – measured by their 5 and 10 years ahead expectations – are at 4.5 per cent and 4.3 per cent, respectively, in the current round (Chart 1.5 b).

Looking ahead, the inflation outlook will be conditioned by several factors, both global and domestic. Food inflation may continue to ease due to robust *kharif* harvest arrivals which, coupled with promising *rabi* crop, bode well for inflation outlook. The Union Budget proposals on agriculture and the commitment to fiscal consolidation further strengthens the inflation outlook. However, lingering uncertainty in global financial markets, volatility in energy prices, adverse weather events, rising global supply chain pressures and continuing geopolitical strife remain key risks.

² The results of the January-March 2025 round of the industrial outlook survey are based on responses from 1,310 companies.

³ Based on 725 services companies and 154 infrastructure firms polled in the January-March 2025 round of the services and infrastructure outlook survey.

⁴ 45 panellists participated in the March 2025 round of the Reserve Bank's survey of professional forecasters.



Taking into account the initial conditions, signals from forward-looking surveys and estimates from

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

(Per cent)

	2024-25	2025-26	2026-27
Reserve Bank's Baseline Projections			
Inflation	4.7*	4.0	4.3
Real GDP growth	6.5@	6.5	6.7
Median Projections of Professional Forecasters			
Inflation, Q4 (y-o-y)	3.9	4.5	-
Real GDP growth	6.4	6.5	6.6
Gross domestic saving (per cent of GNDI)	30.2	30.4	30.3
Gross capital formation (per cent of GDP)	31.0	30.7	31.1
Credit growth of scheduled commercial banks	11.5	12.3	13.5
Combined gross fiscal deficit (per cent of GDP)	7.8	7.4	7.1
Central government gross fiscal deficit (per cent of GDP)	4.8	4.4	4.3
Repo rate (end-period)	6.25	5.75	-
Yield on 91-days treasury bills (end-period)	6.5	6.0	6.4
Yield on 10-year central government securities (end-period)	6.6	6.4	6.5
Overall balance of payments (US\$ billion)	4.1	17.0	24.1
Merchandise exports growth	-0.2	3.5	5.0
Merchandise imports growth	4.6	4.5	5.5
Current account balance (per cent of GDP)	-0.8	-1.0	-1.0

Notes: GNDI: Gross National Disposable Income.

@: NSO Second Advance Estimates;

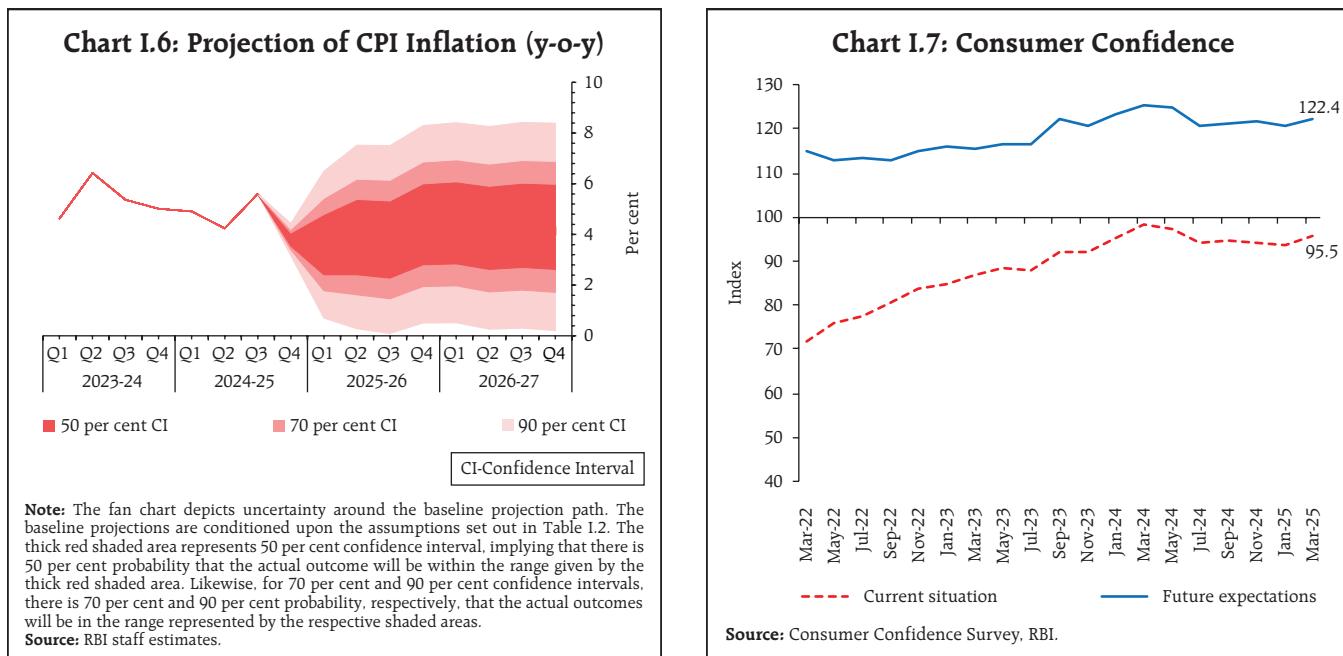
*: Average CPI Inflation in 2024-25 (up to February).

Sources: RBI staff estimates; and Survey of Professional Forecasters (March 2025).

time-series and structural models⁵, CPI inflation is projected to average 4.0 per cent in 2025-26 – 3.6 per cent in Q1, 3.9 per cent in Q2, 3.8 per cent in Q3 and 4.4 per cent in Q4, with risks evenly balanced (Chart I.6 and Table I.3). The 50 per cent and the 70 per cent confidence intervals for headline inflation in Q4:2025-26 are 2.8-6.0 per cent and 1.9-6.9 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 4.3 per cent with 4.5 per cent in Q1, 4.3 per cent in Q2, 4.4 per cent in Q3 and 4.3 per cent in Q4. The 50 per cent and the 70 per cent confidence intervals for headline inflation in Q4:2026-27 are 2.6-6.0 per cent and 1.7-6.9 per cent, respectively.

The baseline forecasts are subject to several upside and downside risks. The upside risks emanate from continuing geopolitical conflicts and resultant supply disruptions; volatility of energy prices; and adverse weather events. The downside risks could emanate from an early resolution of geopolitical conflicts; adherence to fiscal consolidation and

⁵ 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.



debt path; further correction in global crude and commodity prices in case of slowing global demand; and improvement in supply conditions.

I.3 The Outlook for Growth

Domestic economic activity remains strong supported by revival in consumption as well as government's capex push. Pick up in private consumption, upturn in agricultural activity, continuing resilience of the services sector, high capacity utilisation, healthy balance sheets of banks and corporates, and government's continued thrust on capital expenditure augur well for the growth outlook. Uncertainty about global trade owing to rising protectionist measures, persistent geopolitical tensions, rising supply chain pressures, and volatile global financial conditions, however, render the outlook uncertain.

Turning to the key messages from forward-looking surveys, consumer confidence (the current situation index) improved in the pessimistic territory in March 2025 *vis-à-vis* the previous round, driven by improved sentiments across all survey parameters⁶.

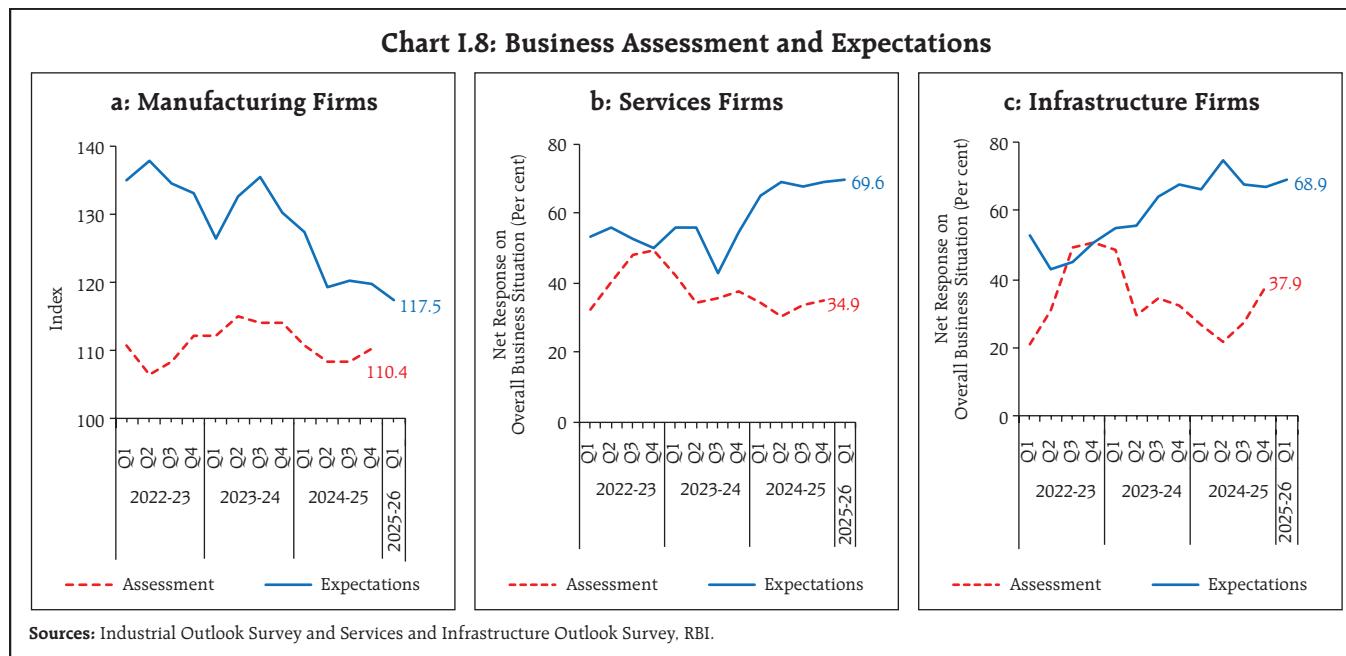
Consumers' optimism for the year ahead, measured by the future expectations index, strengthened further and maintained its resilience in the optimistic territory (Chart I.7).

Reserve Bank's industrial outlook survey results reveal that business optimism in the manufacturing sector for Q1:2025-26 moderated marginally, which is partly seasonal (Chart I.8a). The services and infrastructure companies, on the other hand, remained optimistic about the overall business situation in Q1:2025-26 (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 March 2025, manufacturing firms remained upbeat about the year ahead though sentiments moderated for services firms.

Professional forecasters polled in the March 2025 round of the Reserve Bank's survey expected real GDP growth at 7.0 per cent during the last quarter of 2024-25. Growth is expected at 6.5-6.7 per cent during Q1-Q4:2025-26 (Chart I.9 and Table I.3).

⁶ The Reserve Bank's consumer confidence survey is being conducted in 19 cities since March 2021 (13 cities in the previous rounds) and the results of the March 2025 round are based on responses from 6,021 respondents.



Real GDP growth was higher at 6.2 per cent in Q3:2024-25 as compared with 5.6 per cent in Q2. Taking into account the baseline assumptions, survey indicators and model forecasts, real GDP growth is expected at 6.5 per cent in 2025-26 – 6.5 per cent in Q1; 6.7 per cent in Q2; 6.6 per cent in Q3 and 6.3 per

cent in Q4 – with 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 6.7 per cent, with Q1 at 6.5 per cent, Q2 at 6.4 per cent, Q3 at 6.8 per cent and Q4 at 6.8 per cent.

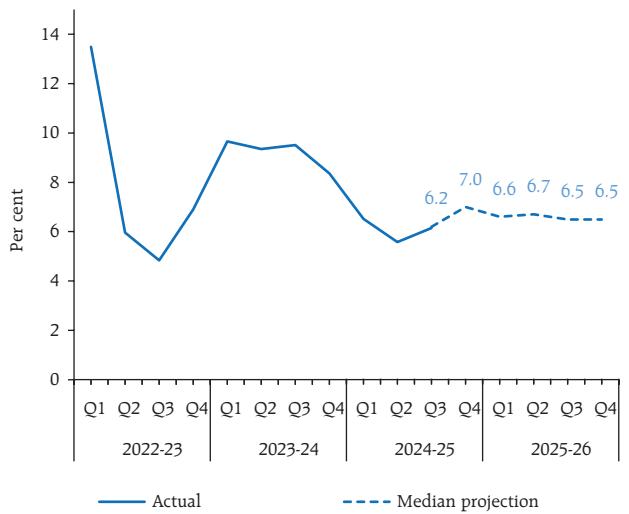
Table I.4: Business Expectations Surveys

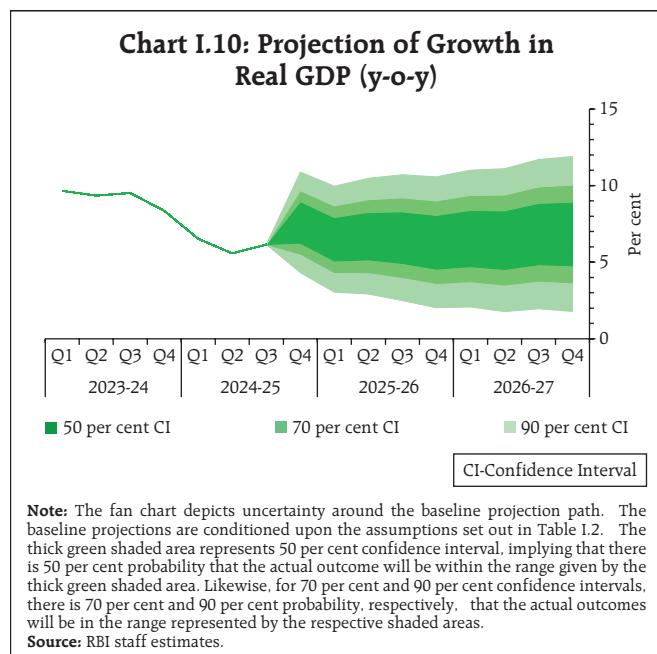
Item	NCAER Business Confidence Index (January 2025)	FICCI Overall Business Confidence Index (November 2024)	Dun and Bradstreet Composite Business Optimism Index (April 2025)	CII Business Confidence Index (March 2025)
Current level of the index	138.4	62.5	120.2	63.7
Index as per previous survey	134.3	67.3	114.4	66.2
% change (q-o-q) sequential	3.0	-7.1	5.1	-3.8
% change (y-o-y)	8.5	-6.6	11.2	-6.8

Notes: 1. NCAER: National Council of Applied Economic Research.
2. FICCI: Federation of Indian Chambers of Commerce & Industry.
3. CII: Confederation of Indian Industry.
4. Dun and Bradstreet Composite Business Optimism Index is for Q1:2025-26, CII Business Confidence Index is for Q4:2024-25, FICCI Overall Business Confidence Index is for Q2:2024-25, and NCAER Business Confidence Index is for Q3:2024-25

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

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





There are upside and downside risks to this baseline growth path. The upside risks emanate from revival in corporate investment cycle; improving business sentiments; faster global disinflation; quick resolution of global trade related issues; continued softening of global commodity prices; and an early resolution of the geopolitical conflicts. On the contrary, increasing trade fragmentation due to protectionist policies including higher tariffs; further escalation in geopolitical tensions; volatility in international financial markets; frequent weather-related disturbances; and supply chain disruptions pose downside risks to the baseline growth path.

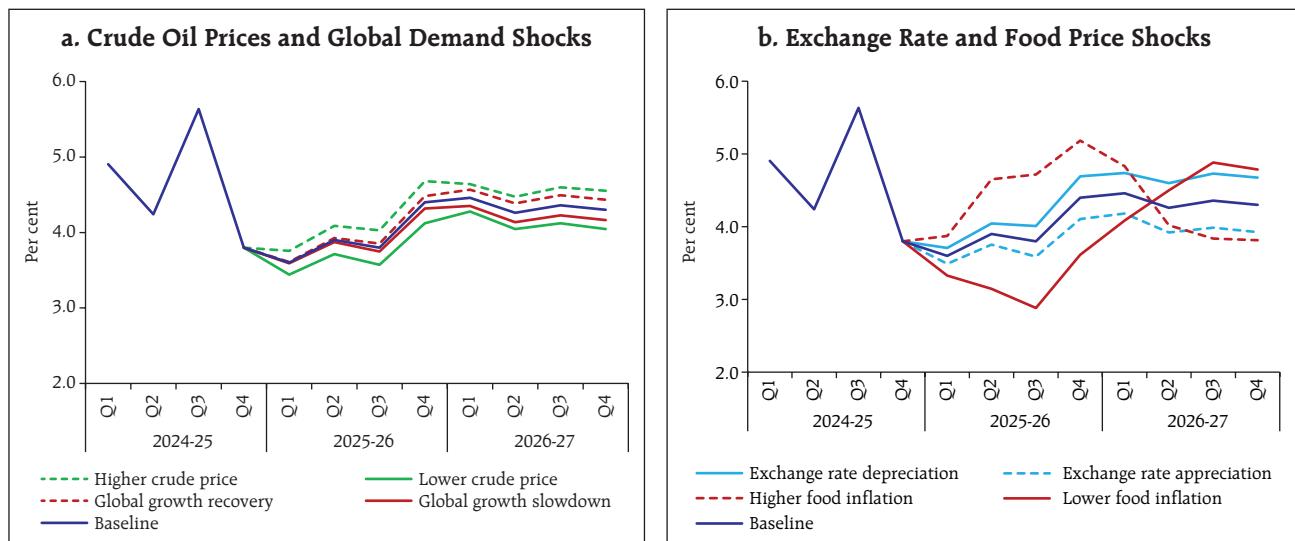
I.4 Balance of Risks

The baseline projections of growth and inflation are based on the set of assumptions related to the likely path of key domestic and global macroeconomic variables which are set out in Table 1.2. These baseline assumptions are, however, subject to uncertainties emanating from reciprocal

and retaliatory tariffs owing to protectionist trade policies adopted by major economies, prolonged geopolitical conflicts, volatility in global financial and commodity markets and possibility of adverse climate events. Against this backdrop, this section explores the plausible alternative scenarios to assess the balance of risks around the baseline projections of inflation and growth.

(i) Global Growth Uncertainties

Global economic activity remained steady in H2:2024, *albeit* marred by sluggish growth recorded by some Asian and European economies as weakness in manufacturing and trade exports offset the robust growth momentum in the United States. Going forward, however, global growth is prone to considerable uncertainties. Trade tensions and geopolitical conflicts between major economies are bound to create uncertainties in global financial markets, trigger a slowdown in global trade and create disruptions in supply chains. Additionally, protectionist trade policies including reciprocal tariffs will further fragment global trade and have an adverse impact on growth prospects leading to potential increase in input costs for businesses. Major central banks could also diverge in the pace and direction of monetary policy actions in achieving the last mile of disinflation, inducing higher volatility in global financial markets with spillover effects on EMEs. Global economic outlook is also subject to headwinds from fiscal sustainability concerns, occurrence of extreme weather events and technological disruptions. If some of these scenarios materialise, and if global growth turns out to be 100 bps lower than assumed in the baseline, domestic growth and inflation could be lower by around 30 bps and 15 bps, respectively, in comparison with the baseline projections. However, if there is a faster

Chart 1.11: Impact of Risk Scenarios on the Baseline Inflation Path

Source: RBI staff estimates.

recovery in global trade owing to quicker resolution of trade related issues between the major economies and synchronised accommodative monetary policy due to benign inflation outlook going forward, global growth prospects may improve. 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).

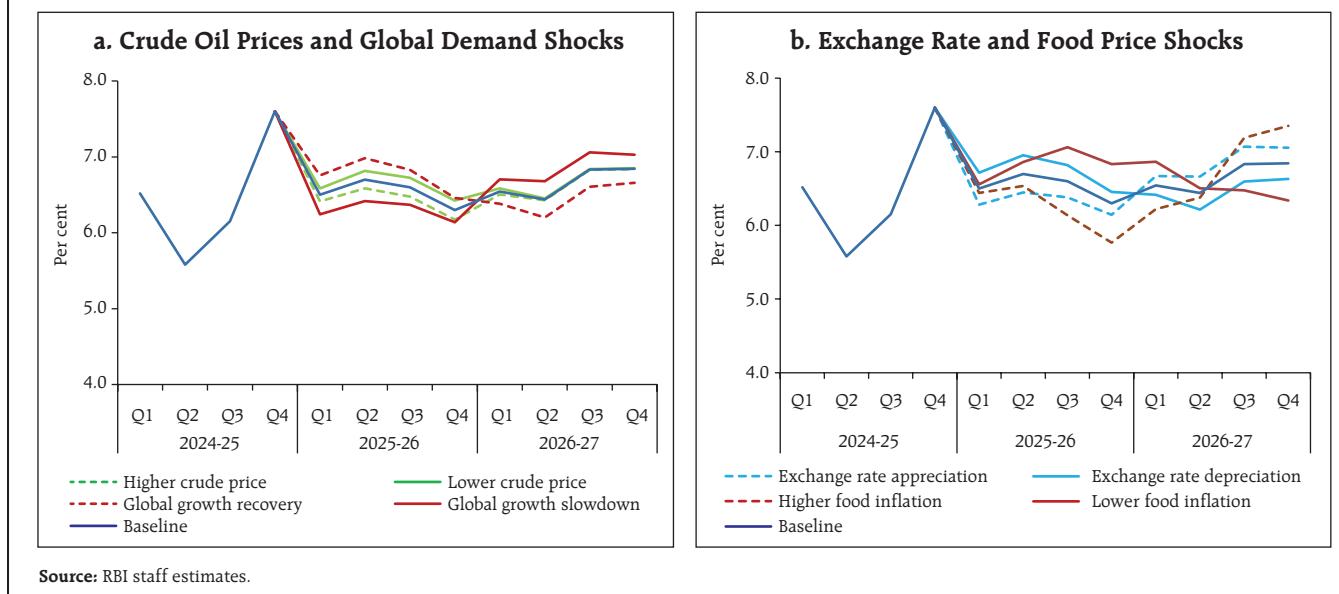
(ii) International Crude Oil Prices

Global crude oil prices have exhibited a declining trend with Brent crude falling from a high of US\$ 82 per barrel in early-October 2024 to an average of US\$73 per barrel in March 2025. Weak global demand conditions, sustained supply increase from OPEC+ and non-OPEC countries and orderly resolution of geo-political conflicts will have a potential dampening impact on crude oil prices. In this scenario, if crude oil prices drop by 10 per cent relative to the baseline, and in case of its full pass-through to domestic product prices, inflation could be lower by around 30 bps with a boost of 15 bps to India's real GDP growth. In contrast, recovery in

global demand, and restriction in oil supplies due to continuation of geo-political tensions may put upward pressure on crude oil prices. In a scenario, when crude oil prices are higher by 10 per cent than the baseline assumption, domestic inflation may turn out to be higher by 30 bps and growth may be weaker by around 15 bps. (Charts I.11a and I.12a).

(iii) Exchange Rate

The Indian Rupee depreciated *vis-à-vis* the US dollar during October 2024-March 2025, primarily reflecting the uncertainties due to disruptions in global trade, strengthening of the US dollar and capital outflows reflecting 'flight to safety'. Going ahead, restrictive monetary policy by the US Federal Reserve than what has been currently factored in by the financial markets could further lower the attractiveness of EME assets. Rising trade protectionism, currency war threats, and higher international crude oil prices are also some of the factors that may exert downward pressure on the Indian rupee. In this scenario, if INR depreciates by 5 per cent over the baseline, inflation could rise by around 35 bps while GDP growth could benefit

Chart 1.12: Impact of Risk Scenarios on the Baseline Growth Path

by around 25 bps through the trade channel in the short term. On the other hand, the Indian economy exhibits continued resilience in growth with a stable inflation outlook and is expected to contribute to revival of global demand conditions. These developments, along with faster resolution of trade protectionism and quicker than anticipated monetary policy easing by major economies, would lead to strengthening of the Indian Rupee. In this scenario, if the INR appreciates by 5 per cent relative to the baseline, inflation and GDP growth could moderate by around 35 bps and 25 bps, respectively (Charts I.11b and I.12b).

(iv) Food Inflation

Food inflation witnessed moderation in H2:2024-25 after scaling its peak in October 2024, primarily driven by sharp seasonal correction in vegetable prices, lower cereals and pulses inflation and deflation in spices. Going ahead, food prices may soften faster supported by robust *kharif* crop production and likely bumper *rabi* arrivals. In such a scenario, headline inflation may moderate

by around 50 bps over the baseline. On the other hand, sudden reversal in the prices of perishable food items and reduction of agricultural yields due to adverse climatic conditions may exert upward pressure on food prices. These factors could lead to higher headline inflation by 50 bps as compared to the baseline (Charts I.11b and I.12b).

I.5 Conclusion

Domestic economic activity is on a recovery path and is expected to remain resilient backed by consumption demand. It needs to be recognised that India's forte is its high growth potential and robust macroeconomic fundamentals. Government's push for consumption and capex, resilient services sector, robust outlook of agricultural sector aided by strong corporate and bank balance sheets provide impetus to the growth momentum, going forward. The measures announced in the Union Budget 2025-26 augur well for improving domestic consumption. Moreover, the adherence to fiscal consolidation and debt path without compromising on the quality of expenditure will help in improving sovereign ratings, attracting capital inflows, easing financial

conditions, and improving overall sentiment and outlook. Well-coordinated fiscal and monetary policy working in tandem could undoubtedly generate improved outcomes in terms of better growth-inflation balance. The recent tariff announcements by US administration have heightened policy

uncertainty posing new headwinds for global growth and inflation. While India cannot remain immune to these developments, the progress achieved on the disinflation front gives headroom to monetary policy to focus on balancing the growth-inflation outcome.

II. Prices and Costs

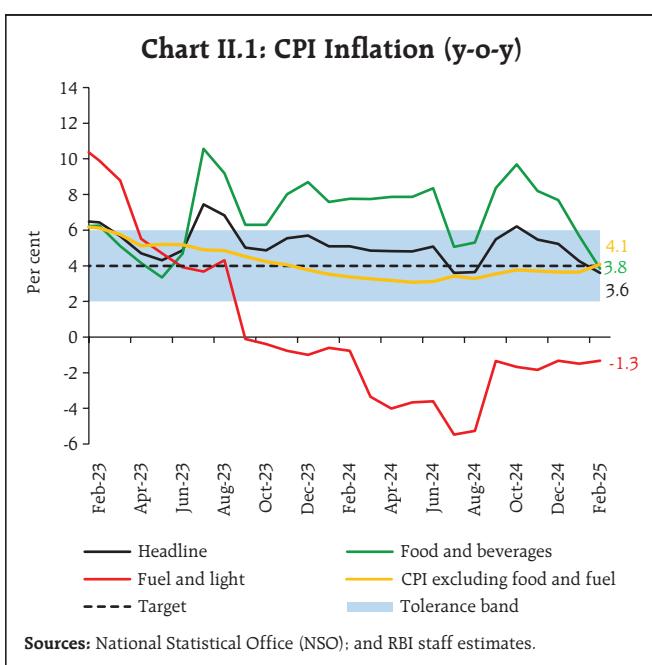
Headline inflation has been marked by considerable volatility during H2:2024-25, engendered by overlapping food price shocks. As the impact of shocks receded, a sharp correction followed, resulting in headline inflation declining below the target rate of 4 per cent by February 2025. Core inflation pressures were muted in H2, though February saw a notable pick-up. Industrial and farm input costs remained subdued. Nominal rural wage growth stayed elevated, driven by agricultural wages, while the organised sector staff cost growth decelerated.

Movements in headline consumer price index (CPI) inflation¹ since August 2024 were marked by considerable volatility engendered by overlapping food price shocks that pushed up headline inflation above the upper tolerance threshold of 6 per cent in October 2024. As the impact of shocks receded, a sharp correction followed, resulting in headline inflation declining below the target rate of 4 per cent by February 2025.

Headline CPI inflation surged from 3.7 per cent in August to 6.2 per cent by October 2024, propelled by a jump in food inflation owing to a spike in prices of vegetables, and oils and fats. In the ensuing months, as food inflation eased on correction in vegetable prices, headline inflation softened successively to 4.3 per cent in January 2025 and further to 3.6 per cent in February. Reflecting the volatility in food inflation, the contribution of the food and beverages group (with a weight of around 46 per cent in the CPI basket) to headline inflation fell from an elevated 74 per cent in October 2024 to 50 per cent in February 2025. Deflation in the fuel group persisted, though the rate of deflation moderated from (-)5.3 per cent in August 2024 to (-)1.3 per cent in February 2025. Core (CPI excluding food and fuel) inflation² remained

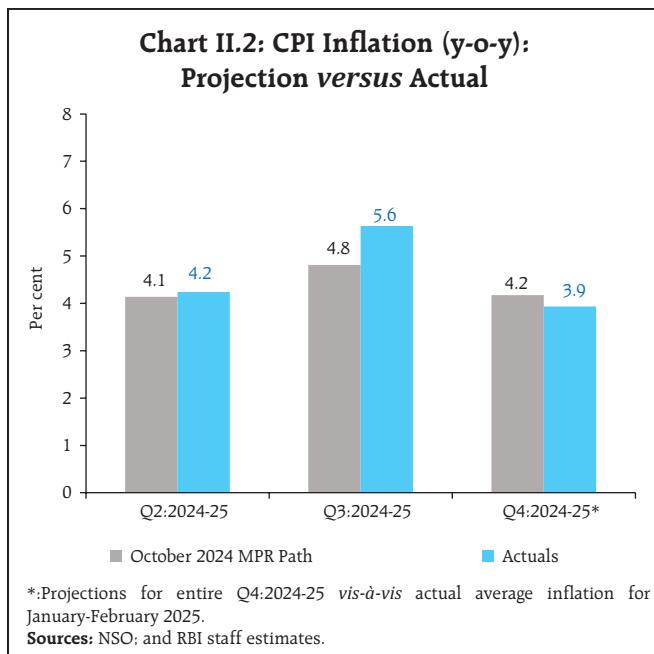
muted, moving in a range of 3.5-3.8 per cent during September 2024 to January 2025, before firming up to 4.1 per cent in February 2025 (Chart II.1).

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. The October 2024 MPR had projected inflation at 4.8 per cent in Q3:2024-25 and 4.2 per cent in Q4:2024-25 (Chart II.2). The deviations of the actual inflation outcomes from the projections were bi-directional – with inflation being higher than projections in Q3:2024-25 and lower than projections in Q4. The undershoot of projections by 80 basis points in Q3 arose primarily from an unanticipated transitory spike in prices of tomatoes due to weather disruptions and a rapid pick-up in domestic edible oil prices due to higher costs of imports. Thereafter, with vegetables prices registering a sharper than anticipated winter season price correction during January and February 2025, realised headline inflation at 3.9 per cent in Q4



¹ Headline inflation is measured by year-on-year (y-o-y) changes in the all-India consumer price index (CPI) produced by the National Statistical Office (NSO).

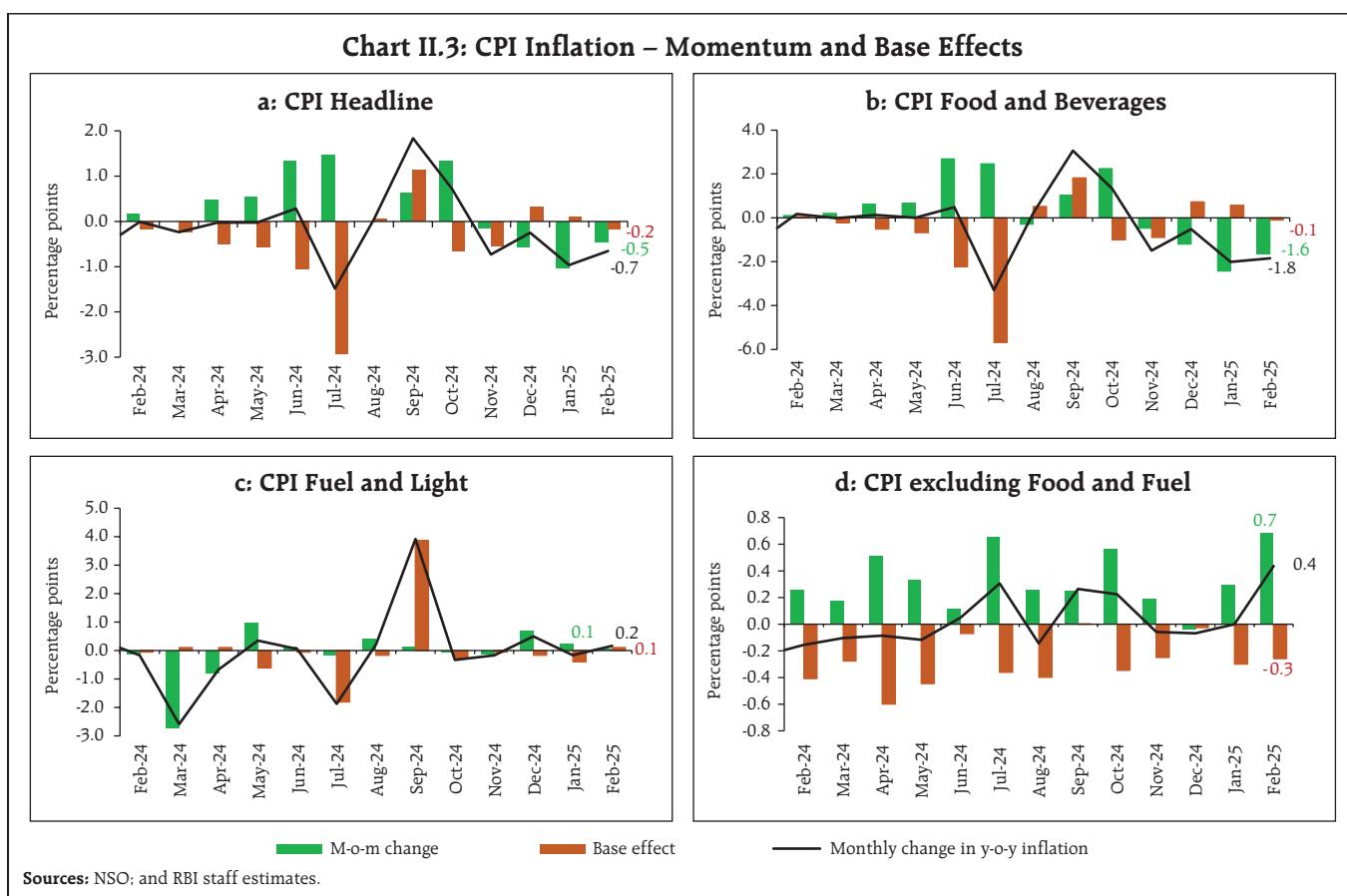
² Core CPI, i.e., CPI excluding food and fuel is worked out by eliminating the groups 'food and beverages' and 'fuel and light' from the headline CPI.



so far (up to February) turned out to be 25 bps lower than the projections set out in the October 2024 MPR.

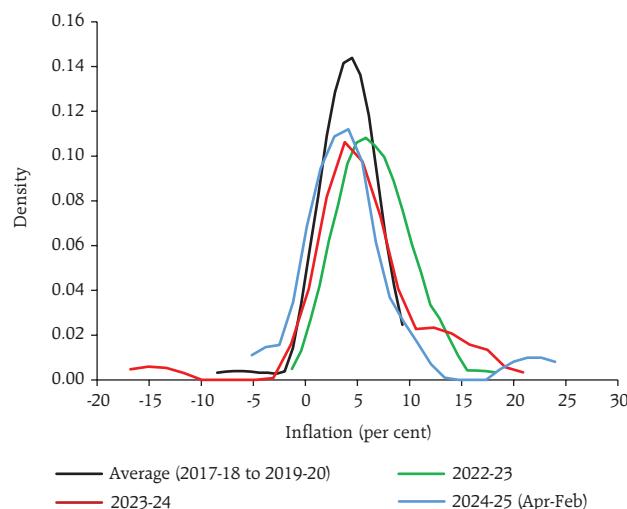
II.1 Consumer Prices

The surge in headline inflation by 1.8 percentage points from 3.7 per cent in August 2024 to 5.5 per cent in September came from an uptick in price momentum³ along with sharp unfavourable base effects (1.1 percentage points). The headline CPI momentum quickened pace in October – primarily coming from a sharp increase in food prices – that firmed up headline inflation to 6.2 per cent, breaching the upper tolerance threshold, notwithstanding significant favourable base effects. Thereafter, with a sharp correction in the food price momentum, headline momentum began to register consecutive declines during November 2024–February 2025, resulting in a softening of headline inflation by 2.6 percentage points during this period to touch a low of 3.6 per cent in February. This decline was despite a sharp pick-up in core (CPI excluding food and fuel) momentum in February (Chart II.3).



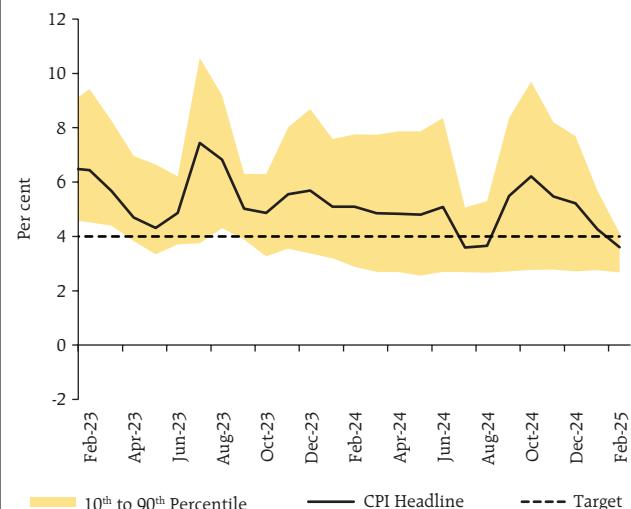
³ A change in CPI year-on-year (y-o-y) inflation between any two months is the difference between the current month-on-month (m-o-m) change in the price index (momentum) and the m-o-m change in the price index 12 months earlier (base effect). For more details, see Box I.1 of the MPR, September 2014.

**Chart II.4: Average CPI Inflation (y-o-y)
(Kernel Density Estimates)**



Sources: NSO; and RBI staff estimates.

Chart II.5: CPI Sub-Group/Group Inflation Range (y-o-y)



Sources: NSO; and RBI staff estimates.

The distribution of CPI inflation in 2024-25 so far (April 2024–February 2025) vis-à-vis 2023-24 indicates high positive skew and relatively higher standard deviation, pointing to the outsized impact of continuing sectoral supply side shocks in engendering the persistence of headline inflation (Chart II.4). The pick-up in inflation during September–October was also marked by widening of inflation divergence across CPI sub-groups, reflecting the sharp increase

in inflation across a few sub-groups. The pullback in inflation pressures across these sub-groups since December was also followed by a narrowing of the inflation divergence across quantiles (Chart II.5). An analysis of spatial inflation dynamics shows that even with sharp swings in inflation due to supply shocks, inflation across states has tended to converge to the national average during the Flexible Inflation Targeting (FIT) period (Box II.1).

Box II.1: Spatial Inflation Convergence in India

The period since the 2020s has been characterised by persistent inflationary pressures due to multiple overlapping shocks. It has also raised concerns about whether they have fundamentally altered spatial inflation dynamics in India – in terms of its volatility and convergence over time – with its attendant implications for monetary policy and the credibility of the 4 per cent CPI headline inflation target.

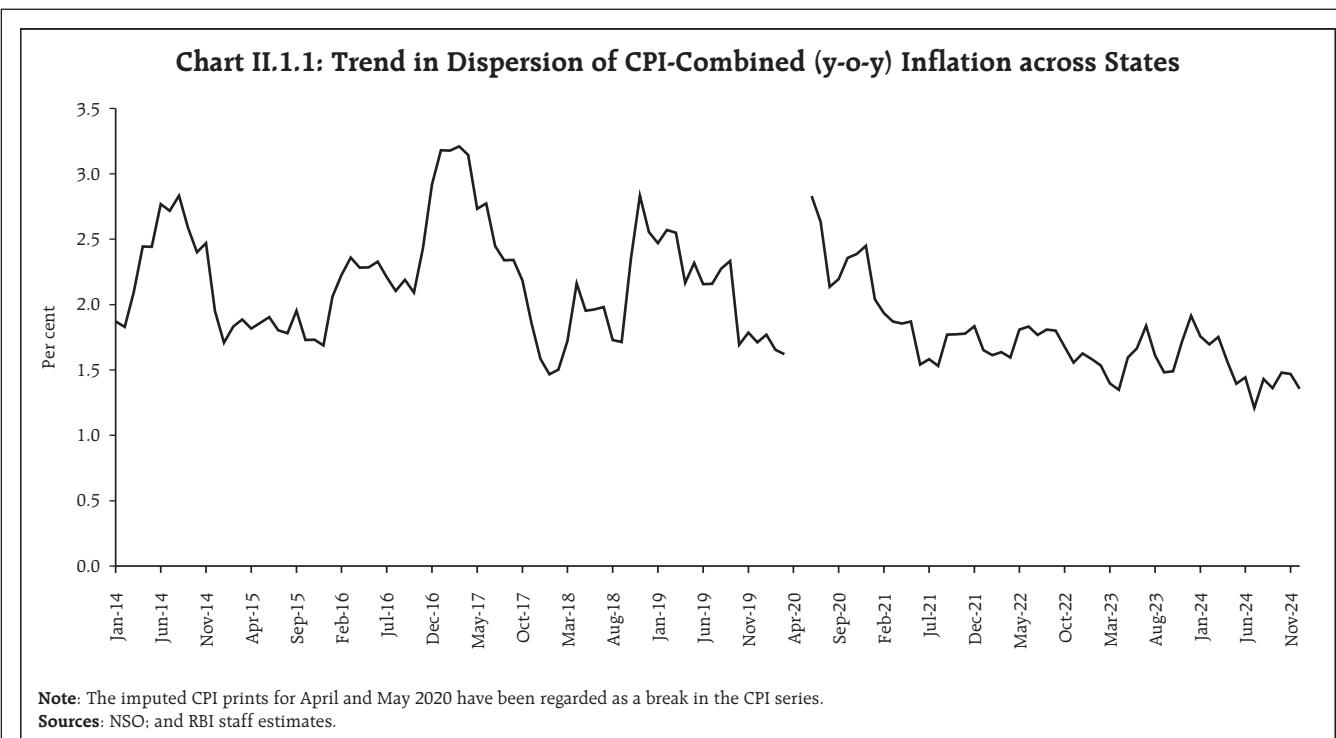
Against this backdrop, spatial convergence properties of overall CPI inflation since the implementation of FIT in 2016 are examined, with a focus on the post-COVID period. Monthly year-on-year (y-o-y) changes in the CPI

Combined Index as the measure of inflation across 35 Indian states and union territories spanning October 2016 to December 2024⁴ are used for the analysis. It is observed that the headline inflation dispersion across states has moderated over time (Chart II.1.1).

The spatial convergence properties are further examined by (a) panel unit root tests such as Levin-Lin-Chu and Im-Pesaran-Shin for stationarity, and (b) the beta (β) convergence analysis to ascertain whether states with higher initial differentials with the national inflation level experienced a faster decline in inflation over time.

(Contd.)

⁴ Data for April to June 2020 were front-filled using past CPI values to account for missing observations due to COVID-19 lockdowns.



i.e., convergence to a common steady state. Accordingly, a panel regression framework is used with the following specification (1).

$$\Delta\pi_{it} = \alpha + \beta\pi_{it-1} + \varepsilon_{it} \quad (1)$$

Where $\Delta\pi_{it}$ is the rate of change in inflation differential of state i in period t with respect to the national level in the same period, π_{it-1} is the one-period lagged inflation differential, β is the coefficient measuring speed of convergence, and α and ε are the constant and error terms, respectively. Additionally, the analysis performs (c) sigma (σ)-convergence test, for testing the movements of the cross-sectional dispersion (standard deviation) of inflation⁵ over time; and (d) the log-t and convergence club tests, for checking whether all units converge to a single equilibrium or whether they are divided into clusters or 'clubs' (presence of multiple equilibria).

The results for both panel unit root tests reject the null hypothesis of 'panels contain unit roots', implying

stationarity, i.e., supporting inflation convergence across states. Similarly, the results of the β -convergence test using a pooled ordinary least square (OLS)⁶ regression framework show negative and statistically significant beta coefficients for both FIT and post-COVID periods, confirming the existence of spatial inflation convergence to the national level. Furthermore, the σ -convergence test, which involves regressing the standard deviation of inflation across states on a time trend, yields a negative and significant coefficient, implying a decline in inflation dispersion over time, including the post-COVID period. The Phillips and Sul log-t test also indicates a convergence for the FIT period, with the club convergence test confirming the presence of a single club containing all 35 states (Table II.1.1). These findings indicate an ongoing convergence of inflation across states towards the national average with lower dispersion despite the impact of multiple adverse supply side shocks since early 2020, thereby indicating economic integration and anchoring of inflation expectations during FIT.

(Contd.)

⁵ The standard deviation of inflation measure is constructed as $\sigma_t = \sqrt{\frac{1}{N} \sum_{i=1}^N (\pi_{it} - \bar{\pi}_t)^2}$, where π_{it} is the inflation rate of state i in period t and $\bar{\pi}_t$ is the national level headline inflation.

⁶ The Breusch and Pagan Lagrange Multiplier (LM) test for random effects fails to reject the null hypothesis that the variance of the panel-level effect across states is zero ($p = 0.116$), indicating that a pooled OLS regression is more appropriate. Robust and clustered standard errors are used to account for potential heteroskedasticity and serial autocorrelation.

Table II.1.1: Results of Spatial Convergence Tests

a. Panel Unit Root Tests		
Tests	Statistic	Null Hypothesis
Levin–Lin–Chu unit-root test	-12.021***	Panels contain unit roots
Im–Pesaran–Shin unit-root test	-11.634***	All panels contain unit roots
b. Beta-convergence analysis		
Explanatory Variables	FIT (October 2016 - December 2024)	Post-COVID (June 2020 - December 2024)
Lagged Inflation Differential	-0.040*** (0.011)	-0.060*** (0.009)
Constant	-0.083 (0.247)	-0.001 (0.358)
c. Sigma-convergence analysis		
Time Trend	-0.002*** (0.0003)	-0.007*** (0.0009)
Constant	3.224*** (0.266)	6.769*** (0.656)
d. Phillips and Sul log-t test		
log(t)		-0.878 (0.829)
t-stat		-1.059
No. of clubs identified		1 (containing all 35 states)

Note: Figures in parentheses indicate robust standard errors. *** and ** denote significance at 1% and 5% levels, respectively.

Reference:
Ray, S., Suganthi, D., Bhatia, S., & George, A. T. (2025). Spatial Inflation Convergence in India. *mimeo*

CPI diffusion indices (DI)⁷ strengthened while remaining in the expansionary zone from September to December 2024. Following a dip in August, the headline CPI DI saw a steady sequential rise from September, largely driven by the goods sub-component. Although remaining in the expansionary zone in January–February 2025, the headline CPI DI declined sharply, signalling a slowdown in incidence of price increases in the CPI basket. This moderation was primarily led by movements in CPI goods, while CPI services edged up (Chart II.6a). Threshold DI⁸

– for price increases in excess of 4 per cent as well as 6 per cent on a month-on-month seasonally adjusted annualised rate (m-o-m saar) basis – continued to remain well below the 50-level mark, indicating that the extent of price increases across a majority of the CPI items continued to remain muted (Chart II.6b).

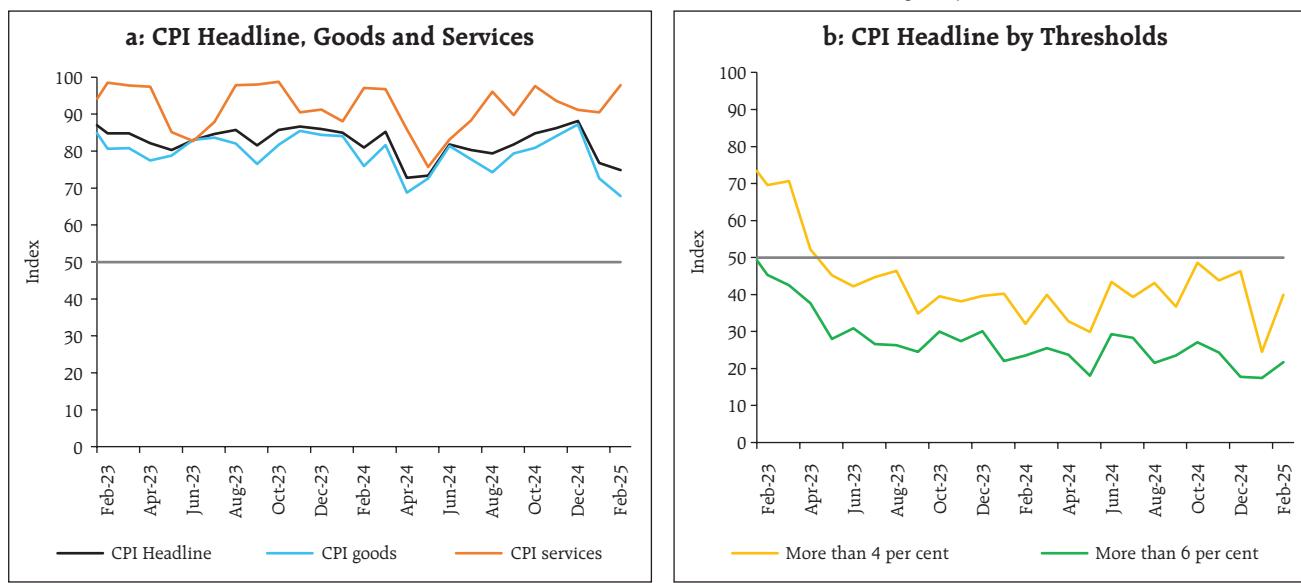
II.2 Drivers of Inflation

A historical decomposition of inflation using a vector autoregression (VAR)⁹ model indicates that the sharp moderation in inflation in Q4:2024-25

⁷ 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.

⁸ Threshold diffusion indices capture the dispersion of price increases in CPI basket beyond the specified month-on-month saar thresholds of 4 per cent and 6 per cent.

⁹ Historical decomposition estimates the contribution of each shock to the movements in inflation over the sample period (Q4:2010-11 to Q4:2024-25) based on a vector autoregression (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 (M_3). 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 . This formulation facilitates decomposition of the deviation of inflation from its deterministic trend into the sum of contributions from various shocks.

Chart II.6: CPI Diffusion Indices (m-o-m seasonally adjusted)

Sources: NSO; and RBI staff estimates.

came from the reversal of supply side shocks seen in Q3 (Chart II.7a).

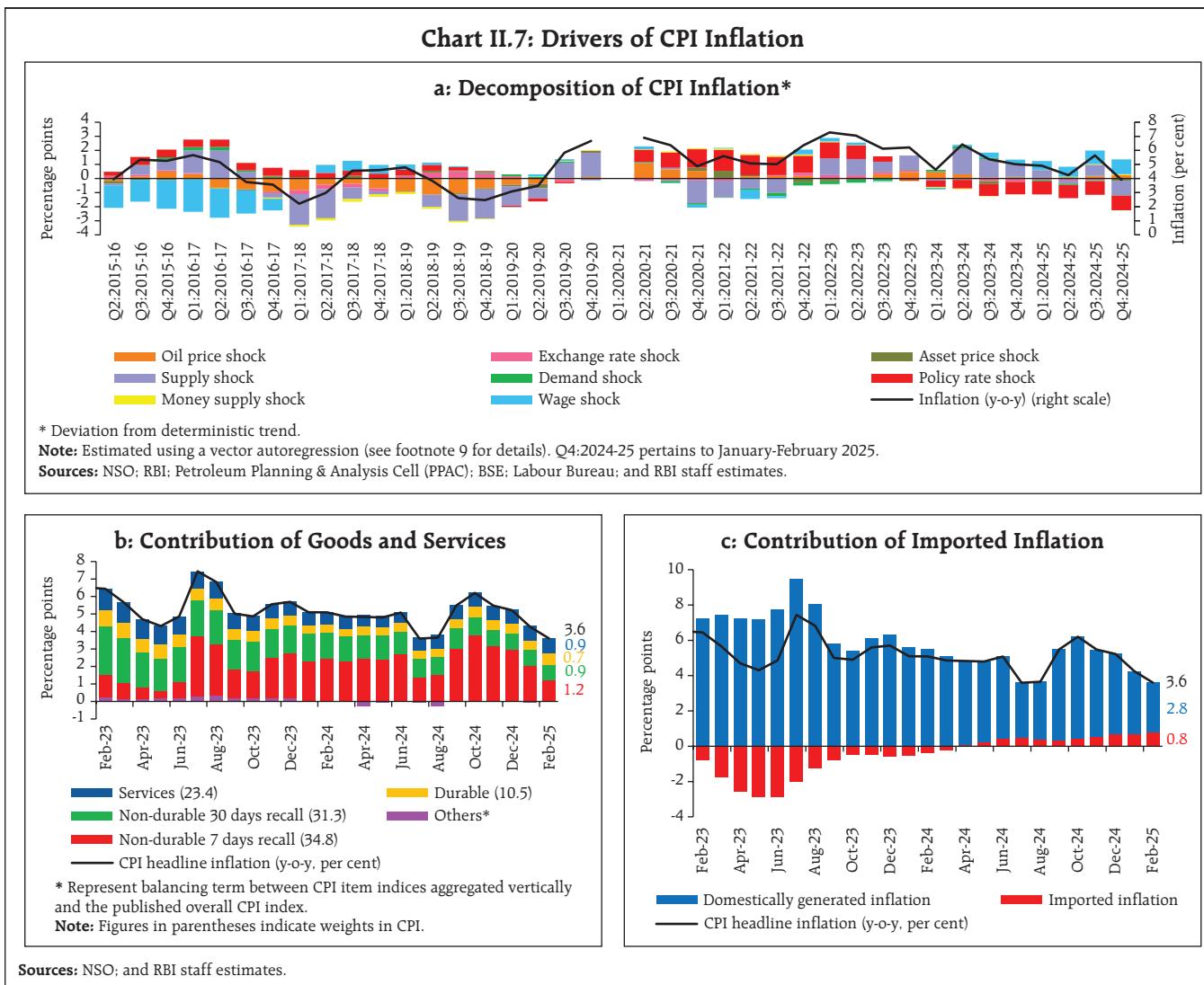
Goods inflation (with a weight of 76.6 per cent in overall CPI) contributed around 85 per cent of headline inflation, on average, between September 2024 and January 2025, and services (with a weight of 23.4 per cent) the remaining 15 per cent. In February 2025, however, the contribution of goods to overall inflation fell sharply to around 76 per cent following the large decline in CPI food inflation, while services contribution edged up (Chart II.7b). The contribution of perishable items (non-durable with a 7-day recall¹⁰) – which include vegetables, spices, fruits, and other food items such as milk, meat and fish, and prepared meals – jumped up in Q3:2024-25, contributing to the stickiness in headline inflation, before falling in January-February 2025. On the other hand, after the

contribution of semi-perishables (non-durable goods with a 30-day recall) to overall inflation declined in Q3 – driven primarily by softening of inflation in pulses and sugar even as personal care items remained sticky – it started firming up again in January-February 2025. The contribution of durable items (goods with a 365-day recall) to overall inflation also edged up in January-February 2025 after remaining mostly steady during September-December 2024, reflecting the rising and elevated price inflation in gold and silver.

The contribution of imported components¹¹ to headline inflation registered a sequential increase since October and was at 21 per cent in February 2025 (a contribution of 0.8 percentage points to the headline inflation rate of 3.6 per cent) driven primarily by a pick-up in international prices of gold and silver, and the depreciation of the rupee (Chart II.7c).

¹⁰ 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 (NSSO). 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.

¹¹ Global commodities that drive domestic prices include petroleum products; coal; electronic goods; gold; silver; chemical products; metal products; textiles; cereals; milk products, and vegetable oils – these together have a weight of 36.4 per cent in the CPI basket.

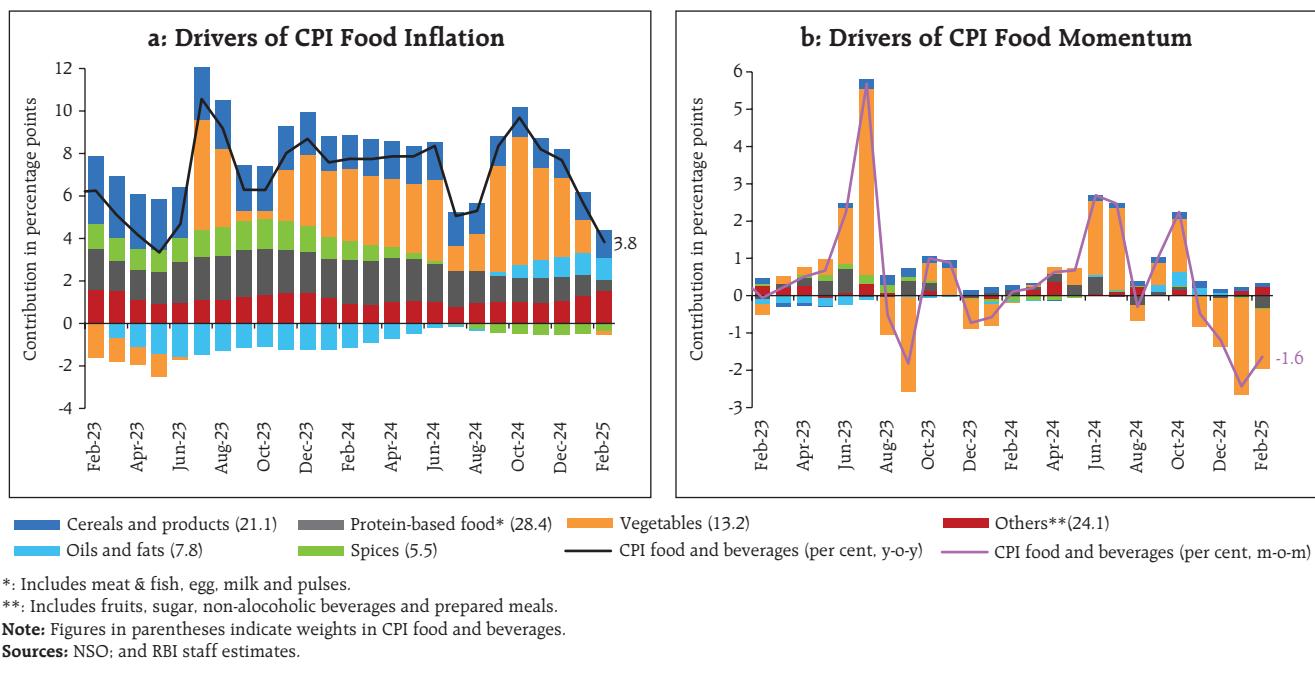


CPI Food Group

Food and beverages (weight of 45.9 per cent in the CPI basket) group exhibited high volatility in H2:2024-25 of 2024-25 so far. The month of September witnessed a resurgence of price pressures, which got further accentuated in October. Tight supply of vegetables caused by adverse weather conditions, along with price pressures in oils and fats due to increased import duties on crude and refined edible oils combined with rising international prices, led to the surge in food inflation. Vegetable prices corrected sharply from November onwards with fresh crop arrivals and seasonal winter easing, which, along

with easing of price pressures in pulses, led to a substantial softening of food inflation to 3.8 per cent by February 2025 (Chart II.8).

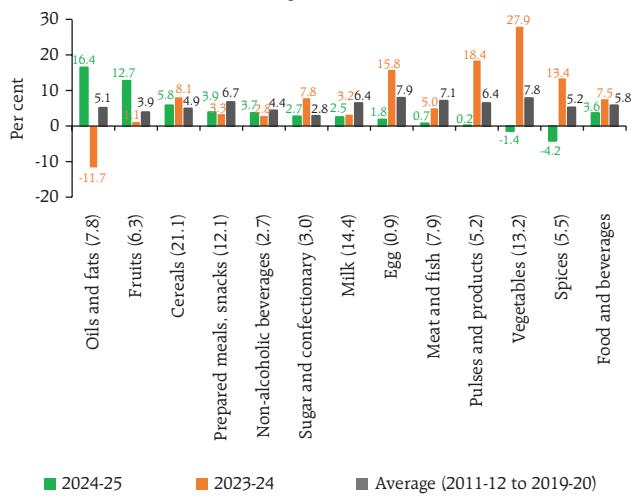
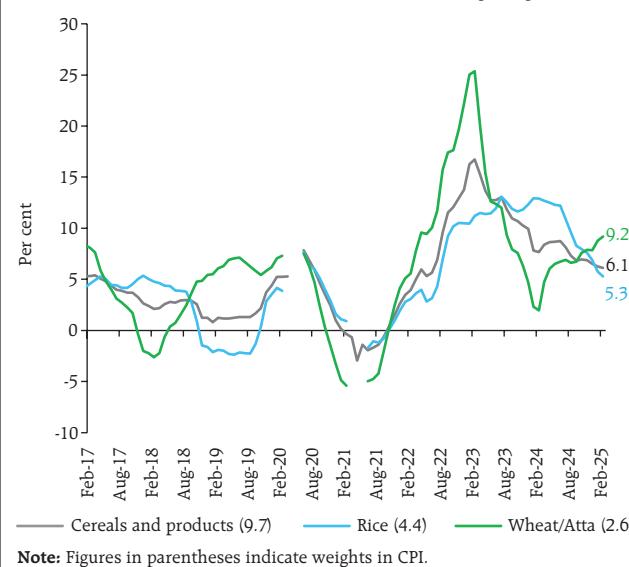
The food price build-up in 2024-25 so far (up to February) has been significantly lower than last year and the historical levels. The drivers of food price build-up this year, however, have changed since last year. While oils and fats, fruits, prepared meals and non-alcoholic beverages registered a higher price build-up, those in pulses, cereals, sugar and eggs were noticeably lower than last year. In contrast to last year, spices and vegetable prices, on average, registered a substantial decline, although vegetables

Chart II.8: CPI Food Inflation

witnessed large intra-year price volatility. A softer price build-up was also observed in meat and fish, and milk (Chart II.9).

Cereals inflation (weight of 9.7 per cent in the CPI and 21.1 per cent in the food and beverages group) remained elevated, though it moderated

from 6.9 per cent in October 2024 to 6.1 per cent in February 2025 (Chart II.10). This softening primarily came from rice due to improved supply conditions as reflected in higher production (6.7 per cent as per the second advance estimate (AE) 2024-25 over 2023-24) and higher *mandi* arrivals compared to the previous year, despite easing of export restrictions

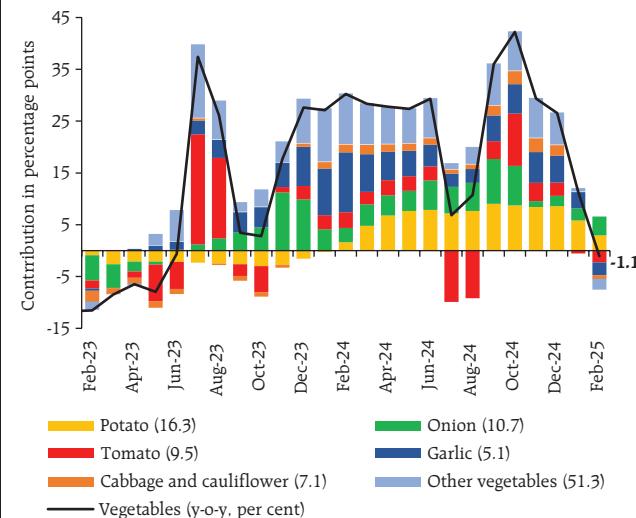
Chart II.9: Financial Year Price Build-up (February over March)**Chart II.10: Cereals Inflation (y-o-y)**

during September-October 2024. The comfortable buffer stocks of rice (8.7 times the norm as on March 16, 2025), along with the direct sale of rice to state governments, other government agencies, and continued retail sales, have aided in easing supply conditions and containing price pressures. Wheat inflation, on the other hand, hardened from 6.7 per cent in September 2024 to 9.2 per cent in February 2025 on tight supply conditions as reflected in lower *mandi* arrivals and low buffer stocks (0.9 times the norm as on March 16, 2025). In order to contain price pressures, supply management measures were implemented by the government, including the sale of 2.5 million tonnes of wheat through e-auctions under the Open Market Sale Scheme (OMSS) till March 2025 at a fixed reserve price, downward revision of the existing stock limit in December 2024 and further in February 2025, and continued restrictions on wheat exports. Second AE of 2024-25 agricultural production shows improved *rabi* wheat production (1.9 per cent increase over 2023-24).

Vegetables (weight of 6.0 per cent in the CPI and 13.2 per cent in the food and beverages group) inflation reached a peak at 42.2 per cent in October 2024, induced by multiple and overlapping weather shocks, marking another year of volatile and elevated inflation. Thereafter, vegetables inflation declined sharply to (-)1.1 per cent by February 2025, aided by an unusually strong winter price correction during November 2024-February 2025 on account of robust production and fresh market arrivals (Chart II.11).

Among key vegetables, potato prices increased (on y-o-y basis) by an average of around 66.2 per cent during September-December 2024 on account of lower production in 2023-24 [(-)5.0 per cent over 2022-23]. The steep price build-up due to lower production last year, however, was corrected subsequently in January-February 2025, with increased production for 2024-25 (4.4 per cent as per the first AE 2024-25 over 2023-24) and higher market arrivals. Onion price increases also moderated sharply on a y-o-y basis— to 30.4 per cent

Chart II.11: Drivers of Vegetables Inflation (y-o-y)

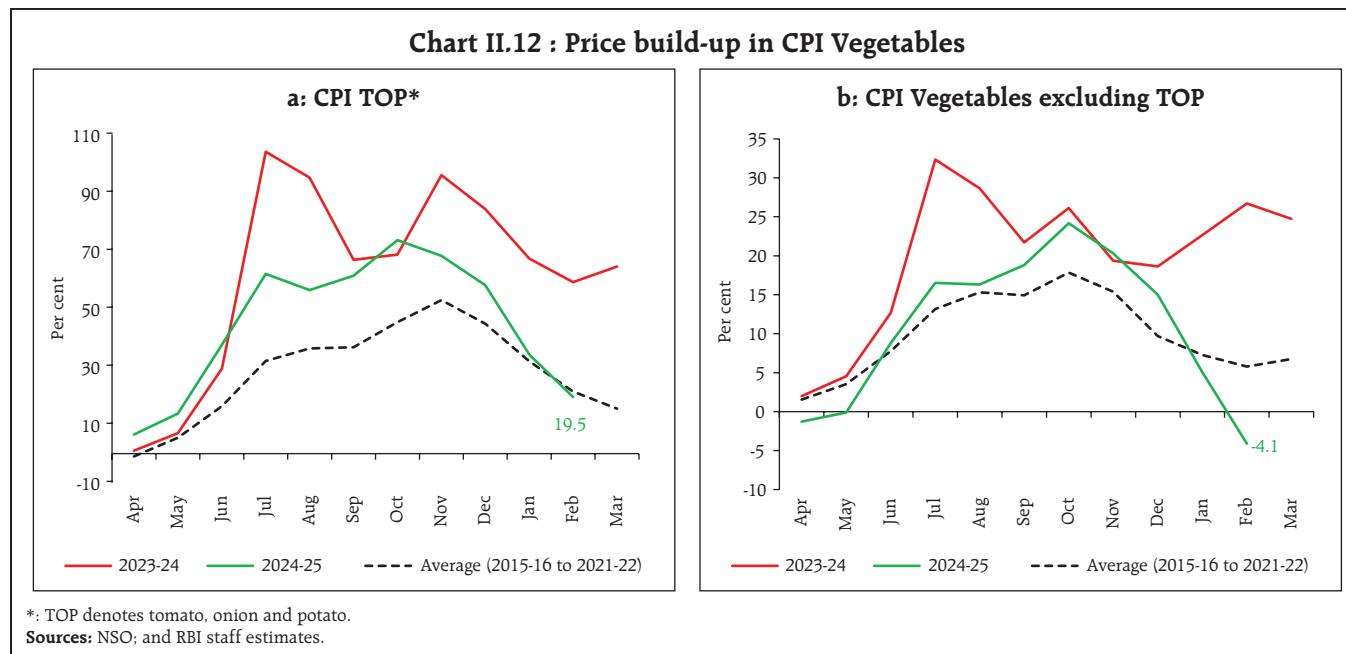


Note: Figures in parentheses indicate items' weights in CPI-vegetables.

Sources: NSO; and RBI staff estimates.

in February 2025 from 66.1 per cent in September 2024 – due to higher production (18.9 per cent as per the first AE 2024-25 over 2023-24) and increased late *kharif* arrivals even as export restrictions were relaxed. To contain price pressures, the government released onions from its buffer stocks through open market sales at a subsidised rate of ₹35 per kg across major consumption centres in September 2024. Furthermore, a special train, *Kanda Express*, was initiated in October 2024 for faster distribution from surplus to deficit states. Tomato prices, after increasing sharply by 161 per cent on a y-o-y basis in October 2024 from a deflation of (-)47.9 per cent in August 2024 on the back of lower *mandi* arrivals in southern states induced by unseasonal rainfall, corrected sharply recording a deflation of (-)28.5 per cent in February 2025 with improved supply.

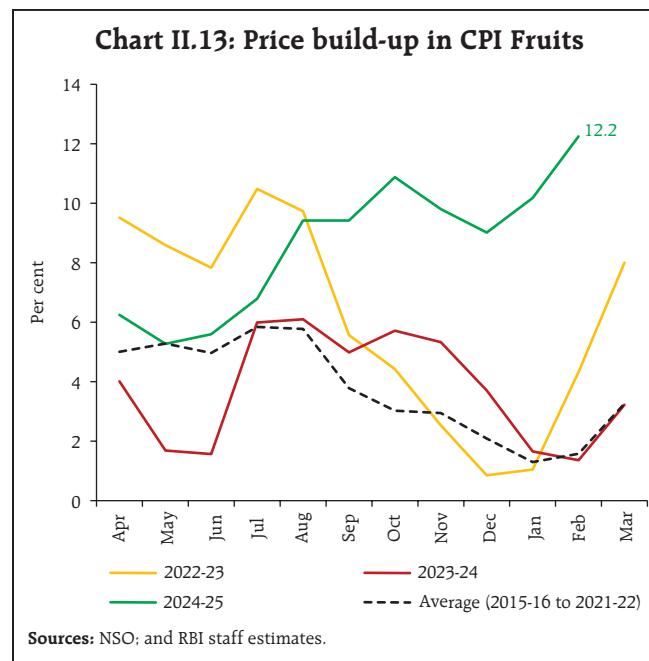
Within vegetables excluding TOP (tomato, onion, and potato), garlic experienced persistently elevated inflation, averaging around 75 per cent during September-December 2024 due to modest production growth in 2023-24 (2.3 per cent over 2022-23, following a decline of (-)8.1 per cent in 2022-23 over 2021-22). Inflationary pressures in non-TOP vegetables, thereafter, eased by February 2025, led



by a sharp moderation in garlic prices on the back of improved production (3.2 per cent growth as per the first AE 2024-25 over 2023-24). Consequently, the price build-up in both TOP and non-TOP categories remained higher than the historical pattern until December 2024. Thereafter, a sharp broad-based correction in vegetable prices resulted in a marked fall in the price build-up across TOP and non-TOP categories (Chart II.12).

Inflation in fruits (weight of 2.9 per cent in the CPI and 6.3 per cent within the food and beverages group) remained elevated since August 2024. In February 2025, it surged to 14.8 per cent, the highest print since October 2014, driven by a pick-up in price pressures, compounded by an unfavourable base effect. The price build-up in fruits this year has been substantially higher than last year and its historical trend (Chart II.13). The price pressures were primarily driven by coconut on the back of tight supply conditions attributed to lower production across major coconut-growing states, coupled with high festive demand. Since December 2024, apple prices have also hardened, reflecting declining

imports towards the end of the apple marketing season in India. After moderating during September-December 2024, banana inflation increased sharply in February 2025, largely reflecting an unfavourable base effect. Groundnut prices, however, remained in deflation since August 2024 on account of higher kharif production (20.4 per cent as per the second AE 2024-25 over 2023-24).



Pulses, the primary source of plant-based protein (weight of 2.4 per cent in the CPI and 5.2 per cent in the food and beverages group), which registered double digit inflation during April-August 2024, witnessed sustained softening thereafter to (-)0.3 per cent in February 2025 on higher production (2.8 per cent for *tur* and 28 per cent for *moong* as per the second AE 2024-25 over 2023-24) and robust imports. Inflation in *gram*, however, remained elevated despite improved *rabi* production [4.5 per cent in 2024-25 as per the second AE over 2023-24 following (-)10.0 per cent in 2023-24 over 2022-23]. On the whole, the price build-up in pulses remained lower during April 2024–February 2025 as compared to the previous year, reflecting government interventions towards easing supply conditions through the retail sale of subsidised *chana*, *moong* and *masur* dals under the brand name *Bharat dal* and the extension of free import of yellow peas in stages till May 31, 2025, and *tur* till March 31, 2026 (Chart II.14). Relatedly, the stock-to-use ratio of 6.3 during September 2024–March 2025, in contrast to 5.9 over the same period in 2023-24, is indicative of improving supply conditions of pulses (Chart II.15).

Prices of animal-based protein items increased marginally during H2:2024-25, driven by milk and products, and eggs. On a y-o-y basis, price inflation in meat and fish (weight of 3.6 per cent in CPI and 7.9 per cent in CPI food and beverages group) increased sequentially to an average of 5.3 per cent during December 2024–January 2025 before moderating to 2.1 per cent in February 2025 on account of reduced demand for chicken due to bird flu in some states. Eggs (weight of 0.4 per cent in CPI and 0.9 per cent in the CPI food and beverages group) exhibited elevated and volatile price movements, from an average of 6.5 per cent during April-September 2024 to 4.8 per cent in November 2024 before increasing to 6.9 per cent in December on account of strong winter demand and increased feed costs. In January–February 2025, egg inflation moderated on account of a sharp correction in prices due to a mild winter and bird flu concerns that reduced demand, coupled with a favourable base effect. Inflation in milk and products (weight of 6.6 per cent in the CPI and 14.4 per cent within the food and beverages group) remained subdued at around 2.9 per cent during September 2024–February 2025 on account of lower input costs (Chart II.16).

**Chart II.14: CPI Pulses and Products
(Cumulative Financial Year Price Build-up)**

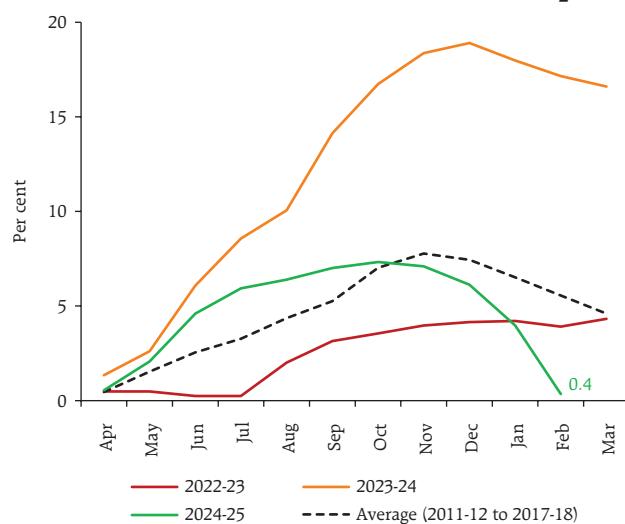
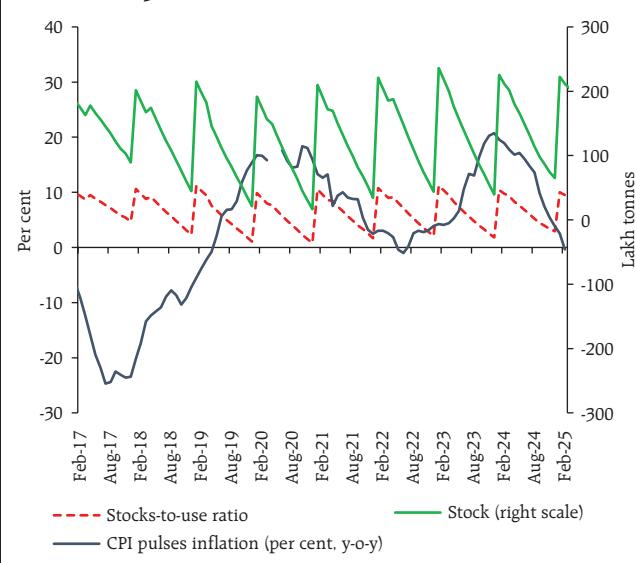
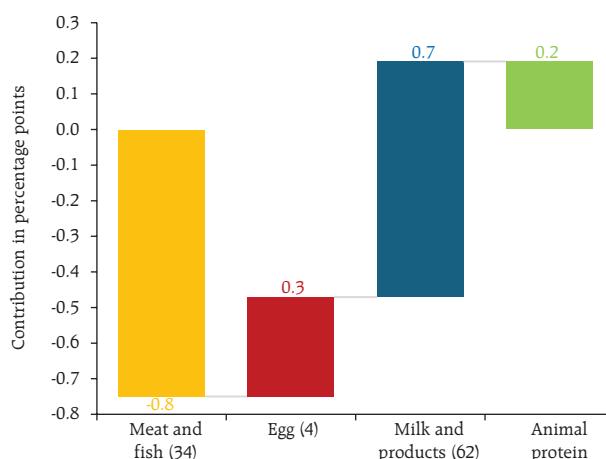


Chart II.15: Pulses Inflation and Stock-Use Ratio



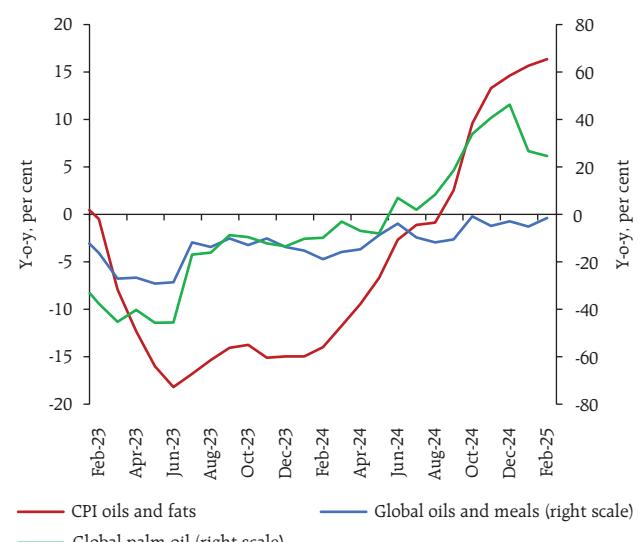
**Chart II.16: Drivers of Animal Protein Inflation
(H2:2024-25 over H2:2023-24)**



Note: Figures in parentheses indicate weights in CPI-animal protein group.
H2:2024-25 refers to October 2024–February 2025.

Sources: NSO; and RBI staff estimates.

Chart II.17: Edible Oil Prices: Domestic and Global



Sources: World Bank Pink Sheet; NSO; and RBI staff estimates.

After recording 19 consecutive months of deflation, oils and fats (weight of 3.6 per cent in the CPI and 7.8 per cent within the food and beverages group) price inflation increased from 2.5 per cent in September 2024 to 16.4 per cent by February 2025. The sharp pick-up in edible oil prices was triggered by a hike in basic customs duty on crude and refined edible oils by 20 percentage points in September 2024, along with an uptick in international edible oil prices. On a month-on-month basis, however, the rate of price increases has softened since November 2024, reflecting improved supply conditions on account of higher domestic production of oilseeds (8.4 per cent as per the second AE 2024-25 over 2023-24) and easing of global edible oil prices (Chart II.17). Within the oils and fats sub-group, *ghee* and *butter* price inflation remained broadly moderate, indicative of the transmission of lower milk inflation.

Sugar and confectionery (weight of 1.4 per cent in the CPI and 3.0 per cent in the food and beverages group) inflation moderated in 2024-25 so far on the back of higher stocks and fresh arrivals during the

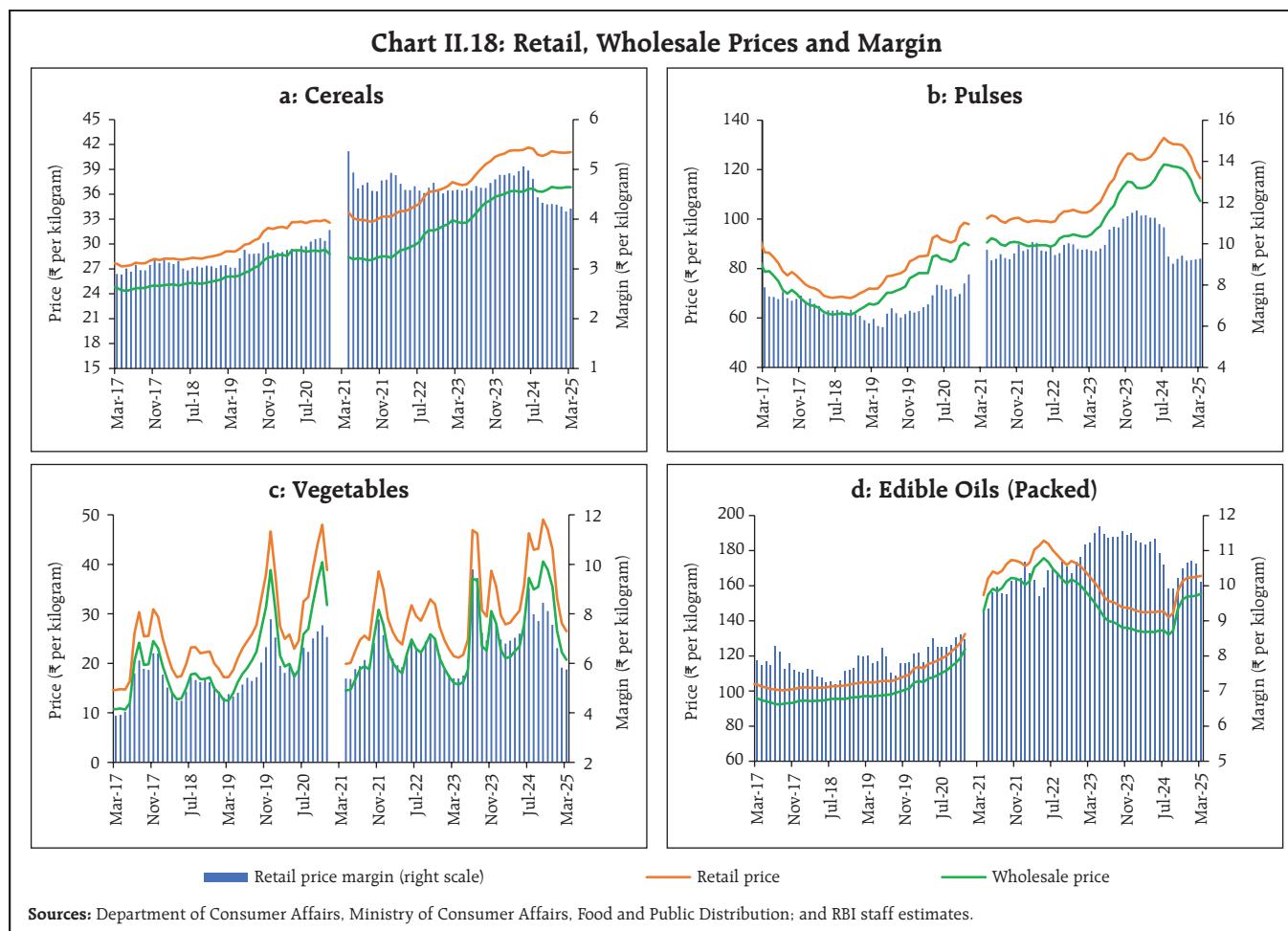
cane crushing season. However, lower estimated *kharif* production [(-)4.0 per cent as per the second AE 2024-25 over 2023-24] and partial removal of export restrictions, along with removal of restrictions on sugar diversion for ethanol production in August 2024, pose upward risks to sugar prices.

Among other food items, deflation in spices deepened from (-)1.4 per cent in July 2024 to an average of (-)7.4 per cent during November and December 2024, primarily driven by *jeera* and *dry chillies*, before narrowing to (-)5.8 per cent in February 2025. Inflation in prices of prepared meals has witnessed a sequential pick-up in H2 so far, though it remains contained.

Retail Margins

The absolute retail price margins, defined as the difference between retail and wholesale prices¹² in the case of cereals, remained steady during October 2024-January 2025 before witnessing a marginal deceleration in February-March 2025, reaching ₹4.2 per kg, the lowest since December 2020. Retail price margins of pulses edged up during October-

¹² Item-level retail and wholesale prices are aggregated at respective subgroups using item-level CPI weights. Data for January-March 2021 have been excluded due to the changes in price collection mechanism and item varieties by DoCA.



November 2024 but thereafter declined, hovering around ₹9.2 per kg till February 2025 before a marginal uptick to ₹9.3 per kg in March 2025. The retail price margins of edible oils witnessed a gradual uptick during October 2024–February 2025 due to firming up in the margins of all edible oils – soybean, sunflower, mustard, and refined oils. Thereafter, retail margins declined to ₹10.1 per kg in March 2025, with moderation in retail and wholesale prices of edible oils. In case of TOP vegetables, retail price margins registered a sequential decline since October 2024 and reached ₹5.7 per kg in March 2025, primarily driven by tomato and potato (Chart II.18).

Sectoral and Spatial Distribution of Food Inflation

The CPI food inflation pressures eased across both rural and urban areas since November 2024 with

urban food inflation decreasing more than rural food inflation (Chart II.19).

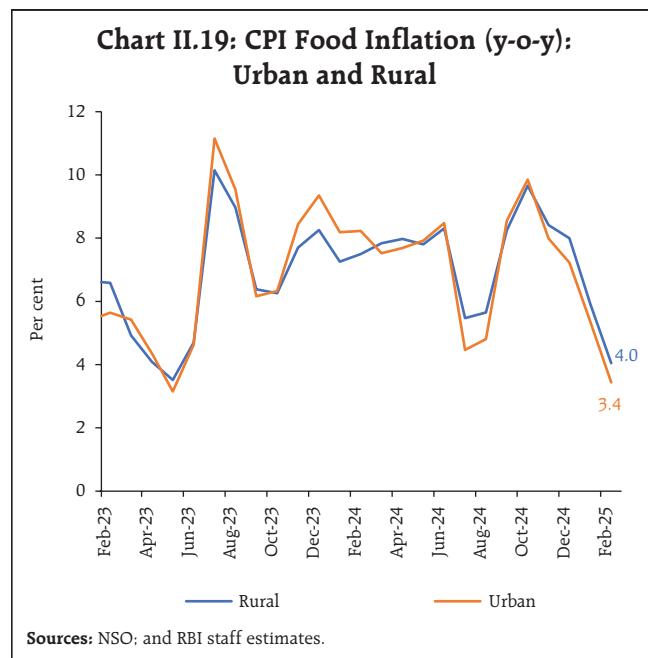


Table II.1: Distribution of food inflation across States/UTs: Number of states[#]

Food Inflation Range	2023-24 (Apr-Feb)	2024-25 (Apr-Feb)
Less than 2 per cent	1	1
Between 2 to 4 per cent	4	0
Between 4 to 6 per cent	11	12
Greater than 6 per cent	20	23

[#]Accounted for the unification of Daman and Diu with Dadra & Nagar Haveli and the formation of Ladakh as a Union Territory (UT).

Sources: NSO; and RBI staff estimates.

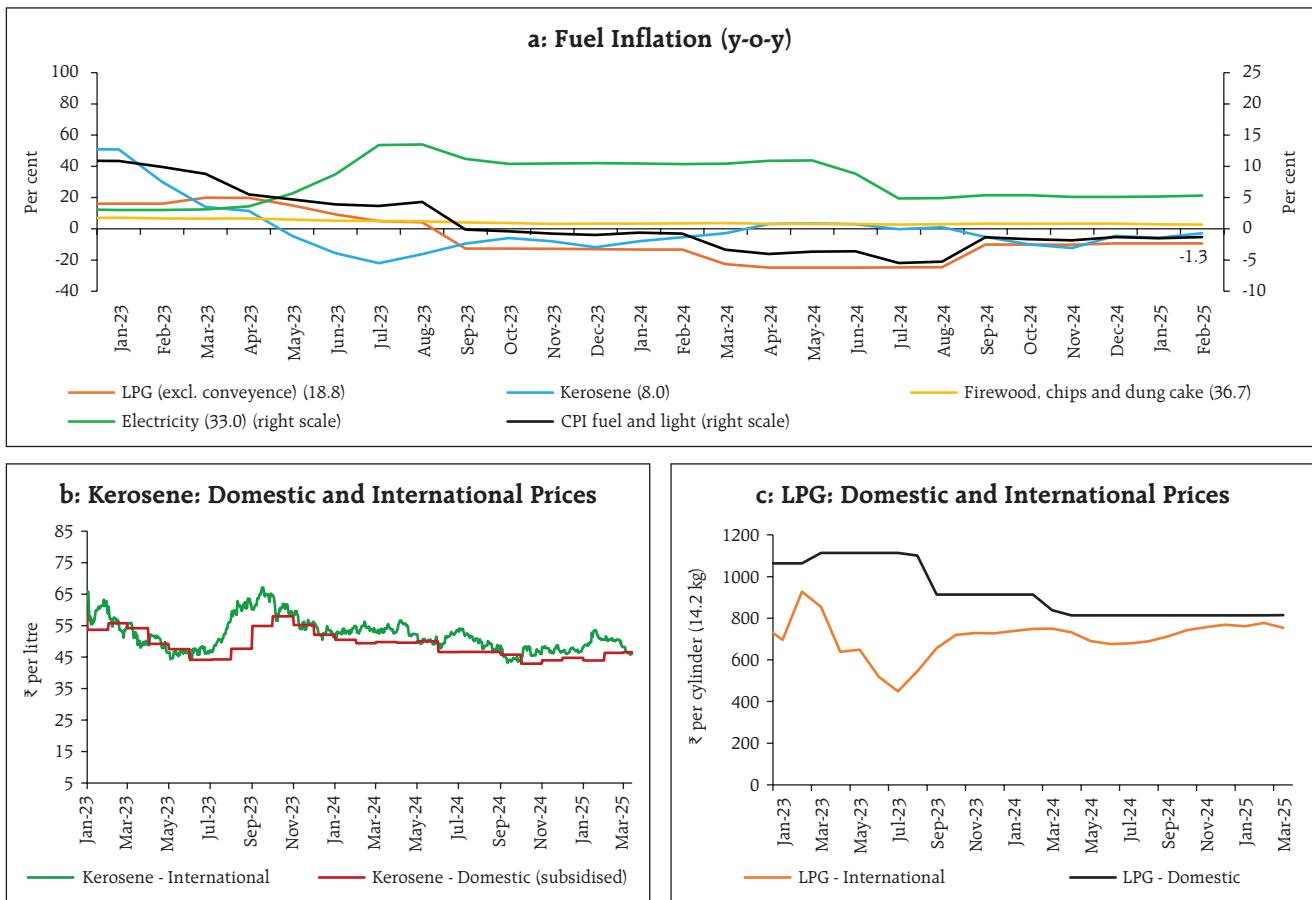
Food inflation pressures during April 2024–February 2025 seem to have strengthened spatially, with the number of states/UTs experiencing food inflation above 6.0 per cent on an average rising to 23 vis-à-vis

20 in the corresponding period a year ago. Sequentially, however, there has been a considerable softening in food inflation pressures across states, with the number of states experiencing food inflation in excess of 6.0 per cent reducing significantly – from a peak of 32 states in November 2024 to 05 states in February 2025 (Table II.1).

CPI Fuel Group

CPI fuel remained in deflation in H2:2024-25 so far, although the deflation moderated sharply from (-)5.3 per cent in August 2024 to an average of (-)1.5 per cent during September 2024–February 2025. Softer deflation in LPG due to unfavourable base

Chart II.20: CPI Fuel Group Inflation



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).

4. Figures in parentheses indicate item's weights in CPI-fuel group.

Sources: NSO; Bloomberg; IOCL; and RBI staff estimates.

effects, and that of kerosene due to a sharp pickup in price momentum in December, along with a pickup in firewood and chips prices on a y-o-y basis, led to the narrowing of deflation in CPI fuel in H2. The movement of domestic kerosene prices largely mirrored international price movements. Domestic retail prices of LPG, however, remained unchanged during H2, despite a pick-up in international prices, contributing to its continuing deflation. Electricity prices, on a y-o-y basis, moved in a range-bound manner – rising to 5.4 per cent in September-October from 4.9 per cent in August – before edging down to 5.3 per cent in February 2025 (Chart II.20).

Core CPI (CPI excluding Food and Fuel)

Core inflation (CPI excluding food and fuel) edged up from a low of 3.3 per cent in August 2024 to 3.8 per cent in October and remained steady around 3.6-3.7 per cent during November 2024-January 2025. In February 2025, core inflation picked-up to 4.1 per cent – the highest print in 15 months – driven primarily by a sharp increase in gold prices. Exclusion-based measures of underlying inflation, which remove volatile items such as petrol and diesel, gold and silver in addition to food and fuel, also remained muted till January before witnessing a notable uptick in February, though of a lower magnitude (Table II.2).

Exclusion-based CPI threshold DIs during September 2024-February 2025 point to the continuation of muted price pressures across the core CPI basket. CPI excluding food, fuel, petrol, diesel, gold and silver DI for price increases of greater than 4 per cent (m-o-m saar) remained in the contraction zone throughout H2, indicating that a majority of items exhibited price increases at a m-o-m saar of less than 4 per cent. The DI for price increases of greater than 6 per cent (m-o-m saar) also remained deep in the contractionary zone during September 2024-February 2025, indicating that most of the items in CPI core exhibited price increases below the 6 per cent m-o-m saar threshold during this period (Chart II.21). Though still in contraction zone, the month of February saw a notable uptick in threshold DIs.

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

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)
Jan-24	3.5	3.7	3.4
Feb-24	3.4	3.5	3.3
Mar-24	3.3	3.4	3.2
Apr-24	3.2	3.4	3.0
May-24	3.1	3.3	2.8
Jun-24	3.1	3.3	2.8
Jul-24	3.4	3.6	3.1
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

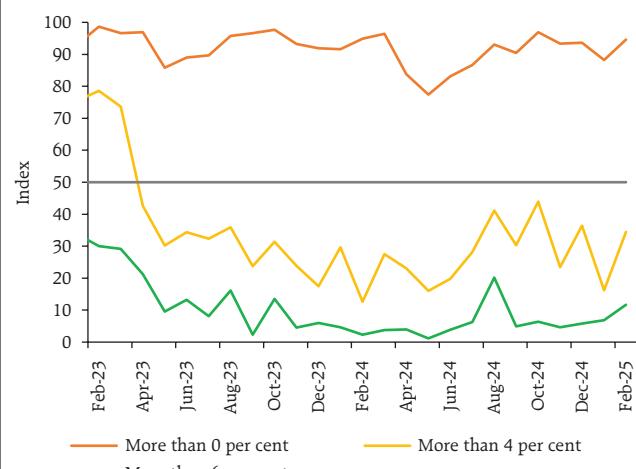
Notes: 1. Figures in parentheses indicate weights in CPI.

2. Derived as residual from headline CPI.

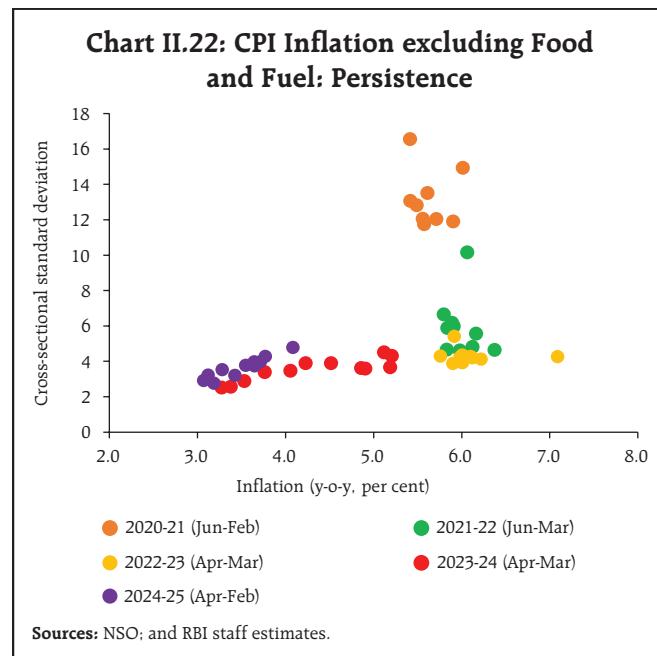
Sources: NSO; and RBI staff estimates.

Core inflation across April 2024–February 2025 exhibited some signs of higher inflation variability when compared to the previous year, but the level of inflation and its variability were much lower than other post-COVID years (Chart II.22). Core inflation pressures in 2024-25 so far, on an average, were muted and broad-based, covering both core goods and

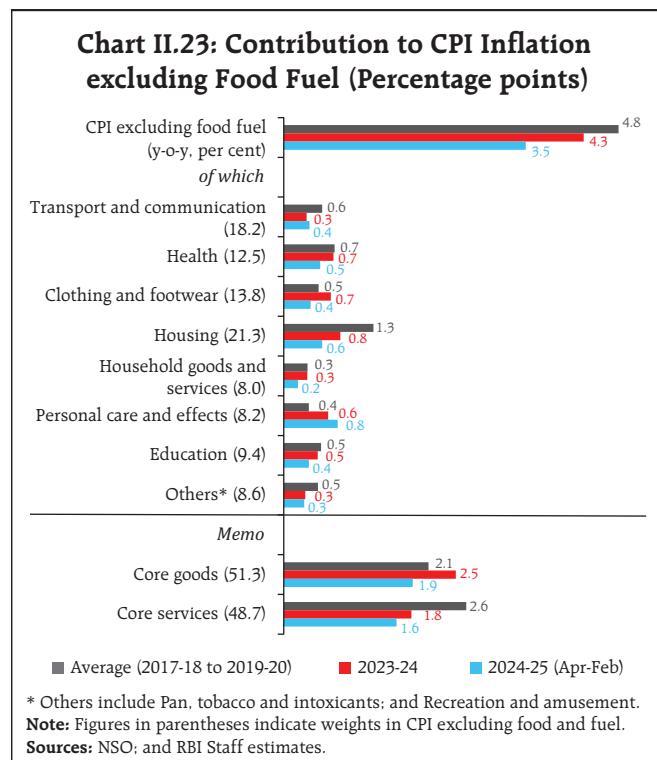
Chart II.21: CPI excluding Food, Fuel, Petrol, Diesel, Gold and Silver: Diffusion Indices by Thresholds (m-o-m seasonally adjusted)



Sources: NSO; and RBI staff estimates.

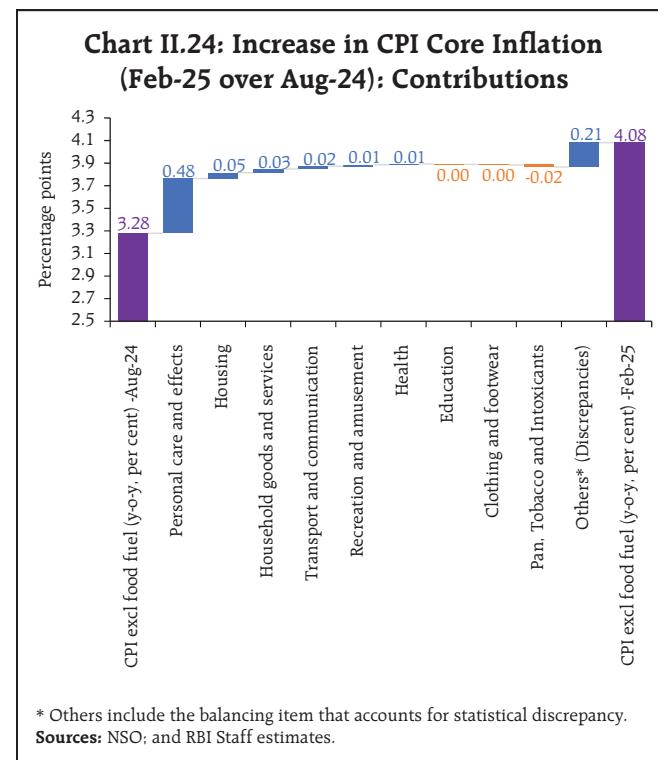


services categories. Contribution of all sub-groups/groups (barring transport and communication, and personal care and effects) were lower compared to previous years and pre-COVID patterns (Chart II.23).

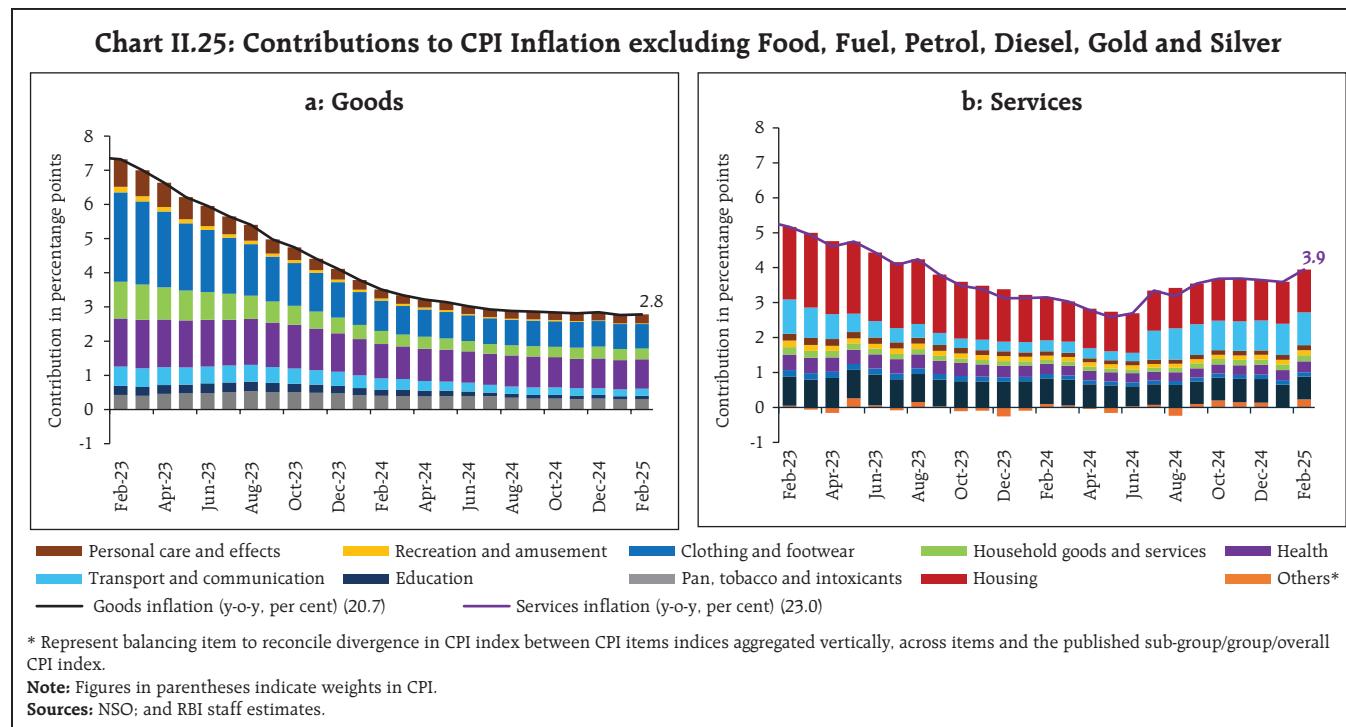


The pick-up in core inflation between August 2024 and February 2025 was largely contributed by the personal care and effects sub-group reflecting the spike in gold and silver prices. Notably, a significant portion of the increase also stemmed from the balancing item that accounts for statistical discrepancy¹³. Adjusted for the pick-up in gold and silver prices, and statistical discrepancies, the increase in core inflation has been low, with the modest contribution of housing, household goods and services, transport and communication, recreation and amusement, and health, somewhat offset by the decline in contribution of education, pan, tobacco and intoxicants and clothing and footwear to overall core inflation (Chart II.24).

Goods inflation arrived at by decomposing CPI excluding food, fuel, petrol, diesel, gold, and silver inflation into its goods (with a weight of 20.7 per cent in the headline CPI) and services (weight of 23.0 per cent) components, remained broadly steady in H2 so



¹³ Due to divergence in CPI core computed as a residual from CPI headline net of CPI food and CPI fuel and those derived from an aggregation of CPI core sub-group indices. For further discussions on it see: Das and George (2023), 'The aggregation method matters', RBI Bulletin, March.



far (up to February 2025), *albeit* showing a marginal softening from 2.9 per cent in August-September 2024 to 2.8 per cent in October 2024, where it remained steady at that level till February 2025. The contribution of all sub-groups was also unchanged during this period (Chart II.25a). Core services inflation firmed up from 3.4 per cent in August 2024 to 3.7 per cent in February 2025. A significant part of the increase can be attributed to statistical aggregation effects¹⁴. Abstracting this, the pick-up in core services inflation was primarily driven by housing (house rent, residential building and land, water charges), health, household and transport and communication services (Chart II.25b).

Trimmed mean measures¹⁵ of inflation remained muted in H2. While there were variations across months, all trimmed mean measures of inflation gradually softened from October 2024 to February 2025 (Table II.3).

Other Measures of Inflation

CPI inflation for agricultural labourers (CPI-AL) and rural labourers (CPI-RL) registered sequential moderation since September 2024. Moreover, the gap

Table II.3: Trimmed Mean Measures of Inflation (y-o-y)

Month	5% trimmed	10% trimmed	25% trimmed	Weighted Median
Jan-24	4.7	4.5	3.9	3.7
Feb-24	4.6	4.4	3.7	3.6
Mar-24	4.7	4.4	3.6	3.3
Apr-24	4.6	4.2	3.5	3.0
May-24	4.5	4.2	3.4	2.9
Jun-24	4.3	3.9	3.4	2.9
Jul-24	3.8	3.7	3.3	3.0
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	3.2	2.9

Sources: NSO; and RBI staff estimates.

¹⁴ See footnote 13 for further details.

¹⁵ 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.

between CPI-AL (and RL) with respect to CPI headline inflation narrowed *vis-à-vis* last year on significant moderation in food inflation in both CPI-AL and RL. CPI inflation for industrial workers (CPI-IW), on the other hand, was below the headline CPI inflation during the same period, primarily due to lower food inflation and steeper fuel deflation in CPI-IW *vis-à-vis* headline CPI. Wholesale price index (WPI) inflation, year-on-year, accelerated to 2.8 per cent in October 2024, with food inflation touching a record peak of 12.1 per cent in more than a decade. Thereafter, following the moderation in food inflation, WPI inflation softened to 2.2 per cent in November. After registering an uptick to 2.6 per cent in December, WPI inflation has since then moderated and remained within a narrow range of 2.3 to 2.4 per cent during January–February 2025, as the softening in food inflation was offset by a pick-up in non-food manufactured products inflation and a narrowing of deflation in the fuel group. With overall WPI recording a pick-up during Q3:2024-25, inflation measured by deflators for gross value added (GVA) and

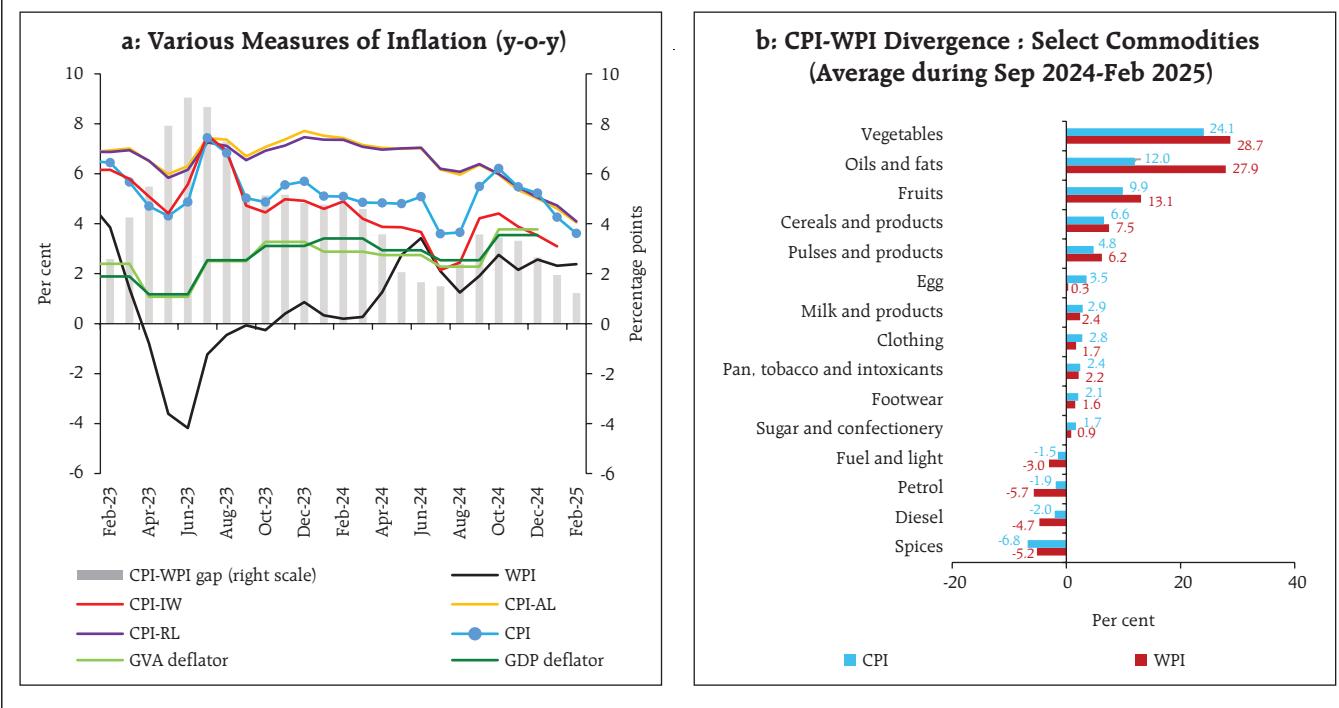
gross domestic product (GDP) picked up. GDP deflator rose to 3.5 per cent in Q3 from 2.5 per cent in Q2 and GVA deflator rose to 3.8 per cent in Q3 from 2.3 per cent in Q2 (Chart II.26a).

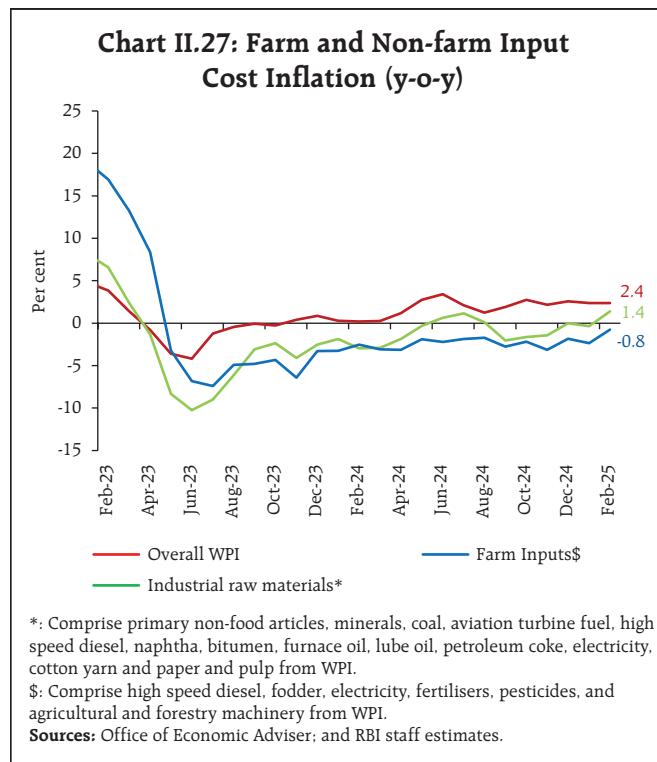
Similar sub-groups/items across CPI and WPI also exhibited diverse inflation movements. While WPI inflation in food sub-groups such as cereals, pulses, fruits, oils and fats, and vegetables ruled above corresponding CPI groups/subgroups, those in sugar, milk and egg prices were higher in the CPI than in the WPI. Similarly, inflation in clothing, and pan, tobacco and intoxicants was higher in the CPI measure *vis-à-vis* the WPI. On the other hand, fuel and light recorded a deflation in both CPI and WPI, with CPI showing a lower rate of decline. Likewise, petrol and diesel recorded a lower rate of deflation in the CPI *vis-à-vis* WPI (Chart II.26b).

II.3 Costs

Costs, as measured by WPI inflation in industrial raw materials and farm inputs, stayed largely in

Chart II.26: Alternative Measures of Inflation

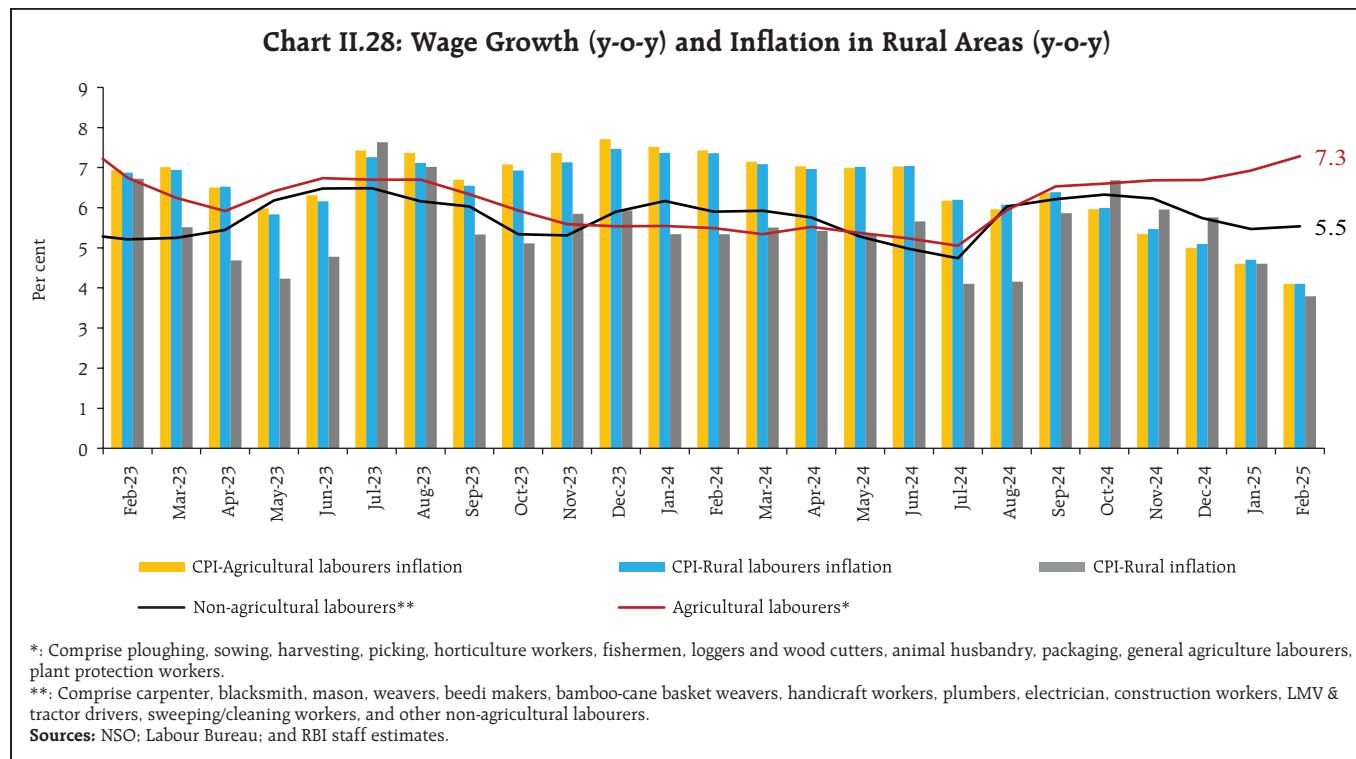


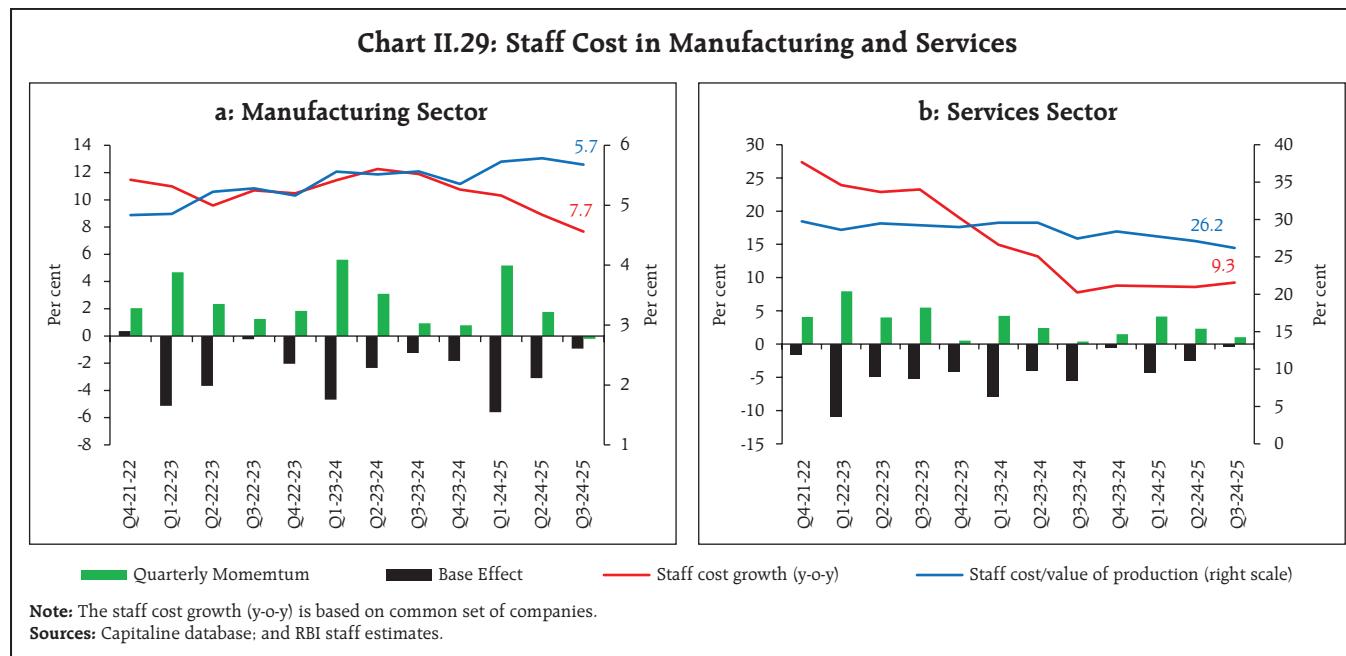


deflation since September 2024, primarily on account of electricity, fodder, aviation turbine fuel (ATF), high-speed diesel (HSD), and pesticides driven by easing international commodity prices (Chart II.27). The

other contributory factors were non-food articles – particularly raw cotton and oilseeds – whose prices were mostly in deflation during this period. Mineral oils also remained in deflation, driven majorly by HSD, ATF, kerosene and petrol. In February 2025, however, industrial input costs increased and deflation in farm input costs decelerated with an increase in prices of furnace oil, naphtha, and paper and pulp products in the industrial sector and higher fodder and machinery costs in the agricultural sector. Minerals inflation, on the other hand, remained positive in H2:2045-25, primarily led by iron ore due to an increase in global iron ore prices on the back of higher Chinese demand and lower supply.

Nominal rural wage growth averaged 6.3 per cent during October 2024–February 2025. While agricultural sector wages saw a sequential pick-up during this period, non-agricultural sector wage growth showed a deceleration (Chart II.28). Agricultural wage growth was mainly driven by horticulture workers, inland fishermen, picking workers, and ploughing and tilling





workers; while that of non-agricultural wages was on account of plumbers, electricians, and LMV and tractor drivers in the rural sector.

In the organised sector, staff cost growth (y-o-y) decelerated for manufacturing and services sectors in Q3:2024-25 as compared to the previous quarter, driven by a decline in momentum of staff costs in both sectors assisted by favourable base effects (Chart II.29).

On the assessment and outlook of cost conditions, manufacturing firms polled in the Reserve Bank's enterprise surveys¹⁶ indicate that input cost pressures may soften in Q1:2025-26 but pressures from salary outgo are expected to accelerate. Manufacturing firms also anticipate growth of selling prices to decelerate in Q1 in tandem with lower input costs whereas for services firms, the input and wage cost pressures as well as selling prices are likely to pick up during Q1:2025-26. Infrastructure firms, on the other hand, expect input cost and wage cost pressures to rise

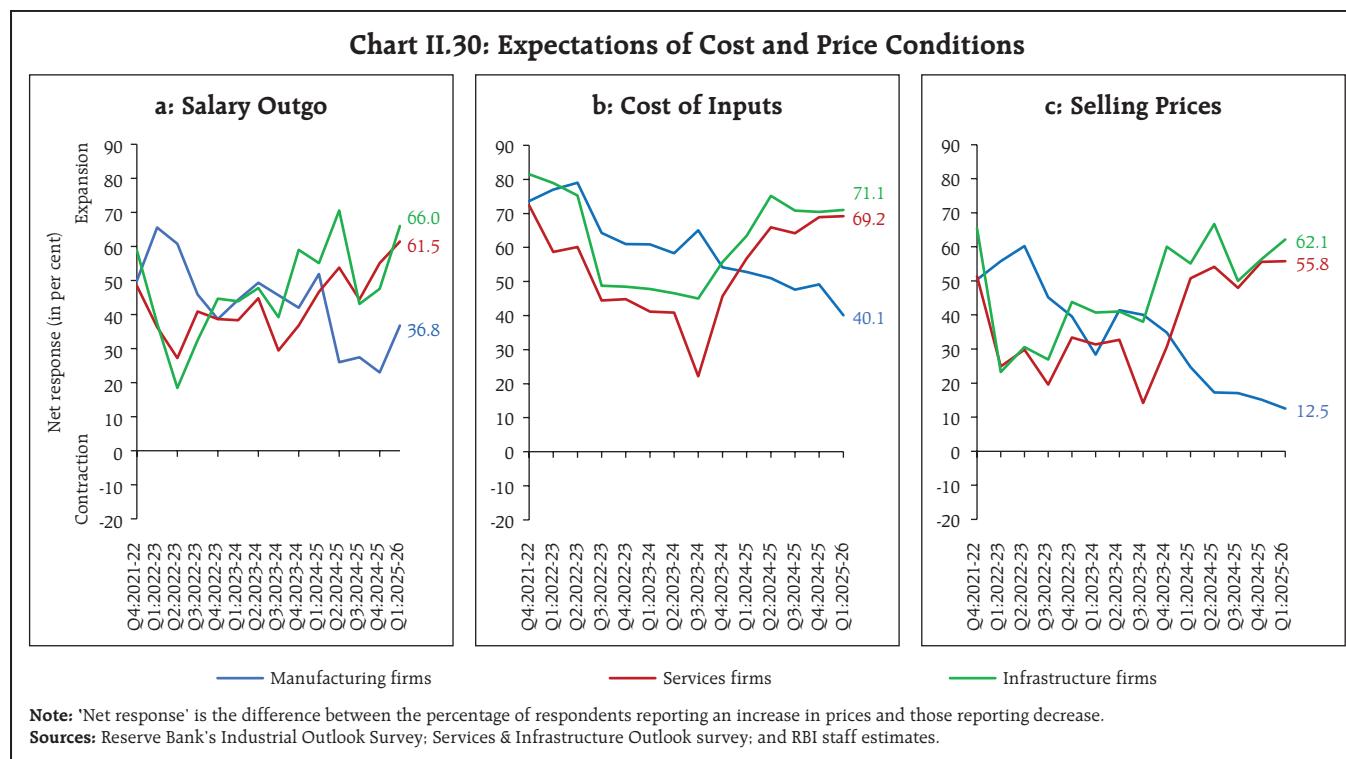
further along with higher growth in selling prices in Q1:2025-26 (Chart II.30).

One year ahead business inflation expectations¹⁷, after firming up to 4.79 per cent in December 2024 from 4.18 per cent in November, corrected sharply to 4.24 per cent in January 2025 and softened further to 4.06 per cent in February 2025. The businesses polled in the survey perceived marginal softening in cost pressures. However, subdued sales figures resulted in muted expectations for profit margins compared to the previous round.

Manufacturing firms polled for the purchasing managers' index (PMI) reported an uptick in input prices in Mar-25 after three months of consecutive deceleration. Manufacturing sector saw a slowdown in the rate of increase in output prices, during December 2024 to March 2025, though it continued to grow at a faster pace as compared to input costs. On the other hand, PMI services sector continued to report relatively sticky input prices in March 2025.

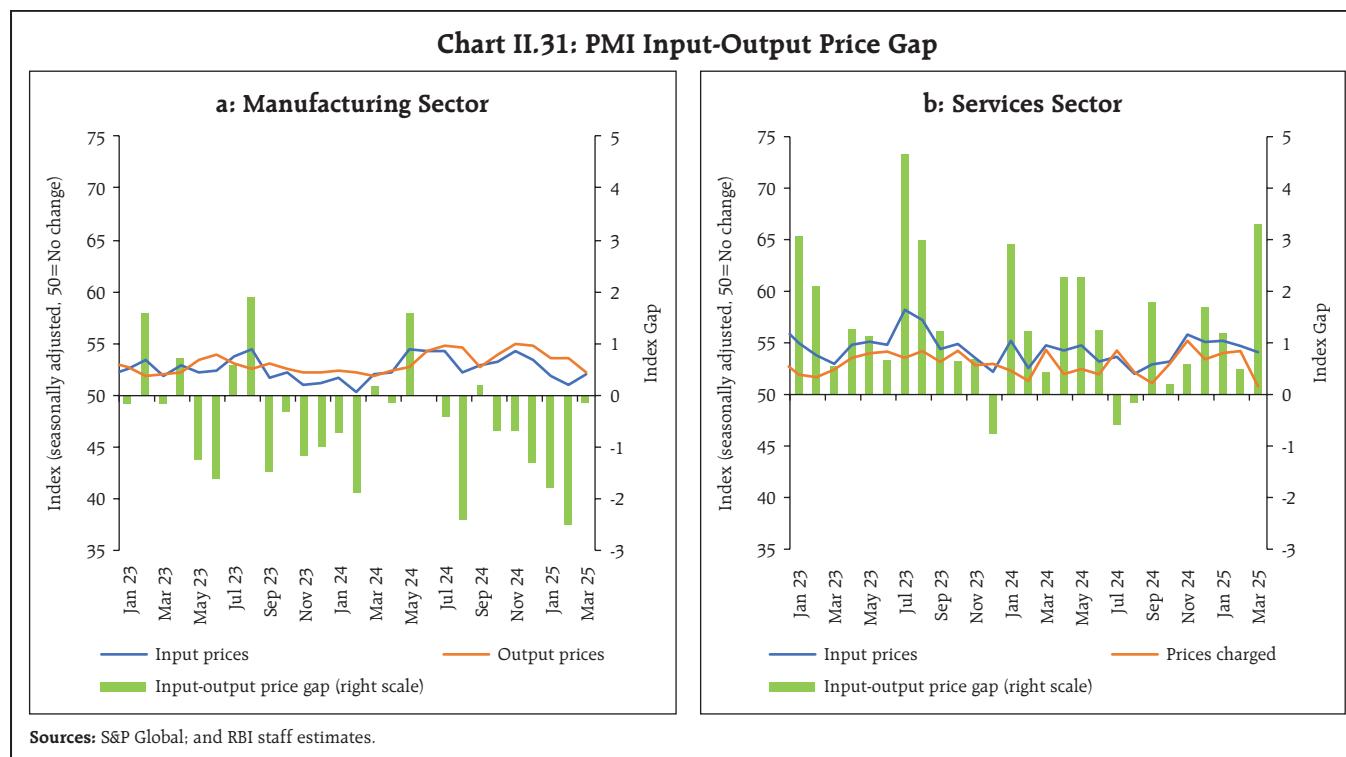
¹⁶ Industrial Outlook Survey; and Services and Infrastructure Outlook Survey.

¹⁷ Based on the monthly Business Inflation Expectations Survey (BIES) of the Indian Institute of Management, Ahmedabad. The survey polls a panel of business leaders primarily from the manufacturing sector about their inflation expectations in the short and medium term.



The input-output price gap for the manufacturing sector indicates no pent-up pass-through with output price increase remaining sticky since October 2024,

while the increase in prices charged by the services sector remained softer *vis-à-vis* that of input prices from September 2024 (Chart II.31).



II.4 Conclusion

CPI headline inflation exhibited significant volatility in H2:2024-25 due to food price shocks. Despite repetitive supply side shocks, pre-emptive monetary policy actions have helped to limit their second-round effects on underlying inflation trends and sustain the disinflation process. In this context, supply side measures have also played a role in mitigating the impact of sectoral price shocks on general inflation trends. The significant softening in CPI headline inflation in Q4:2024-25 so far, driven by the sharp correction in food inflation, is likely to sustain on robust agricultural production. In the absence of further adverse weather events and negative spillovers from geopolitical and external

sector uncertainties, this could facilitate a durable alignment of headline inflation with the 4 per cent target and anchor inflation expectations effectively, thereby enhancing the credibility of monetary policy. The impact of the hike in trade tariffs by the US on domestic inflation outlook is uncertain at the moment. Following the tariff announcements, commodity prices, however, have seen sharp swings – while energy and metal prices plunged, gold prices experienced considerable volatility. Amidst large uncertainties surrounding the global economic outlook, the considerable progress achieved on the disinflation front has provided greater leeway to monetary policy in effectively managing the growth-inflation balance.

III. Demand and Output

Domestic economic activity recovered in H2:2024-25 from Q2:2024-25, with consumption demand acting as the main driver. Improved prospects for agriculture and rural economy, sustained buoyancy in services, government's efforts to spur demand, and healthy balance sheets of banks and corporates brighten the outlook. The recent tariff announcements by the US, on the other hand, is likely to adversely impact India's net external demand. Heightened trade policy uncertainties, geoeconomic fragmentations, geopolitical tensions, volatility in global financial markets and weather disturbances pose downside risks to the domestic growth outlook.

Domestic economic activity picked up in H2:2024-25 after slackening in Q2. Private consumption remained robust, driven by strong rural demand and improving urban demand, and government final consumption expenditure picked up in H2. Investment activity moderated *vis-a-vis* the highs of the previous years. Net external demand remained buoyant supported by resilient services exports. On the supply side, while agriculture posted a strong

growth and services remained resilient, industrial growth was muted, on the back of deceleration in manufacturing activity.

III.1 Aggregate Demand

Aggregate demand conditions recovered as real gross domestic product (GDP) growth improved to 6.2 per cent (y-o-y)¹ in Q3:2024-25 from 5.6 per cent in the previous quarter (Table III.1 and Chart III.1a). The momentum of GDP – quarter-on-quarter (q-o-q) seasonally adjusted annualised rate (SAAR) – also recorded improvement as compared to the previous quarter (Chart III.1b).

GDP Projections versus Actual Outcomes

The Monetary Policy Report (MPR) of October 2024 had projected real GDP growth at 7.0 per cent for Q2, and 7.4 per cent for both Q3 and Q4 of 2024-25. Actual growth in Q2 and Q3 turned out to be much lower (Chart III.2), mainly on account of moderation in investment on the back of lower government capital expenditure. Data for Q4 are scheduled to be released by the National Statistical Office (NSO) on May 30, 2025.

Table III.1: Real GDP Growth

(Y-o-y, per cent)

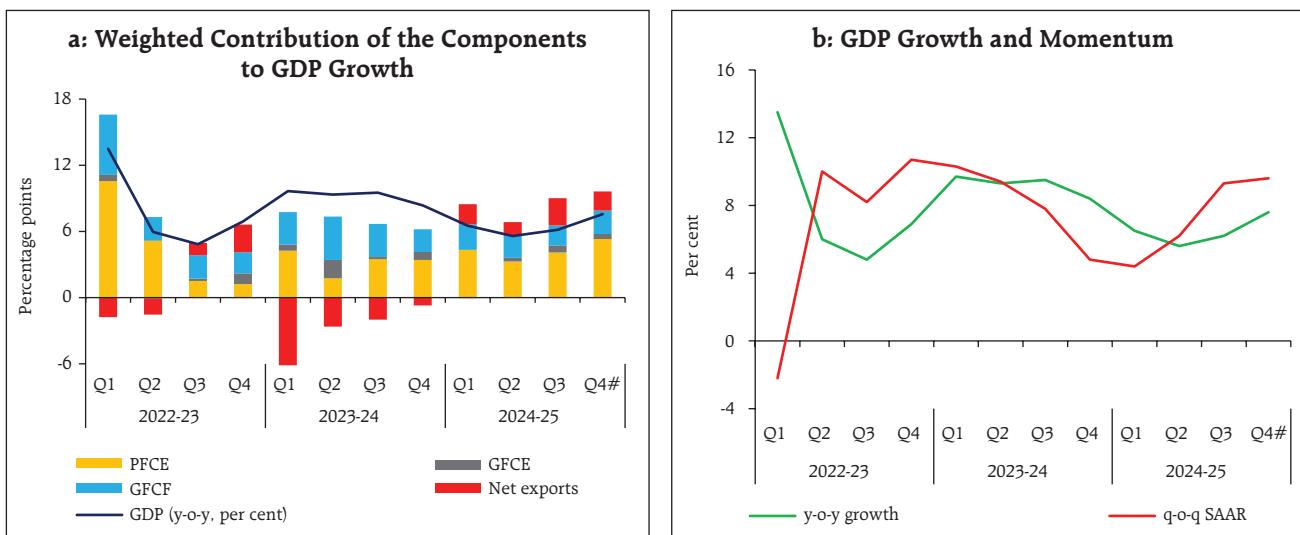
Item	2023-24	2024-25	Weighted Contribution*		2023-24				2024-25			
	(FRE)	(SAE)	2023-24	2024-25	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4#
Private Final Consumption Expenditure	5.6	7.6	3.2	4.3	7.4	3.0	5.7	6.2	7.7	5.9	6.9	9.9
Government Final Consumption Expenditure	8.1	3.8	0.8	0.4	5.3	20.1	2.3	6.6	-0.5	3.8	8.3	4.2
Gross Fixed Capital Formation	8.8	6.1	3.0	2.1	8.4	11.7	9.3	6.0	6.7	5.8	5.7	6.4
Exports	2.2	7.1	0.5	1.5	-7.0	4.6	3.0	7.7	8.1	2.5	10.4	7.6
Imports	13.8	-1.1	3.3	-0.3	18.0	14.3	11.3	11.4	-0.7	-2.5	-1.1	-0.1
GDP at market prices	9.2	6.5	9.2	6.5	9.7	9.3	9.5	8.4	6.5	5.6	6.2	7.6

Notes: *: Component-wise contributions to growth do not add up to GDP growth because changes in stocks, valuables and discrepancies are not included.

FRE: First revised estimates; SAE: Second advance estimates. #: Implicit

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

¹ Unless specified otherwise, all discussions on growth in this chapter are on a year-on-year (y-o-y) basis.

Chart III.1: GDP Growth and its Constituents

Notes: # Implicit; SAAR – Seasonally adjusted annualised rate.

Sources: NSO; and RBI staff estimates.

III.1.1 Private Final Consumption Expenditure

Private final consumption expenditure (PFCE) – the mainstay of aggregate demand – revived and recorded a growth of 6.9 per cent in Q3:2024-25, contributing 4.1 percentage points to overall GDP growth. Amongst the high frequency indicators (HFIs) of urban consumption, domestic air passenger traffic rose by a strong 11.4 per cent in Q3 and sustained its momentum in January-February 2025. Passenger

vehicle sales posted positive growth in H2 so far (October-February) after contracting in Q2. Consumer durables production expanded at a robust pace of 9.1 per cent in Q3 and 7.2 per cent in January, indicating steady expansion in discretionary spending. Bank credit to households grew in double digits, despite the slowdown in unsecured personal loans and credit cards outstanding. Fast Moving Consumer Goods (FMCG) sales volume growth showed improvement in Q3 and Jan-Feb 2025 for urban areas, despite lagging their rural counterpart (Table III.2).

Rural demand, supported by healthy crops production and improved reservoir levels, gained strength. Growth in FMCG sales volume in the rural areas, which has been healthy in Q3 and Jan-Feb 2025, continued to outpace that of urban areas. Tractor sales recorded upbeat growth in H2:2024-25 so far (October-February) after remaining muted in H1. Fertiliser sales growth turned positive in Q3 and January 2025 after contracting in Q2. Motorcycle sales, however, inched down during H2:2024-25 so far (Table III.2).

Private consumption in India shows a strong co-movement with GDP and adjusts fast for any divergence from shocks. The pace of convergence,

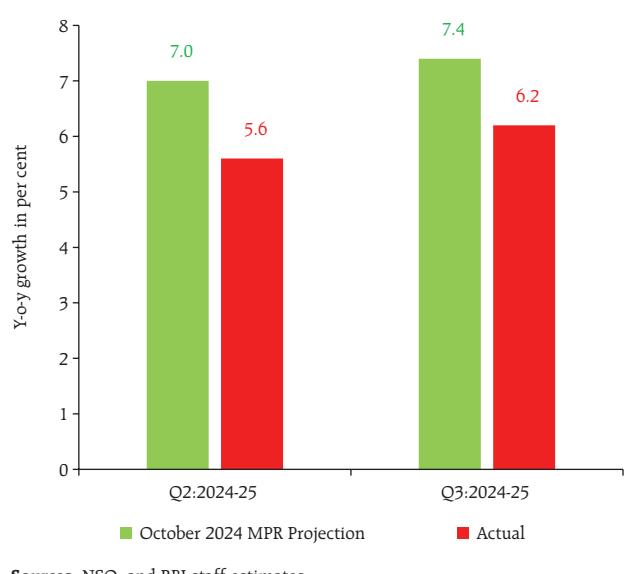
Chart III.2: GDP Growth - Projection versus Actual

Table III.2: Indicators of Consumption

(Y-o-y, per cent)

Indicators	2023-24				2024-25				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jan	Feb
Urban Demand									
Domestic Air Passenger Traffic	19.1	23.0	9.1	5.2	5.6	7.2	11.4	14.1	12.1
Passenger Vehicle Sales [#]	9.6	5.8	8.7	10.8	3.4	-1.3	5.0	3.5	3.3
IIP Consumer Durables	-2.7	1.1	5.3	11.2	10.7	6.6	9.1	7.2	
Personal Loans	21.3	18.2	17.6	17.6	16.6	16.4	14.9	14.2	14.0
Vehicle Loans	23.0	21.2	19.7	17.6	14.9	13.3	8.8	9.7	9.6
Credit Card Outstanding	37.6	31.4	32.6	25.6	23.3	18.0	15.6	13.0	11.2
Rural Demand									
Tractor Sales	-1.9	-5.8	-4.9	-22.9	0.5	0.7	13.5	11.4	35.9
Motorcycle Sales	13.8	-2.9	22.1	27.0	16.8	10.2	-1.9	-3.1	-12.9
IIP Consumer Non-durables	6.8	7.0	2.5	0.7	-0.2	-2.2	-1.8	-0.2	
Fertiliser Sales	-2.8	4.2	0.2	-7.4	5.5	-6.1	2.8	8.2	
FMCG Sales Volume									
Rural	3.1	5.4	4.9	7.2	4.9	5.8	9.2	10.5	10.5*
Urban	9.6	10.2	6.9	5.3	1.3	1.9	4.2	4.8	3.5*
All-India	6.7	8.2	6.0	6.1	2.8	3.6	6.3	7.2	6.4*

Note: *: Adjusted for leap year effect in February. #: Doesn't include Tata Motors data.

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

however, moderated during post-COVID as compared with the pre-COVID period (Box III.1).

Employment conditions remained healthy in Q3:2024-25, as reflected by the labour force participation

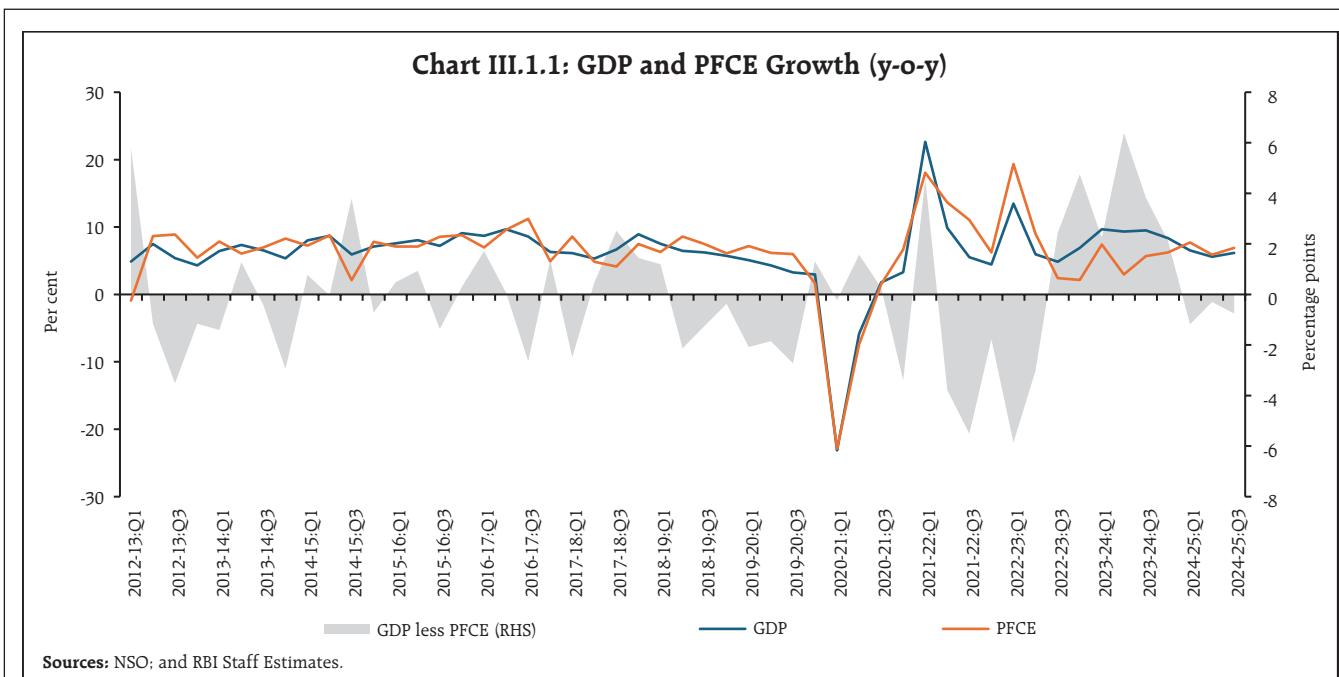
Box III.1: Unravelling the Consumption Puzzle: Long-run Relationship and Post-shock Convergence with GDP

The importance of private final consumption expenditure (PFCE) in driving GDP growth is well-established as being the primary driver of aggregate demand, directly influencing output (Keynes, 1936). In India also, PFCE has remained the largest contributor to aggregate demand over the years. To investigate the relationship between PFCE and GDP in the Indian context, a co-integration technique is employed using quarterly data spanning Q1:1996-97 to Q3:2024-25.

The results confirm a strong long-run relationship between PFCE and GDP. The short-term results indicate that deviations from the long-run equilibrium

are corrected primarily through adjustments in private consumption. This implies that following an economic shock, PFCE responds more quickly to restore equilibrium. Moreover, comparing the results of pre-COVID period and full sample period (including COVID and post-COVID), it is found that the speed of adjustments in private consumption was lower for the full sample period compared to the pre-COVID period, possibly due to slowing response during the post-COVID period in the face of heightened uncertainty. Nonetheless, these findings reinforce the critical role of PFCE in shaping India's economic trajectory and its resilience in the face of external shocks.

(Contd.)

**Table III.1.1: GDP and PFCE: Co-integration and Error Correction Estimates**

Pre-COVID (1998Q1 – 2019Q4)			
Long-Run Equation			
LN(GDP)	0.96*** (-53.53)		
Error Correction Term	D(LNPFCE) -0.28*** (-2.92)	D(LNGDP) -0.13 (-1.9)	
Adjusted R-squared	0.45	0.07	
Full Sample (1998Q1 – 2024Q3)			
Long-Run Equation			
Ln(GDP)	0.98*** (-48.77)		
Error Correction Term	D(LNPFCE) -0.19*** (-3.06)	D(LNGDP) -0.06 (-1.37)	
Adjusted R-squared	0.77	0.83	

Notes: (1) GDP and PFCE series are seasonally adjusted; (2) COVID-19 dummies are used to capture the substantial short-term disruptions caused by the pandemic, with negative effects observed during the initial quarters of 2020, followed by partial recovery in subsequent periods; (3) Trace test and max-eigenvalue test indicates cointegrating relationship at 5 per cent level of significance; (4) Figures in parentheses are t-statistics; (5) *** denotes significance at 1 per cent level.

Sources: NSO; and RBI staff estimates.

References:

- Engle, R. F., & Granger, C. W. J. (1987). Co-integration and Error Correction: Representation, Estimation, and Testing. *Econometrica*. 55(2), 251-276.
- Johansen, S. (1988). Statistical Analysis of Cointegration Vectors. *Journal of Economic Dynamics and Control*. 12(2-3), 231-254.
- Keynes, J. M. (1937). The General Theory of Employment. *The Quarterly Journal of Economics*. 51(2), 209-223.

Table III.3: Employment Situation in India

(Per cent)

Indicators	2023-24				2024-25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Labour Force Participation Rate	48.8	49.3	49.9	50.2	50.1	50.4	50.4
Worker Population Ratio	45.5	46	46.6	46.9	46.8	47.2	47.2
Unemployment Rate	6.6	6.6	6.5	6.7	6.6	6.4	6.4
Net Payroll Additions in EPFO Records (y-o-y)	-9.2	-0.6	12.5	22.7	7.8	-3.4	4.2

Sources: NSO; and Employees' Provident Fund Organisation (EPFO).

rate (LFPR) and the employment rate (ER) under the urban Periodic Labour Force Survey (PLFS). The unemployment rate in urban areas remained at 6.4 per cent in Q3, the lowest in the PLFS series. Strengthening of formal employment was evident in the Employees' Provident Fund Organisation (EPFO) payrolls data – net payroll additions rose by 4.2 per cent in Q3 as compared with a contraction in the previous quarter (Table III.3).

III.1.2 Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) expansion at 5.7 per cent in Q3:2024-25 was lower as compared to 9.3 per cent in the same period last year. In Q4, amongst the key underlying indicators, import of capital goods expanded by 7.5 per cent in Jan-Feb 2025, led by electronic goods, electrical and non-electrical machinery, iron and steel, and machine tools. Domestic production of capital goods

recorded improvement in January 2025. Among the coincident indicators of construction activity, both steel consumption and cement production reverted to double-digit growth in Jan-Feb 2025. Steel consumption, however, contracted marginally in March 2025 (Table III.4).

Capacity utilisation (CU) in the manufacturing sector² increased to 75.4 per cent in Q3:2024-25 from 74.7 per cent in the same quarter of the previous year. Seasonally adjusted capacity utilisation at 75.3 per cent was well above the long-term average of 73.8 per cent³ (Chart III.3). Robust capacity utilisation act as an important driver in boosting private investment (Box III.2). Since the level of CU has been above the long period trend over the last few quarters, heightened policy uncertainty may be acting as a dampening force for revival in private capex.

The interest coverage ratio (ICR)⁴ of listed private manufacturing companies remained

Table III.4: Indicators of Investment Demand

(Y-o-y, per cent)

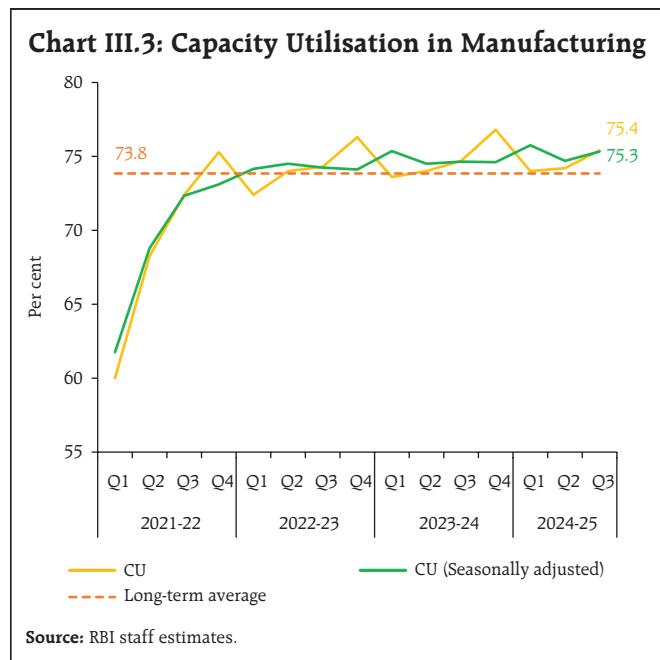
Indicators	2023-24				2024-25					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jan	Feb	Mar
Import of Capital Goods	9.2	9.6	5.6	8.9	10.0	11.7	6.0	15.5	-0.5	
IIP: Capital Goods	5.1	8.8	7.5	4.1	3.0	4.9	7.3	7.8		
Finished Steel Consumption	12.1	17.7	14.7	10.4	15.0	12.0	7.8	10.9	10.9	-0.5
Cement Production	12.7	10.3	5.1	7.6	0.4	3.2	6.7	14.5	10.5	

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

² Based on RBI's survey of order books, inventories and capacity utilisation (OBICUS).

³ Long term average is for the period Q1:2008-09 to Q3:2024-25 excluding Q1:2020-21.

⁴ 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.



comfortable in Q3:2024-25, indicating improved debt servicing capacity which, in conjunction with easing financial conditions, augers well for expansion in capacity. Within the services sector, ICR of non-IT companies improved during Q3 while ICR of IT companies remained at elevated levels despite moderation (Table III.5).

The investment rate⁵ at 31.4 per cent in 2023-24 moderated from the previous year level (32.6 per cent). On the other hand, domestic savings rate remained steady at 30.7 per cent of GDP in 2023-24, indicating lower reliance on external funding (Chart III.4). Net household financial savings improved marginally to 5.2 per cent of GDP from 5.0 per cent last year, mainly due to uptick in financial assets of households (Table III.6).

Box III.2: Investment Dynamics through the Lens of Capacity Utilisation

The public sector played a major role in the post-pandemic revival of gross fixed investments while the private corporate sector has been lagging, which is pivotal in expanding the productive capacity of the economy (IMF, 2025). The capacity utilisation (CU) level is a vital indicator to understand whether fresh investments by the private corporate sector will get triggered to meet the improving domestic demand conditions. Capacity utilisation in the manufacturing sector in the recent period has been higher than its long-term average. It is generally understood that a high level of capacity utilisation coupled with a positive economic outlook incentivises fresh capacity additions. An improvement in productivity, however, may lead to a lower level of capacity utilisation. Thus, examining the threshold level of capacity utilisation assumes importance; particularly, at the current juncture when the environment seems to be conducive for a turnaround in the private capex

cycle with healthy balance sheets and easing of financial conditions. The dynamic relationship between capacity utilisation and private investments is empirically explored to find out the threshold level of capacity utilisation that triggers investment.

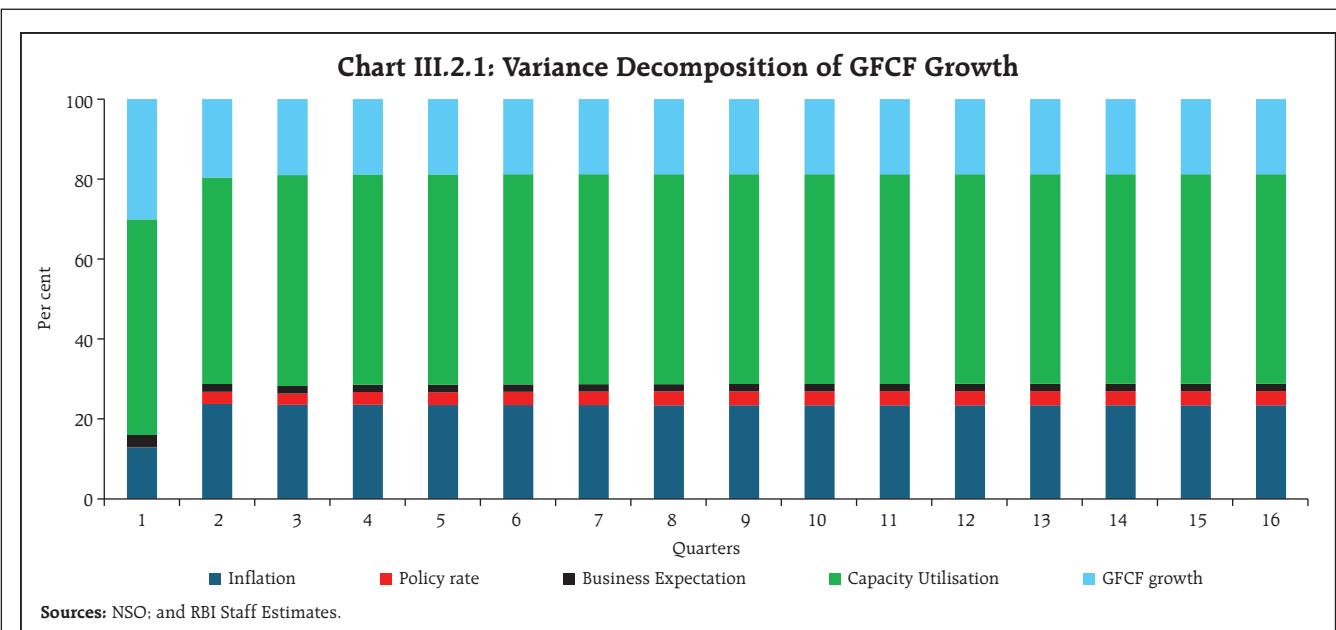
A structural vector auto-regression (SVAR) model is estimated using five variables⁶ viz., business expectation, CU, gross fixed investments, inflation (GFCF deflator) and repo rate for the period Q2:2008-09 to Q3:2024-25. Since uncertainty is believed to dampen current and future investments, it is included as an exogenous variable⁷. Empirical findings suggest that around 50.0 per cent of the variation in private investment growth is explained by CU, suggesting its dominant role as a driver of private investments (Chart III.2.1). Economic policy uncertainty is found to have a dampening effect on fresh investments. The threshold level of CU, which might trigger private corporate investment going forward,

(Contd.)

⁵ Ratio of Gross Capital Formation to GDP at current prices.

⁶ Business expectation index is as per the quarterly Industrial Outlook Survey (IOS) conducted by the Reserve Bank of India; CU is as per the quarterly Order Book, Inventory and Capacity Utilisation Survey (OBICUS) conducted by the Reserve Bank; quarterly gross fixed capital formation by the private corporate sector derived from the annual estimates using econometric method.

⁷ Uncertainty is measured by the economic policy uncertainty index for India published by Baker, Bloom and Davis.



is estimated with the same set of variables but using an alternative specification of Threshold VAR models

(Balke, 2000). The findings suggest a band of 72.4 to 74.4 per cent as a threshold level for CU.

References:

1. IMF (2025). India 2024 Article IV Consultation, International Monetary Fund Country Report No. 25/54.
2. N. Balke (2000). Credit and Economic Activity: Credit Regimes and Nonlinear Propagation of Shocks, The Review of Economics and Statistics. 82(2), 344-349.

III.1.3 Government Consumption

Government final consumption expenditure (GFCE) posted a sharp recovery in Q3:2024-25, rising by 8.3 per cent, following a subdued growth of just 1.6 per cent in H1, mainly due to the model code of conduct during the general elections. Notably, union government's revenue expenditure, excluding interest payments and major subsidies, grew by 11.2 per cent, and capital outlay surged by 20.5 per cent

in Q3:2024-25 (Chart III.5). GFCE growth for 2024-25, however, fell to 3.8 per cent as compared to 8.1 per cent in the previous year.

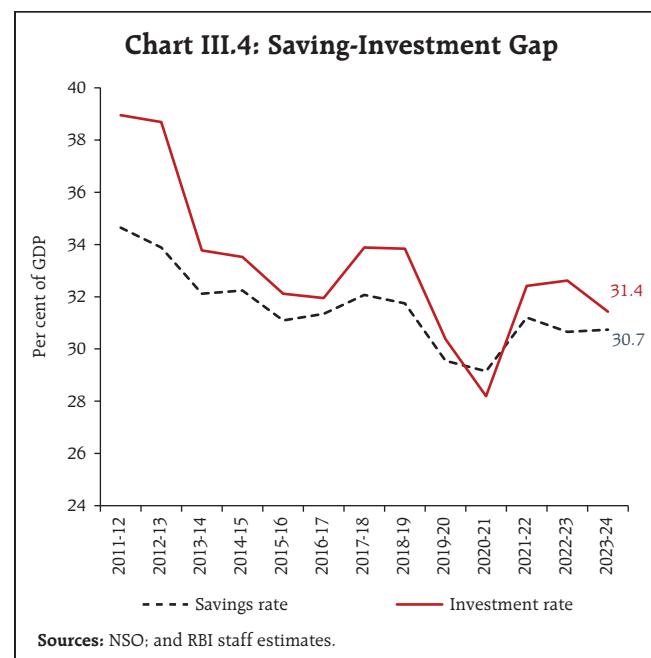


Table III.5: Interest Coverage Ratio

(Ratio)

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

Note: Data for Q3:2024-25 are based on results of 2,924 listed non-government non-financial companies.

Source: RBI staff estimates.

Table III.6: Domestic Savings

(Per cent of GDP)

Sector		2011-12 to 2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Households Savings	Physical (1)	13.3	10.7	11.6	12.4	11.4	11.0	12.8	13.7	13.0
	Gross Financial Assets (2)	10.6	10.5	12.0	12.0	11.6	15.4	11.1	10.9	11.4
	Gross Financial Liabilities (3)	3.1	3.0	4.4	4.1	3.9	3.7	3.8	5.9	6.2
	Net Financial Savings (4=2-3)	7.5	7.4	7.6	7.9	7.7	11.7	7.3	5.0	5.2
	Total Household Savings (5=1+4)	20.8	18.1	19.3	20.3	19.1	22.7	20.1	18.6	18.1
Private Corporate Savings (6)		10.8	10.8	11.5	11.2	10.5	10.2	10.5	11.2	11.0
Public Savings (7)		1.2	1.2	1.7	1.6	0.9	0.2	-4.1	-0.1	1.1
Gross Domestic Savings (5+6+7)		32.8	32.8	31.3	32.1	31.7	29.6	29.1	31.2	30.7

Note: Physical saving comprises saving in physical assets and saving in the form of gold and silver ornaments.

Source: NSO.

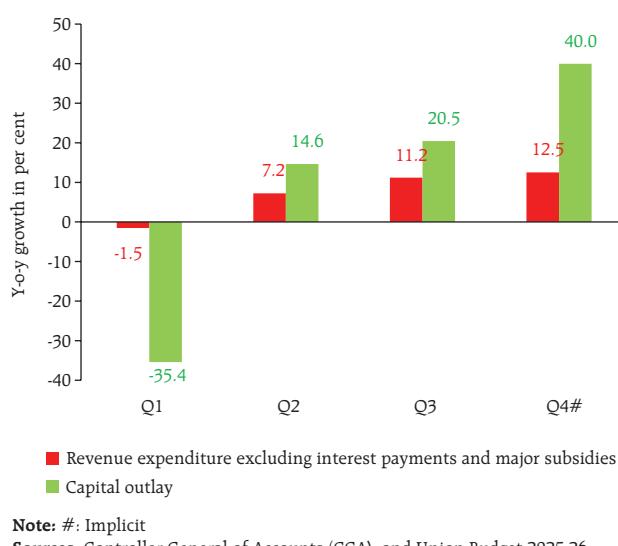
The central government's revenue expenditure (excluding interest payments and major subsidies) grew by 7.9 per cent, while capital expenditure expanded by 7.3 per cent during 2024-25 (RE). Pursuing fiscal consolidation, the central government's gross fiscal deficit (GFD) at 4.7 per cent of GDP in 2024-25 (RE) was 20 basis points lower than its budget estimate, and 75 basis points lower compared to the previous year. The centre's GFD for 2025-26 has been budgeted at 4.4 per cent of GDP, which is consistent with the medium-term goal of reducing the GFD-GDP ratio to below 4.5 per cent by 2025-26. The central

government's fiscal consolidation in 2025-26 (BE) has been planned largely by rationalisation in revenue expenditure, while maintaining a thrust on capital expenditure which has been budgeted at 3.1 per cent of GDP. Gross tax revenues are projected to rise to 12.0 per cent of GDP in 2025-26 (BE) from 11.6 per cent in 2024-25 (RE) (Table III.7). The revenue expenditure

Table III.7: Central Government Finances

(Per cent of GDP)

Indicator	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
1. Gross tax revenue	11.4	11.5	11.6	12.0
2. Revenue receipts	8.9	9.1	9.3	9.6
a. Tax revenue (Net)	7.8	7.7	7.7	7.9
b. Non-tax revenue	1.1	1.3	1.6	1.6
3. Non-debt capital receipts	0.3	0.2	0.2	0.2
4. Revenue expenditure	12.8	11.6	11.2	11.0
a. Interest payments	3.5	3.5	3.4	3.6
b. Major subsidies	2.0	1.4	1.2	1.1
5. Revenue expenditure excluding interest payments and major subsidies	7.4	6.7	6.6	6.4
6. Capital expenditure	2.8	3.2	3.1	3.1
7. Capital outlay	2.3	2.6	2.6	2.5
8. Effective capital expenditure	3.9	4.2	4.0	4.3
9. Total expenditure	15.6	14.8	14.2	14.2
10. Gross fiscal deficit	6.5	5.5	4.7	4.4
11. Revenue deficit	4.0	2.5	1.8	1.5
12. Primary deficit	3.0	2.0	1.3	0.8

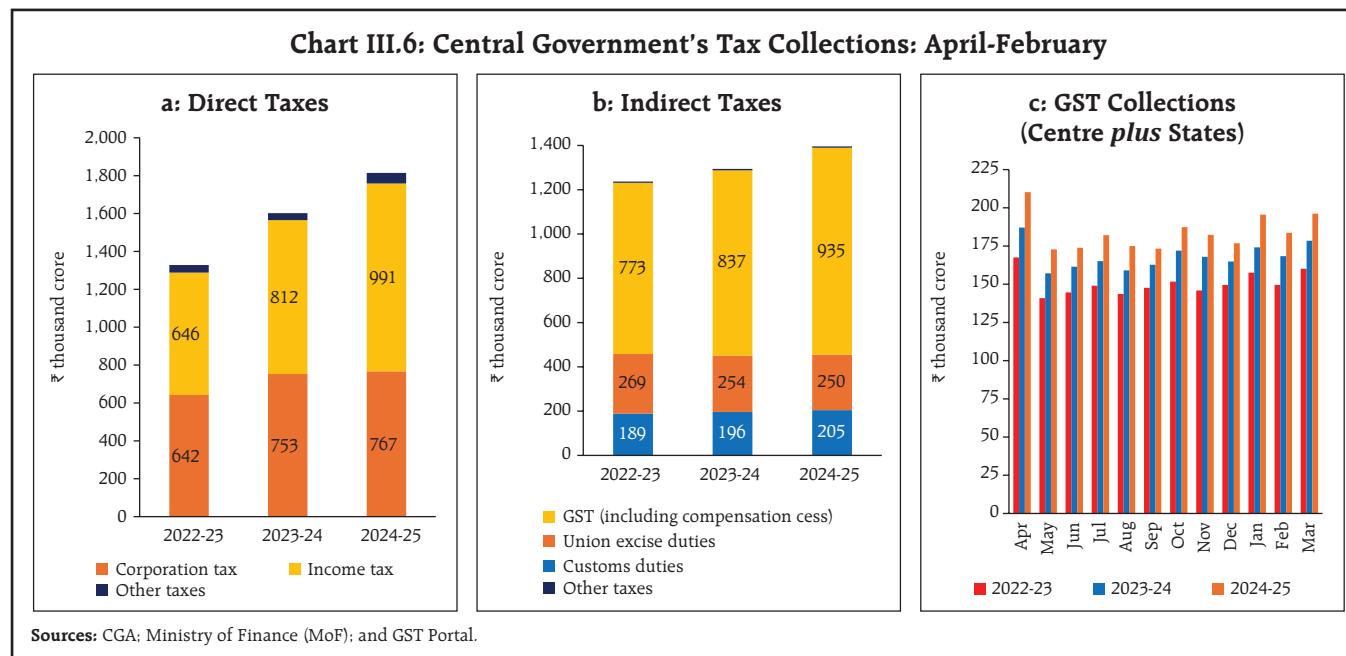
Chart III.5: Central Government's Revenue Expenditure and Capital Outlay during 2024-25

Notes: RE: Revised Estimates; BE: Budget Estimates.

Effective capital expenditure includes grants in aid for creation of capital assets.

Figures may vary from those published in the Union Budget due to revision in GDP.

Sources: Union Budget 2025-26; and RBI staff estimates.



to capital outlay ratio (RECO), a key indicator of the quality of expenditure, stood at 4.4 in 2025-26 (BE), same as in the last two years and the lowest in over three decades.

During April-February 2024-25, the central government's revenue expenditure excluding interest and major subsidy payments increased by 3.9 per cent, whereas capital expenditure witnessed muted growth of 0.8 per cent. The central government's gross tax revenue recorded a growth of 10.9 per cent, supported by buoyant direct tax collections. Direct taxes increased by 13.3 per cent with income tax expanding by 22.0 per cent. Indirect tax collections rose by 7.9 per cent, with goods and services tax (GST) and custom duties registering a growth of 11.6 and 4.2 per cent, respectively. Monthly average GST collections (*centre plus states*) was ₹1.84 lakh crore during 2024-25, registering a growth of 9.4 per cent over the previous year (Chart III.6).

The aggregate gross fiscal deficit (GFD) for the states and union territories has been estimated at 3.2 per cent of GDP for 2024-25 (BE) (Table III.8). The states have projected a rise in revenue receipts 2024-25 (BE), fuelled by both tax and non-tax components. Notably,

the states have continued their thrust on augmenting capital expenditure, with a budgeted increase of 22.4 per cent in 2024-25.

State's GFD reached 61.3 per cent of their BE during April-January 2024-25, lower than the level recorded in the previous year (Chart III.7a). Total revenue receipts for the states remained buoyant during April-January 2024-25, driven primarily by a strong rise in tax revenue, although growth in non-tax revenue moderated. On the expenditure side, capital spending contracted marginally by 0.6 per cent during April-January 2024-25, while growth in revenue expenditure accelerated during this period (Chart III.7b).

Table III.8: State Government Finances - Key Fiscal Indicators

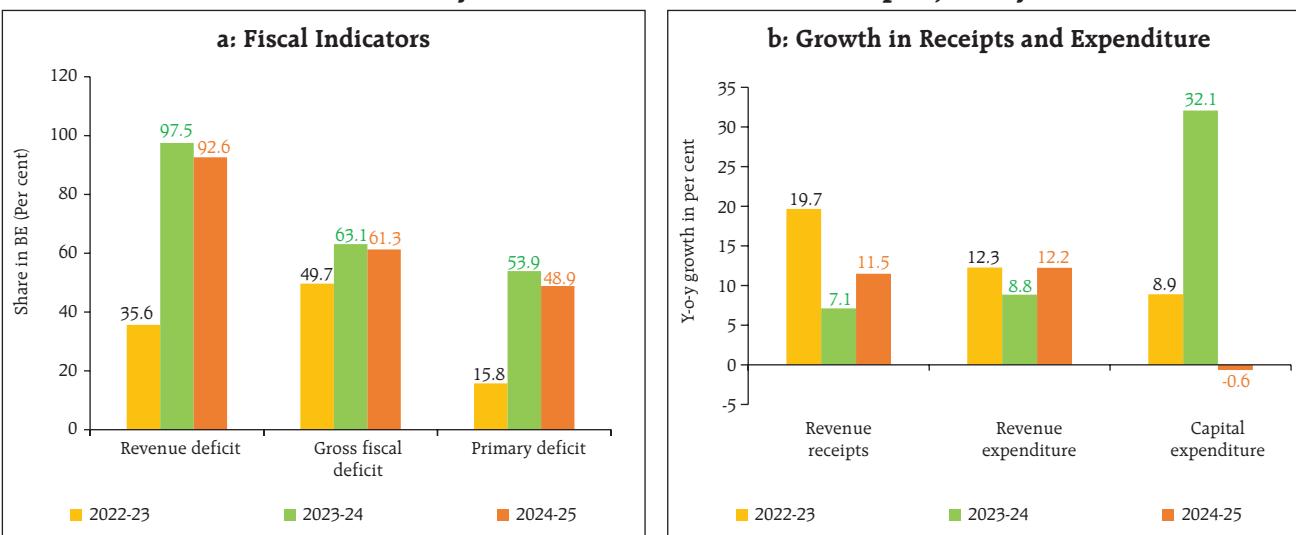
(per cent of GDP)

Items	2022-23 (A)	2023-24 (PA)	2024-25 (BE)
Revenue deficit	0.2	0.2	0.2
Gross fiscal deficit	2.7	2.9	3.2
Primary deficit	1.0	1.4	1.5

Notes: Data pertains to 31 States/UTs

A: Actuals; PA: Provisional Accounts; BE: Budget Estimates

Sources: Budget Documents of States/UTs; and Comptroller and Auditor General (CAG) of India.

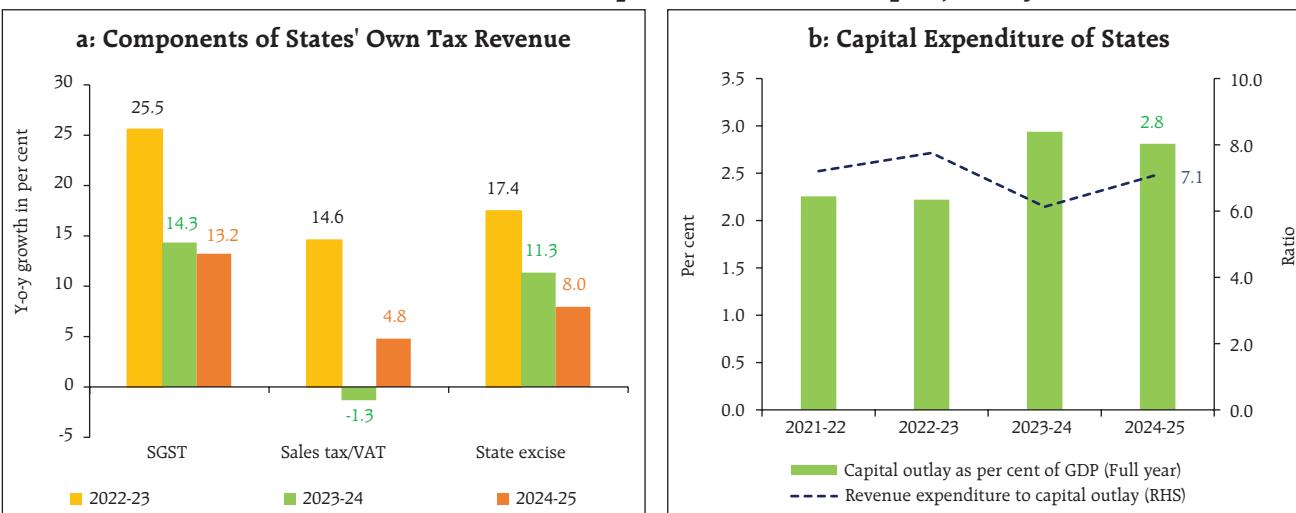
Chart III.7: Key Fiscal Indicators of the States: April-January

Note: Data pertains to 21 States

Sources: Budget Documents of State Governments; and CAG.

The rise in revenue expenditure along with the contraction in capital outlay has diluted the quality of state spending (Chart III.8). The states' capital expenditure has been supported by the Scheme for Special Assistance to States for Capital Investment. Under this initiative, the centre has approved loans

totalling ₹1,22,180 crore as of January 31, 2025, of which, about ₹1,10,792 crore has been disbursed.⁸ The scheme has been extended to 2025-26 in the Union budget, recognising its critical role in fostering investment and growth.

Chart III.8: Revenue and Expenditure of States: April-January

Note: Data for revenue expenditure to capital outlay (RECO) ratio pertain to 21 States. Data for capital outlay as per cent of GDP pertains to all States/UTs and data for 2024-25 is a Budget Estimate.

Sources: CAG; and RBI.

⁸ Lok Sabha Unstarred Question No. 1080, available at https://sansad.in/getFile/loksabhaquestions/annex/184/AU1080_mHyVcX.pdf?source=pqals

Table III.9: Government Market Borrowings

(₹ crore)

	2022-23			2023-24			2024-25		
	Centre	States	Total	Centre	States	Total	Centre	States	Total
Net borrowings	11,08,261	5,18,830	16,27,091	11,80,456	7,17,140	18,97,596	10,39,275	7,53,345	17,92,620
Gross borrowings	14,21,000	7,58,392	21,79,392	15,43,000	10,07,058	25,50,058	14,00,697	10,73,310	24,74,007

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

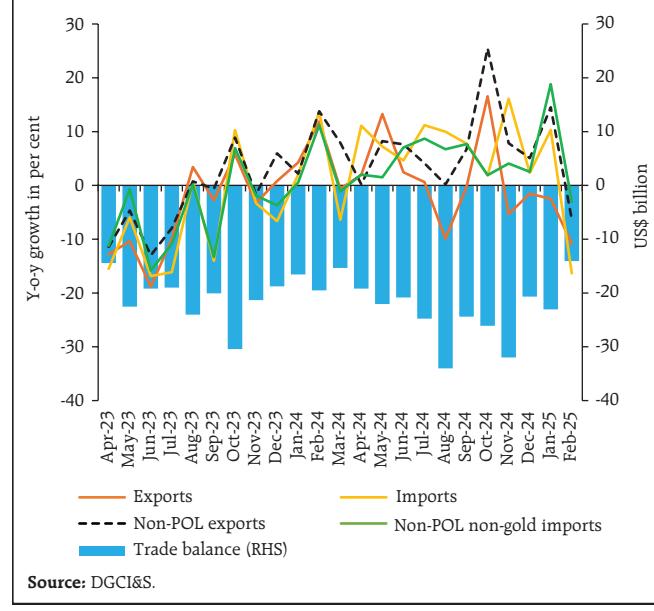
In 2024-25, the centre's gross market borrowings amounted to ₹14.01 lakh crore, marginally lower than the budgeted estimates. In pursuit of active debt consolidation, the Reserve Bank of India conducted eight switch auctions on behalf of the central government, totalling ₹1.47 lakh crore. These auctions involved substituting shorter-maturity securities with those of longer maturities. The weighted average yield on issuances during 2024-25 declined to 7.0 per cent from 7.2 per cent in 2023-24. On the other hand, the weighted average maturity of borrowings increased to 20.7 years from 18.1 years in the previous year. States raised market borrowing of ₹10.73 lakh crore in 2024-25, lower than the total sanctioned amount of ₹11.72 lakh crore for the fiscal year (Table III.9). The Ways and Means Advances (WMA) limits of the central government, to meet temporary mismatches between receipts and payments, remained unchanged from the previous year at ₹1.5 lakh crore for H1 and ₹50,000 crore for H2 in 2024-25. The WMA limits for states and union territories were increased to ₹60,118 crore from the earlier ₹47,010 crore, effective on July 1, 2024.⁹ The centre's gross market borrowings and net borrowings for 2025-26 (BE) are placed at ₹14.82 lakh crore and ₹11.54 lakh crore, respectively.

III.1.4 External Demand

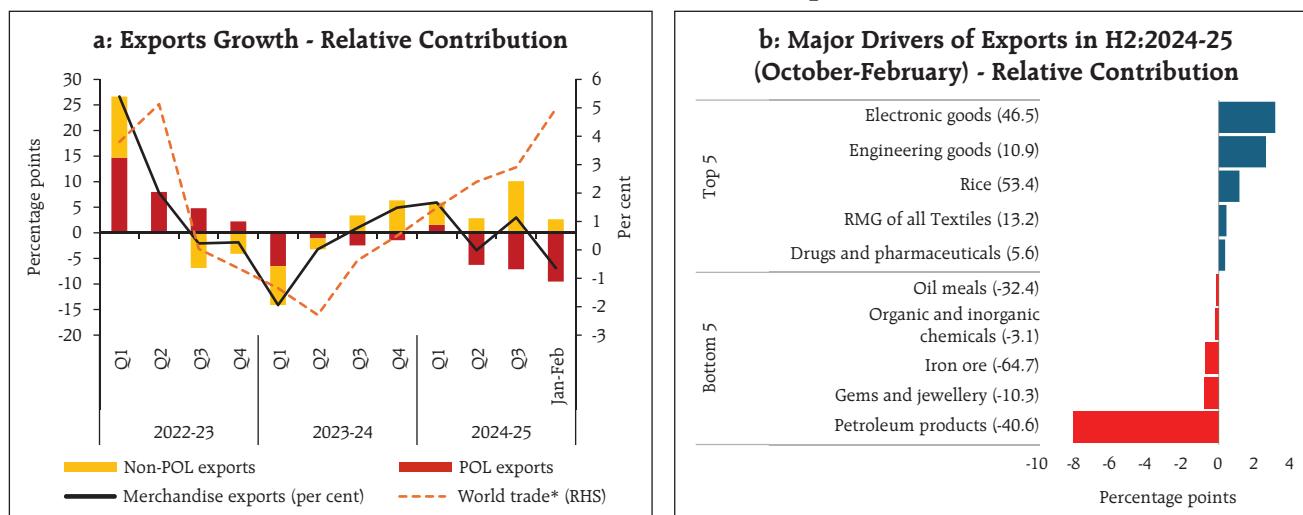
During April-February 2024-25, merchandise exports saw a modest growth of 0.1 per cent, while merchandise imports recorded a rise of 5.7 per cent. During H2:2024-25 (October-February), India's merchandise exports contracted by 1.2 per cent, while imports rose by 2.4 per cent. As a result, the

merchandise trade deficit widened to US\$115.8 billion during H2:2024-25 (October-February) from US\$ 106.6 billion in the corresponding period of the previous year (Chart III.9). The contraction in merchandise exports during H2 was primarily driven by petroleum, oil and lubricants (POL), gems and jewellery, iron ore, organic and inorganic chemicals, and oil meals, while electronic goods, engineering goods, rice, readymade garments (RMG) of all textiles, and drugs and pharmaceuticals contributed positively (Chart III.10).

The growth in merchandise imports during H2:2024-25 (October-February) was primarily driven by imports of electronic goods, gold, machinery (both electrical and non-electrical), vegetable oil, and chemical materials and products

Chart III.9: Merchandise Trade

⁹ Based on the recommendations by the group constituted by the RBI and consisting of select State Finance Secretaries.

Chart III.10: Merchandise Exports

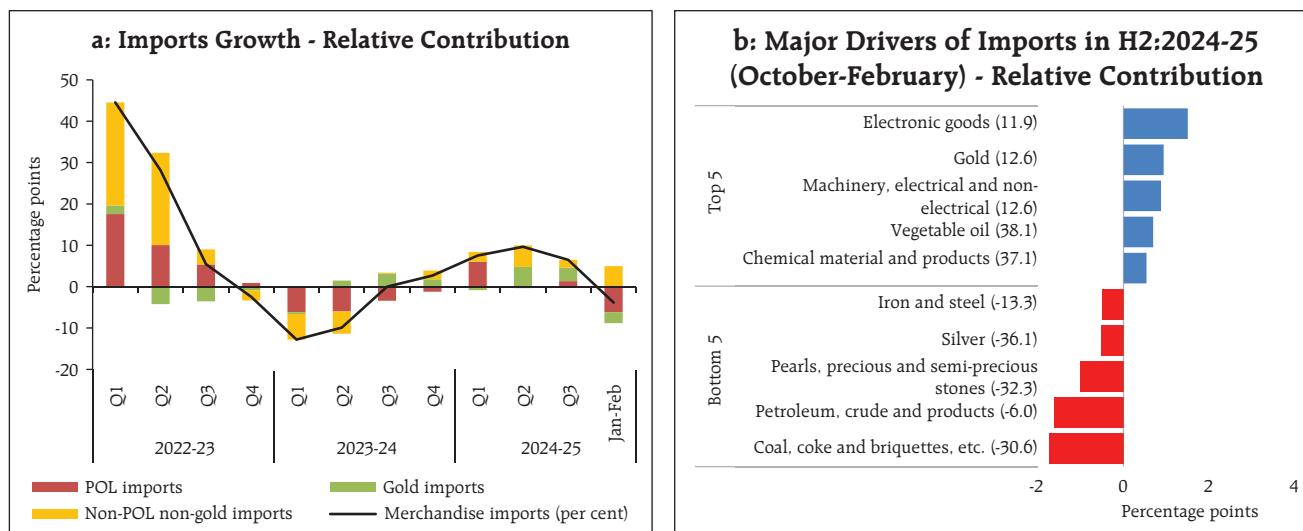
Notes: Figures in parentheses in chart b are y-o-y per cent change in exports of the commodity during the period.

*: World trade data is available up to January 2025.

Sources: DGCI&S; CPB Netherlands; and RBI staff estimates.

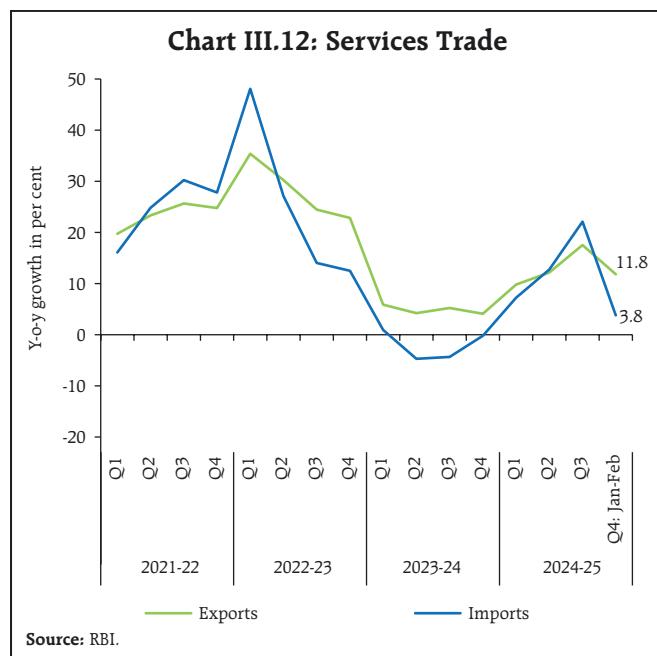
(Chart III.11). On the other hand, imports of coal, coke, and briquettes, petroleum, crude and products, pearls, precious and semi-precious stones, silver, and iron and steel contributed negatively to the overall import growth. Non-oil exports posted a robust y-o-y increase of 8.7 per cent during H2, while non-oil non-gold imports rose by 4.7 per cent to reach US\$ 199.7 billion during this period.

Services exports grew by 13.1 per cent during 2024-25 (April-February), a notable increase from 5.5 per cent recorded in the same period of last year, reflecting robust global demand for Indian services. In H2:2024-25 (October-February), services exports surged by 15.4 per cent, compared to a modest 6.0 per cent growth in the previous year (Chart III.12). The growth in H2 was primarily driven by strong performances

Chart III.11: Merchandise Imports

Note: Figures in parentheses in chart b are y-o-y per cent change in imports of the commodity during the period.

Sources: DGCI&S; and RBI staff estimates.



in software, business, and transportation services. Among the world's leading service-exporting nations, India maintained its position within the top five countries in 2024-25 (up to December 2024). Services imports rebounded from contraction and recorded a 12.1 per cent growth during 2024-25 (April-February), with a significant increase of 14.6 per cent during H2 (October-February) on the back of buoyant domestic demand.

On a balance of payments (BoP) basis, India's current account deficit (CAD) widened marginally to US\$ 11.5 billion (1.1 per cent of GDP) in Q3:2024-25 from US\$ 10.4 billion (1.1 per cent of GDP) in Q3:2023-24, but moderated from US\$ 16.7 billion (1.8 per cent of GDP) in Q2:2024-25.

In the financial accounts, net foreign direct investment (FDI) flows to India declined to US\$ 2.5 billion during April-January 2024-25 from US\$ 11.5 billion in the same period of last year, mainly due to a surge in repatriations and increased outward FDI (Table III.10). Gross FDI flows, however, remained strong at US\$ 69.4 billion in 2024-25 (up to January),

Table III.10: Net Foreign Direct and Portfolio Investment

	2023-24				2024-25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net FDI	4.7	-0.8	4.0	2.3	6.6	-2.3	-2.8	0.9#
Net FPI*	16.1	5.3	11.7	11.6	0.9	19.8	-11.4	-6.8

Notes: #: Net FDI for Q4:2024-25 is up to January 2025;

*: Net FPI data up to Q3:2024-25 are based on balance of payments (BoP) statistics of RBI, while data for Q4:2024-25 is sourced from daily data, published by NSDL.

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

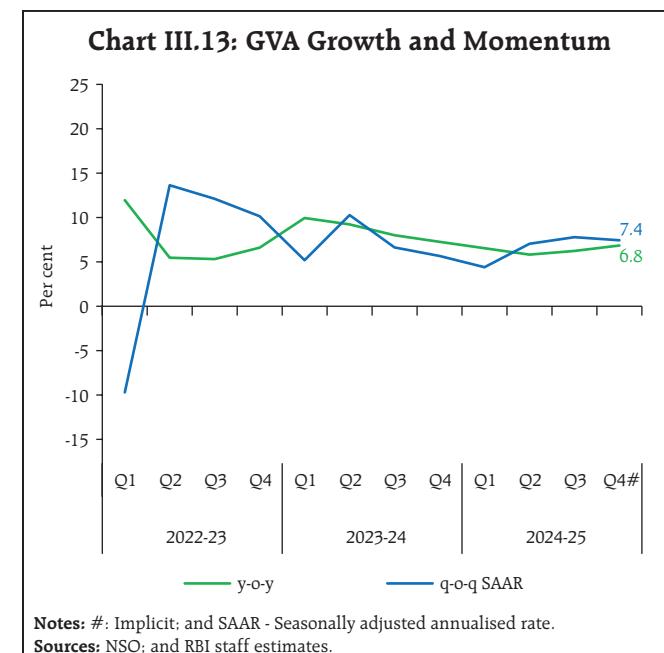
growing by 15.3 per cent over last year, a notable rebound compared to a 2.6 per cent contraction during the corresponding period of last year. Major sources of FDI inflows included Singapore, Mauritius, the USA, UAE, Netherlands and Japan, which together accounted for 80.0 per cent of total FDI. The majority of FDI equity inflows were into manufacturing, financial services, electricity generation, distribution & transmission, communication services, retail & wholesale trade, and computer services, which together received 77.0 per cent of FDI equity inflows.

Foreign portfolio investment (FPI) to India recorded a net outflow of US\$ 18.3 billion in H2:2024-25, as portfolio investors turned net sellers in equities mainly due to heightened global uncertainties. Although FPI flows in the debt segment moderated in H2:2024-25, they remained positive for the full year, reflecting the inclusion of Indian government bonds in J.P. Morgan's benchmark emerging market index and other indices. Overall, FPI recorded a net inflow of US\$ 2.4 billion in 2024-25, a sharp decline from the net inflow of US\$ 44.6 billion in the same period of the previous year. The uncertain global economic outlook, rising US bond yields, and moderation in corporate earnings seem to have dampened FPI sentiment. The FPI flows have revived in March 2025 and recorded net inflow of US\$ 3.8 billion.

External commercial borrowing (ECB) flows saw significant increase, reaching US\$ 15.2 billion during April-February 2024-25, as against US\$ 2.8 billion a year ago. Net accretions to non-resident deposits surged to US\$ 14.3 billion during April-January 2024-25 from US\$ 10.2 billion in the previous year, on the back of strong deposit growth in all three accounts i.e., FCNR(B), NRE and NRO. As of March 28, 2025, India's foreign exchange reserves stood at US\$ 665.4 billion, equivalent to 11.0 months of annualized merchandise imports on a BoP basis and 92.7 per cent of the outstanding external debt as of December 2024.

III.2 Aggregate Supply

Aggregate supply – measured by real gross value added (GVA) at basic prices – expanded by 6.2 per cent in Q3:2024-25 (8.0 per cent in Q3:2023-24), showing improved momentum over the previous quarter (5.8 per cent growth in Q2:2024-25). This improvement in Q3 was supported by robust growth in agriculture and allied sector activity and resilience in services activity (Table III.11 and Chart III.13).



III.2.1 Agriculture

Real GVA in agriculture and allied activities recorded a six-quarter high growth of 5.6 per cent in Q3:2024-25 (1.5 per cent a year ago) on the back of healthy kharif production.

As on March 27, 2025, the water storage levels in major reservoirs across India stood at 42 per cent of full

Table III.11: Real GVA Growth

(Y-o-y, per cent)

Sector	2023-24	2024-25	Weighted Contribution		2023-24				2024-25			
	(FRE)	(SAE)	2023-24	2024-25	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4#
Agriculture, forestry and fishing	2.7	4.6	0.4	0.7	5.7	3.7	1.5	0.9	1.7	4.1	5.6	6.2
Industry	11.0	4.3	2.4	0.9	6.6	15.3	12.6	9.9	7.7	2.0	3.5	4.3
Mining and quarrying	3.2	2.8	0.1	0.1	4.1	4.1	4.7	0.8	6.8	-0.3	1.4	2.4
Manufacturing	12.3	4.3	2.1	0.8	7.3	17.0	14.0	11.3	7.5	2.1	3.5	4.3
Electricity, gas, water supply and other utilities	8.6	6.0	0.2	0.1	4.1	11.7	10.1	8.8	10.2	3.0	5.1	6.0
Services	9.2	7.5	5.8	4.7	12.1	8.3	8.5	8.0	7.2	7.4	7.3	8.0
Construction	10.4	8.6	0.9	0.8	9.2	14.6	10.0	8.7	10.1	8.7	7.0	8.9
Trade, hotels, transport, communication	7.5	6.4	1.4	1.2	11.0	5.4	8.0	6.2	5.4	6.1	6.7	7.0
Financial, real estate and professional services	10.3	7.2	2.4	1.7	15.0	8.3	8.4	9.0	6.6	7.2	7.2	8.0
Public administration, defence and other services	8.8	8.8	1.1	1.1	9.3	8.9	8.4	8.7	9.0	8.8	8.8	8.7
GVA at basic prices	8.6	6.4	8.6	6.4	9.9	9.2	8.0	7.3	6.5	5.8	6.2	6.8

Notes: FRE: First revised estimates; SAE: Second advance estimates; #: Implicit.

Sources: NSO; and RBI staff estimates.

Table III.12: Agricultural Production in 2024-25

Crop	2023-24 Final Estimates	2024-25		Variation in 2024-25 (Per cent) Over 2023-24
		Target	SAE	
1. Foodgrains	3157.7	3259.2	3309.2	4.8
<i>Kharif</i>	1557.7	1613.7	1663.9	6.8
<i>Rabi</i>	1600.1	1645.5	1645.3	2.8
a. Rice	1278.6	1260.5	1364.4	6.7
b. Wheat	1132.9	1150.0	1154.3	1.9
c. Pulses	221.7	276.5	230.2	3.8
2. Oilseeds	384.4	434.0	416.7	8.4
3. Sugarcane	4531.6	4700.0	4350.8	-4.0
4. Cotton #	325.2	350.0	294.3	-9.5
5. Jute & Mesta ##	96.9	105.0	86.2	-11.0

Notes: Table covers data only for *Kharif* and *Rabi* seasons.

#: Lakh bales of 170 kgs each; ##: Lakh bales of 180 kgs each.

SAE: Second Advance Estimates.

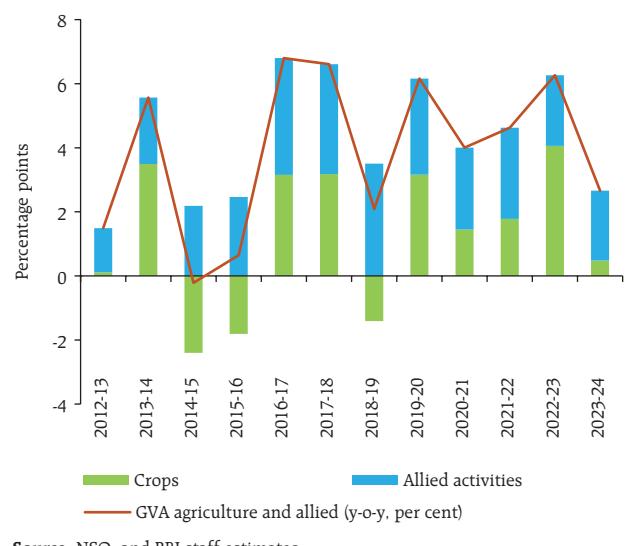
Source: Ministry of Agriculture and Farmers' Welfare (MoA&FW), GoI.

capacity, marking an increase of 16.5 per cent compared to the previous year and 14.6 per cent above the decadal average. Notably, storage levels exceeded the decadal average in all regions, except the Northern and Eastern regions.

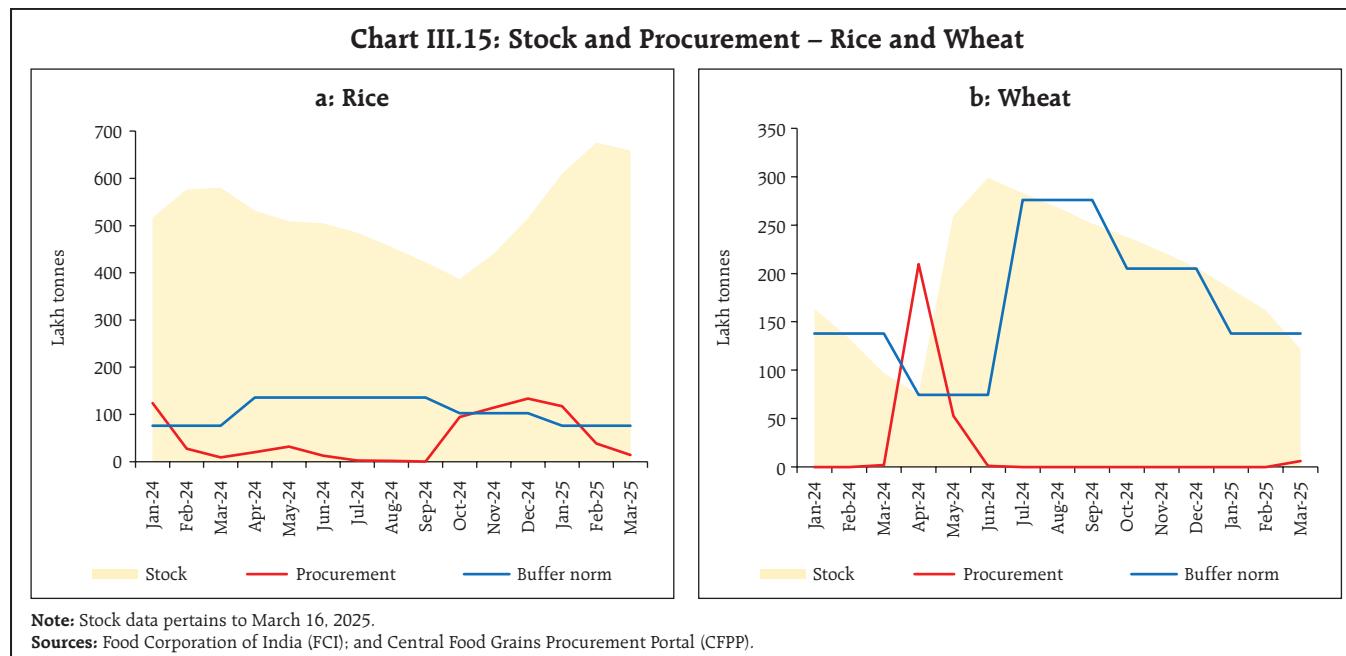
The second advance estimate (SAE) for 2024-25 placed foodgrains production at 3309.2 lakh tonnes, marking an increase of 4.8 per cent over the previous year (Table III.12). Among major crops, rice production increased by 6.7 per cent with a significant increase in both *kharif* and *rabi* output, while wheat production rose by 1.9 per cent. Pulses production is estimated to record a growth of 3.8 per cent. Among commercial crops, oilseeds production increased by 8.4 per cent, while the output of cotton and sugarcane registered a decline *vis-à-vis* last year.

The production of horticultural crops in 2024-25 reached 3620.9 lakh tonnes as per the first advance estimates (FAE), 2.1 per cent higher than the final estimates for 2023-24. The growth in production was primarily attributed to a higher output of onions and potatoes.

Allied activities like livestock, forestry and fishing contributed almost 82.0 per cent of agricultural GVA growth in 2023-24 (Chart III.14). Real GVA of agriculture and allied activities expanded by 2.7 per cent in 2023-24 (FRE), primarily driven by 5.4 per cent growth in livestock and 5.9 per cent growth in fisheries and

Chart III.14: Contribution of Crops and Allied Activities

Source: NSO; and RBI staff estimates.



aquaculture sector. In 2023-24, total meat production grew by 4.9 per cent, while milk production grew by 3.8 per cent.

As on March 31, 2025, rice procurement for the 2024-25 *kharif* marketing season reached 511.5 lakh tonnes, an increase of 6.9 per cent over the previous year. Rice stocks at 659.3 lakh tonnes as of March 16, 2025, 8.7 times the buffer requirement, while wheat stocks at 121.7 lakh tonnes were marginally lower than the buffer norms (Chart III.15).

High-frequency indicators such as tractor and fertiliser sales, and agriculture exports suggested buoyancy in the rural economy during H2:2024-25, whereas demand for employment under Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and agricultural credit growth reflected moderation (Table III.13). Higher *kharif* and *rabi* production coupled with improved reservoir levels are supportive of rural economic activity. FAE for horticultural production also indicate a positive trend as compared to the previous year.

Table III.13: Rural Economy - High Frequency Indicators

Item	Unit	H1 (Apr-Sep)			H2 (Oct-Mar)		
		2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Tractor sales*	Number (in lakh)	4.9	4.7	4.7	3.8	3.3	3.9
Two-wheeler sales*	Number (in lakh)	84.0	87.4	101.6	61.7	77.5	77.9
Fertiliser sales#	Lakh tonnes	335.4	338.5	335.5	248.8	243.8	253.6
Demand for employment (MGNREGA)	Crore households	13.9	15.1	12.6	12.0	11.5	12.0
Agriculture and allied sector exports#	USD billion	26.4	23.3	23.4	16.4	15.4	18.2
Agriculture credit growth*	y-o-y	13.4	16.7	16.4	14.9	20.0	11.4
Rice stock to buffer norm**	Ratio	2.8	3.1	3.8	5.8	7.6	8.7
Wheat stock to buffer norm**	Ratio	1.1	1.2	1.2	0.7	0.6	0.9

Notes: *: up to February; #: up to January; **: as on March 16, 2025.

Sources: TMA; SIAM; MoC&F; Ministry of Rural Development (MoRD); CMIE; RBI; and Food Corporation of India (FCI).

III.2.2 Industry

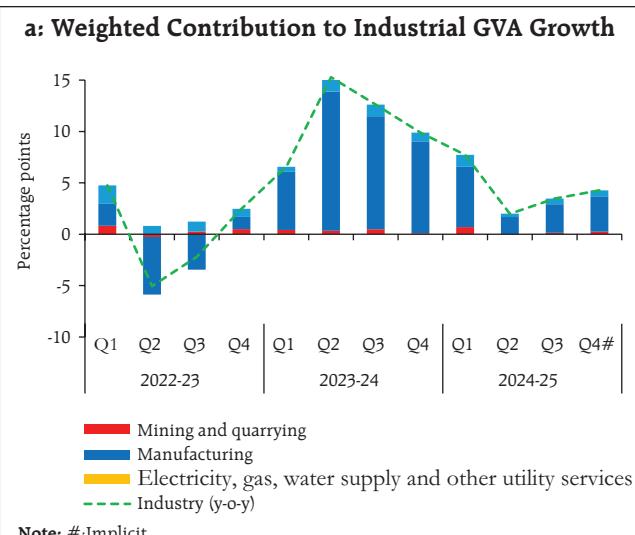
As per the SAE, industrial sector growth moderated to 4.3 per cent in 2024-25, from 11.0 per cent in the previous year, mainly owing to the sharp deceleration in manufacturing along with a slowdown in mining activity. The industrial sector, however, picked up modestly and expanded by 3.5 per cent in Q3:2024-25 as against 2.0 per cent in Q2, supported by a recovery in manufacturing activity. Manufacturing sector witnessed a gradual recovery in sales growth and operating profit. Mining and quarrying activity witnessed a slowdown in coal production and a contraction in crude oil and natural gas production in Q3. GVA of electricity, gas, water supply, and other utility services grew modestly by 5.1 per cent during Q3 in the face of a relatively warmer winter along with a slowdown in industrial activity (Chart III.16).

The index of industrial production (IIP) grew by 4.1 per cent during Q3:2024-25 and 5.0 per cent in January (Chart III.17 and Table III.14). Mining and quarrying registered a moderate growth of 1.8 per cent in Q3 and 4.4 per cent in January. Manufacturing recorded

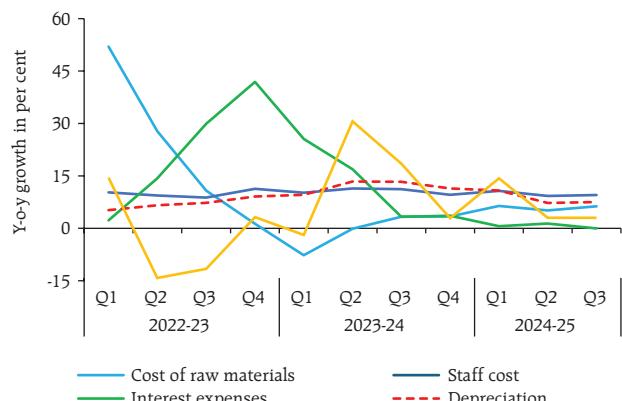
an expansion of 4.4 per cent in Q3 (5.4 per cent during the previous year) and 5.5 per cent in January. While the production of basic metals, electrical equipment, coke and refined petroleum products, fabricated metal products, and machinery and equipment posted an upsurge in Q3, manufacturing of food products, pharmaceuticals, printing, and leather products acted as a drag on growth. In terms of the use-based classification, primary, capital, intermediate, infrastructure and consumer durables rose during Q3 and January. Consumer non-durable goods, however, contracted during this period.

Electricity, gas, water supply and other utility services registered 5.5 per cent growth in H2. Electricity generation rose modestly by 4.0 per cent in Q3:2024-25 (9.2 per cent a year ago) with thermal power generation remaining muted amidst subdued demand due to less harsh winter. Renewable energy, which has a share of 12.7 per cent in total generation, increased sharply by 17.2 per cent in Q3. In Q4 (up to February), electricity generation grew by 3.0 per cent. Region-wise, electricity demand exhibited divergence — while the northern region maintained robust

Chart III.16 Industrial GVA Growth

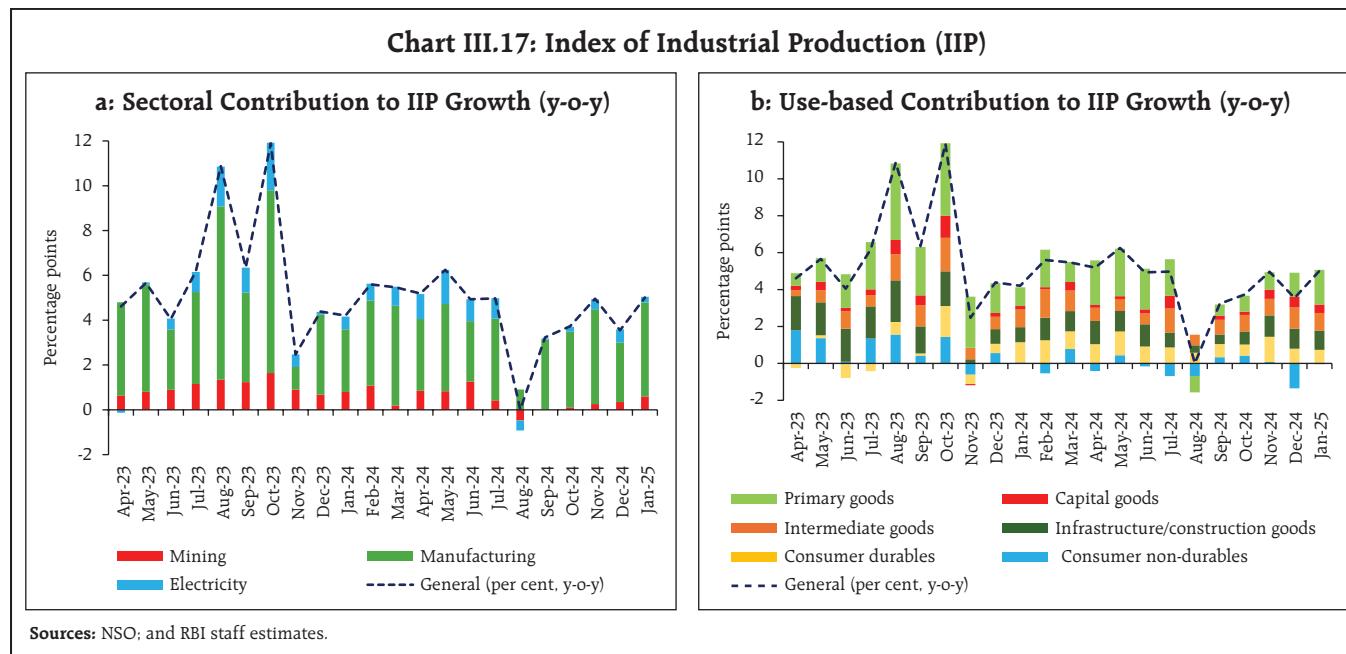


b: Manufacturing Sector's Profitability



Note: Data for Q3:2024-25 are based on results of 1,675 listed private manufacturing companies.

Source: RBI staff estimates based on data published by listed companies.



demand, other regions recorded subdued demand with the southern region witnessing a contraction in Q3. In Q4, electricity demand growth increased to 3.5

per cent, with the western region leading the growth, followed by the eastern, southern and northern regions (Table III.15).

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

(Per cent)

	Indicators	2024-25					
		Q1	Q2	Q3	Jan	Feb	Mar
1	PMI: Manufacturing (>50 indicates growth over previous month)	58.2	57.4	56.8	57.7	56.3	58.1
2	Index of Industrial Production (IIP)	5.5	2.7	4.1	5.0		
3	IIP: Manufacturing	4.3	3.3	4.4	5.5		
4	IIP: Primary goods	1.1	1.6	3.0	5.5		
5	IIP: Capital goods	3.0	4.9	7.3	7.8		
6	IIP: Infrastructure and construction goods	8.1	3.9	6.7	7.0		
7	IIP: Consumer durables	10.7	6.6	9.1	7.2		
8	IIP: Consumer non-durables	-0.2	-2.2	-1.8	-0.2		
9	Eight Core Industries (ECI)	6.3	2.4	4.8	5.1	2.9	
10	ECI: Steel	8.4	4.3	7.8	4.7	5.6	
11	ECI: Cement	0.4	3.2	6.6	14.6	10.5	
12	Electricity demand	10.2	-0.7	2.6	1.3	2.4	6.6
Production of Automobiles							
13	Passenger vehicles	5.8	-0.7	-8.9	3.7	4.5	
14	Two-wheelers	19.6	12.5	8.0	10.3	1.6	
15	Three wheelers	9.4	6.3	-2.1	16.2	6.5	
16	Tractors	1.0	3.2	12.1	23.7	-7.8	

Sources: CMIE; CEIC; NSO; SIAM and RBI staff estimates.

Table III.15: Electricity Generation and Consumption

(Y-o-y, per cent)

Indicators	2023-24				2024-25					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jan	Feb	Mar
Electricity generation										
Thermal	2.1	14.7	14.3	10.1	12.1	-1.3	0.0	-2.9	1.0	3.1
Nuclear	-6.4	16.7	10.0	-2.2	28.3	18.4	11.4	15.1	18.6	16.8
Hydro	-10.0	-13.4	-30.7	-20.2	1.0	6.2	28.3	16.3	17.6	24.2
Renewables	8.1	21.9	7.0	5.6	7.0	7.3	17.2	31.9	12.2	
Electricity consumption										
Northern region	-8.9	8.4	6.0	8.3	22.0	3.1	9.5	-2.9	2.4	6.0
Western region	3.5	20.8	7.7	7.1	5.5	-6.7	0.4	3.3	3.0	9.5
Southern region	10.7	16.3	18.2	9.3	3.3	0.8	-2.3	3.1	2.1	3.9
Eastern region	4.9	6.6	9.2	7.9	9.8	0.6	3.9	2.7	1.7	6.6
All-India	1.5	13.4	9.9	8.1	10.2	-0.7	2.6	1.3	2.4	6.6

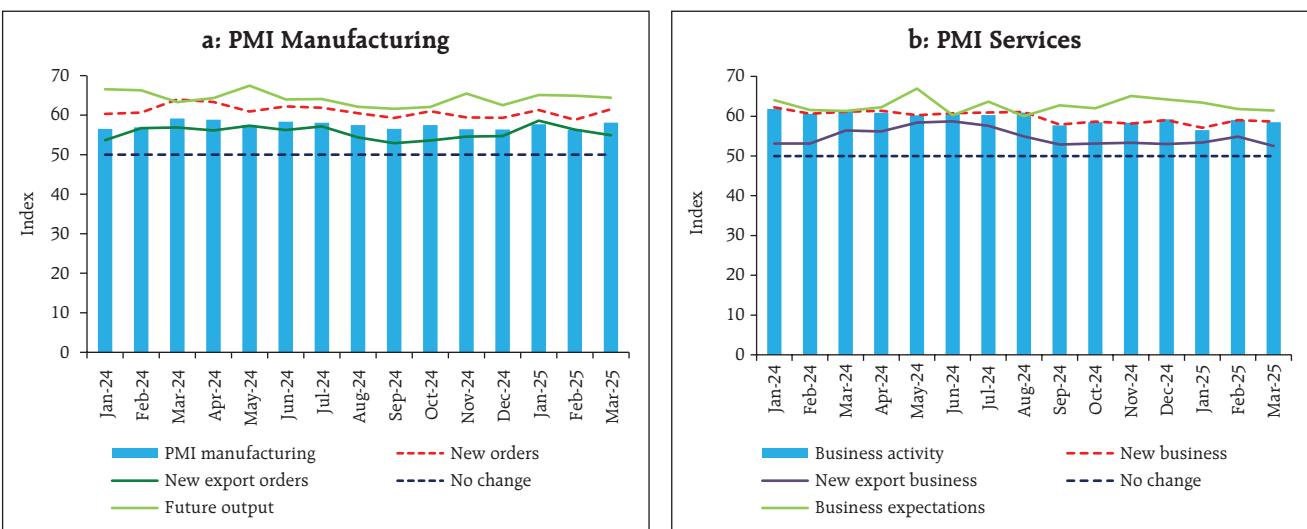
Sources: Central Electricity Authority (CEA); and Power System Operation Corporation Limited (POSOCO).

The manufacturing purchasing managers' index (PMI) stayed in expansion zone and stood at 56.8 in Q3, improving further to 57.4 in Q4 with an uptick in new export orders and employment. Business expectations for manufacturing remained optimistic, as indicated by future output assessment (Chart III.18a).

III.2.3 Services

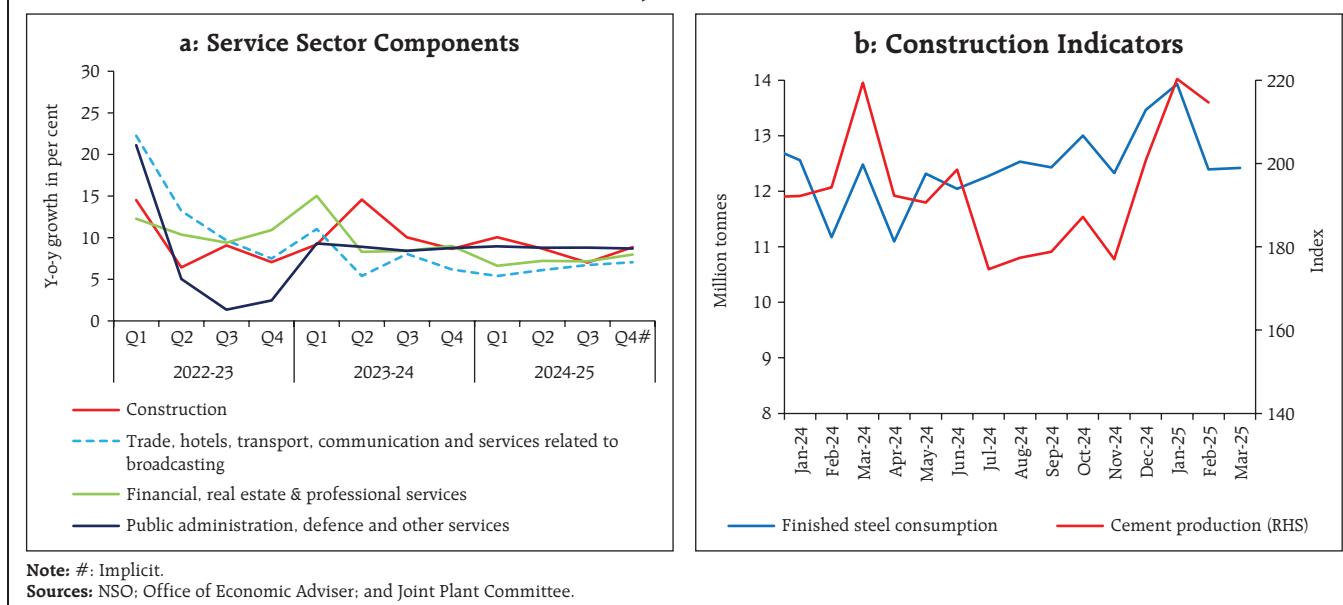
Services sector remains the mainstay of the Indian economy, with contribution of around 75 per cent

to GVA growth in 2024-25. A notable transformation within India's services sector has been observed with the growing share of high-skill and high-value services. The services sector maintained its momentum in Q3:2024-25, with an impetus from trade, hotels, transport, communication and broadcasting; financial, real estate and professional services; and public administration, defence and other services (Chart III.19a). As per the SAE, the services sector grew

Chart III.18: PMI Manufacturing and Services

Note: PMI > 50: Expansion, PMI < 50: Contraction.

Source: HSBC, S&P Global.

Chart III.19: Services Sector

Note: #: Implicit.

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

robustly at 7.5 per cent in 2024-25, on top of 9.2 per cent growth a year ago. Finished steel consumption and cement production – proximate indicators of construction activity – improved from Q3 and recorded double-digit growth during Jan-Feb 2025. Steel consumption, however, contracted marginally in March (Chart III.19b).

Trade, hotels, transport, and communication recorded a growth of 6.7 per cent in Q3:2024-25 (6.1 per cent in Q2). GST collections improved in Q4, indicating healthy domestic trading activity. Domestic air passenger traffic sustained strong growth in January–February 2025, reflecting steady growth in tourism and business-related travels. Indicators of transportation services exhibited a mixed picture – toll collections remained strong in Q4 and port cargo rebounded strongly in Q4 after a weak performance in Q3, while passenger vehicle sales recorded muted growth during this period.

Financial, real estate and professional services rose by 7.2 per cent in Q3:2024-25 and was a major contributor to services sector GVA growth (33.1 per cent) as well as to aggregate GVA growth (23.9 per cent). Bank credit and deposits expanded by 12.1

per cent and 10.5 per cent, respectively, in March 2025. Insurance premia in non-life segments grew at a healthy rate in H2 (October–February), while life insurance premia witnessed a contraction (Table III.16).

Nominal sales of non-IT services remained buoyant and registered double-digit growth in Q3. The performance of IT sector also inched up further in Q3, despite global headwinds (Chart III.20).

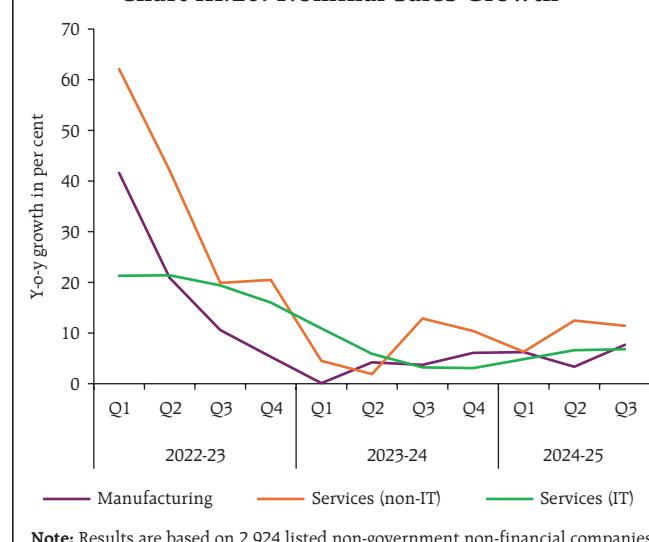
Chart III.20: Nominal Sales Growth

Table III.16: Services Sector y-o-y growth

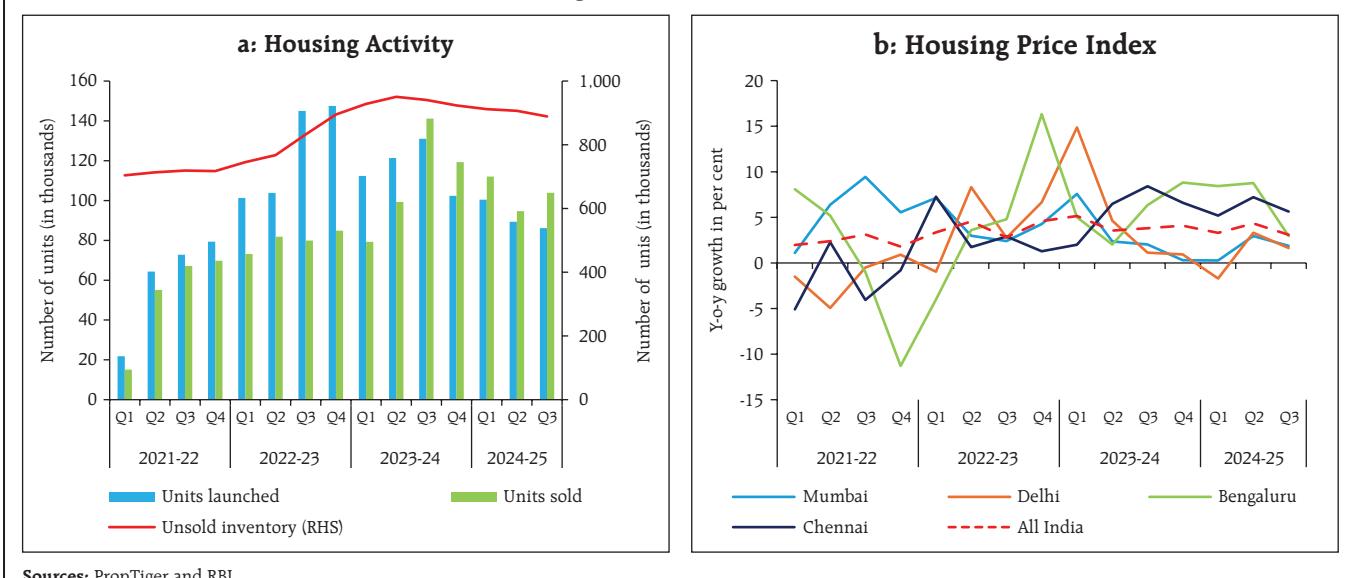
(Per cent)

Indicators	2024-25					
	Q1	Q2	Q3	Jan	Feb	Mar
1 PMI: Services (>50 indicates growth over previous month)	60.5	59.6	58.7	56.5	59.0	58.5
Construction						
2 Steel consumption	15.0	12.0	7.8	10.9	10.9	-0.5
3 Cement production	0.4	3.2	6.6	14.6	10.5	
Trade, Hotels, Transport, Communication and Services related to Broadcasting						
4 Commercial vehicle sales	3.5	-11.0	1.2			
5 Domestic air passenger traffic	5.6	7.2	11.4	14.1	12.1	
6 Domestic air cargo	7.1	7.6	4.6	6.9	-2.5	
7 International air cargo	18.4	21.9	15.0	7.1	-6.3	
8 Port cargo	3.9	6.2	-1.7	6.2	7.4	13.3
9 Toll collection: volume	5.6	7.6	9.9	14.8	18.7	11.9
10 Petroleum consumption	3.9	1.0	5.4	3.0	-5.2	-3.1
11 GST E-way bill	16.0	16.8	16.9	23.1	14.7	20.2
12 GST revenue	10.2	8.9	8.3	12.3	9.1	9.9
Financial, Real Estate and Professional Services						
13 Credit outstanding	13.9	14.4	12.4	12.5	12.0	12.1
14 Bank deposits	10.6	12.0	10.2	10.6	10.6	10.5
15 Life insurance premium	22.9	16.5	-6.6	-8.1	-11.6	
16 Non-life insurance premium	13.3	1.9	10.8	6.6	-2.8	

Sources: CEIC; HSBC; IRDAI; MoSPI; NSO; S&P Global; SIAM; and RBI Staff Estimates.

Real estate activity in Q3:2024-25 presented mixed signals with lesser new launches, reflecting uncertainty about future demand, even as sales recorded some uptick in momentum. As sales

surpassed launches, unsold inventory registered a marginal decline (Chart III.21a). The growth in all-India housing prices moderated in Q3, with its pace decelerating across all major cities (Chart III.21b).

Chart III.21: Housing Sector – Launches, Sales and Prices

Sources: PropTiger and RBI.

Public administration, defence, and other services (PADO) grew at 8.8 per cent in Q3, primarily driven by other services, like, health, education and recreation. The centre's revenue expenditure, excluding interest payments and subsidies, increased by 11.2 per cent during Q3 before contracting by 3.0 per cent in Jan-Feb 2025.

Services PMI remained in expansionary zone at 58.7 in Q3 and 58.0 in Q4, although it moderated from 60.1 in H1:2024-25, supported by employment and new business activity from abroad (Chart III.18b and Table III.16). The composite PMI index moderated from the high of 60.4 in H1:2024-25 to 58.9 in Q3, and further to 58.6 in Q4, but remained comfortably above the 50-mark signalling sustained growth. PMI manufacturing and PMI services readings for India have remained the highest globally since July 2022 and April 2023, respectively.

III.3 Conclusion

After witnessing a transient slowdown in Q2:2024-25, economic activity recovered in Q3 on the back of healthy private consumption and improved government's capital expenditure. Further, buoyancy in the rural economy, resilient services sector, governments' efforts to spur household demand through tax incentives and healthy balance sheets of financial entities and corporates along with the easing of financing conditions are expected to give an impetus to growth. Continued geopolitical uncertainties, global trade disruptions, weather-related disturbances amidst high volatility in the global financial markets, on the other hand, pose downside risks to the outlook. While reciprocal tariff by the US will adversely impact India's net external demand, India's relative tariff advantage over its peer economies may contain the impact.

IV. Liquidity Conditions and Financial Markets

Domestic financial markets remained relatively stable and resilient in contrast to volatile global markets during H2:2024-25. Money market rates evolved in sync with the policy stance and shifts in liquidity conditions while bond yields eased in response to domestic developments and global cues. Transmission to lending and deposit rates remained robust. Bank credit growth moderated in H2:2024-25. The Reserve Bank took a slew of liquidity augmenting measures to ensure orderly market conditions.

Introduction

During H2:2024-25, global financial markets remained volatile amidst elevated trade and policy uncertainties and continuing geopolitical tensions. Advanced economy central banks have been charting out a carefully calibrated course for monetary policy in the wake of a spurt in volatility and foggy macroeconomic outlook. Global bond yields, especially at the longer end, gyrated in line with the shifting economic outlook and expectations about increasingly divergent monetary policy trajectories across jurisdictions. Amidst heightened volatility and regional variations, global equity markets fell sharply in Q4:2024-25. Volatile capital flows and exchange rates and their attendant impact on domestic financial conditions posed complex policy challenges in emerging market economies (EMEs) (see Chapter V for details).

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

The Reserve Bank of India (RBI) Act, 1934 requires the RBI to place the operating procedure related to the implementation of monetary policy and changes thereto from time to time, if any, in the public domain.¹

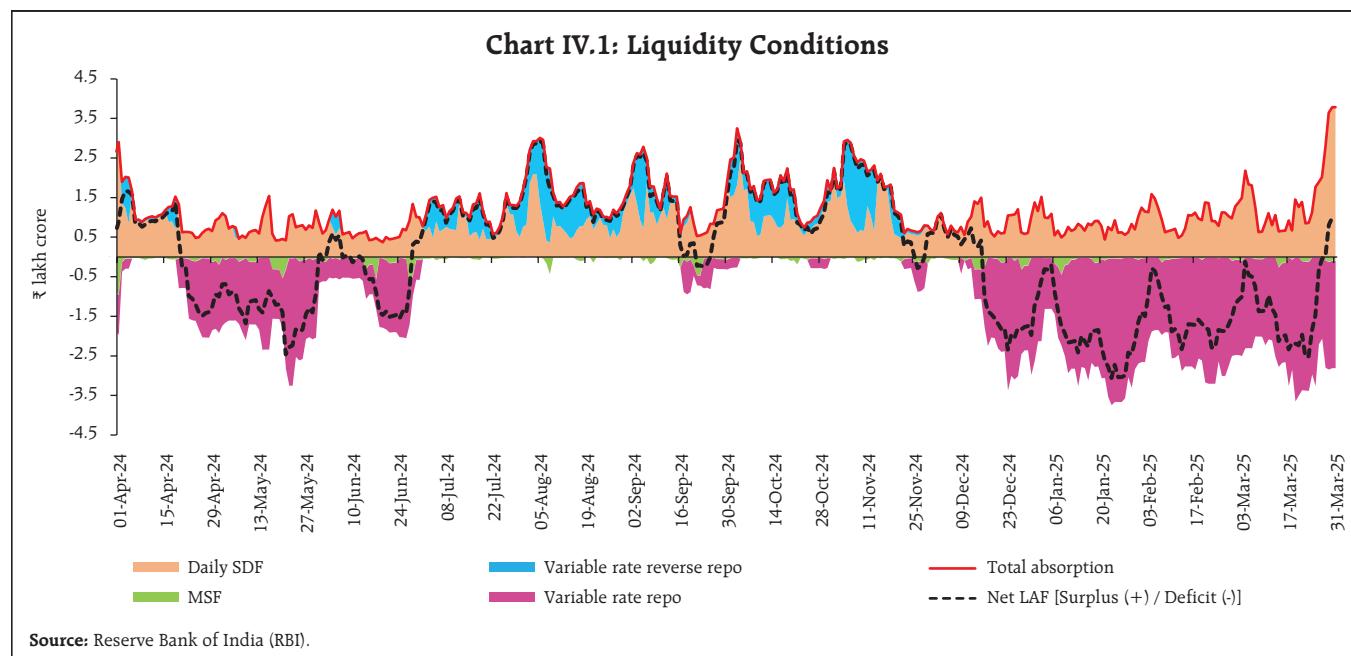
During H2:2024-25, the monetary policy committee (MPC) changed the stance from withdrawal of accommodation to neutral in October 2024 to ensure that inflation progressively aligns to the 4 per cent target, while supporting growth. To ease liquidity conditions, the cash reserve ratio (CRR) of banks was reduced by 50 basis points to 4.0 per cent of net demand and time liabilities (NDTL) in December 2024, restoring the CRR to its pre-pandemic level while releasing primary liquidity to the tune of ₹1.16 lakh crore to the banking system. To assure markets and instil confidence about the availability of adequate liquidity to meet the productive requirements of the economy, the Reserve Bank undertook a slew of liquidity augmenting measures in Q4:2024-25. It introduced daily variable rate repo (VRR) auctions on all working days with reversal taking place on the next working day effective January 16, 2025. In addition, the Reserve Bank injected durable liquidity through term repo auctions, open market purchase operations and USD/INR Buy/Sell swaps. The Reserve Bank increased the aggregate limit available to Standalone Primary Dealers (SPDs) under the Standing Liquidity Facility (SLF) from ₹10,000 crore to ₹15,000 crore, starting from April 2, 2025, and announced a monthly calendar of open market purchase operations for April 2025. Furthermore, the MPC reduced the policy repo rate by 25 basis points to 6.25 per cent in February 2025.

Drivers and Management of Liquidity

System liquidity, as measured by net balances under the liquidity adjustment facility (LAF), transited from surplus in H1:2024-25 to deficit in H2:2024-25 (Chart IV.1).

On a net basis, average daily injection under the LAF amounted to ₹0.36 lakh crore in H2 as against average daily net absorption of ₹0.39 lakh crore in

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 are given in the Monetary Policy Report of April 2024.



H1. 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 H2. The leakage of banking system liquidity due to the increase in currency demand and the Reserve Bank's forex market operations was partly offset by the drawdown of GoI cash balances,

reduction in CRR and the Reserve Bank's liquidity augmenting measures during H2 (Table IV.1).

Within H2, system liquidity was in surplus during October-November (except for a brief period at end November) on account of higher government spending, notwithstanding an increase in CiC due to festival related demand in October and significant

Table IV.1: Liquidity – Key Drivers and Management

(₹crore)

	2023-24		2024-25			
	H1	H2	H1	Q3	Q4*	H2*
Drivers						
(i) CiC [withdrawal (-) / return (+)]	89,356	-2,26,366	33,556	-78,963	-1,59,204	-2,38,167
(ii) Net Forex Purchases (+) / Sales (-)	1,44,667	1,94,861	70,402	-3,27,601	-2,52,034 ^	-5,79,635 ^
(iii) GoI Cash Balances [build-up (-) / drawdown (+)]	-4,17,850	1,42,694	-1,50,494	1,06,873	78,358	1,85,231
(iv) Excess Reserves [build-up (-) / drawdown (+)]	34,925	-46,886	36,768	41,534	-39,962	1,572
Management						
(i) Net OMO Purchases (+) / Sales (-)	-8,480	-10,025	-24,040	0	2,83,386	2,83,386
(ii) Required Reserves [including both change in NDTL and CRR]	-1,35,220	7,503	-55,613	39,349	37,101	76,450
(iii) Long term Forex Swaps Buy/Sell (+) / Sell/Buy (-)	-	-	-	-	2,18,000 ^	2,18,000 ^
(iv) Term Repo Auctions	-	-	-	-	1,82,964	1,82,964
<i>Memo Item</i>						
Net Absorption (+) / Injection (-) as at end-period	-97,015	-52,918	84,651	-1,82,788	-172	-172

Notes: 1. (+) / (-) sign suggests accretion/depletion in banking system liquidity. 2. Data pertain to the last Friday of the respective period. 3. Net forex purchases or sales do not include the first leg of long-term forex swaps announced by the Reserve Bank.

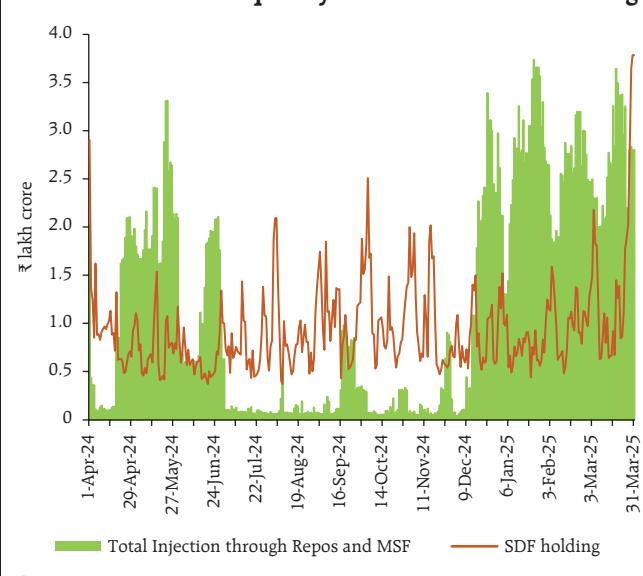
*: Data for Q4 and H2:2024-25 are up to March 28, 2025. ^ : approximate values.

Source: RBI.

capital outflows in November. System liquidity turned into deficit during the second half of December due to the combined impact of advance tax payments, capital outflows and currency leakage. The liquidity infusing impact of CRR reduction, drawdown of GoI cash balances and excess reserves was overwhelmed by the withdrawal of banking system liquidity due to increase in CiC and the Reserve Bank's forex market operations. As a result, average daily net absorption under the LAF (including MSF) declined to ₹0.8 lakh crore in Q3:2024-25 compared to ₹1.3 lakh crore in the preceding quarter. In contrast, liquidity conditions remained in deficit for a major part of Q4 due to continued capital outflows and seasonal increase in CiC. Reflecting liquidity tightness, the average net injection under the LAF stood at ₹1.6 lakh crore in Q4. To manage liquidity conditions, the Reserve Bank introduced daily VRR auctions on all working days beginning January 16, 2025, with the notified amount being in sync with the evolving liquidity conditions. Furthermore, the Reserve Bank took a slew of measures – Open Market Operations (OMOs) purchases, USD/INR Buy/Sell swaps and long term VRRs – to inject durable liquidity into the system. Consequently, system liquidity turned into surplus at end-March, after a gap of more than 3 months.

Banks' recourse to the marginal standing facility (MSF) at a daily average of ₹0.06 lakh crore in H2 was lower than ₹0.08 lakh crore in H1. Of the average total absorption under the LAF at ₹1.26 lakh crore during H2, average placement under the standing deposit facility (SDF) constituted about 82.6 per cent (₹1.04 lakh crore), while the remaining amount was absorbed through variable rate reverse repo (VRRR) auctions. The simultaneous occurrence of liquidity deficit conditions alongside substantial fund placements under the SDF suggests asymmetric distribution of liquidity within the banking system as well as increased liquidity preference on the part of banks (Chart IV.2).

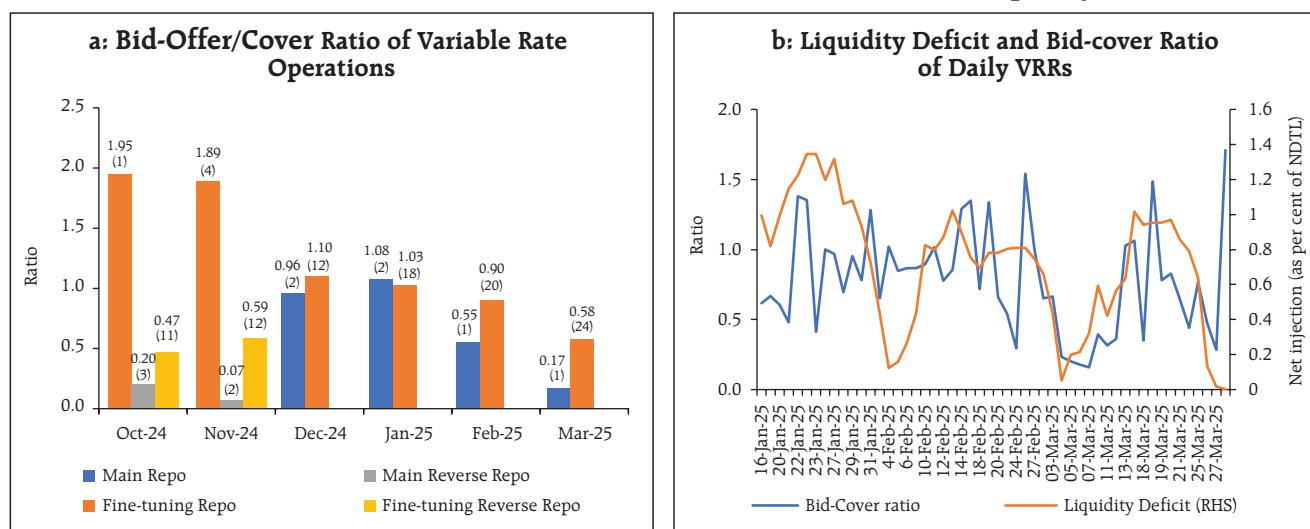
Chart IV.2: Banks' Liquidity Demand and SDF Holding



Source: RBI.

The Reserve Bank remained nimble and flexible in its liquidity management and conducted two-way operations under the LAF in view of the changing liquidity dynamics. With system liquidity remaining in surplus during Q3, five main and 23 fine tuning VRRR auctions (1-4 days maturity) were conducted, cumulatively mopping up about ₹11.7 lakh crore from the banking system in October-November 2024.² Banks showed reluctance in parking liquidity with the Reserve Bank, as reflected in the lower bid-offer ratio for main as well as fine-tuning VRRR operations (Chart IV.3.a). The demand for liquidity remained elevated during mid-December to February, as reflected in the higher bid-cover ratio for the repo auctions. As liquidity turned into deficit since the latter half of December, two main and 12 fine-tuning VRR auctions were conducted, cumulatively injecting ₹9.4 lakh crore into the system. The demand for liquidity, as reflected in the bid-cover ratios of daily VRRs, moderated in March as liquidity conditions eased in the wake of several liquidity augmenting measures (Chart IV.3.b). Overall, the Reserve Bank conducted four main and 62 fine-tuning VRR auctions to alleviate the liquidity

² Four fine-tuning VRR auctions were conducted during November 22-28 to alleviate liquidity tightness due to GST related payments.

Chart IV.3: Bid-Offer/Cover Ratio and Banks' Preference for Liquidity

Note: Figures in parentheses indicate number of operations.

Source: RBI.

tightness during Q4:2024-25, cumulatively injecting ₹48.7 lakh crore into the banking system.

To meet durable liquidity requirements, the Reserve Bank injected around ₹8.0 lakh crore of

liquidity through a combination of CRR cut, open market purchases, term VRR auctions and USD/INR Buy/Sell swaps during H2:2024-25 (Table IV.2). The high bid-cover ratios for the OMOs and forex

Table IV.2: Durable Liquidity Measures during H2:2024-25

(Amount in ₹ crore)

Measures	Auction Date	Description	Bid Cover Ratio	Liquidity injected
CRR Cut	Announced on December 6, 2024	CRR cut by 50 bps in two equal tranches of 25 bps each with effect from the fortnight beginning December 14 and December 28		1,16,000*
OMO Purchase	Q4:2024-25	Through NDS-OM		38,825
OMO Purchase auctions	January 30, 2025	Notified Amount: 20,000	6.03	20,020
	February 13, 2025	Notified Amount: 40,000	4.53	40,000
	February 20, 2025	Notified Amount: 40,000	4.69	40,000
	March 12, 2025	Notified Amount: 50,000	2.51	50,000
	March 18, 2025	Notified Amount: 50,000	2.02	50,000
	March 25, 2025	Notified Amount: 50,000	1.35	44,541
Term Repo Auctions	February 07, 2025	56-day VRR auction Notified Amount: 50,000	2.17	50,010
	February 14, 2025	49-day VRR auction Notified Amount: 75,000	1.33	75,003
	February 21, 2025	45-day VRR auction Notified Amount: 75,000	0.77	57,951
USD/INR Buy/Sell swap auctions	January 31, 2025 (Settlement on Feb 4, 2025)	Tenor: 6 months Notified Amount: USD 5 billion	5.12	44,000* (USD 5.10 Billion)
	February 28, 2025 (Settlement on Mar 4, 2025)	Tenor: 3 years Notified Amount: USD 10 billion	1.62	88,000* (USD 10.06 Billion)
	March 24, 2025 (Settlement on Mar 26, 2025)	Tenor: 3 years Notified Amount: USD 10 billion	2.23	86,000* (USD 10.04 Billion)
Total				8,00,350*

Note: * indicates approximate value.

Source: RBI.

swaps suggested high demand for durable liquidity. Considering this and the expected financial year-end liquidity tightness, the Reserve Bank provided further durable liquidity support through additional OMO purchase auctions of ₹1,50,000 crore and a USD/INR Buy/Sell swap auction of USD 10 billion for a tenor of thirty-six months during March.

As on March 28, 2025, reserve money (RM) expanded by 3.3 per cent (y-o-y) as against 6.7 per cent a year ago. The lower growth in RM reflected the decline in bankers' deposits with the RBI on account of the reduction in cash reserve ratio (CRR) in December 2024. Adjusted for the CRR change, growth in RM stood at 5.8 per cent (6.7 per cent a year ago). As on March 21, 2025, growth (y-o-y) in money supply (M3) decelerated to 9.6 per cent from 11.2 per cent

a year ago. The money multiplier increased to 5.7 as on March 21, 2025, from 5.4 a year ago, reflecting the dual impact of both the CRR cut and a lower currency-deposit ratio.

IV.2 Domestic Financial Markets

In contrast to global developments, domestic financial markets remained relatively stable and resilient. Money market rates evolved in sync with the policy stance and shifts in liquidity conditions. Long-term government bond yields eased in response to domestic developments and global cues. Corporate bond yields generally softened while spreads widened during H2:2024-25 reflecting higher softening of G-sec yields. The simultaneous occurrence of rising uncertainties and liquidity constraints drove spreads across market segments (Box IV.1). Equity markets

Box IV.1: What Drives Yields and Spreads – Liquidity or Uncertainty?

In the recent period, global financial markets have remained volatile amidst trade and policy uncertainties, lingering geopolitical tensions and shifting expectations about the monetary policy trajectories of advanced economy central banks. These global spillovers have a disconcerting impact on domestic financial conditions in Emerging Market and Developing Economies (EMDEs), necessitating policy interventions. In the backdrop of elevated uncertainties, the attendant impact of such interventions on domestic liquidity conditions has a bearing on yields and spreads across market segments, which merit closer scrutiny from a policy perspective.

Related literature suggests that spreads in the money and bond markets are driven by uncertainty, apart from prevailing liquidity conditions. Uncertainty could emanate from volatility in liquidity conditions, which can have its own independent impact on spreads by increasing the demand for precautionary savings (Amisano and Tristani, 2019). Additionally, economic and policy uncertainty may also cause spreads to increase by tightening credit supply and increasing borrowers' default premia (Ashraf

and Yinjie, 2019). Accordingly, the impact of liquidity conditions and uncertainty on spreads is examined based on monthly data of money and bond markets for the period January 2012 to January 2025, using the following regression specification:

$$S_t = \beta_0 + \beta_1 * \text{Liq_Cond}_t + \beta_2 * \text{Liq_Uncert}_t + \beta_3 * \text{Liq_Cond}_t * \text{Liq_Uncert}_t + \beta_4 * \text{Eco_Pol_Uncert}_t + \rho * S_{t-1} + \varepsilon_t$$

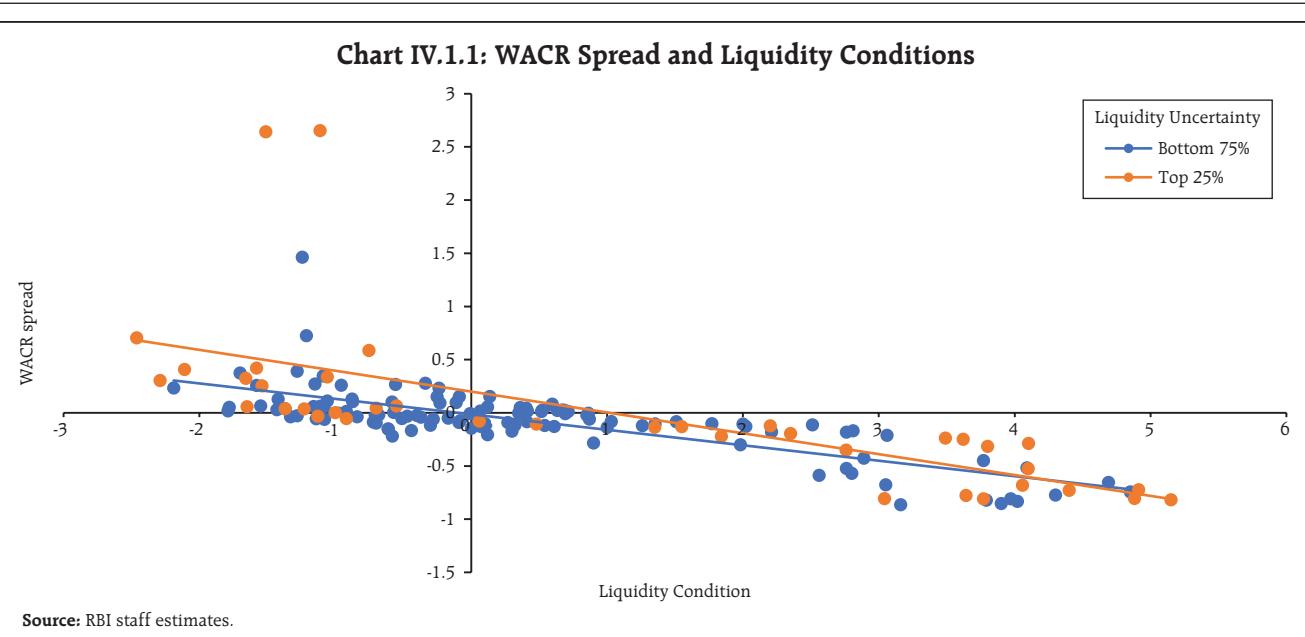
, where S_t denotes spreads in the money and bond market segments³; Liq_Cond_t is liquidity conditions as proxied by Net LAF as a proportion of NDTL in which lower values indicate relatively tighter liquidity conditions; Liq_Uncert_t is an indicator variable for months of high liquidity uncertainty⁴; and Eco_Pol_Uncert captures global economic policy uncertainty⁵. In addition, an interaction term of liquidity conditions and liquidity uncertainty is included in the specification to capture the heterogeneous impact of liquidity conditions on spreads during periods of high uncertainty (Chart IV.1.1). Lagged dependent variable is included to capture the persistence in spreads.

(Cont.)

³ Weighted average call rate (WACR) and weighted average money market rate (WAMMR) spreads are computed over the policy repo rate, while CP and bond market spreads are computed over the risk-free rates of corresponding maturities.

⁴ Liquidity uncertainty is proxied by conditional volatility, which is estimated using a GARCH (1,1) model fitted on the daily data of liquidity conditions. Months having higher uncertainty (in the top decile of conditional volatility) are assigned a value of 1, and the rest are assigned 0.

⁵ The logarithmic form of the Purchasing Power Parity (PPP)-adjusted Global Economic Policy Uncertainty Index (Baker et al., 2016) is used in the regression.



The estimates suggest that an easing of liquidity conditions lowers spreads across all segments in a statistically significant manner, *albeit* more in the money than in bond markets (Table IV.1.1). Increase in liquidity uncertainty is associated with higher spreads in the overnight money market but its effect on spreads in Commercial Paper (CP) and bond markets is found to be insignificant. This may be attributed to the spreads in CP and bond market reflecting pure credit risk premium, while the liquidity uncertainty premium gets captured in the risk-free rates. Notably, the interaction term of liquidity condition and liquidity uncertainty turns out to be statistically significant for

money market spreads, implying the intensified impact of liquidity conditions during periods of high uncertainty. From a policy perspective, the result suggests that providing sufficient liquidity has a more pronounced impact on spreads, especially during uncertain times. Moreover, global economic policy uncertainty is found to have a significant impact on spreads in CP and corporate bond markets. Overall, the findings suggest that while liquidity and uncertainty drive spreads in financial markets with their simultaneous occurrence having a magnified impact, their relative importance varies across market segments and financial cycles.

Table IV.1.1: Drivers of Spread in Money and Bond Market

Regressors	Dependent Variable						
	WACR spread	WAMMR spread	CP spread	AA 3-year spread	AAA 3-year spread	AA 5-year spread	AAA 5-year spread
Liquidity Condition	-0.033***	-0.031**	-0.046***	-0.024***	-0.026***	-0.021***	-0.020***
Liquidity Uncertainty	0.192***	0.194***	0.039	0.054	0.022	-0.006	-0.026
Liquidity Condition*Liquidity Uncertainty	-0.056**	-0.089***	0.043	0.013	0.021	0.009	0.012
Global EPU			0.154**	0.103**	0.040	0.096***	0.050**
Constant	-0.014	-0.029	-0.554	-0.230	-0.057	-0.289**	-0.176
Lagged Dependent Variable	0.749***	0.751***	0.707***	0.774***	0.815***	0.840***	0.890***
Number of Observations	156	156	156	156	156	156	156
Adjusted R-squared	0.782	0.768	0.615	0.712	0.785	0.800	0.882

Note: '***', '**' and '*' represent statistical significance at 1 per cent, 5 per cent and 10 per cent level, respectively.

References:

- Amisano, G., and Tristani, O. (2019). Uncertainty Shocks, Monetary Policy and Long-Term Interest Rates. ECB Working Paper No. 2279.
 Ashraf, B.N., and Yinjie, S. (2019). Economic policy uncertainty and banks' loan pricing. Journal of Financial Stability, Volume 44.
 Baker, S.R., Bloom, N., Davis, S.J. (2016). Measuring economic policy uncertainty. Quarterly Journal of Economics, 131, 1593-1636.

experienced a persistent decline in H2:2024-25 amidst geopolitical, trade and policy uncertainties and foreign portfolio investment (FPI) outflows. The INR traded with a depreciating bias against the US dollar until February, but recovered some of the loses in March and remained among the least volatile major EME currencies. In the credit market, despite some moderation, growth in bank credit continued to outpace deposit expansion in H2:2024-25.

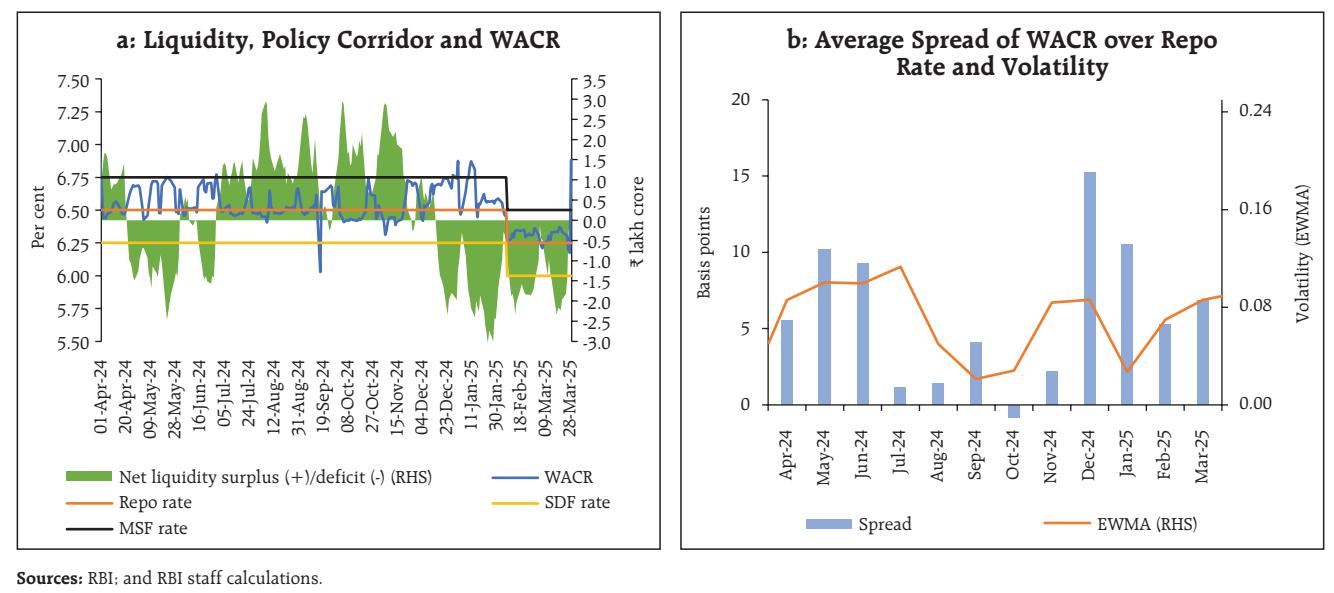
IV.2.1 Money Market

The weighted average call rate (WACR) – the operating target of monetary policy – moved in tandem with the policy repo rate and the evolving liquidity conditions. During H2:2024-25, the WACR, which remained within the policy corridor and hovered close to the policy repo rate during October-November, hardened, moving close to and occasionally breaching the ceiling of the LAF corridor (MSF rate) during the second half of December and early January. This was partly attributed to the lower lending volumes in the call money market as banks were unwilling to on-lend in the uncollateralised market at the quarter-

end; instead, they preferred parking funds under the SDF. In early January, the WACR reverted closer to the policy repo rate as liquidity conditions eased before tightening again in the second week. The WACR moderated since mid-January with the introduction of daily VRR, the policy repo rate cut in February and the RBI's liquidity augmenting measures.

Generally, movements in WACR mainly reflected transient liquidity conditions, softening during the beginning of the month on higher government spending and hardening during the third week due to tax outflows (Chart IV.4.a). Reflecting the alleviation of liquidity tightness at the short-end, the average spread of WACR over the policy repo rate declined to 7 basis points (bps) in March 2025 from a high of 15 bps in December 2024 (Chart IV.4.b). Volatility of the WACR, as measured by the exponential weighted moving average (EWMA)⁶, however, continued to remain elevated till March 2025. The overnight rates in the collateralised segment, i.e., triparty repo (TREPS) and market repo broadly remained aligned with the WACR.

Chart IV.4: Policy Corridor and WACR



Sources: RBI; and RBI staff calculations.

⁶ EWMA is an improvement over simple variance as it assigns greater weight to the more recent observations. EWMA expresses volatility as a weighted average of past volatility with higher weights assigned to the more recent observations.

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

(₹ lakh crore)

	2023-24		2024-25			
	H1	H2	H1	Q3	Q4	H2
Call/Notice	0.10(2)	0.10(2)	0.10(2)	0.10(2)	0.13(2)	0.11(2)
Triparty Repo	2.87(64)	3.14(68)	3.30(68)	3.74(72)	3.51(69)	3.62(70)
Market Repo	1.51(34)	1.37(30)	1.48(30)	1.37(26)	1.48(29)	1.42(28)
Total	4.47(100)	4.62(100)	4.88(100)	5.20(100)	5.11(100)	5.16(100)

Note: Figures in parentheses denote share of each segment in overnight money market. Figures may not add up to total due to rounding off.

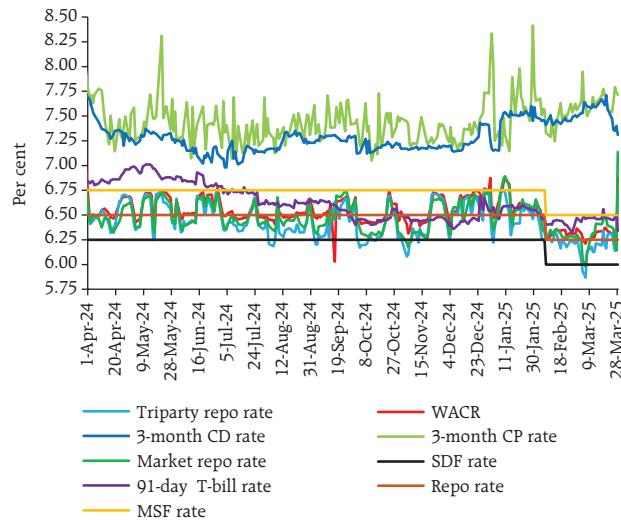
Sources: Clearing Corporation of India Ltd. (CCIL); and RBI.

Money market activity continued to be dominated by the collateralised (tri-party and market repo) segments, with their share in overnight money market volume mostly remaining unchanged at 98 per cent. (Table IV.3).

Mutual funds (MFs) remained the major lenders in the TREPS market, with their share increasing to 67 per cent in H2 from 65 per cent in H1:2024-25. In the market repo segment, the lending share of mutual funds (MFs) increased to 46 per cent in H2 from 41 per cent in H1:2024-25, alongside a decline in the share of foreign banks to 31 per cent from 34 per cent. On the borrowing side, public sector banks (PSBs) remained the dominant players in TREPS, although their share reduced to 40 per cent in H2 from 47 per cent in H1:2024-25. In market repo, however, their share increased to 6 per cent from 4 per cent over the same period.

In the longer-term segments of the money market, rates on commercial paper (CPs) and certificates of deposit (CDs) increased during H2 relative to H1:2024-25 due to the liquidity tightness in the banking system (Chart IV.5). On the contrary, T-bill rates softened during the same period. The average spread of CDs and CPs over the policy repo rate increased to 91 bps and 105 bps, respectively, in H2 from 74 bps and 92 bps, respectively, in H1:2024-25. On the other hand, the average spread of T-Bills over the policy repo rate moderated to 4 bps from 25 bps during the same period.

Chart IV.5: Money Market Rates and Policy Corridor



Sources: Financial Benchmarks India Pvt Ltd. (FBIL); and RBI.

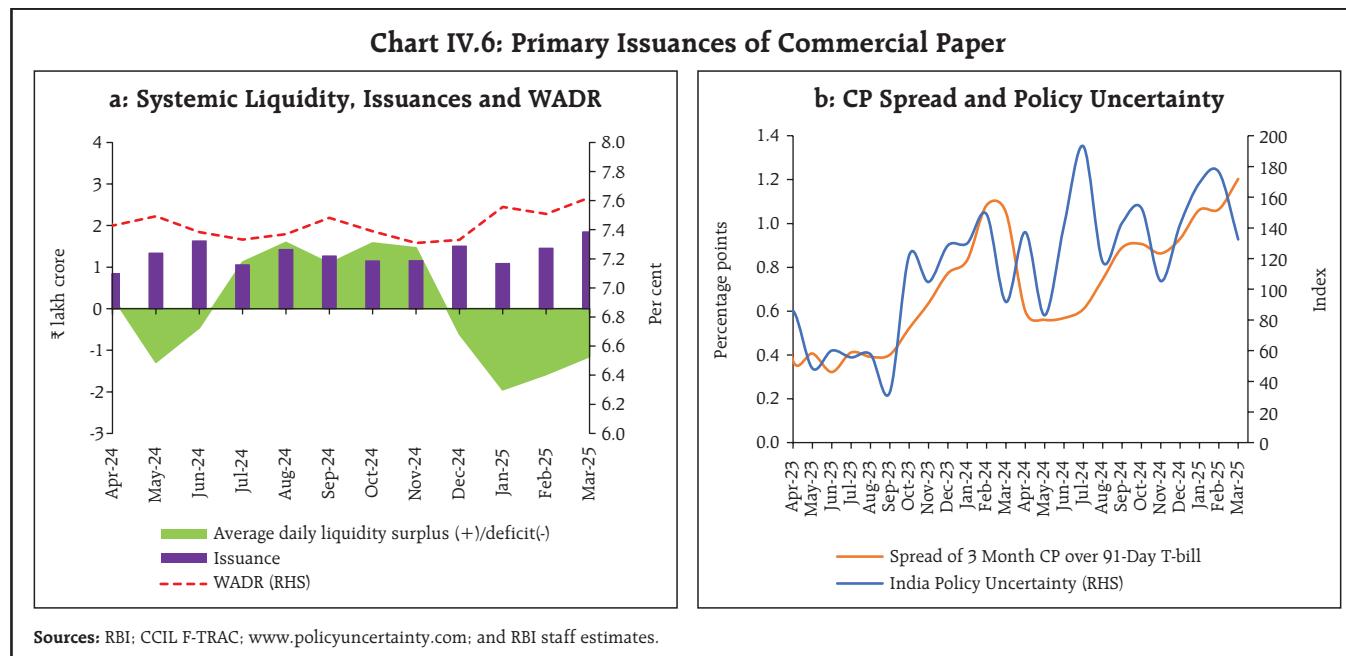
Fresh issuances of CDs increased to ₹6.6 lakh crore in H2 from ₹5.4 lakh crore in H1:2024-25. Consequently, total outstanding amount of CD issuances reached an all-time high of ₹5.3 lakh crore for the fortnight ending March 21, 2025, as banks continued to rely on raising funds through CDs amidst subdued deposit growth. Within H2, CD issuances in the shorter tenor (up to 91-days) declined, with their share in total issuances reducing to 58 per cent in March 2025 from 68 per cent in October 2024. Concomitantly, the share of longer tenor CDs (181-365 days) increased to 40 per cent in March 2025 from 30 per cent in October 2024 (Table IV.4).

Table IV.4: Tenor wise Break up for CD Issuances
(₹ lakh crore)

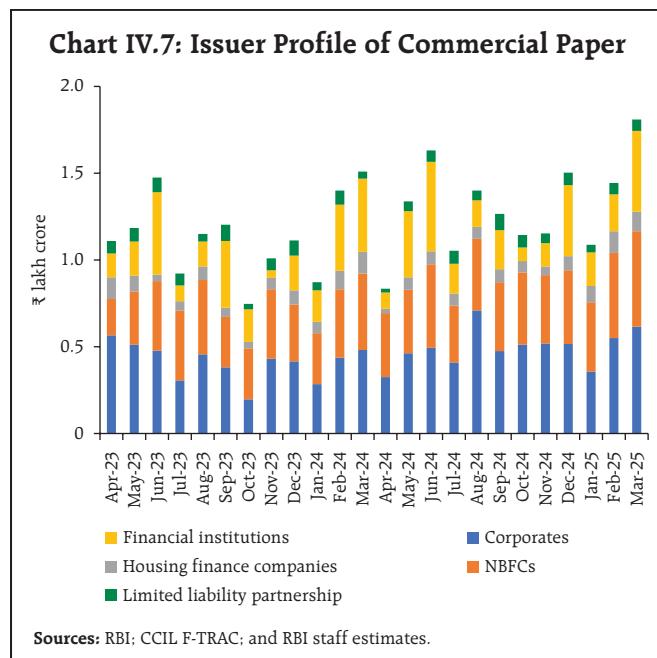
	2023-24		2024-25			
	H1	H2	H1	Q3	Q4	H2
Up to 91 Days	2.37(76)	3.76(68)	3.93(73)	1.75(61)	1.99(54)	3.74(57)
92-180 Days	0.18(6)	0.18(3)	0.20(4)	0.09(3)	0.08(2)	0.17(3)
181-365 Days	0.58(19)	1.59(29)	1.22(23)	1.02(36)	1.63(44)	2.64(40)
Total	3.13(100)	5.52(100)	5.35(100)	2.86(100)	3.70(100)	6.56(100)

Note: Figures in parentheses denote the share of each segment in the overnight money market. Figures may not add up to total due to rounding off.

Sources: CCIL; and RBI staff estimates.



Resource mobilisation through fresh issuances of CPs increased to ₹8.2 lakh crore during H2 from ₹7.6 lakh crore in H1:2024-25 (Chart IV.6.a). The weighted average discount rate (WADR) of CPs increased during Q4:2024-25 mainly due to liquidity deficit. The spread of CP rate over T-bills increased before the February 2025 policy rate reduction, mainly attributed to policy uncertainty amidst tight liquidity conditions (Chart IV.6.b).



Among fresh issuances, the average share of non-banking financial companies (NBFCs) increased to 33 per cent in H2:2024-25 from 32 per cent in H1:2024-25. In the CP market, corporates were the major players with an average share of 38 per cent in total issuances during H2:2024-25 (Chart IV.7).

Maturity bucket wise, the 91-180 days segment had the largest share of fresh CP issuances (Table IV.5). Higher issuances of longer tenor CPs during H2 compared to H1 could be attributed to higher investor demand in view of the commencement of an interest rate easing cycle.

Table IV.5: Maturity Profile of CP Issuances

(₹ lakh crore)

Tenor	H1: 2023-24	H2: 2023-24	H1: 2024-25	H2: 2024-25
7-30 days	0.45(6)	0.48(7)	0.63(8)	0.51(6)
31-90 days	3.18(45)	2.32(35)	2.35(31)	2.33(28)
91-180 days	2.75(39)	3.11(47)	3.94(52)	4.24(52)
181-365 days	0.70(10)	0.77(12)	0.64(8)	1.11(14)
Total	7.09(100)	6.67(100)	7.55(100)	8.19(100)
Outstanding (as at end-period)	4.12	3.89	3.98	4.43

Note: Figures in parentheses denote the share of each maturity profile. Figures may not add up to total due to rounding off.

Sources: CCIL; F-TRAC; and RBI.

IV.2.2 Government Securities (G-sec) Market

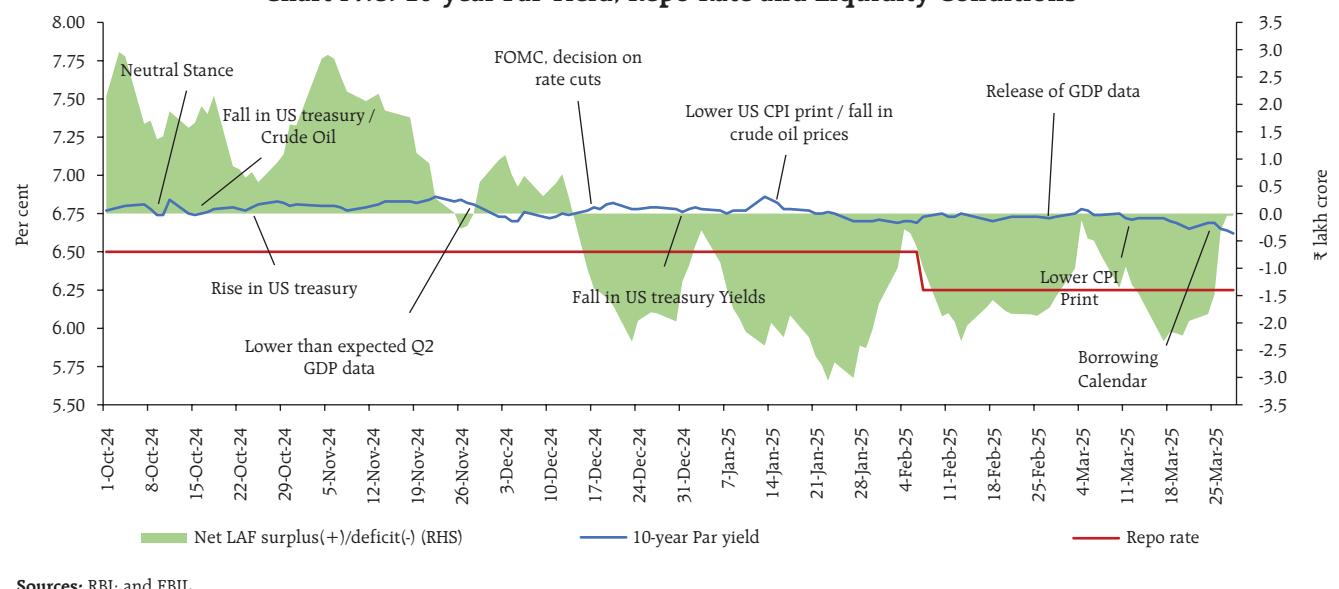
The 10-year G-sec yield moved in the range of 6.62 to 6.86 per cent during H2:2024-25. At the beginning of H2, yields hardened, tracking movements in US yields and the rise in crude oil prices. Yields, however, softened amidst positive sentiments on the inclusion of Indian Government Bonds in the Emerging Market Government Bond Index (EMGBI). During November, yields softened primarily due to sharp fall of gross domestic product (GDP) growth estimates of Q2 and anticipation of an early easing of monetary policy cycle.

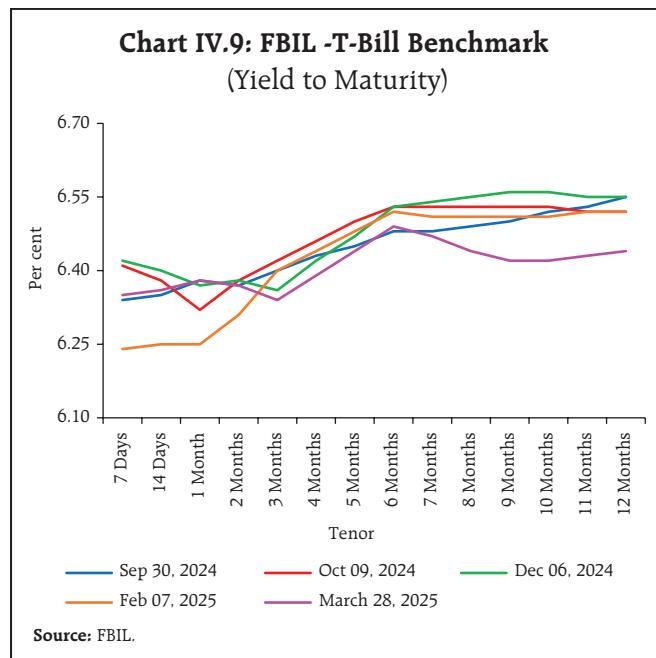
The decline in yields continued in December, but it was tempered by the unchanged repo rate and the continuation of neutral stance in the December policy. Yields rose thereafter, following the Federal Open Markets Committee's (FOMC) indication of a slower pace of rate cuts, and thereafter remained steady. Beginning January, yields exhibited some moderation, tracking US yields and buyback announcements by GoI. Yields came down in the latter half of January due to lower-than-expected US CPI inflation print, fall in crude oil prices and the inclusion of Indian

Government Bonds in the Emerging Market Local Currency Index (EMLCI). Yields traded in a narrow range during February and remained steady during end-February on account of release of Q3 GDP data. During March, the yields softened on account of lower-than-expected CPI print, liquidity measures by RBI, lower than expected April-September central government borrowing calendar, and expectations of another rate cut (Chart IV.8).

The yields on T-bills hardened during October amidst increasing volatility in the global financial markets. During November, they softened at the short end but hardened at the longer end. The hardening bias continued in December due to tight liquidity conditions and reduced expectations of rate cuts. During January, T-bill rates softened across tenors, tracking the decline in domestic yields, and buoyed by the expectations of policy easing. The softening bias continued for a short period in February with yields hardening amidst the cancellation of treasury bill auctions. During March, T-bill rates softened tracking global and domestic developments (Chart IV.9).

Chart IV.8: 10-year Par Yield, Repo Rate and Liquidity Conditions



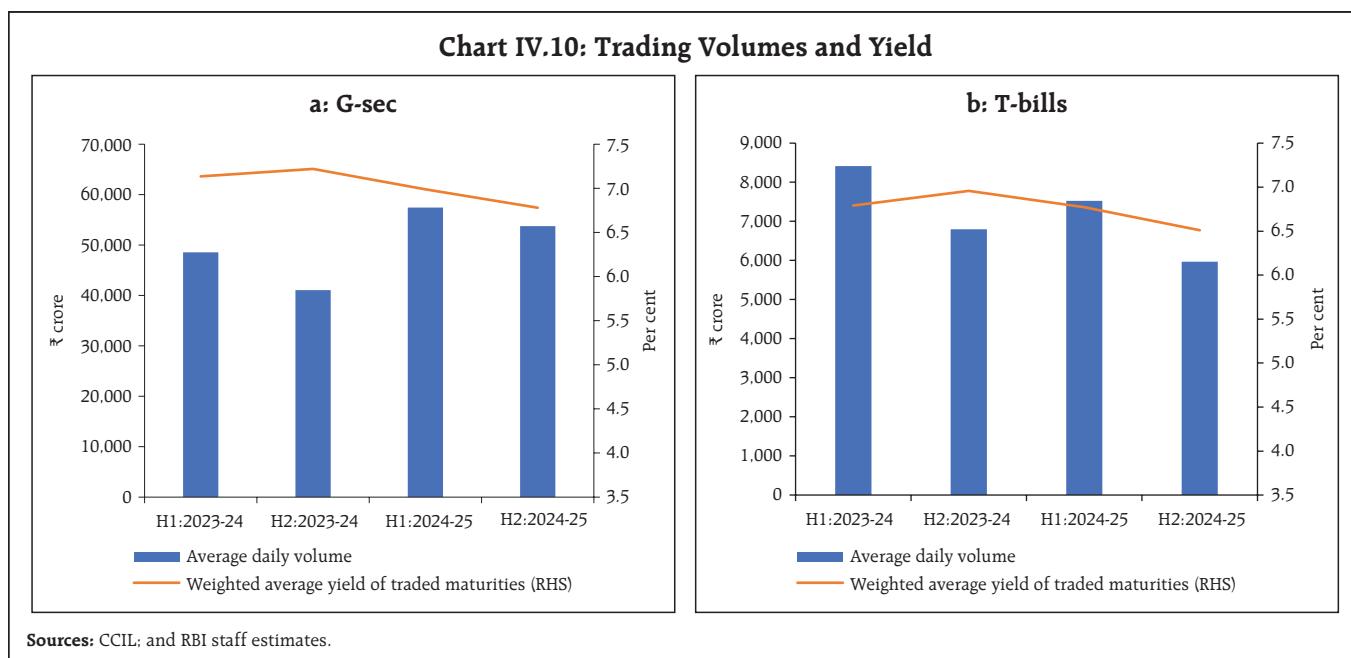


The average trading volume in G-secs and T-bills moderated in H2:2024-25 relative to H1 (Chart IV.10). The weighted average yield (WAY) on traded maturities for G-secs and T-bills declined by

21 bps and 26 bps, respectively, in H2 from that in H1:2024-25.

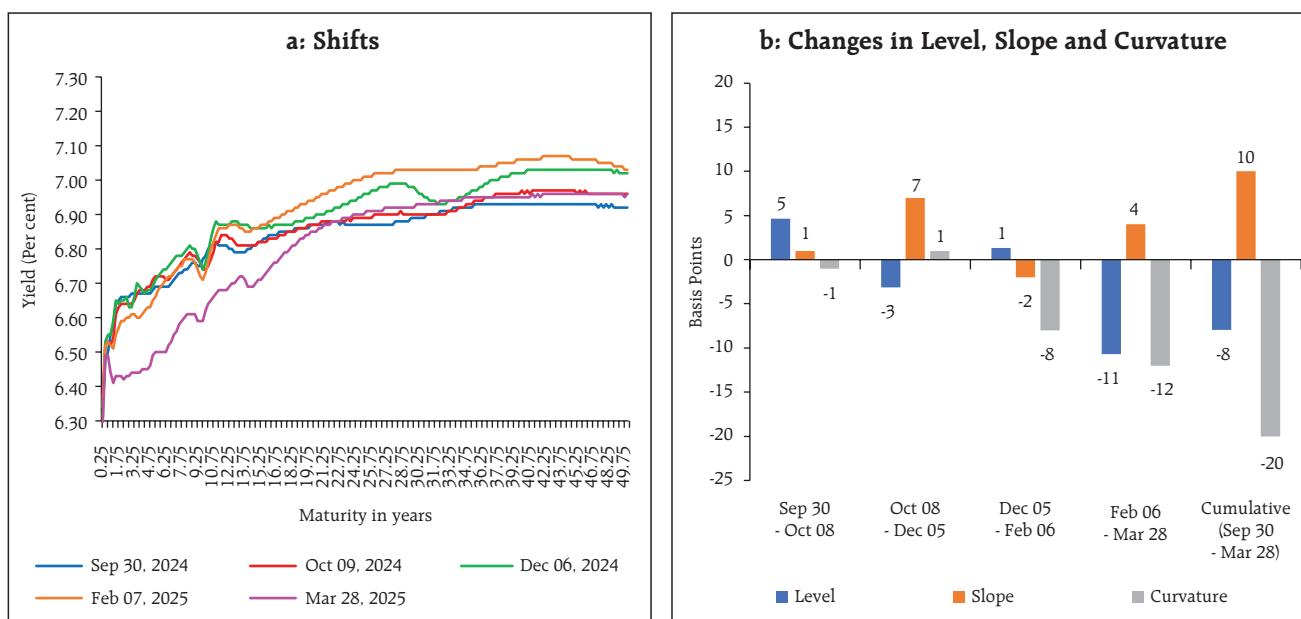
The overall dynamics of the yield curve are captured by its latent factors viz., level, slope and curvature⁷. Yields have softened across the longer end of the term structure as reflected in the downward shift of the yield curve during H2:2024-25 (Chart IV.11.a), with its average level reducing by 8 bps while the slope of the yield curve steepened by 10 bps (Chart IV.11.b). The curvature, on the other hand, declined by 20 bps, reflecting the softening bias in the mid-segment vis-à-vis the short and long term. 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)⁸.

To facilitate debt consolidation, the Reserve Bank conducted two switch auctions on behalf of GoI amounting to ₹31,424 crore during H2:2024-25. The



⁷ 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.

⁸ 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.

Chart IV.11: G-sec Yield Curve

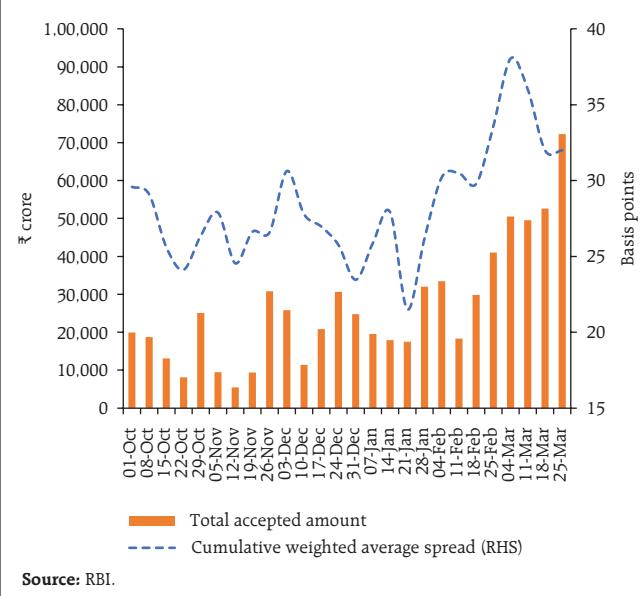
Sources: FBIL; and RBI staff estimates.

weighted average maturity (WAM) of the outstanding stock of G-secs increased to 13.24 years as at end-March, 2025 from 12.96 years at end-September 2024, while the weighted average coupon (WAC) was lower over the same period (7.25 per cent as against 7.28 per cent).

During H2:2024-25, five buyback auctions were announced for an aggregate amount of ₹1.25 lakh crore with a view to retiring some of the GoI's debt, particularly in the backdrop of its improved cash position⁹. The market response to the auctions, however, was modest with the Reserve Bank accepting offers aggregating only ₹0.88 lakh crore against the notified amount of ₹1.25 lakh crore.

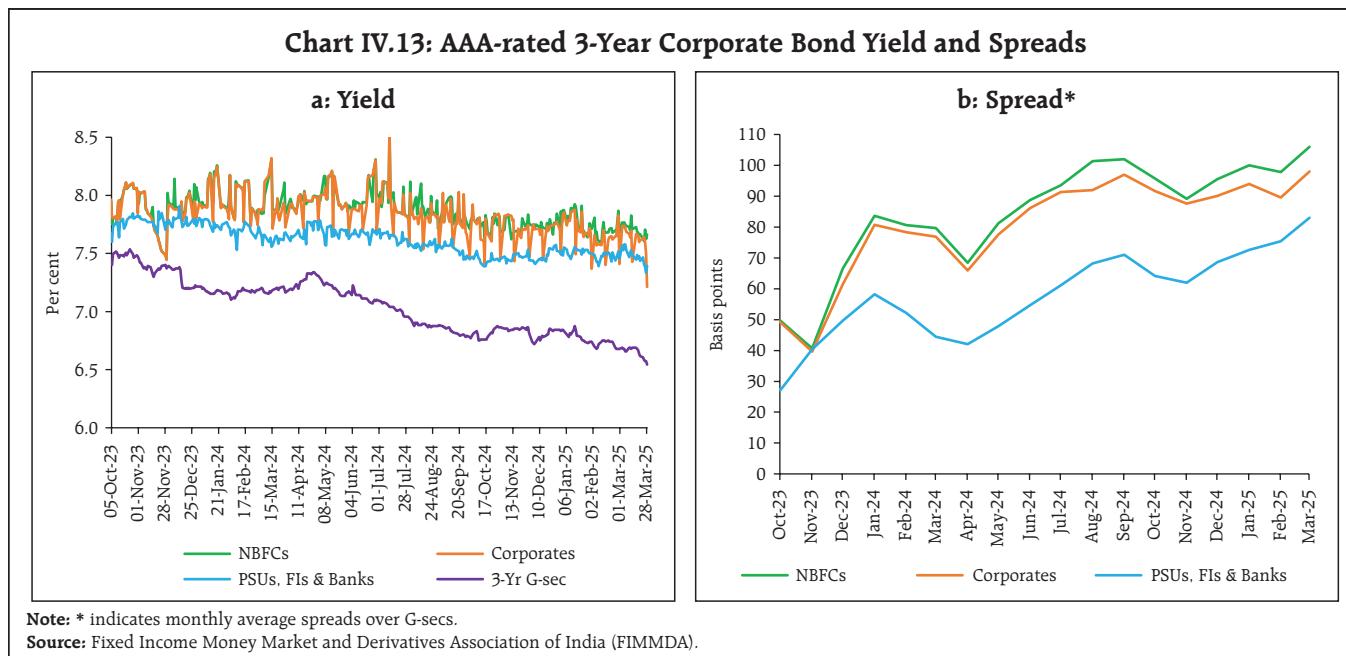
The weighted average spread of cut-off yields on state government securities (SGS) over G-sec yields of comparable maturities was 30 bps in H2:2024-25 (Chart IV.12) as against 31 bps in H1. The average

inter-state spread on securities of 10-year tenor (fresh issuances) was 4 bps in H2 as against 2 bps in H1.

Chart IV.12: SGS - Amount Raised and Spread

Source: RBI.

⁹ Although buybacks have a liquidity impact, they should not be construed as liquidity management operations; instead, they are part of an active debt consolidation strategy.



IV.2.3 Corporate Bond Market

Corporate bond yields generally softened while spreads widened during H2:2024-25. Issuer-wise, the average yield on AAA-rated 3-year bonds of public sector undertakings (PSUs), financial institutions (FIs) and banks softened by 5 bps to 7.48 per cent, while those by NBFCs and corporates declined by 14 bps to 7.70 per cent and 18 bps to 7.62 per cent, respectively, in March 2025 over September 2024 (Chart IV.13.a). Nevertheless, the risk premium (the spread of 3-year AAA corporate bond yields over 3-year G-sec yields) increased from 71 bps to 83 bps for PSUs, FIs and

banks; from 102 bps to 106 bps for NBFCs; and from 97 bps to 98 bps for corporates in H2:2024-25 (Chart IV.13.b).

The increase in risk premia was evident across tenors and rating spectrum amidst moderate corporate performance in Q3:2024-25 and softer economic growth outlook for FY:2024-25 (Table IV.6). In tandem, the average 3-year credit default swap (CDS) spreads that are trading overseas for the State Bank of India and ICICI Bank increased by 2 bps and 4 bps, respectively, in H2:2024-25 over H1.

Table IV.6: Financial Markets - Rates and Spread

Instruments	Interest Rates (per cent)			Spread (bps) (over corresponding risk-free rate)		
	March 2024	September 2024	March 2025	March 2024	September 2024	March 2025
1	2	3	4	5	6	7
<i>Corporate Bonds</i>						
(i) AAA (1-yr)	7.97	7.92	7.76	77	117	115
(ii) AAA (3-yr)	7.95	7.80	7.62	77	97	98
(iii) AAA (5-yr)	7.74	7.70	7.60	54	86	89
(iv) AA (3-yr)	8.55	8.55	8.43	137	172	178
(v) BBB-minus (3-yr)	12.19	12.14	12.09	500	531	544

Note: Yields and spreads are computed as monthly averages.

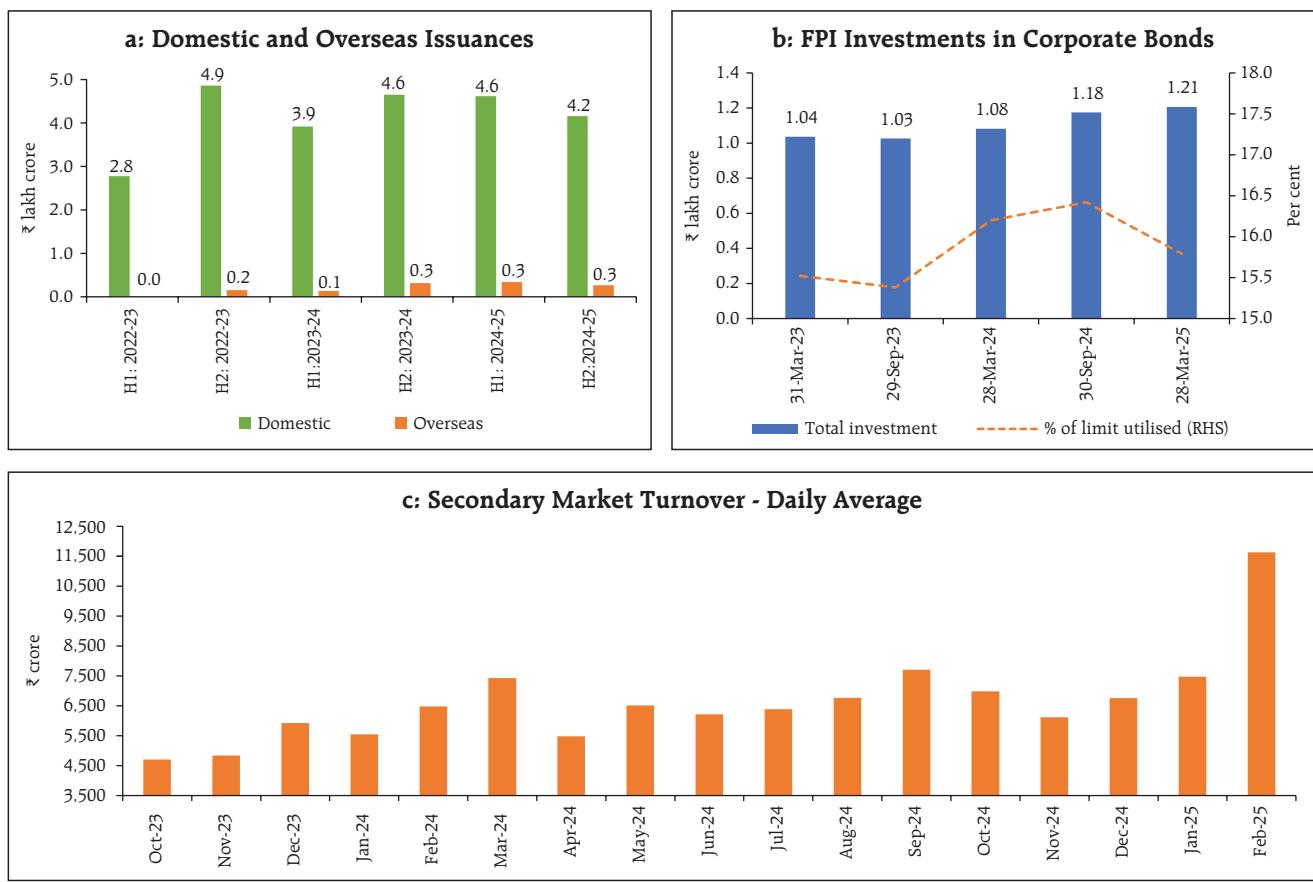
Source: FIMMDA.

Primary issuances of listed corporate bonds in domestic markets stood at ₹4.2 lakh crore during H2 (up to February 2025) as against ₹4.6 lakh crore during H1:2024-25¹⁰ (Chart IV.14.a). Overseas issuances at ₹26,494 crore during H2 were lower than ₹33,952 crore during H1:2024-25 amidst heightened global uncertainty and decline in domestic yields. Almost the entire resource mobilisation in the corporate bond market (99.3 per cent) was through the private placement route (up to February 2025). Outstanding investments by foreign portfolio investors (FPIs) in corporate bonds stood at ₹1.21 lakh crore at end-March 2025, as against ₹1.18 lakh crore at end-September

2024, with the utilisation of the approved limits declining to 15.8 per cent from 16.4 per cent (Chart IV.14.b). Secondary market activity, however, picked up, with daily average trading volume at ₹7,715 crore during H2 (up to February 2025) from ₹6,533 crore during H1:2024-25 (Chart IV.14.c).

To address the issue of illiquidity in the secondary market for corporate bonds, the Securities and Exchange Board of India (SEBI) issued guidelines to introduce a liquidity window facility allowing bond issuers to give investors voluntary put options, which is the right to sell the bond back to the issuer at specific

Chart IV.14: Corporate Bond Market Activity



Note: Data for domestic issuances is up to February 2025 while data for overseas issuances is up to March 2025; Daily averages are calculated as monthly turnover divided by number of trading days.

Sources: SEBI; NSDL; and Prime Database.

¹⁰ Issuances in the first half of the financial year are usually lower than in the second half as the borrowing plans of corporates are chalked out gradually. Moreover, central government borrowing is usually frontloaded, which provides greater space to corporates for resource mobilisation in the second half.

intervals before maturity. Furthermore, the regulator also announced the establishment of a centralised database for corporate bonds with an objective to create a single authentic source of information on corporate bonds issued in India.

IV.2.4 Equity Market

The Indian equity market experienced a persistent decline in H2:2024-25 amidst uncertainty over global tariff wars and geopolitical tensions that triggered risk-off sentiment and FPI outflows. The benchmark Bombay Stock Exchange (BSE) Sensex declined in October in the wake of FPI selling amidst geopolitical strains and weaker-than-expected corporate earnings in Q2:2024-25. Markets pared some of the losses in late November and early December on favourable global cues. Subsequently, markets faced headwinds amidst a global sell-off triggered by changes in the US Fed's monetary policy outlook for 2025.

The markets began 2025 on a negative note on risk-off sentiment. Moreover, uncertainties regarding US policy changes, persistent FPI selling and mixed domestic corporate earnings for Q3:2024-25 also

dampened investor sentiments. However, markets recovered in the second half of March amid favourable global cues and a rebound in FPI inflows. Overall, the BSE Sensex declined by 8.2 per cent during H2:2024-25 to close at 77,415 at end-March 2025. The broader market indices underperformed the benchmark with the BSE MidCap and BSE SmallCap index shedding 15.8 per cent and 18.4 per cent, respectively (Chart IV.15.a). The India Volatility Index (VIX), a measure of short-term expected volatility of Nifty 50, averaged around 14.5 during H2:2024-25, compared to 14.9 in H1:2024-25. All the BSE sectoral indices registered losses during the second half (Chart IV.15.b).

The average daily notional equity derivatives volume exhibited a declining trend in H2 over H1, pursuant to SEBI's implementation of specific measures to strengthen equity derivatives framework with effect from November 20, 2024 (Chart IV.16).

Net FPI flows in the domestic equity markets turned negative in H2:2024-25. In contrast, flows from domestic institutional investors (DIIs) continued to remain robust. Overall, FPIs were net sellers to the tune of ₹2.2 lakh crore while DIIs were net buyers to

Chart IV.15: Stock Market Performance

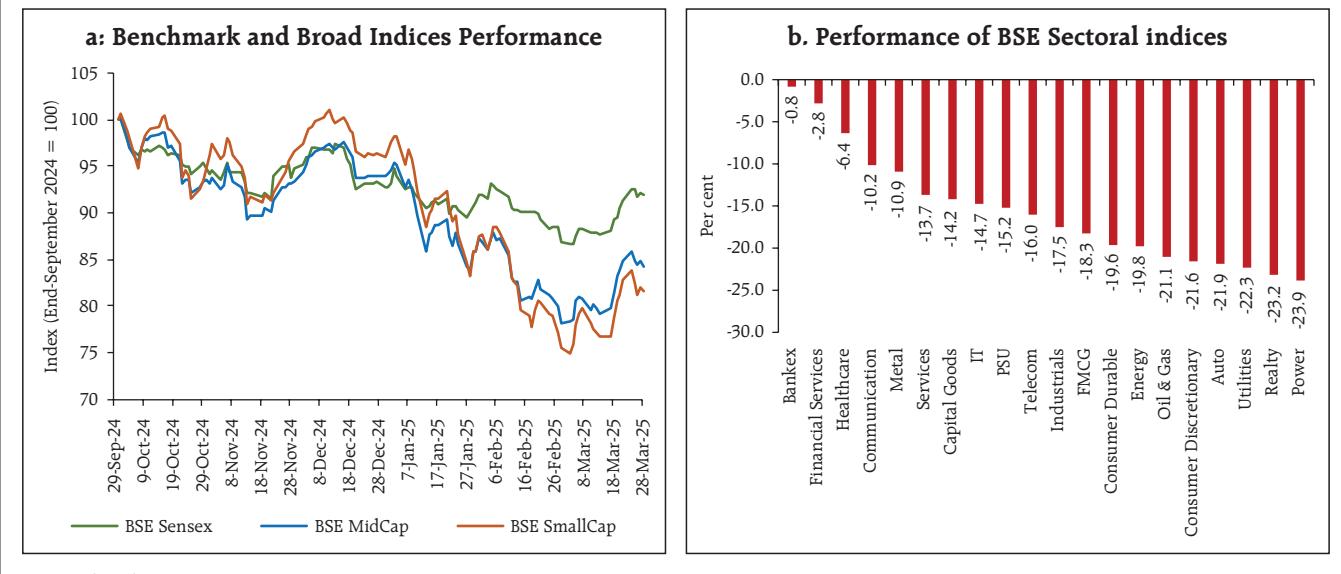
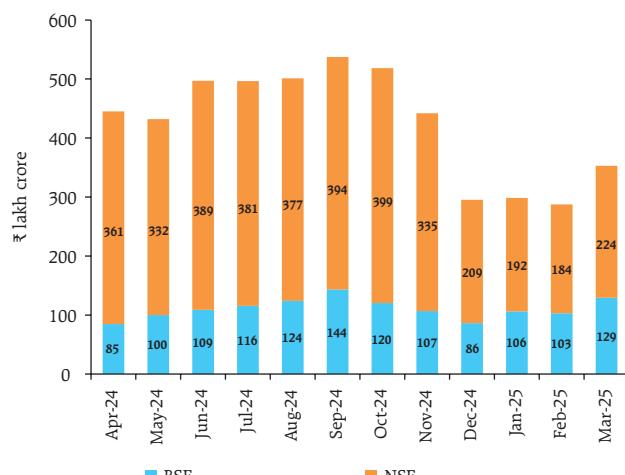


Chart IV.16: Average Daily Turnover in Equity Derivative Segment



Sources: BSE; and National Stock Exchange (NSE).

the tune of ₹3.6 lakh crore in H2 (Chart IV.17.a). On a relative basis, i.e., when FPI outflows are measured with respect to total market capitalisation, outflows remained modest so far at 0.5 per cent of the market capitalisation in comparison to the sell-off of 1 per cent witnessed during October 2021 to July 2022.

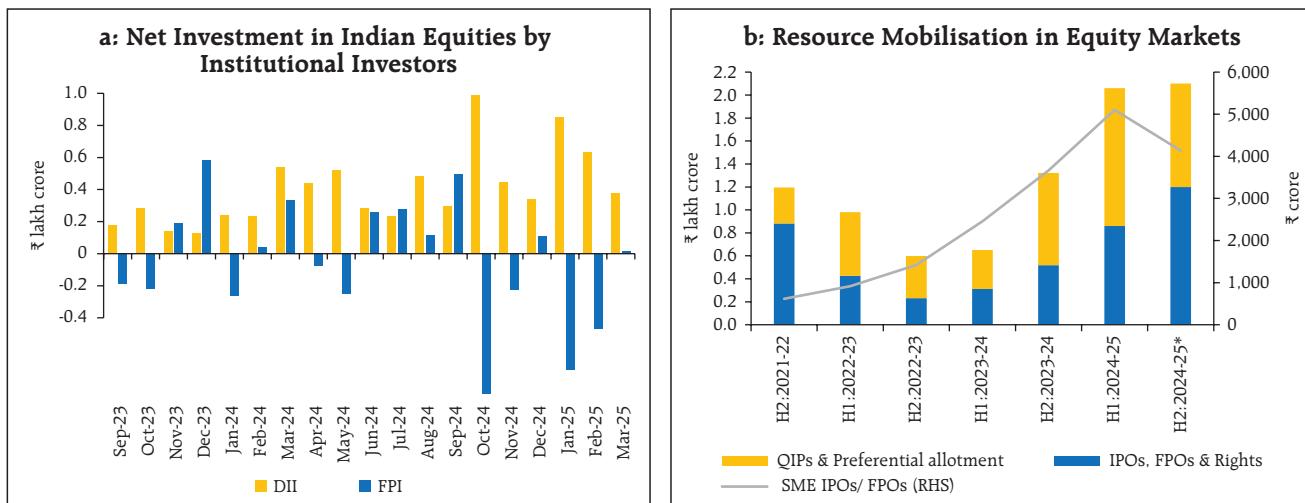
Primary market resource mobilisation in equity markets remained at ₹2.07 lakh crore during H2:2024-25 (up to February 2025) against ₹2.09 lakh crore in H1:2024-25 (Chart IV.17.b). After remaining robust till

December, issuances declined significantly in January and February 2025 amidst muted risk sentiment. Out of the total primary market mobilisation during H2 (up to February 2025), amount raised by small and medium enterprises (SME) companies through public issues aggregated ₹4,178 crores as against ₹5,253 crore in H1:2024-25.

IV.2.5 Foreign Exchange Market

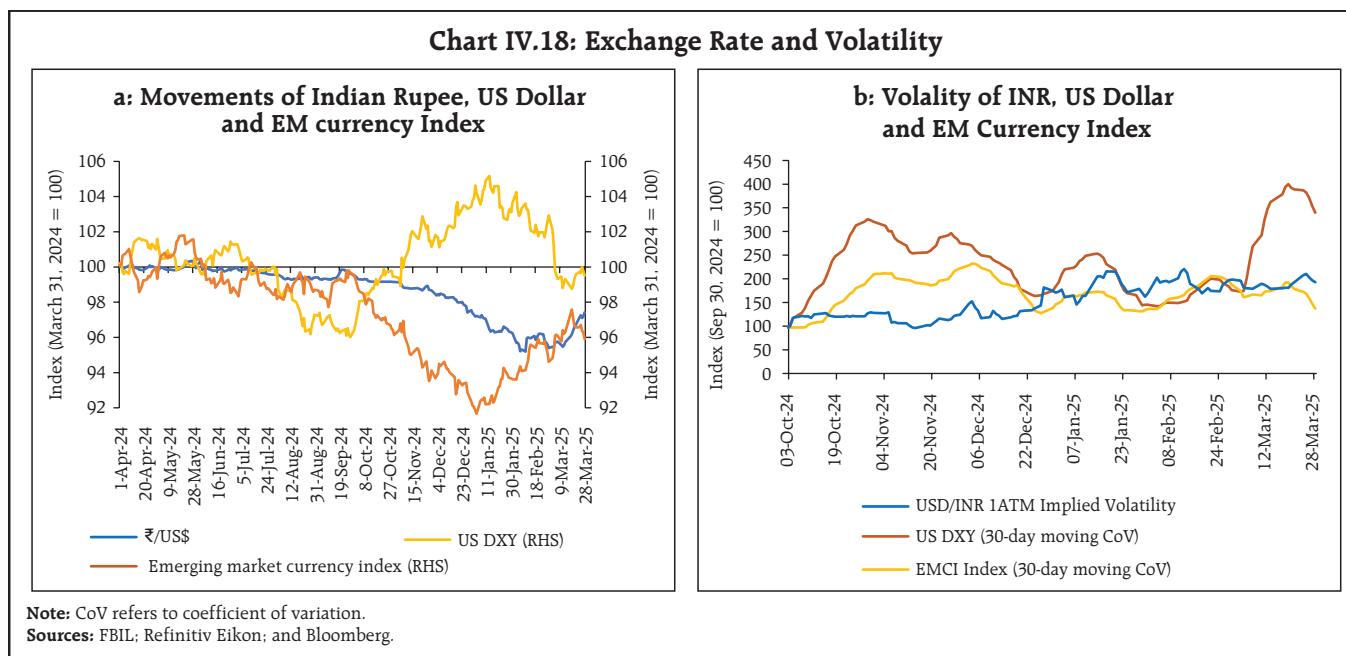
Global foreign exchange market experienced increased volatility during the latter part of 2024-25, primarily due to rising geopolitical tensions and uncertainties regarding trade policies. The US dollar experienced sharp fluctuations, reaching a two-year high in mid-January 2025 due to expectations of robust US economic growth. It, however, subsequently declined, reflecting growing concerns over the sustainability of US economic expansion amidst fears of an impending trade war. Emerging market (EM) currencies initially faced depreciating pressures due to the strengthening of the US dollar but recovered as the dollar weakened. During this period, the Indian rupee (INR) faced downside pressure primarily because of US dollar appreciation. Moreover, persistent FPI outflows, increasing global economic uncertainty, and widening trade deficit added to the downward

Chart IV.17: Institutional Investments and Resource Mobilisation



Note: DII – Domestic Institutional Investors, FPI – Foreign Portfolio Investment, IPO – Initial Public Offer, QIP – Qualified Institutional Placement, FPO – Follow On Public Offer. *: up to February 2025.

Sources: Capitaline; NSDL; and SEBI.



pressure on the INR. However, the INR staged a recovery in March 2025, supported by FPI inflows and improved risk sentiments (Chart IV.18.a). The INR also experienced heightened volatility, particularly in Q4:2024-25, mirroring the fluctuations in the global foreign exchange market (Chart IV.18.b). The 1-month at-the-money (ATM) option-implied volatility for the INR rose to 3.0 per cent in H2:2024-25 from 2.2 per cent in H1:2024-25.

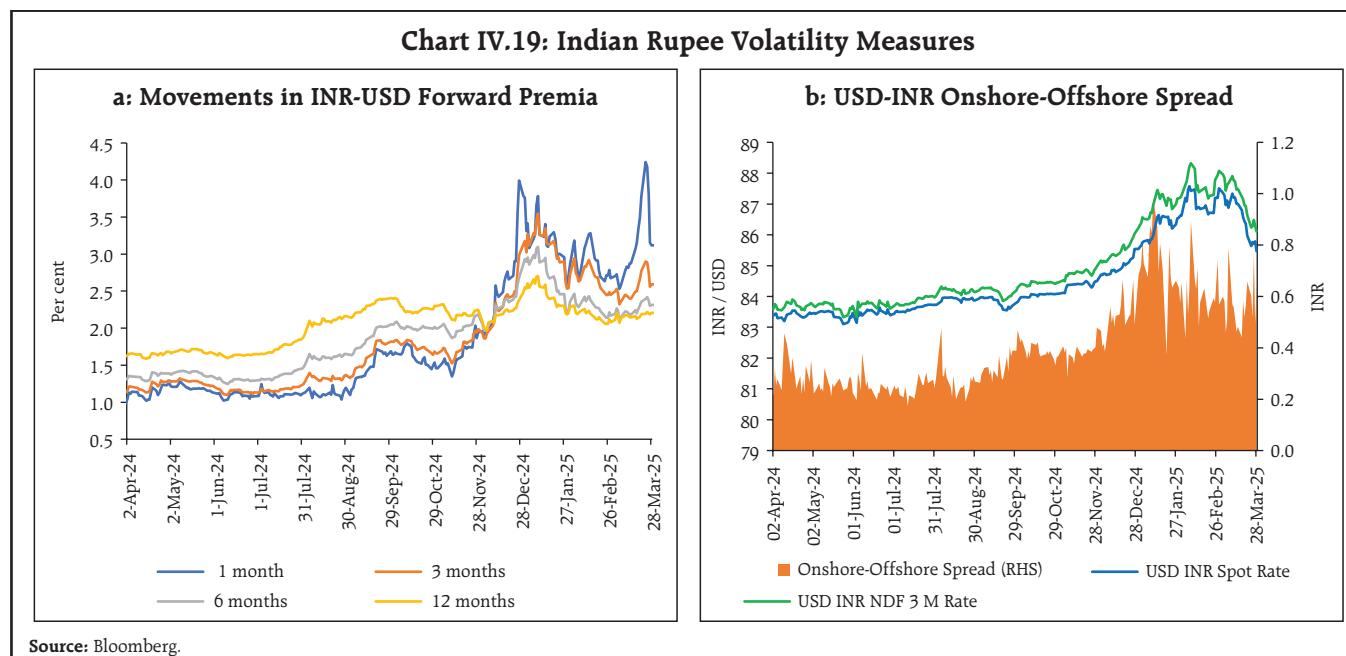
Several global events contributed to foreign exchange market volatility during H2:2024-25, including the US elections, tariff announcements and signals from US Fed meetings (Table IV.7).

Forward premia also exhibited significant fluctuations and remained elevated across all maturities during H2:2024-25, reflecting tighter liquidity conditions and heightened global uncertainties (Chart IV.19.a). It surged notably from November 2024 onwards, with the 1-month forward premia surging above longer-term premia, thus resulting in an inversion in the forward premia curve which signalled increased near-term uncertainty and volatility on the back of rising global risk-off sentiment. While forward premia remained elevated, it began to decline since early 2025 due to the RBI's USD/INR Buy/Sell swap operations to inject durable liquidity into the system

Table IV.7: Episodes of Significance in Global and Domestic Exchange Rate Market During H2:2024-25

	Appreciation(+) / Depreciation(-) (%)			Volatility Measures (%)	
	₹/US\$	US DXY	EMCI Index	INR 1 ATM Volatility	3 Month Forward Premium
Nov 6, 2024 (US Election Results)	-0.1	1.6	-0.5	2.1	1.7
Nov 25, 2024 (US Tariff Announcement on Mexico, Canada and China)	0.3	-0.7	0.4	2.2	1.8
Dec 2, 2024 (US Tariff Announcement on BRICS)	-0.2	0.7	-0.5	2.8	1.9
Dec 18, 2024 (US FOMC Meeting)	-0.01	1.0	-1.0	2.3	2.4
Feb 3, 2025 (Executive Orders on Tariffs)	-0.5	0.6	-0.03	3.9	2.9
Feb 4, 2025 (Tariffs Paused for a Month)	-0.01	-0.9	0.3	3.7	2.7
Mar 3, 2025 (Paused Tariffs Imposed)	0.1	-0.8	0.2	3.8	2.5
Mar 19, 2025 (US FOMC Meeting)	0.2	0.2	-0.5	3.5	2.6

Sources: FBIL; Refinitiv Eikon; Bloomberg; and RBI staff estimates.



before rising during late March. The onshore-offshore spread for the INR followed a similar pattern, rising during Q3:2024-25 in the wake of increased global risk aversion before moderating in Q4 (Chart IV.19.b).

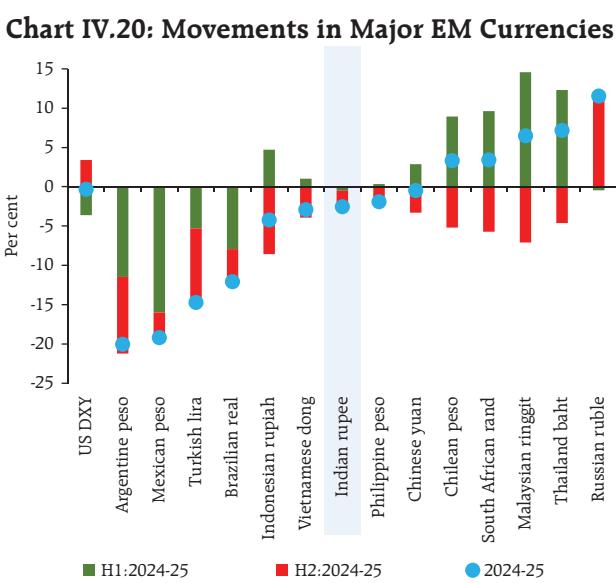
Most major EM currencies depreciated during H2:2024-25 due to a stronger US dollar and heightened global uncertainty (Chart IV.20). Between end-March 2024 and end-March 2025, the INR depreciated by 2.6 per cent against the US dollar, with major depreciation

occurring in H2:2024-25. Despite this, the INR's depreciation during 2024-25 was relatively modest compared to some peer EMEs.

Volatility also rose across most EM currencies in H2:2024-25 (Table IV.8). Despite the heightened global uncertainty, however, the INR remained one of the least volatile EM currencies, exhibiting resilience during turbulent times.

Table IV.8: Month-Wise Volatility of Major EM Currencies*

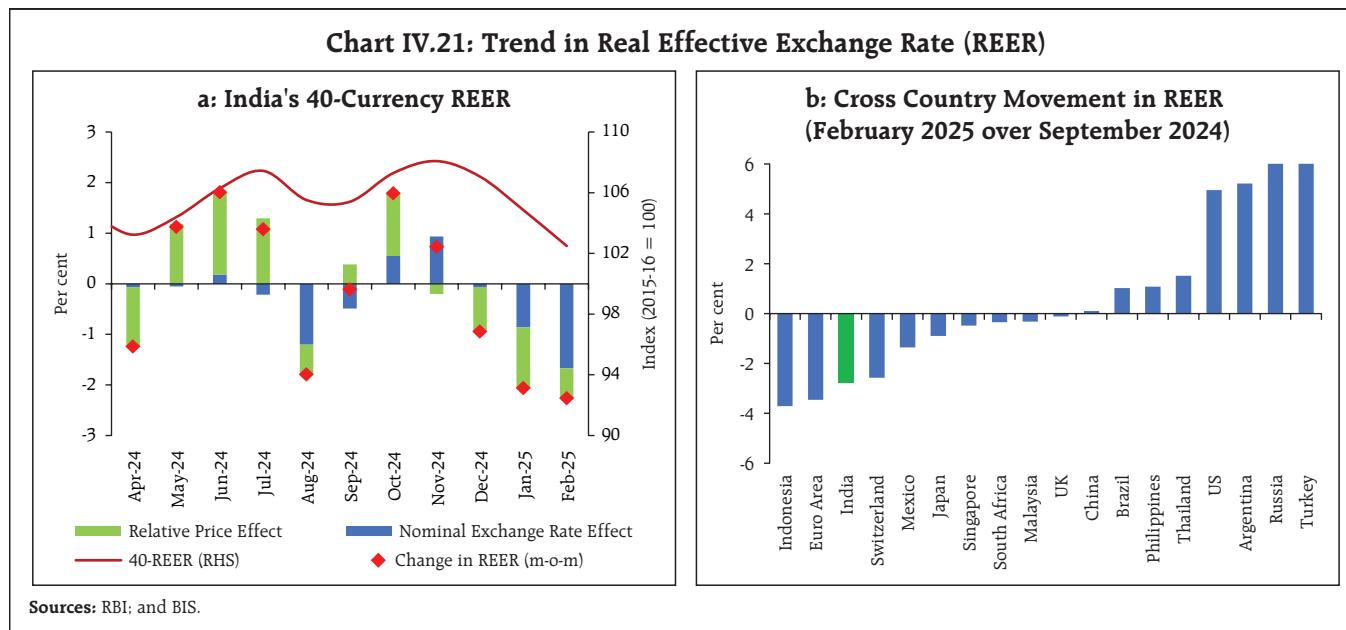
	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	H1: 2024-25	H2: 2024-25
US DXY	0.9	1.1	0.8	0.7	0.7	0.8	1.7	2.0
Indian rupee	0.1	0.1	0.3	0.4	0.3	0.7	0.3	1.4
Argentine peso	0.6	0.5	0.6	0.7	0.3	0.3	3.5	3.1
Brazilian real	1.9	1.4	1.4	1.8	0.9	1.2	3.8	3.2
Chinese yuan	0.6	0.5	0.2	0.5	0.3	0.2	1.0	1.1
Chilean peso	1.6	1.6	0.9	1.1	1.3	1.1	2.2	2.8
Indonesian rupiah	0.9	0.9	0.9	0.5	0.5	0.6	2.3	2.0
Malaysian ringgit	1.4	2.0	0.6	1.1	0.4	0.3	4.2	1.6
Mexican peso	1.5	1.4	0.9	0.8	0.5	1.1	6.1	1.7
Philippine peso	1.2	0.5	0.7	0.4	0.3	0.3	1.8	1.1
Russian ruble	0.7	1.9	3.3	4.4	5.0	3.0	2.8	7.4
South African rand	0.6	1.6	2.1	1.0	0.6	0.7	2.5	2.4
Thailand baht	0.9	1.7	0.6	1.1	0.6	0.4	3.8	1.3
Turkish lira	0.2	0.3	0.6	0.5	0.6	1.8	2.1	2.9
Vietnamese dong	1.1	0.4	0.1	0.6	0.5	0.2	1.2	0.8



Note: The movements represent point to point changes over the preceding period.
Sources: FBIL; and Refinitiv Eikon.

Note: *: Measured by coefficient of variation (CoV).

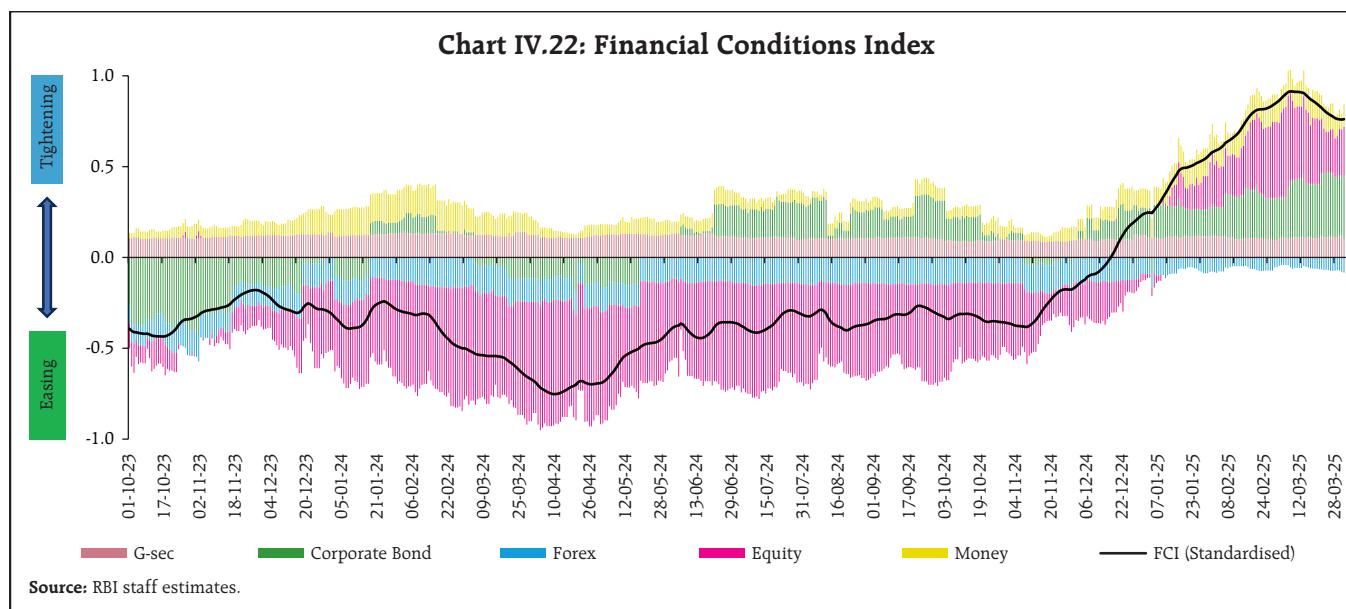
Sources: FBIL; Refinitiv Eikon; and RBI staff estimates.



In terms of the 40-currency real effective exchange rate (REER), the INR also experienced stress during H2:2024-25, depreciating by 1.9 per cent between September 2024 (average) and March 28, 2025. The depreciation of 40-currency REER in recent months also reflected the narrowing of India's inflation differential relative to its major trading partners (Chart IV.21.a). From a cross-country perspective, the depreciation of INR's 40-currency REER remained

modest relative to REER of some major economies (Chart IV.21.b).

The financial conditions index (FCI) constructed based on twenty Indian financial market indicators¹¹ at daily frequency for the period April 1, 2016 to March 28, 2025 and using the dynamic factor model (DFM) approach suggests broad-based tightening across market segments since early November 2024 (Chart IV.22). Financial conditions eased during March



¹¹ 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 details, refer Box IV.2 of the Monetary Policy Report (October 2024).

in the wake of relatively easier conditions in the money, equity and forex markets.

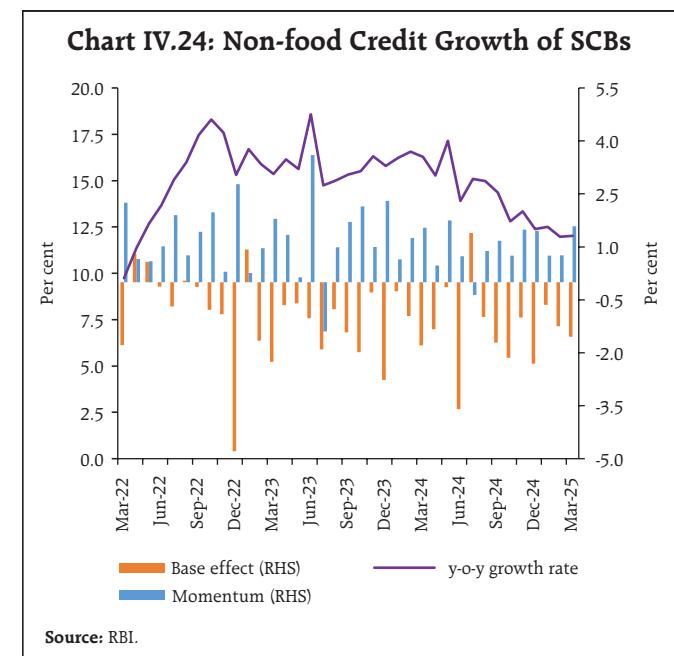
IV.2.6 Credit Market

Bank Credit¹²

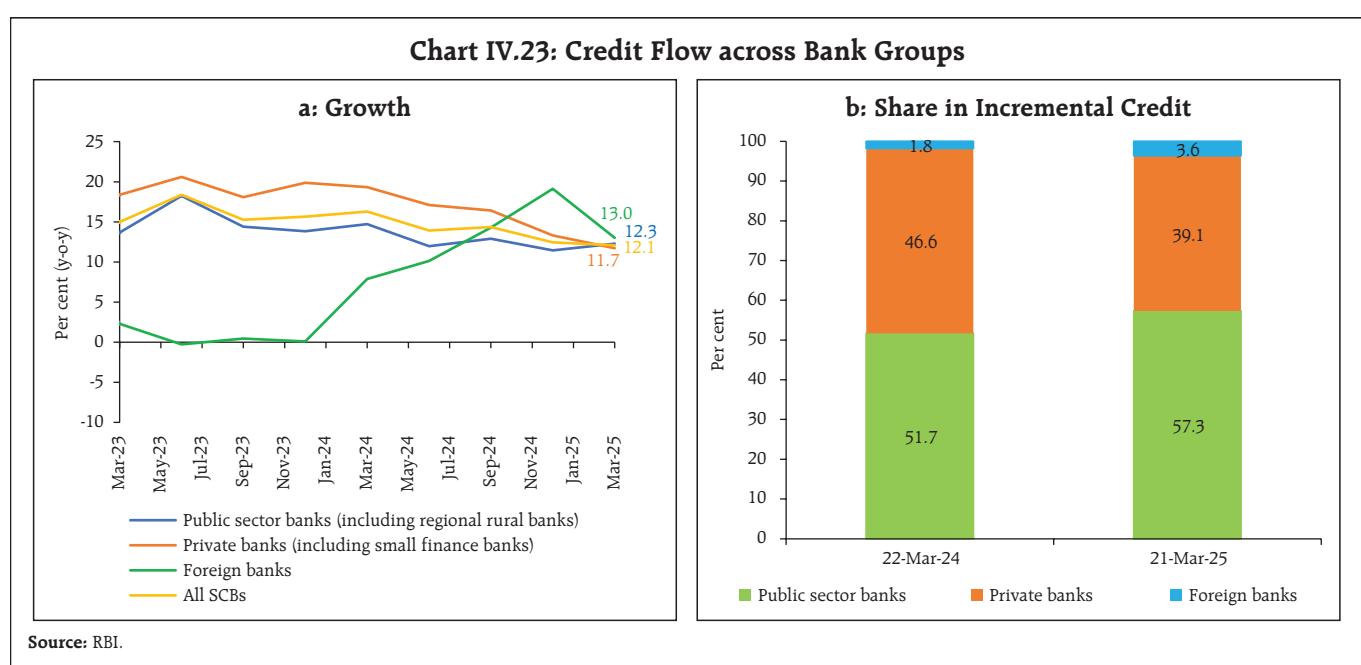
Bank credit growth (y-o-y) moderated during 2024-25. The moderation was seen across bank groups except for public sector banks (PSBs) (Chart IV.23.a). PSBs continued to be the major driver of incremental credit extended by all scheduled commercial banks (SCBs) in 2024-25, while the share for private sector banks (PVBs) declined (Chart IV.23.b).

Non-food bank credit of scheduled commercial banks (SCBs) increased at a decelerated pace of 12.0 per cent (y-o-y) as on March 21, 2025, compared to 16.3 per cent a year ago (Chart IV.24).

Sector-wise¹³, bank credit growth to industry remained healthy at 7.3 per cent (y-o-y). While agricultural credit growth remained in double-digit at 11.4 per cent in February 2025, it moderated from 20.0 per cent in February 2024. Despite some



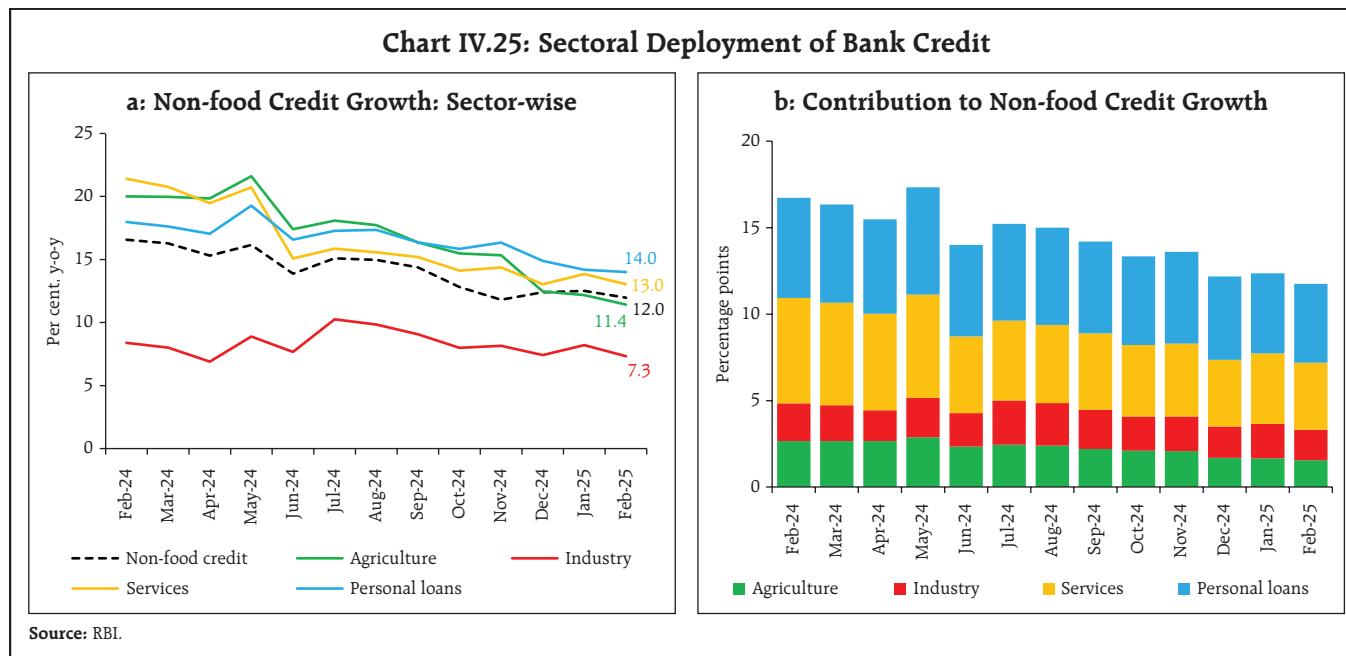
deceleration in growth of credit to services sector and personal loans segments at 13.0 per cent and 14.0 per cent, respectively, in February 2025, they remained the prime drivers of non-food credit growth during H2:2024-25¹⁴ (Chart IV.25).



¹² Data pertain to the last reporting Friday of the month. Data exclude the impact of merger of a non-bank with a bank.

¹³ Based on data on sectoral deployment of bank credit collected from select scheduled commercial banks, accounting for about 95 per cent of the total non-food credit deployed by all scheduled commercial banks.

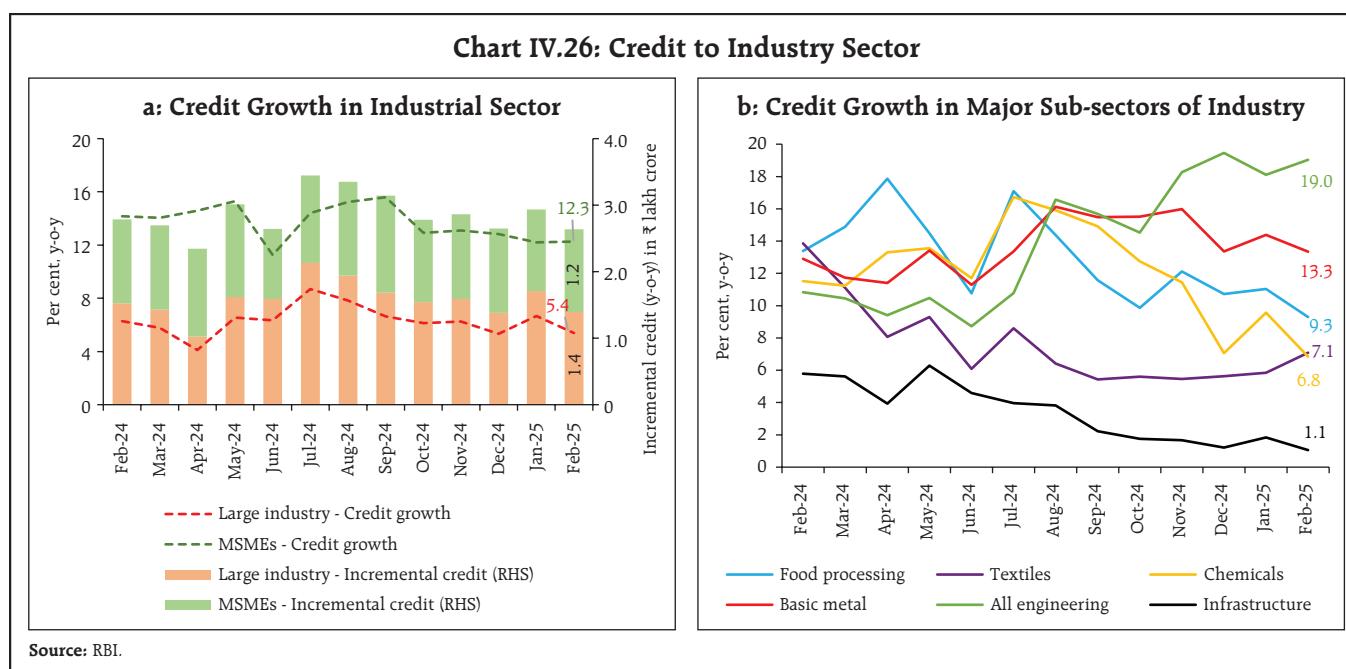
¹⁴ H2: 2024-25 data up to February 2025.



Credit to MSMEs¹⁵ segment remained robust, registering a growth of 12.3 per cent in February 2025, however, credit to large industry segment recorded a modest growth in H2. Within industry, credit to basic metals and all engineering

witnessed a robust growth, while credit to infrastructure sector slowed notably in H2:2024-25 (Chart IV.26).

Credit growth to services sector moderated in H2, mainly attributed to decelerated credit growth to



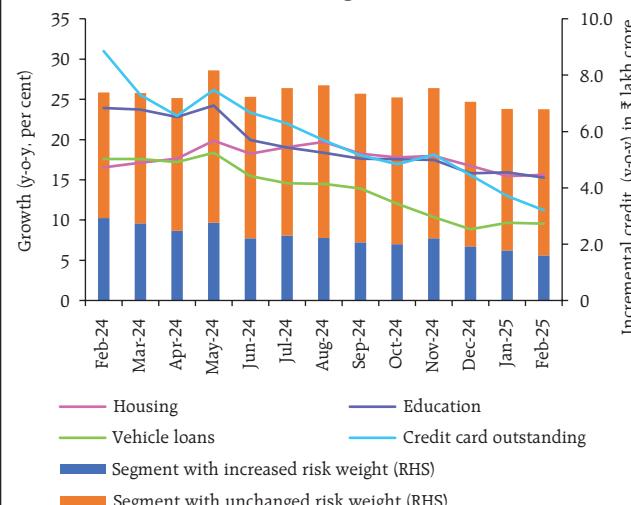
¹⁵ Refer to credit to micro, small and medium segments within industry. The Union Budget 2025-26 proposed to revise the definition of micro, small and medium enterprises (MSMEs). The investment limit has been raised by 2.5 times for MSMEs classification, while the turnover threshold doubled. The credit guarantee cover for micro and small enterprises has been increased from ₹5 crore to ₹10 crore. Going forward, MSMEs sector is expected to receive boost in credit due to change in classification and priority sector lending treatment.

NBFCs¹⁶. However, credit growth was broadly stable in other major sub-sectors, such as trade, commercial real estate and professional services. Incremental credit (y-o-y) to services sector excluding NBFCs, remained nearly steady in H2 (Chart IV.27).

Incremental credit in personal loans segments with unchanged risk weights improved progressively, whereas it moderated for the loan categories with increased risk weights. Housing loans – the largest segment of personal loans – grew at a robust pace despite some moderation, while vehicle loans growth slowed down (Chart IV.28).

Irrespective of the moderation, non-food bank credit continued to grow at a healthy pace above the 10-year average y-o-y growth rate (10.5 per cent). Sector-wise, while credit to industry continued to grow above its long-term average, personal loans recorded moderation. Credit growth in services and agriculture sectors hovered around their respective long-term averages. While credit growth remains broadly intact

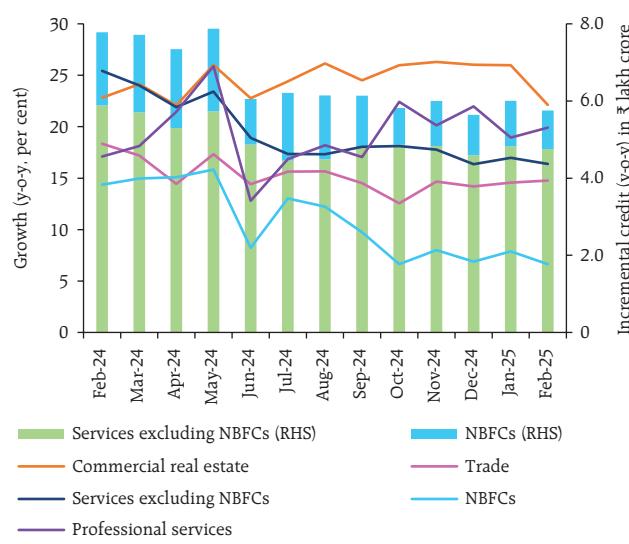
Chart IV.28: Credit to Personal Loans Segment



Source: RBI.

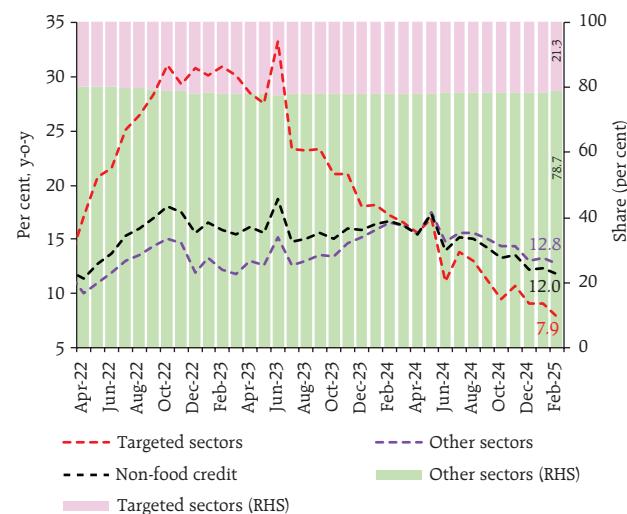
for segments with unchanged risk weight, the growth rate of targeted sectors, i.e., 'unsecured personal loans' and 'bank's credit to NBFCs' moderated gradually in response to the regulatory measures undertaken in November 2023 (Chart IV.29 and Table IV.9).

Chart IV.27: Credit to Services Sector



Source: RBI.

Chart IV.29: Impact of Rise in Risk Weights on Credit Growth



Source: RBI.

¹⁶ The risk weights on the exposures of SCBs to NBFCs' has been restored to their pre-November 2023 level w.e.f. from April 01, 2025 and the same shall be as per the external rating. Also, microfinance loans in the nature of consumer credit shall be excluded from the applicability of higher risk weights and be subject to a risk weight of 100 per cent. It is expected that credit growth in 'banks' credit to NBFCs' as well as services sector may improve going forward.

Table IV.9: Prudential Measures and Sectoral Credit Growth (y-o-y, per cent)

Sectors/Sub-Sectors [#]	Long-Term*	Post-COVID**	Nov-23	Mar-24	Jun-24	Sep-24	Dec-24	Feb-25
Bank Credit without Merger ^{\$}	10.5	14.7	16.3	16.3	13.9	14.4	12.4	12.1 ^
Bank Credit with Merger ^{\$}	10.8	15.9	20.7	20.2	17.4	13.0	11.2	11.0 ^
Agriculture (13.6)	11.8	15.9	18.1	20.0	17.4	16.4	12.5	11.4
Industry (23.2)	4.1	8.0	5.5	8.0	7.7	9.1	7.4	7.3
Services (30.0)	13.4	18.7	22.2	20.8	15.1	15.2	13.0	13.0
<i>Services excluding NBFCs (20.3)</i>	11.8	18.4	24.3	24.0	18.9	18.1	16.4	16.4
NBFCs (9.7)	19.0	19.6	18.5	15.0	8.2	9.7	6.9	6.6
Personal Loans (33.2)	17.2	18.0	18.7	17.6	16.6	16.4	14.9	14.0
Personal loans segment with unchanged risk weight (21.6)	16.2	16.3	16.2	17.4	18.2	18.5	17.0	16.9
Personal loans segment with increased risk weight (11.6)	19.5	21.5	23.3	18.1	13.7	12.6	11.1	9.0

[#]: Provisional data, bank credit data is based on Section-42 return.^{*}: 10-year average of y-o-y growth.^{**}: Average of y-o-y growth since April 2022.^{\$}: In July 2023, a non-bank was merged with a bank.

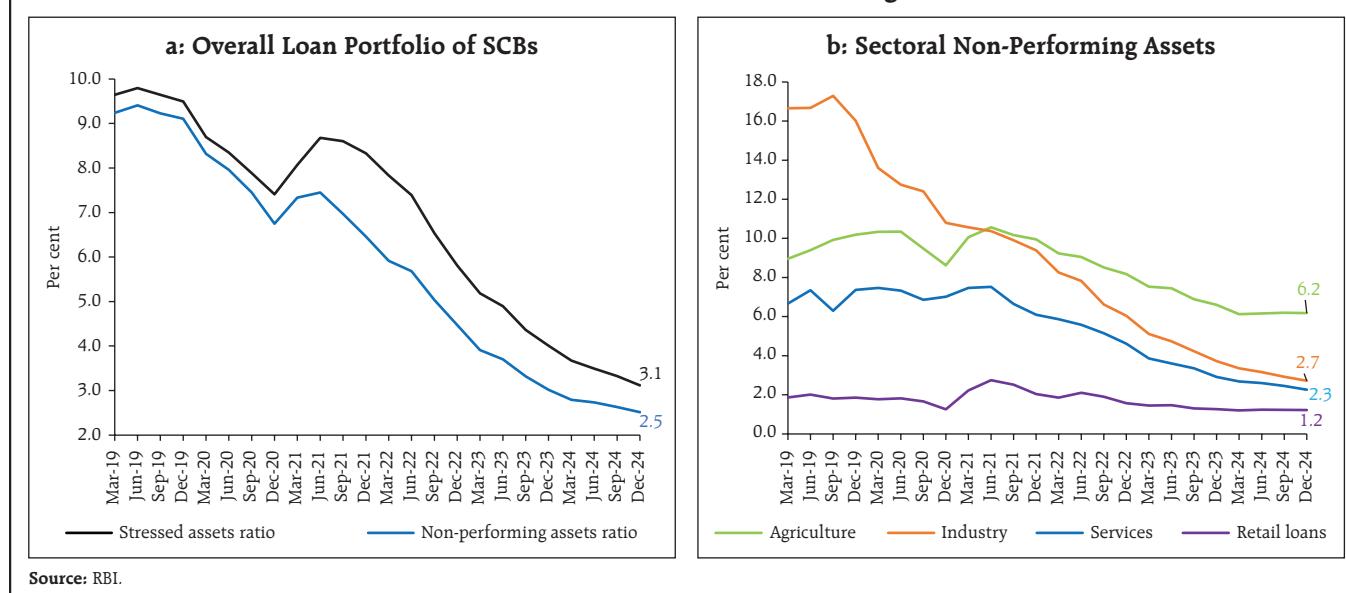
^ : Pertain to data for the fortnight ended March 21, 2025.

Note: Figures in parentheses against each sector denote share in total non-food credit as per the data of the fortnight ended February 21, 2025.

Source: RBI.

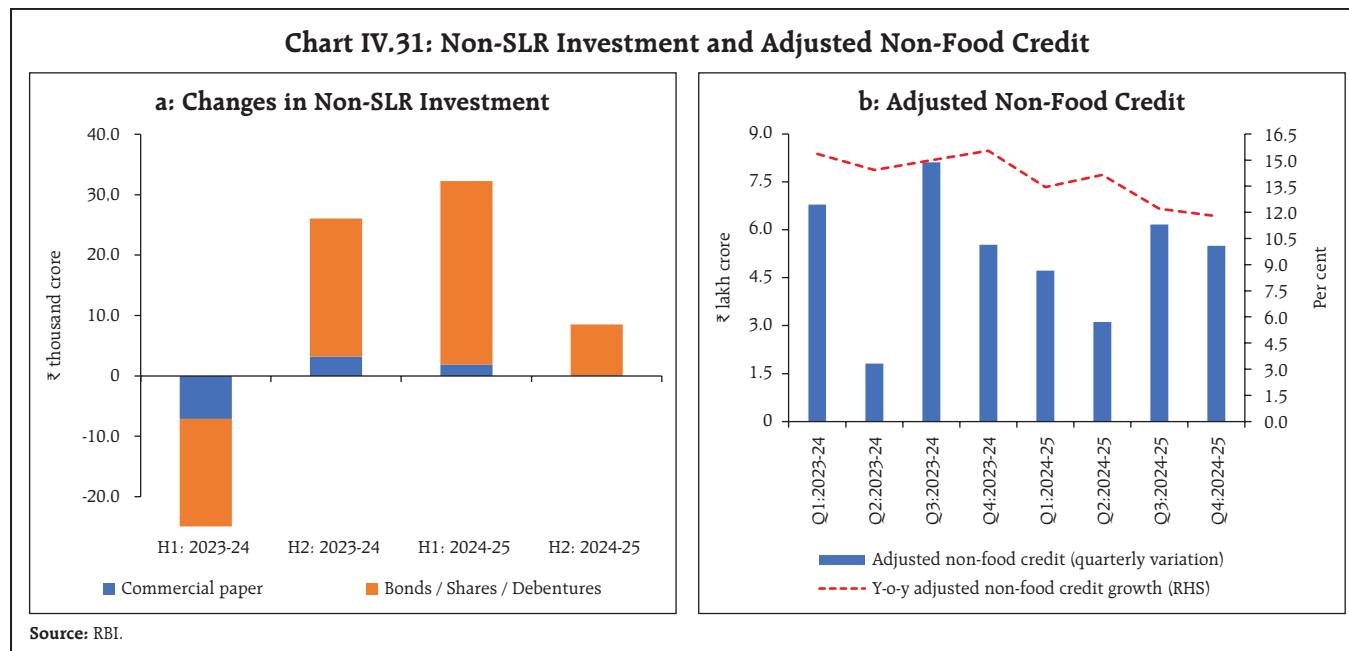
The asset quality of SCBs improved during 2024-25 (up to December 2024), with the overall gross non-performing assets (NPA) ratio declining to 2.5 per cent in December 2024 from 3.0 per cent a year ago (Chart IV.30.a). Asset quality improved across all the major sectors (Chart IV.30.b).

Non-SLR¹⁷ investments of banks (comprising investments in CPs, bonds, debentures, and shares of public and private corporates) increased by 1.2 per cent in H2:2024-25, lower than the expansion of 4.8 per cent witnessed in H1:2024-25 (Chart IV.31.a). Growth in adjusted non-food credit (*i.e.*, non-food

Chart IV.30: Stressed Assets and Non-Performing Assets of SCBs

Source: RBI.

¹⁷ Statutory Liquidity Ratio.



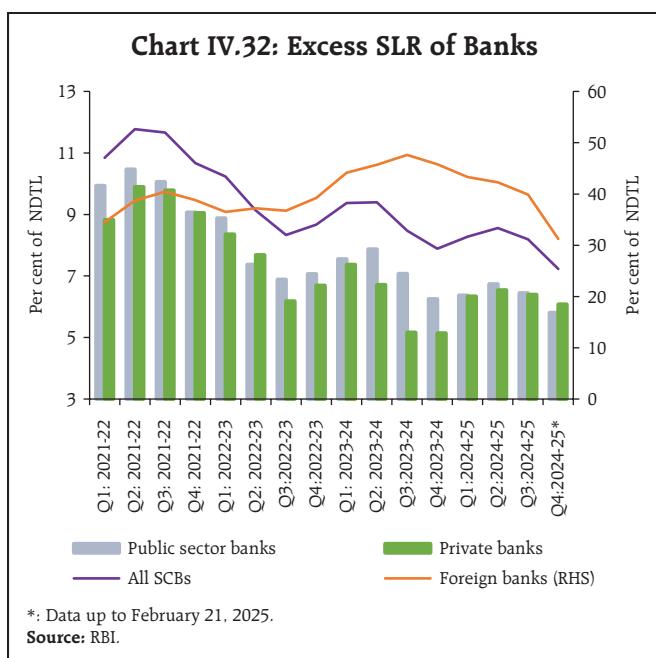
bank credit *plus* non-SLR investments by banks) decelerated to 11.8 per cent in Q4:2024-25 from 15.5 per cent in Q4:2023-24 (Chart IV.31.b).

As on February 21, 2025, excess holdings of statutory liquidity ratio (SLR) securities by SCBs

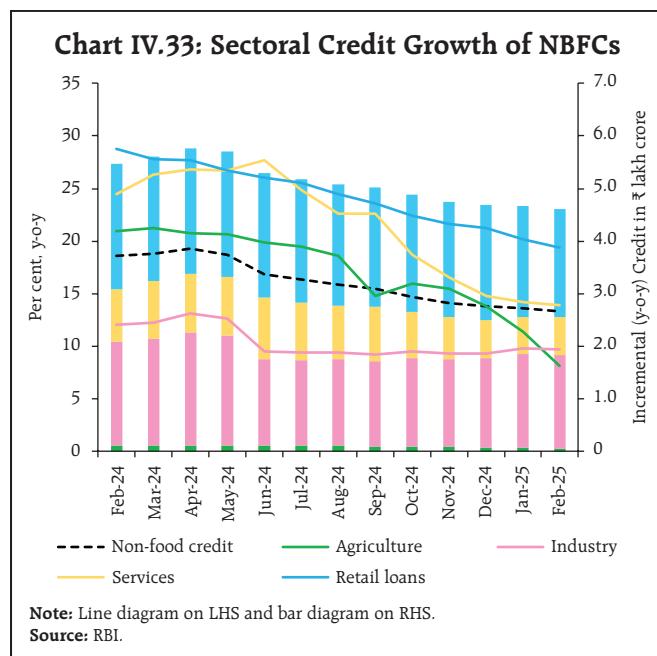
moderated to 7.3 per cent of their net demand and time liabilities (NDTL) from 8.5 per cent at end-March 2024 (Chart IV.32). Excess SLR holdings are a component of the liquidity coverage ratio (LCR). They also provide collateral buffers to banks for availing funds under the LAF as well as wholesale funding in the TREPS and market repo segments.

NBFCs Credit¹⁸

Growth (y-o-y) of credit extended by NBFCs decelerated to 13.3 per cent in February 2025 from 18.6 per cent in February 2024 reflecting the impact of increase in risk weights which has now been reversed effective April 01, 2025. NBFCs' credit to industry, the largest segment in terms of outstanding credit, registered a stable growth in H2:2024-25 (up to February 2025). Retail loans accounted for the largest share of incremental credit, followed by industry, services and agriculture (Chart IV.33).



¹⁸ 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.



IV.3: Monetary Policy Transmission

Transmission to lending rates reached its peak in H1:2024-25 before adjusting downwards thereafter on account of competition among banks to retain market share by reducing the spread (Chart IV.34.a). On the other hand, deposit rates have been increasing in the wake of tighter liquidity conditions and higher credit demand (Chart IV.34.b).

In response to the cumulative 250-bps rate hike during the recent tightening cycle, i.e., May 2022 to January 2025, the 1-year median marginal cost of funds-based lending rate (MCLR) of scheduled commercial banks (SCBs) increased by 178 bps. Consequently, the weighted average lending rates (WALRs) on fresh and outstanding rupee loans increased by 181 bps and 115 bps, respectively, during this period. On deposit side, the weighted average domestic term deposit rates (WADTDRs) on fresh and outstanding deposits increased by 253 bps and 199 bps, respectively, during the same period. After reduction in the policy repo rate by 25 bps in February 2025, banks have adjusted their repo-linked lending rates downward by a similar magnitude. In contrast, the MCLR, that has a longer reset period and is linked to the cost of funds, may undergo adjustments with some lag. Consequently, the WALR on outstanding rupee loans declined by 7 bps. In case of fresh loans, however, it has increased by 8 bps during February 2025 reflecting significant proportion of MCLR-linked loans in it (Table IV.10).

The share of the external benchmark-based lending rate (EBLR)-linked loans in total outstanding

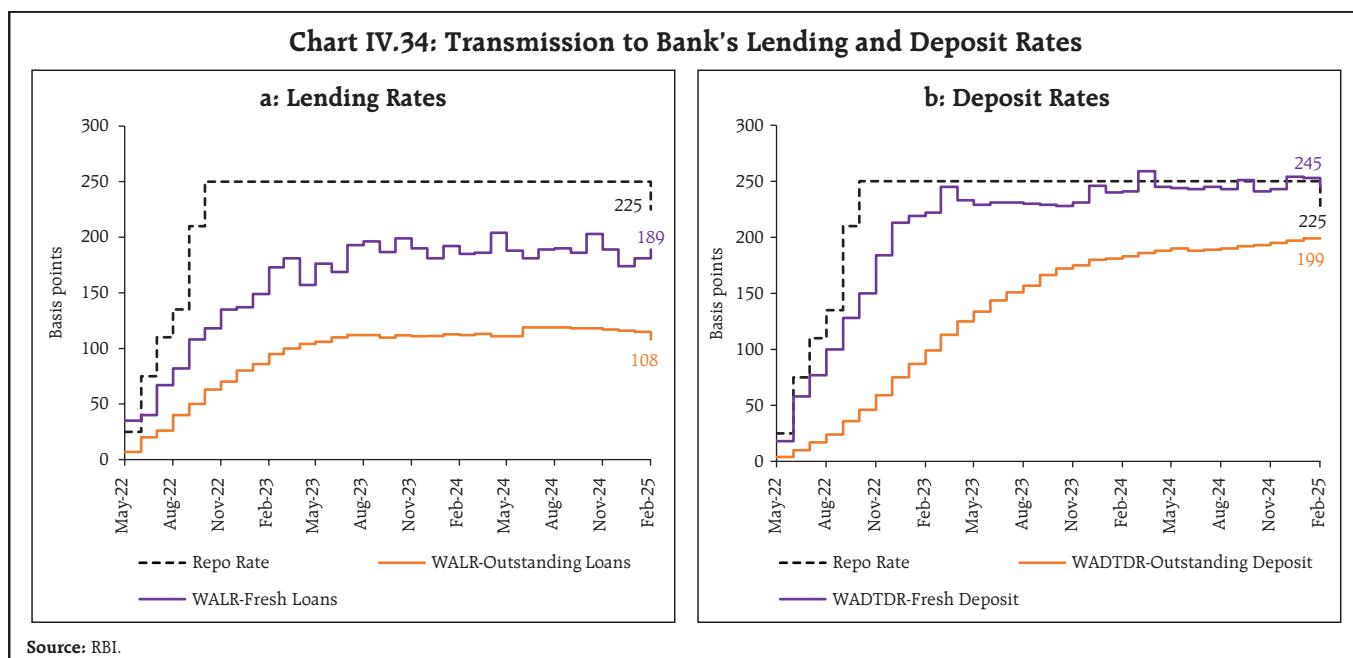


Table IV.10: Transmission to Banks' Deposit and Lending Rates

(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				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Easing Phase Feb 2019 to Mar 2022	-250	-209	-259	-188	-250	-155	-232	-150
Tightening Period May 2022 to Jan 2025	+250	182	253	199	250	178	181	115
Easing Phase Feb 2025 - Mar* 2025	-25	-3	-8	0	-25	0	8	-7
<i>Memo:</i>								
Jan- 2025	0	4	-1	2	0	0	7	-1
Feb- 2025	-25	-3	-8	0	-25	0	8	-7

Note: 1. Data on EBLR pertain to 32 domestic banks.

2. Data on WALR and WADTDR pertain to February 2025.

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: MPD 06 return & RBI.

floating rate loans of SCBs increased to 60.6 per cent at end-December 2024 from 56.6 per cent at end-March 2024. Consequently, the share of MCLR-linked loans declined to 35.9 per cent (Table IV.11). With faster adjustments in lending rates, the EBLR system has quickened the pace of monetary policy transmission.

There is still a significant proportion of loans linked to MCLR in the case of public sector banks

(PSBs) (Chart IV.35.a). The share of EBLR-linked loans is higher in private banks (PVBs) (Chart IV.35.b). The persistence of loans linked to MCLR and other legacy rates – based on internal benchmarks and having longer reset period – acts as an impediment to overall monetary policy transmission.

Bank group-wise, the transmission to WALRs on fresh rupee loans of PSBs was higher than that of PVBs (Chart IV.36.a). Moreover, it was lower for outstanding loans, which could be attributed to the significant proportion of outstanding loans still linked to the internal benchmark-based lending rate. The lending rates of PVBs remained above those of PSBs (Chart IV.36.b). The maximum pass-through to lending rates was witnessed in case of foreign banks, reflecting their higher share of low-cost and wholesale deposits of lower maturity. Moreover, the higher share of EBLR-linked loans in foreign banks has further enhanced monetary policy transmission¹⁹.

Table IV.11: Outstanding Floating Rate Rupee Loans of SCBs across Interest Rate Benchmarks
(Per cent)

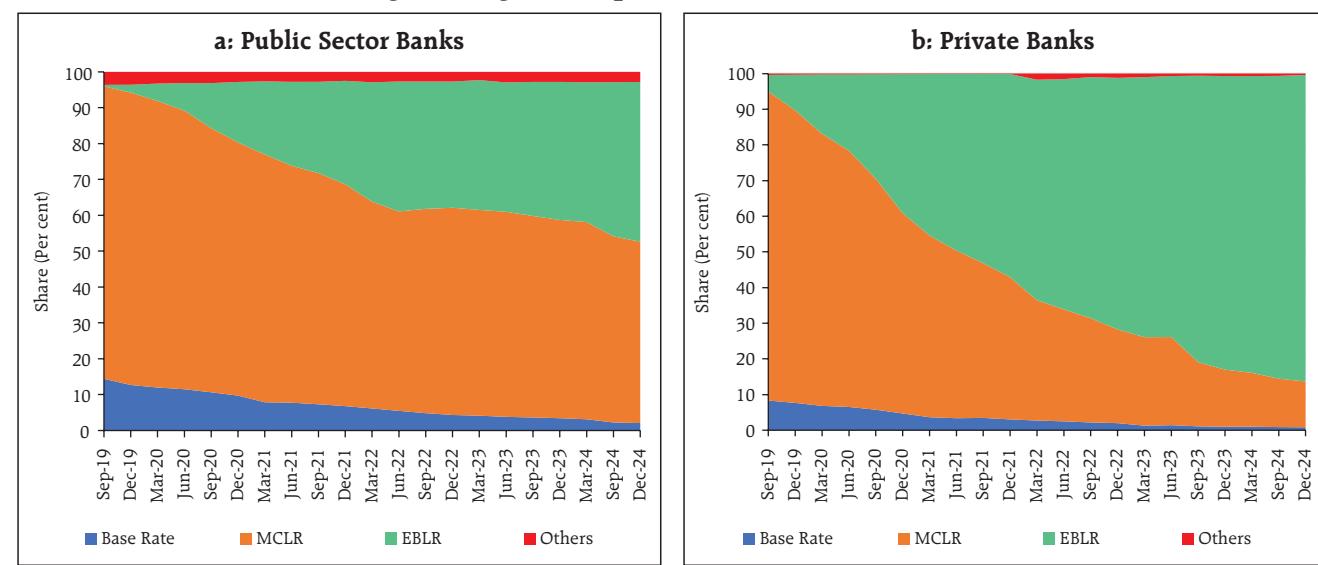
Regime	March 2020	March 2022	March 2024	December 2024
MCLR	78.3	48.7	39.2	35.9
EBLR	9.1	44.0	56.6	60.6
Others	12.6	7.3	4.2	3.5

Notes: 1. 'Others' include benchmark prime lending rate, base rate and other internal benchmarks.

2. Data pertain to 73 scheduled commercial banks.

Source: RBI.

¹⁹ The proportion of EBLR-linked loans was the highest for foreign banks (92.2 per cent), followed by private banks (85.9 per cent) and public-sector banks (44.6 per cent) as at end-December 2024.

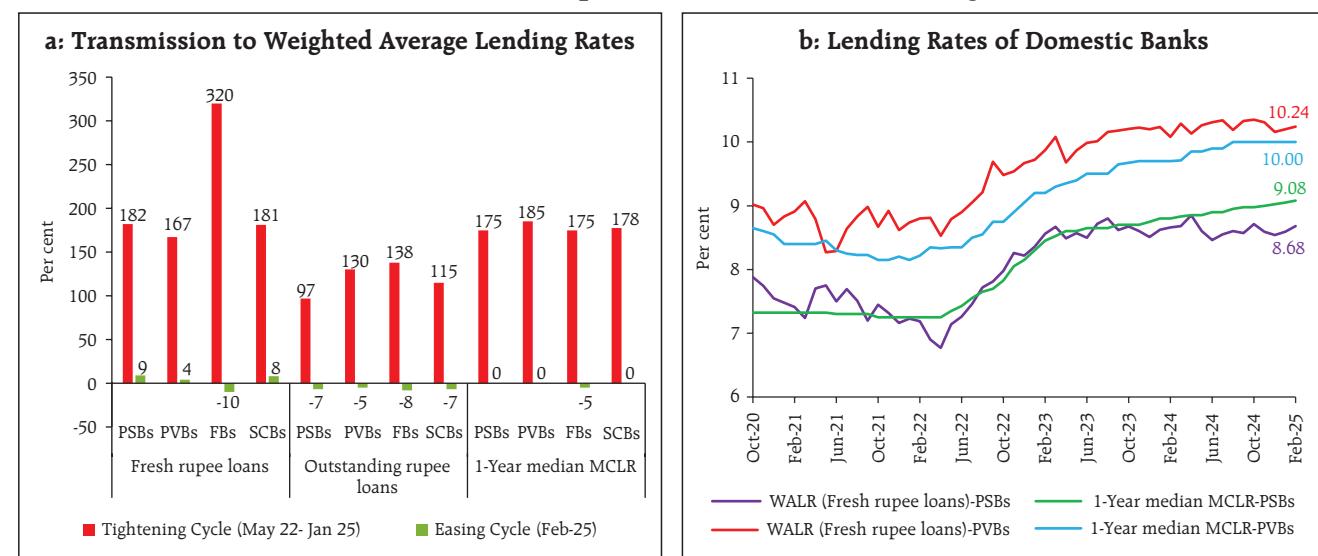
Chart IV.35: Outstanding Floating Rate Rupee Loans of SCBs across Interest Rate Benchmarks

Sources: RBI.

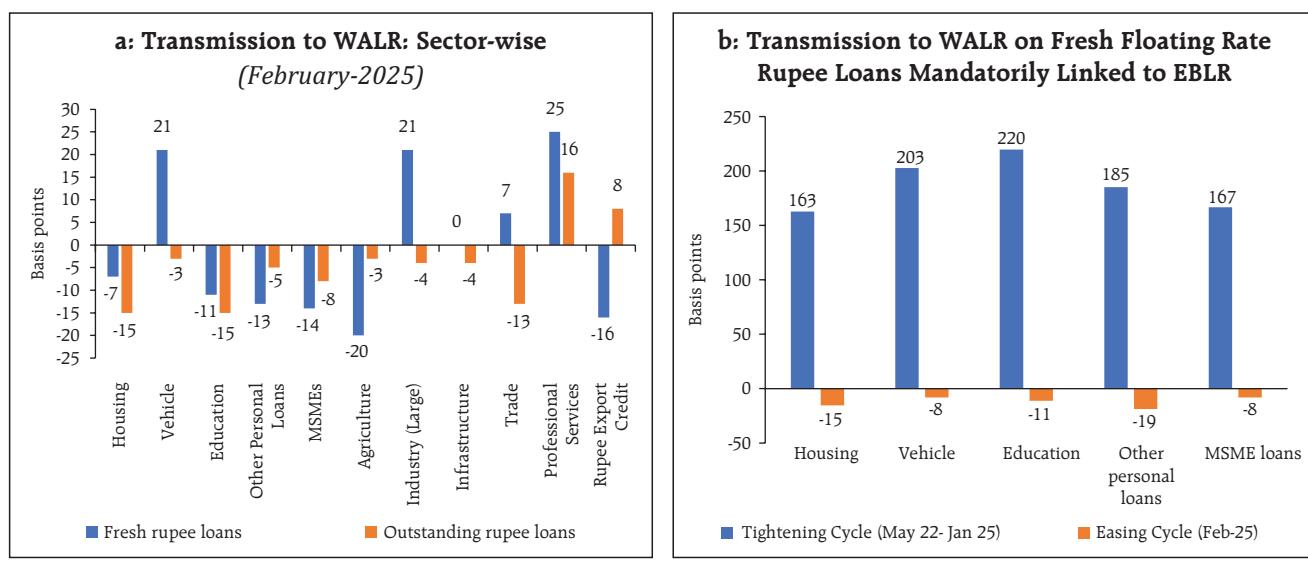
During February 2025, transmission to WALRs on fresh and outstanding loans has been broad-based across sectors (Chart IV.37.a). The differential pace of transmission to different sectors is on account of the proportion of credit portfolios linked to fixed and floating interest rates in the sector and the varied spreads charged by banks. In case of floating rate loans that are mandatorily linked to EBLR, the WALRs on

fresh loans of domestic banks declined in the range of 8-19 bps in February 2025. During the tightening cycle, however, it had increased by 220 bps for education loans, 203 bps for vehicle loans, 167 bps for MSME loans, and 163 bps for housing loans (Chart IV.37.b).

Banks have reduced their spreads (difference of WALRs on fresh floating rate rupee loans and their benchmark rate), which moderated the extent of transmission

Chart IV.36: Bank Group wise Transmission to Lending Rates

Source: RBI.

Chart IV.37: Sector-wise Transmission to WALRs of Domestic Banks

Source: RBI.

(Table IV.12). For loans that are linked to the policy repo rate, the spread on fresh rupee loans (WALR over the repo rate) was the highest for education loans, followed by other personal loans and MSME loans. Among domestic bank groups, PSBs charged a lower spread than PVBs for housing, vehicles, education, and other personal loans. In contrast, PSBs charged a higher spread for MSME loans as compared to PVBs.

Non-banking financial companies (NBFCs) have been playing an increasingly important role in meeting the credit needs of the economy by extending the last mile of credit to hitherto unbanked areas and providing *niche* financing to various sectors ranging

from real estate and infrastructure to agriculture and micro loans. NBFCs bring more borrowers to formal financial institutional network, enhancing the reach of the credit channel of monetary transmission. Monthly data on lending rates of major NBFCs reveal that interest rates charged by NBFCs tend to be higher as compared to SCBs, *inter alia*, reflecting their liability structure and the risk profile of their borrowers. The degree of monetary policy transmission, thus, differs between NBFCs and SCBs (Chart IV.38).

Systemic liquidity developments and the relatively faster pace of credit growth prompted banks to increase their term deposit rates, especially

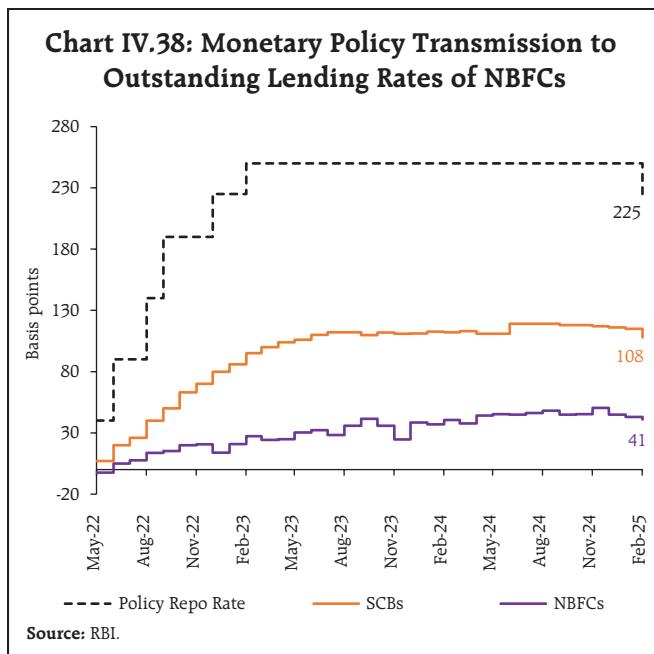
Table IV.12: Spread of WALR (Fresh Loans) over the Repo Rate for Loans linked to External Benchmark

(Percentage points)

Sectors	Apr-22			Feb-25		
	Public sector banks	Private sector banks	Domestic banks	Public sector banks	Private sector banks	Domestic banks
MSME Loans	4.27	3.93	4.04	3.38	3.37	3.37
Personal Loans						
<i>Housing</i>	2.91	3.32	3.21	2.15	2.59	2.43
<i>Vehicle</i>	3.37	4.39	3.55	2.68	4.53	3.24
<i>Education</i>	4.42	5.71	4.71	3.79	5.19	4.55
<i>Other personal loans</i>	3.54	7.35	4.01	3.05	5.73	3.42

Note: Other personal loans include loans other than housing, vehicles, education and credit card loans.

Sources: RBI; and RBI staff estimates.



in shorter tenor deposits (Chart IV.39.a). Across bank groups, the pass-through to WADTDRs on fresh and

outstanding deposit rates was higher for PSBs than PVBs (Chart IV.39.b). The rates on savings bank deposits that comprise about 30 per cent of total deposits, however, have remained mostly sticky (Chart IV.39.c). Accordingly, the overall transmission to deposit rates remained low as savings deposit rates remained unresponsive to policy rate changes. In addition, the decline in the share of current account and savings account (CASA) deposits in total deposits, along with the higher transmission to term deposit rates *vis-a-vis* lending rates have exerted downward pressure on the net interest margins (NIMs) of banks (Chart IV.39.d).

The GoI reviewed the interest rates on various small savings instruments, which are linked to secondary market yields on G-secs of comparable maturities and kept it unchanged for Q1:2025-26. With these adjustments, the rates on most of the

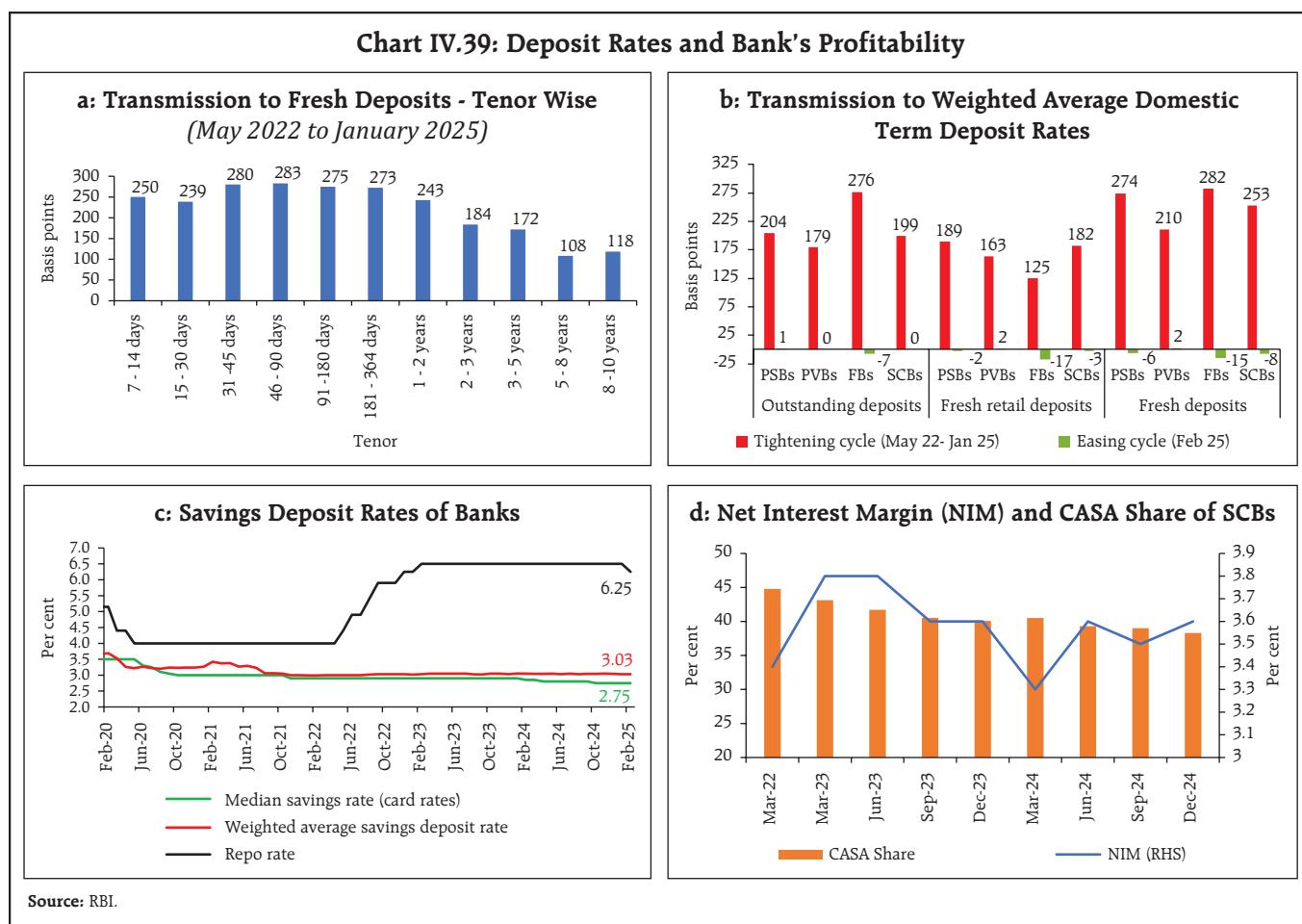


Table IV.13: Interest Rates on Small Savings Instruments – Q1:2025-26

Small Savings Schemes	Maturity (years)	Spread (%age point) \$	Average G-sec Yield (%) of Corresponding Maturity (Dec 2024-Feb 2025)	Formula based Rate of Interest (%) (applicable for Q1:2025-26)	Government Announced Rate of Interest (%) in Q1:2025-26	Difference (percentage points)
(1)	(2)	(3)	(4)	(5) = (3) + (4)	(6)	(7) = (6) - (5)
Savings Deposit	-				4.00	-
Public Provident Fund	15	0.25	6.85	7.10	7.10	0.00
Term Deposits						
1 Year	1	0	6.45	6.45	6.90	0.45
2 Year	2	0	6.50	6.50	7.00	0.50
3 Year	3	0	6.54	6.54	7.10	0.56
5 Year	5	0.25	6.62	6.87	7.50	0.63
Recurring Deposit Account	5	0	6.54	6.54	6.70	0.16
Monthly Income Scheme	5	0.25	6.59	6.84	7.40	0.56
Kisan Vikas Patra	115 months	0	6.85	6.85	7.50	0.65
NSC VIII issue	5	0.25	6.79	7.04	7.70	0.66
Senior Citizens Saving Scheme	5	1.00	6.62	7.62	8.20	0.58
<i>Sukanya Samridhhi</i> Account Scheme	21	0.75	6.85	7.60	8.20	0.60

\$: Spreads for fixing small saving rates as per GoI Press Release of February 2016.

Note: Compounding frequency varies across instruments.

Sources: GoI; FBIL and RBI staff estimates.

instruments are now above the formula-based rates in the range 16-66 bps (Table IV.13).

IV.4 Conclusion

Domestic financial markets broadly mirrored volatile global financial market conditions in H2:2024-25. After remaining in surplus in October and November, system liquidity turned into deficit during the second half of December on account of several factors, both domestic and global. The Reserve Bank took a slew of liquidity augmenting measures to ensure orderly market conditions and enhance monetary policy transmission. Domestic long-term

bond yields eased amidst improving inflationary outlook and positive global sentiment on India's economic prospects. Equity market witnessed sharp correction driven by foreign portfolio investment outflows. The INR traded with a depreciating bias until February, recouping some of the losses in March and remaining among the least volatile EME currencies during H2. Lending rates adjusted downwards during H2, while deposit rates remained at elevated level. Going forward, the Reserve Bank will remain agile and nimble in conducting market operations to ensure financial stability while providing adequate liquidity to meet the productive requirements of the economy.

V. External Environment

The global economy is growing below its long-term average, with heightened near-term risks emanating from implementation of trade restrictive economic policies and evolving geopolitics. Inflation rules above the target for many economies due to persistence in services sector. Central banks have cautiously eased monetary policy, but actions remain divergent. Financial markets remain volatile, impacted by changing growth-inflation dynamics. Intensification of protectionist tariffs, heightened policy uncertainty, lingering geopolitical risks, and inflation persistence pose downside risks to the global growth outlook.

The global economy is growing below its long-term average, with near-term outlook shrouded with several risks, especially in the wake of recent reciprocal tariff impositions. Headline inflation continues to rule above the target for most economies, with persistent services and core (headline excluding food and energy) inflation hindering the pace of disinflation. Many central banks have lowered their level of monetary policy restraint but divergence in monetary policy action has increased. Global financial markets remain volatile exhibiting risk-off sentiment over fluctuating perceptions on the monetary policy trajectory and trade related uncertainty. Equity markets, that were buoyed by tax cut expectations and resilient data releases in the US, experienced significant sell-off in March and early April amidst growing trade and policy uncertainty weighing on growth outlook. Bond yields softened and US dollar retreated in Q1:2025 and early April as tariffs announcement stoked fears of global slowdown.

V.1 Global Economic Conditions

In H2:2024, the global economy remained steady amidst accommodative financial conditions and a rebound in international trade. High frequency indicators for Q1:2025, however, suggest a slowdown in global economic growth as the output index of global composite purchasing managers' index (PMI)¹ was the weakest since the last quarter of 2023. The Organizations for Economic Co-operation and Development (OECD) in its Economic Outlook Interim Report (March 2025) revised the growth forecast downwards by 20 bps and 30 bps to 3.1 per cent and 3.0 per cent for 2025 and 2026 respectively, from its December 2024 projections.

Amongst the AEs, the US economy grew by 2.4 per cent (quarter on quarter, seasonally adjusted annualized rates (q-o-q, saar)) in Q4:2024 (lower than the Q3 outturn of 3.1 per cent), supported by increases in consumer and government spending and fall in imports, partly offset by a decline in investment (Table V.1). The labour market remained broadly stable averaging 4.1 per cent during October 2024 to March 2025. The Standard and Poor's (S&P) US composite PMI touched a three-month high of 53.5 in March driven by a strong rebound in the services sector, which surged to 54.4 in March (51.0 in February). In contrast, growth in manufacturing sector slowed in March, with the PMI easing to 50.2 from 52.7 in February.

Real GDP growth in the Euro area moderated to 0.9 per cent (q-o-q, saar) in Q4 following 1.7 per cent growth in Q3 primarily due to decline in inventories, gross fixed capital formation and government expenditure. Labour markets, however, remained resilient, with a historic low unemployment of

¹ The references to PMIs are to S&P Global indices, unless specified otherwise.

Table V.1: Real GDP Growth
(Per cent)

Country	Q1-2024	Q2-2024	Q3-2024	Q4-2024	2023	2024 (E)	2025 (P)	2026 (P)
Quarter-on-quarter, seasonally adjusted, annualised rate (q-o-q, saar)								
Canada	1.8	2.8	2.2	2.6				
Euro area	1.3	0.7	1.7	0.9				
Japan	-2.1	3.2	1.4	2.2				
South Korea	5.3	-0.9	0.4	0.3				
UK	3.7	1.8	0.0	0.4				
US	1.6	3.0	3.1	2.4				

Year-on-year**Advanced Economies**

Canada	0.7	1.2	1.9	2.4	1.5	1.3	2.0	2.0
Euro area	0.5	0.5	1.0	1.2	0.4	0.8	1.0	1.4
Japan	-0.7	-0.7	0.7	1.1	1.5	-0.2	1.1	0.8
South Korea	3.3	2.3	1.5	1.2	1.4	2.2	2.0	2.1
UK	0.7	1.1	1.2	1.5	0.4	0.9	1.6	1.5
US	2.9	3.0	2.7	2.5	2.9	2.8	2.7	2.1

Emerging Market Economies

Brazil	2.6	3.3	4.1	3.6	3.2	3.7	2.2	2.2
China	5.3	4.7	4.6	5.4	5.4	4.8	4.6	4.5
India	8.4	6.5	5.6	6.2	9.2	6.5	6.5	6.5
Indonesia	5.1	5.1	5.0	5.0	5.1	5.0	5.1	5.1
Philippines	5.9	6.5	5.2	5.3	5.5	5.8	6.1	6.3
Russia	5.4	4.1	3.1		4.1	3.8	1.4	1.2
South Africa	0.6	0.4	0.4	0.9	0.7	0.8	1.5	1.6
Thailand	1.7	2.3	3.0	3.2	2.0	2.7	2.9	2.6

Memo:

World	2023	2024 (E)	2025 (P)	2026 (P)
Year-on-year				
Output	3.3	3.2	3.3	3.3
Trade volume	0.7	3.4	3.2	3.3

E: Estimate P: Projection

Note: India's data correspond to fiscal year (April-March); e.g., 2024 pertains to April 2024-March 2025.

Sources: Official statistical agencies; Bloomberg; IMF WEO Update, January 2025; and RBI staff estimates.

6.1 per cent in February 2025. In the Eurozone, the composite PMI in March, rose to 50.9 from 50.2 in February, driven by expansion in services activity

while manufacturing sector remained in contraction zone despite climbing to 26 month-high at 48.6.

The UK economy rebounded, to grow by 0.4 per cent (q-o-q, saar) in Q4:2024 as growth in services and construction sector more than compensated for the contraction in production. The labour market continued to ease with unemployment rate rising to 4.4 per cent in January from 4.1 per cent in August. The UK composite PMI climbed to a five-month high of 51.5 in March driven by strong services PMI that rose to 52.5 from 51.0 in February, offsetting the sharpest drop in manufacturing PMI since November 2023 to 44.9. Japan's GDP growth accelerated to 2.2 per cent (q-o-q, saar) in Q4:2024 from 1.4 per cent in Q3 over improved business investment and sharp fall in imports. However, the composite PMI (au Jibun Bank) declined to its lowest level since November 2022 to 48.9 in March from 52.0 in February, as the services PMI slipped to the neutral mark while manufacturing contracted further.

Amongst EMEs, China's real GDP growth accelerated to 5.4 per cent year-on-year (y-o-y) in Q4:2024, marking the strongest quarterly expansion in 2024, thus meeting the government's annual growth target of around 5 per cent for the full year. Growth was driven by an expansion in the tertiary and secondary sectors, supported by a broad range of government stimulus measures announced since late September, including a 25 bps rate cut in the benchmark lending rate. Growth in the second half of 2024 was led by booming exports, contributing around 45 per cent to the GDP growth in both Q3 and Q4. Industrial capacity utilization also rose by 1.1 percentage points in Q4 as compared to Q3. Consumption, however, remains a weak spot with its share in GDP falling sharply from 88.3 per cent in

Q4:2023 to 29.7 per cent in Q4:2024. The composite PMI (Caixin) expanded to 51.8 in March 2025 from 51.5 in February, driven by quicker growth in output across both the manufacturing and services sectors.

Among other major EMEs, Brazil's GDP growth moderated to 3.6 per cent (y-o-y) in Q4:2024 *vis-à-vis* 4.1 per cent in Q3, driven by contraction in agriculture sector which was more than offset by expansion in the services and industrial sectors. The labour market conditions eased as unemployment increased from 6.2 per cent in Q4:2024 to 6.7 per cent in Q1:2025. The composite PMI increased to four-month high of 52.6 in March supported by strong growth in sales. The South African economy grew at a slightly faster pace of 0.9 per cent in Q4, compared to 0.4 per cent in Q3, driven by sharp growth in agriculture sector, supported by finance and trade industries. However, the composite PMI for South Africa remained in contraction territory for the fourth consecutive month at 48.3 in March as persistent demand weakness continued to weigh on output and sales. Growth in the Russian economy moderated to 3.1 per cent (y-o-y) in Q3:2024 (4.1 per cent in Q2) owing to an increase in supply-side constraints. In March 2025, the composite PMI (49.1), slipped below the neutral mark after five months of expansion due to manufacturing PMI which fell to its lowest level since April 2022 at 48.2.

The ASEAN² economies demonstrated resilient growth in Q4:2024 driven by higher new orders and increased output activity. Overall, southeast asian economies are expected to have grown at a healthy pace in 2024, supported by stronger manufacturing

exports and public capital spending in larger economies, with growth expected to remain stable in 2025.³ In Q1:2025, growth remained modest driven by increased output and new orders amidst a continued downtrend in inflationary pressures.

In the BRICS economies, GDP growth for 2025 is projected to moderate, barring South Africa and India where growth is expected to accelerate and remain steady, respectively (Table V.2). The inflation outlook is also expected to improve for BRICS economies in 2025, softening for those that had higher inflation but desirably rising for China, already grappling with deflationary pressures.

Turning to high frequency indicators, the OECD composite leading indicators (CLIs) for March 2025 showed that most economies remained above the long-term trend (Chart V.1a). The global composite PMI also remained above the neutral mark since February 2023 (Chart V.1b). It expanded to 52.1 in March from 51.5 in February, its highest reading in 2025, driven by solid expansion in services sector. The global manufacturing PMI moderated to 50.3 in March from 50.6 in February over slowdown in growth of output and new orders.

Global merchandise trade volume grew for the tenth consecutive month in January 2025, rising sharply by 5.0 per cent (y-o-y). The momentum accelerated to 1.1 per cent, remaining positive for the fourth straight month, as countries front loaded their imports in anticipation of tariff imposition. EMEs remained the major driver of growth for the eighth consecutive quarter in Q4:2024 (October-December). In January 2025, however, the contribution of

² Association of Southeast Asian Nations (ASEAN) includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

³ As per Asian Development Bank's (ADB) Asian Development Outlook December 2024, Southeast Asian economies are projected to grow at a steady pace of 4.7 per cent in 2025 (same as in 2024).

Table V.2: Select Macroeconomic Indicators for BRICS

Real GDP growth rate (y-o-y, per cent)	Country	2023	2024(E)	2025(P)	General Government gross debt (per cent of GDP)*	Country	2023	2024(E)	2025(P)
	Brazil	3.2	3.7	2.2		Brazil	84.7	87.6	92.0
	Russia	4.1	3.8	1.4		Russia	19.5	19.9	20.4
	India	9.2	6.5	6.5		India	83.0	83.1	82.6
	China	5.4	4.8	4.6		China	84.4	90.1	93.8
	South Africa	0.7	0.8	1.5		South Africa	73.4	75.0	77.4
CPI inflation rate (y-o-y, per cent)	Country	2023	2024(E)	2025(P)	Current account balance (per cent of GDP)	Country	2023	2024(E)	2025(P)
	Brazil	4.6	4.3	3.6		Brazil	-1.0	-1.7	-1.8
	Russia	5.9	7.9	5.9		Russia	2.5	2.7	2.6
	India	5.4	4.4	4.1		India	-0.7	-1.1	-1.3
	China	0.2	0.4	1.7		China	1.4	1.4	1.6
	South Africa	5.9	4.7	4.5		South Africa	-1.6	-1.6	-1.9
General Government net lending/borrowing (per cent of GDP)	Country	2023	2024(E)	2025(P)	Forex reserves* (in US\$ billion)	Country	2023	2024	2025
	Brazil	-7.6	-6.9	-7.3		Brazil	355.0	329.7	332.5
	Russia	-2.3	-1.9	-0.5		Russia	598.6	609.1	632.4
	India	-8.3	-7.8	-7.6		India	622.5	635.7	665.4
	China	-6.9	-7.4	-7.6		China	3449.7	3455.6	3498.6
	South Africa	-5.8	-6.2	-6.3		South Africa	62.5	65.5	66.3

E: Estimate P: Projection

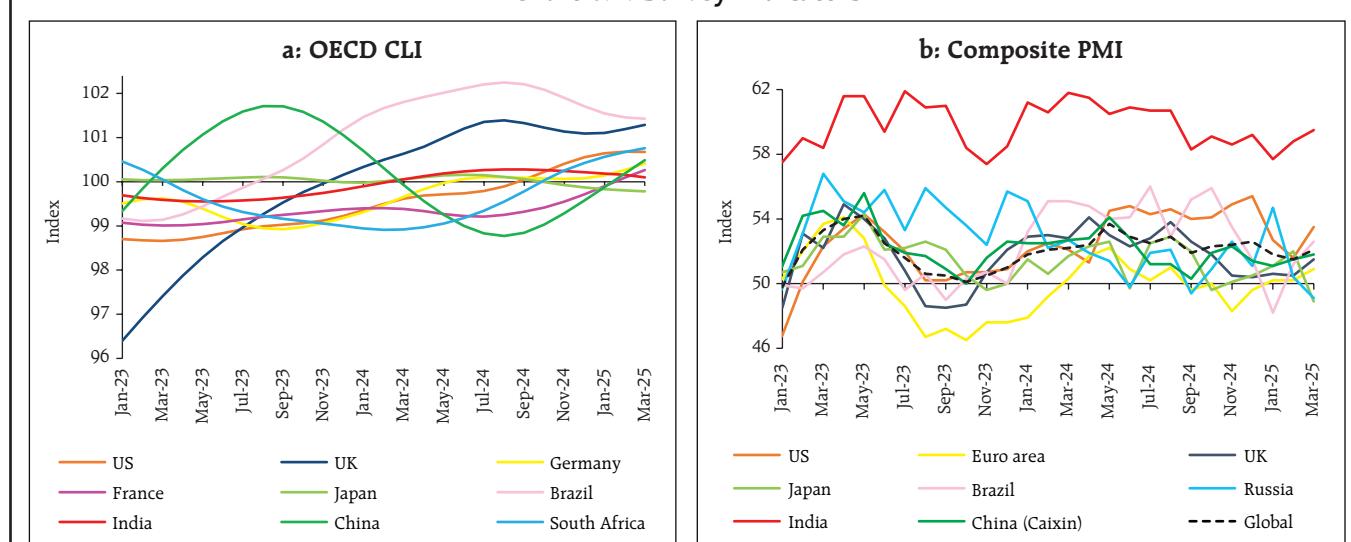
*: Forex reserves for 2025 pertain to February 2025 for all countries except for India (March 2025).

#: Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held by the central bank.

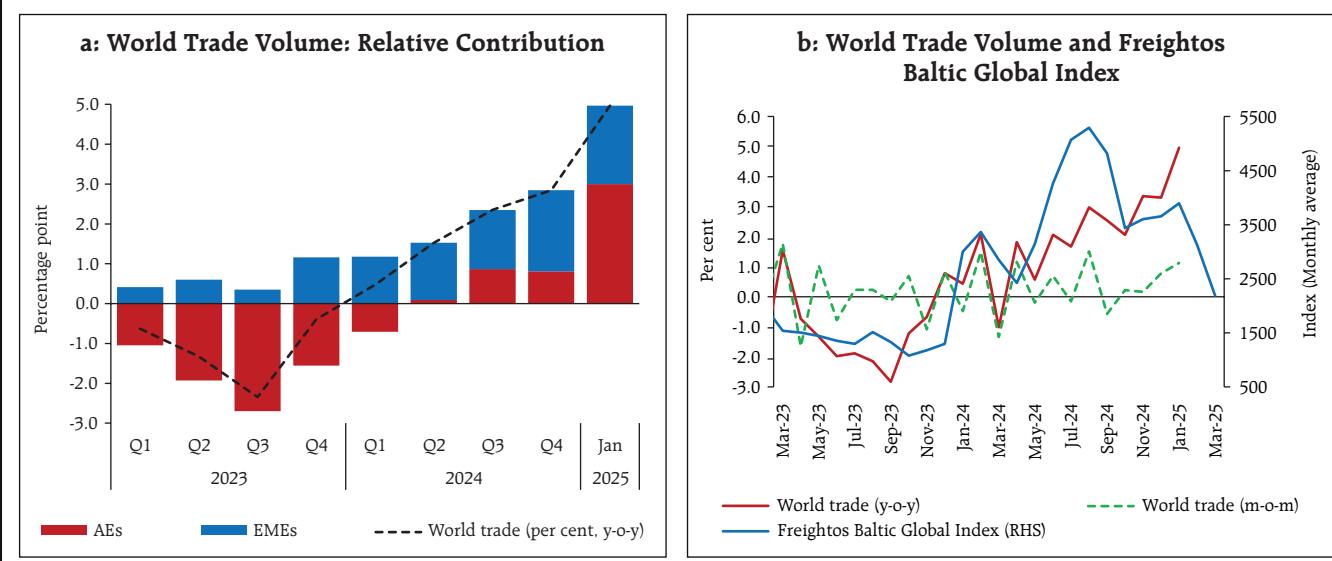
Notes: India's data correspond to fiscal year (April-March) except data on forex reserves which are as per calendar year. India's inflation data for 2024 is from April 2024 to February 2025.**Sources:** Official statistical agencies; WEO October 2024 database and January 2024 Update, IMF; International Reserve and Foreign Currency Liquidity (IRFCL), IMF; and RBI.

AEs in world trade growth increased significantly (Chart V.2a). The Freightos Baltic Global Index –

the global ocean freight container pricing index that measures 40-feet container prices – contracted

Chart V.1: Survey Indicators

Note: For PMI indices a reading above 50 indicates an overall increase compared to the previous month, and below 50 an overall decrease. The indices are seasonally adjusted.
Sources: OECD; and Bloomberg.

Chart V.2: World Trade Volume

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

sharply by 23.1 per cent (y-o-y) in March 2025 driven by slowdown in demand from China and an increase in vessel capacity amidst new alliances in the shipping industry (Chart V.2b). The latest WTO's Goods Trade Barometer (March 2025) indicates that global merchandise trade volume expanded at a steady pace through Q4:2024 and is poised to continue growing in the first few months of 2025. According to the IMF's WEO Update of January 2025, global trade volume is expected to grow by 3.2 per cent and 3.3 per cent in 2025 and 2026, respectively. Nevertheless, the recent wave of tariffs announced by the US and varied trade responses of countries will shape the evolving global trade dynamics going ahead. The initial estimates of WTO indicate that the global merchandise trade volume would contract by about one per cent in 2025.⁴

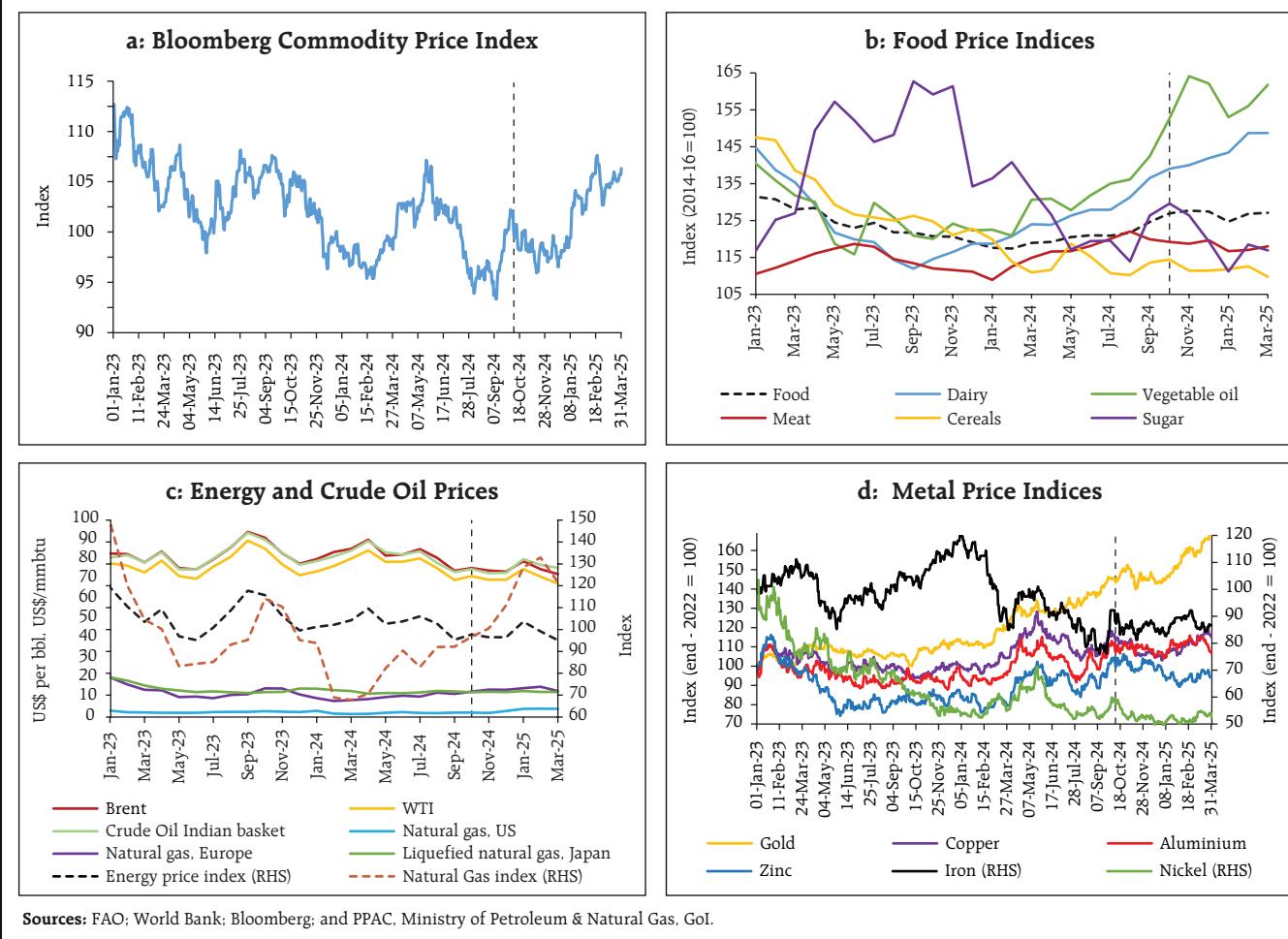
V.2 Commodity Prices and Inflation

In Q4:2024, global commodity prices, as measured by the Bloomberg commodity price index, remained

volatile with a downward bias, softening by 1.6 per cent due to moderation in metal prices (Chart V.3a). The correction was, however, more than offset in Q1:2025, when prices rose sharply by 7.7 per cent as energy and metal prices increased. The trend again reversed in early April with commodity prices declining in tandem with increasing global slowdown fears over dented demand outlook. According to the Food and Agriculture Organization (FAO), global food prices edged up by 4.0 per cent (q-o-q) in Q4:2024, driven by higher vegetable oil and dairy prices. The prices, however, moderated in Q1:2025 as prices softened by 0.9 per cent, primarily due to sharp decline in sugar prices, despite higher dairy prices (Chart V.3b).

Crude oil prices rose in the first fortnight of October, surpassing \$80 per barrel due to heightened tensions in the Middle East and Hurricane Milton in the US. Prices softened and remained subdued thereafter in Q4:2024, hovering in the range of \$74-76 per barrel, driven by a mix of geopolitical and

⁴ As per the statement of Director-General of the World Trade Organization (WTO) issued on April 03, 2025.

Chart V.3: Commodity Prices

economic factors. While receding tensions, less than expected China's stimulus measures and ceasefire discussion in the Middle East continued to pull down prices, anticipation of sanctions and escalating Russia-Ukraine conflict led to occasional price surges. Prices rebounded in January amidst sanctions on Russia's energy sector and increased demand due to cold weather. Since mid-January, price tressed downwards following ceasefire in Gaza, increasing fears surrounding tariff imposition and higher oil supply. The correction continued till the first week of March when OPEC+ announced to commence its unwinding process.⁵ Oil prices started rising again

after imposition of sanctions on Venezuela and Iran but plummeted to a 3-year low amidst bleak growth prospects and surprise OPEC+ announcement (Chart V.3c).

Base metal prices declined in Q4:2024 due to strengthening of US dollar and weak demand from China, the world's largest consumer of base metals, as Chinese stimulus measures were well below expectations. Prices of most base metals, however, edged up in Q1:2025 over China's stimulus announcement in January but plunged after metals evaded further tariffs levy by the US. Gold prices surged in October by 4.9 per cent (m-o-m) driven by

⁵ Voluntary cuts, representing 2.2 million barrels per day, introduced in January 2024 and scheduled to end in June were postponed five times due to lower prices. However, the unwinding process finally began in April 2025 and is expected to be gradually phased out by the end of 2026.

heightened uncertainty regarding the US elections and escalating geopolitical tensions. The rally was more than offset by decline in prices in November and December as strengthening US dollar and treasury yields increased the opportunity cost of holding gold, causing gold prices to fall by 1.5 per cent (q-o-q) in Q4:2024. Thereafter, prices rose sharply in Q1:2025, gaining 19.5 per cent and surpassing the USD 3,100 per ounce mark for the first time, over increased safe haven demand and higher gold purchases by central banks (Chart V.3d).

Consumer Price Inflation

Consumer price inflation remained above the target in many countries as the progress of disinflation lost momentum. While core goods inflation has eased, services inflation remains above pre-pandemic levels, especially in advanced economies. The OECD in its Interim Economic Outlook Report of March 2025 revised up its inflation projections by 30 bps for both 2025 and 2026 to 3.8 per cent and 3.2 per cent, respectively, for G20 economies.

In the US, headline CPI inflation accelerated from 2.4 per cent in September 2024 to 2.8 per cent in February 2025, primarily due to rising shelter prices, whereas core CPI inflation moderated to 3.1 per cent in February after remaining broadly steady at 3.3 per cent from September 2024 to January 2025 (Table V.3). Inflation in terms of the personal consumption expenditure (PCE) price index – the US Federal Reserve's (Fed) preferred measure of inflation – edged up to 2.5 per cent in February from 2.1 per cent in September (Chart V.4a), while core PCE inched up to 2.8 per cent from 2.7 per cent over the same period (Chart V.4b).

In the Euro area, CPI inflation increased from 2.0 per cent in October 2024 to 2.2 per cent in March 2025, while core inflation (inflation excluding energy, food, alcohol, and tobacco) moderated to 2.4 per cent in March after remaining stable at 2.7 per cent for five months from September 2024 to January

Table V.3: Consumer Price Inflation

(Y-o-y, Per cent)

Country	Inflation Target	Q1:2024	Q2:2024	Q3:2024	Q4:2024	Q1:2025
Advanced Economies						
Canada	2.0 ± 1.0	2.9	2.8	2.0	1.9	2.3
Euro area	2.0	2.6	2.5	2.2	2.2	2.3
Japan	2.0	2.6	2.7	2.8	2.9	3.9
South Korea	2.0	3.0	2.7	2.1	1.6	2.1
UK	2.0	3.5	2.1	2.0	2.5	2.9
US		3.3	3.2	2.6	2.7	2.9
	(2.0)	(2.7)	(2.6)	(2.3)	(2.5)	(2.5)
Emerging Market Economies						
Brazil	3.0 ± 1.5	4.3	4.0	4.4	4.8	4.8
Russia	4.0	7.6	8.2	8.9	9.0	10.0
India	4.0 ± 2.0	5.0	4.9	4.2	5.6	3.9
China		0.0	0.3	0.5	0.2	-0.1
South Africa	3.0-6.0	5.4	5.2	4.3	2.9	3.2
Mexico	3.0 ± 1.0	4.6	4.8	5.0	4.5	3.7
Indonesia	2.5 ± 1.0	2.8	2.8	2.0	1.6	0.6
Philippines	3.0 ± 1.0	3.3	3.8	3.2	2.6	2.3
Thailand	1.0-3.0	-0.8	0.8	0.6	1.0	1.1
Turkey	5.0 ± 2.0	66.8	72.3	54.4	46.7	39.8

Memo:

	2023	2024(E)	2025(P)	2026(P)
World consumer price inflation	6.7	5.7	4.2	3.5

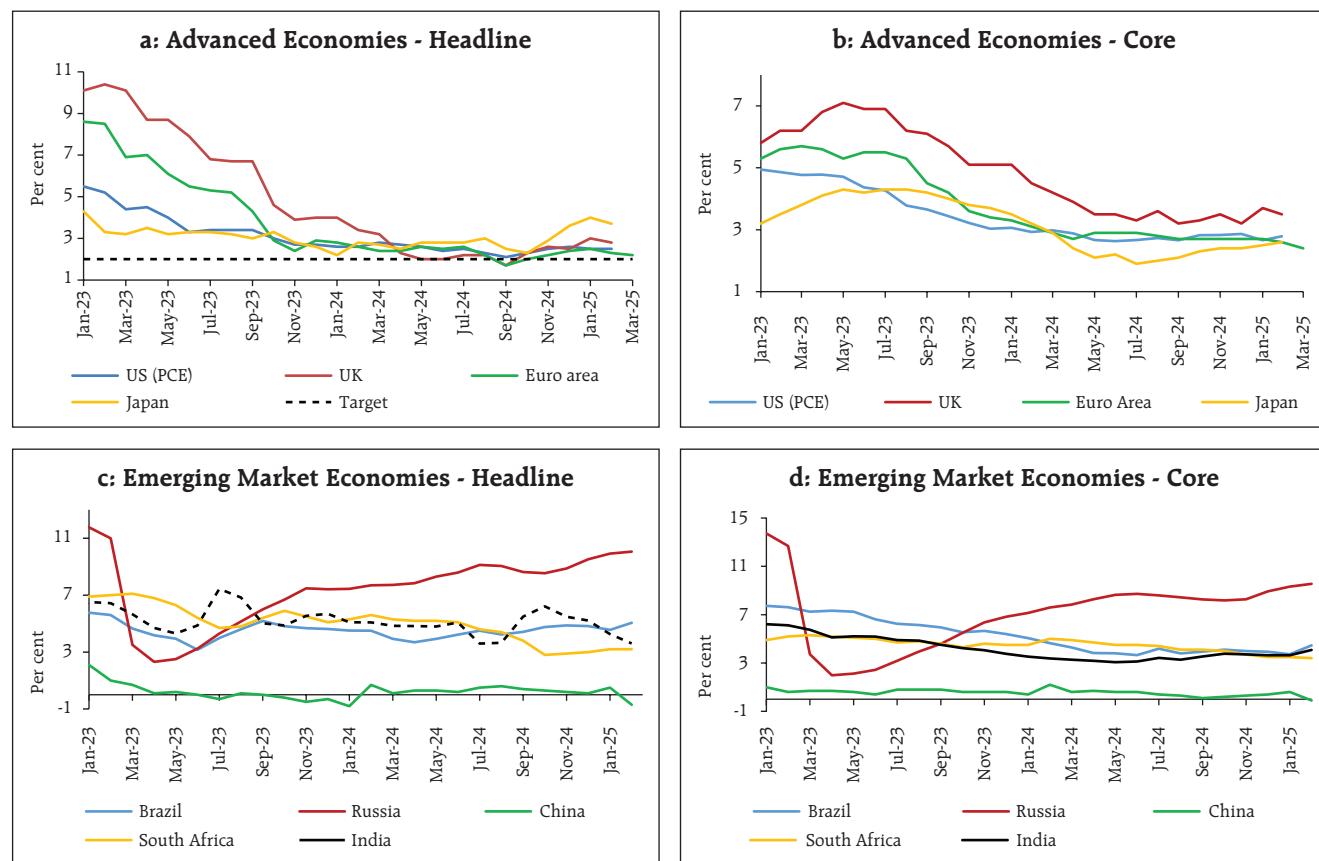
E: Estimate P: Projection

Notes: (1) Figures in the parentheses for US are year-on-year change in personal consumption expenditure (PCE) price index.

(2) Inflation numbers for Q1:2025 are upto February 2025 except for Euro area, South Korea, Philippines, Thailand, Indonesia and Turkey (March 2025).

Sources: Central bank websites; IMF; and Bloomberg.

2025. In the UK, CPI headline inflation surged by 110 bps to 2.8 per cent in February 2025 from 1.7 per cent in September 2024, whereas core inflation rose by 30 bps over the same period to 3.5 per cent. In Japan, headline inflation rose sharply by 120 bps to 3.7 per cent in February 2025 from 2.5 per cent in September 2024. CPI inflation (all items less fresh food) also increased by 60 bps – from 2.4 per cent in September 2024 to 3.0 per cent in February 2025, while core inflation (inflation excluding both fresh food and energy), rose to 2.6 per cent from 2.1 per cent over the same period.

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

Note: 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.

Sources: Official statistical agencies; Bloomberg; and RBI staff estimates.

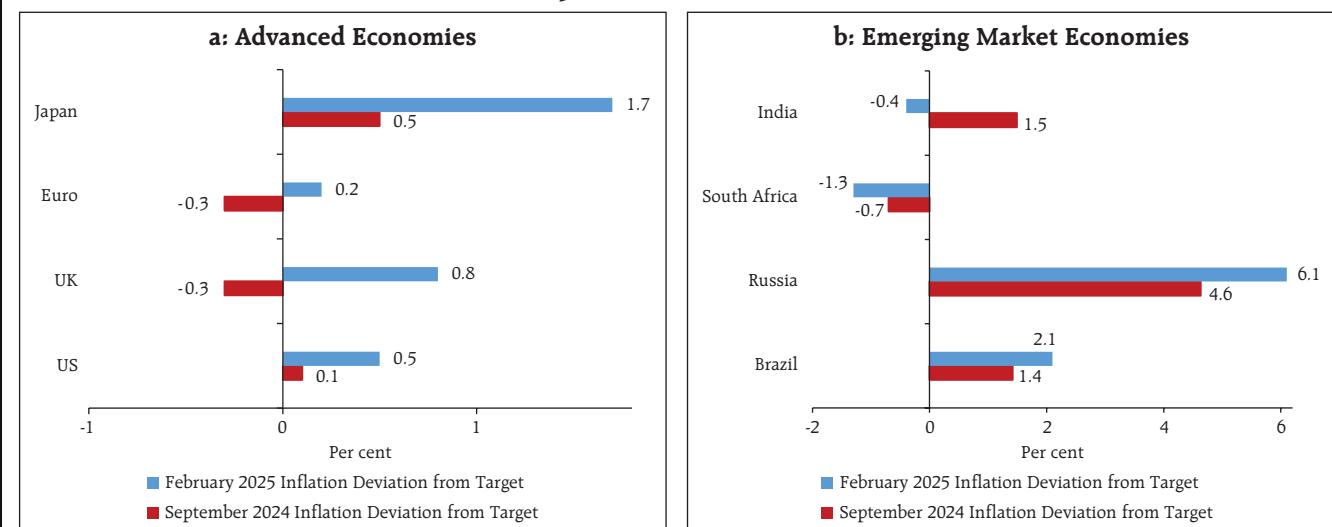
Amongst major EMEs, CPI inflation increased in Brazil to 5.1 per cent in February 2025 from 4.4 per cent in September 2024 (Chart V.4c). In Russia, it accelerated from 8.6 per cent to 10.1 per cent over the same period due to western sanctions and shortage of labour driving up wages. In South Africa, however, inflation receded to 3.2 per cent in February 2025 from 3.8 per cent in September 2024. China experienced positive but low level of inflation, hovering in the range of 0.1 per cent to 0.5 per cent during September 2024 to January 2025, remaining subdued mostly because of weak demand and low consumer confidence. In February 2025, however, the CPI declined to (-)0.7 per cent, returning to the deflationary zone and marking its lowest level in over a year, driven by weak domestic demand. Core

inflation movement exhibited divergence for EMEs, moderating for some but accelerating for others (Chart V.4d).

Since the October 2024 MPR, the last mile of disinflation is getting prolonged with slowdown in disinflation across AEs and most EMEs (Chart V.5a & 5b).

V.3 Monetary Policy Stance

Following the synchronous tightening to counter multi-decadal high inflation in 2022-23, central banks commenced their policy normalisation from 2023 and 2024. The pace of easing, however, turned out to be divergent as central banks responded to their own evolving growth-inflation dynamics. Most central

Chart V.5: Last Mile of Disinflation

Notes: 1. For Euro Area, inflation print pertains to March 2025.

2. For Brazil, India and South Africa the target is taken as the mid point of their inflation control target range.

Sources: Bloomberg; and RBI staff estimates.

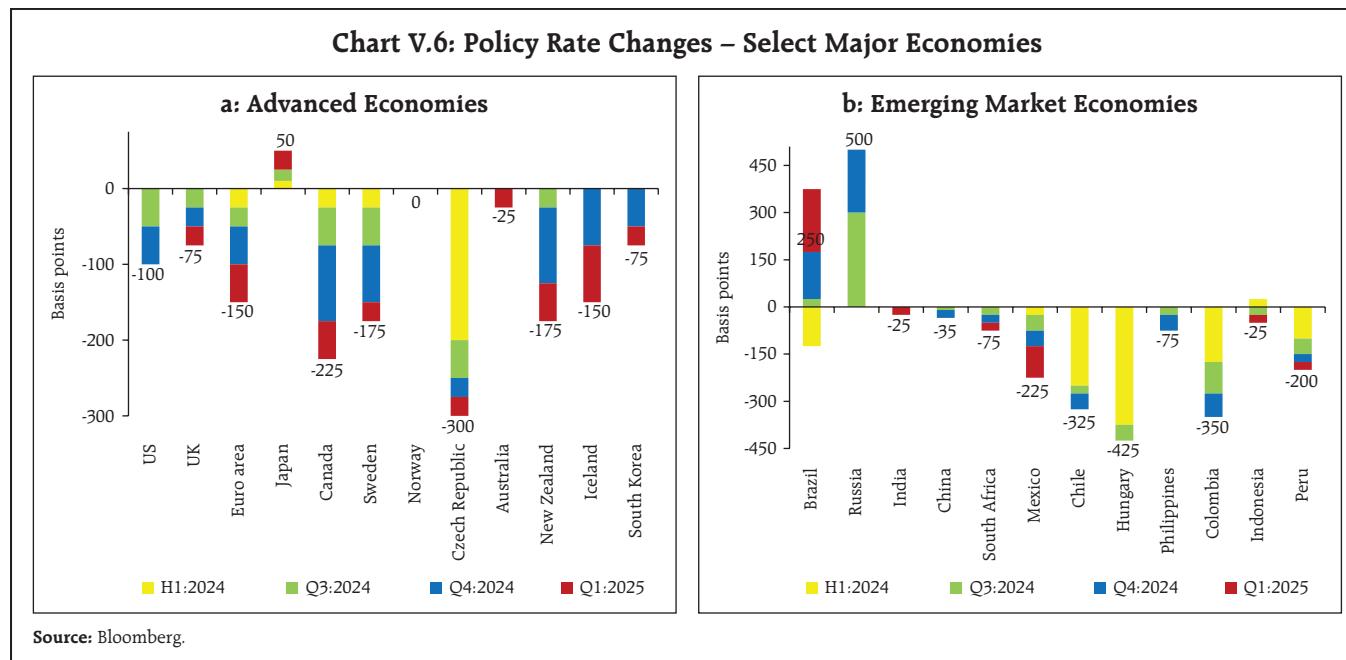
banks have become less restrictive but continue to remain vigilant and data dependent for future decisions. Nonetheless, the extent of divergence increased further in the second half of 2024 and early 2025 as some countries continued with their easing cycle, some remained watchful at relatively lower levels of policy rates while a few pre-emptively started hiking to stem any surge in inflation.

The US Fed initiated easing cycle in September 2024, lowering the target range for the federal funds rate by 50 bps to 4.75-5.00 per cent (Chart V.6a). In its two subsequent meetings, *i.e.*, in November and December, it reduced the federal funds rate by 25 bps each lowering it to 4.25-4.50 per cent. In 2025, however, the policy rate was left unchanged in both the January and March meetings. In its March 2025 meeting, the Fed noted that uncertainty around the economic outlook had increased and announced its plan to slow down the pace of quantitative tightening programme.⁶ As per the Summary of Economic Projections released in the March meeting, the

Federal Open Market Committee (FOMC) expected the target range for the federal funds rates to be at 3.75-4.00 per cent by end 2025, indicating a further 50 bps rate cut in 2025, unchanged from its December 2024 projection.

The European Central Bank (ECB) continued to ease its policy rate, lowering the deposit facility rate (DFR) by 25 bps each in all its four meetings held during October 2024 - March 2025, cumulatively reducing the benchmark rate by 150 bps since it began its easing cycle in June 2024. The ECB reiterated that it would follow a data-dependent and meeting-by-meeting approach to determine the appropriate monetary policy stance. Besides, with the principal payments from maturing securities being no longer reinvested, both Asset Purchase Programme (APP) portfolio and Pandemic Emergency Purchase Programme (PEPP) portfolio continue to shrink at a predictable pace. The Bank of England (BoE), however, has been more gradual in its easing cycle, reducing its policy rate in

⁶ Beginning in April, the FOMC would slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$25 billion per month to \$5 billion per month. The Committee would, however, maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35 billion per month.



every alternate meeting between August 2024–March 2025. Based on the evolving view of the medium-term outlook for inflation, the BoE indicated a gradual and careful approach to the further withdrawal of monetary policy restraint.

Amongst other major AEs, the Bank of Canada lowered its policy rate during Q4:2024 and Q1:2025 by 150 bps, cumulatively. During all the meetings in Q4:2024, the Reserve Bank of New Zealand (RBNZ) and the Bank of Korea (BoK) reduced their benchmark rates by 50 bps and 25 bps, respectively. In Q1:2025, however, the BoK pared its policy rate by 25 bps in February following a pause in January while the RBNZ continued to ease its policy rate by 50 bps. The Reserve Bank of Australia initiated its policy easing cycle in February 2025, reducing its key rate by 25 bps to 4.10 per cent, after an extended pause since December 2023. The Central Bank of Iceland embarked on policy easing by reducing its key rate by 25 bps in October 2024 and by 50 bps in all its subsequent meetings. In March, however, it tempered its pace to 25 bps. The Sveriges Riksbank lowered the policy rate by 50 bps

in its November 2024 meeting, by 25 bps each in its December 2024 and January 2025 meetings and held it constant in its March meeting. The Swiss National Bank also lowered its policy rate by 50 bps in its December meeting and 25 bps in its March meeting. The Czech National Bank reduced its key rate by 25 bps in its November 2024 and February 2025 meetings but held it constant in December 2024 and March 2025 meetings. Norges Bank, however, is yet to begin its policy normalisation process and has maintained a *status quo* during its Q4:2024 and Q1:2025 meetings. Bank of Israel also kept its policy rate unchanged during these quarters, although it had reduced its policy rate once in January 2024. In contrast, the Bank of Japan (BoJ), after raising its key rate by 15 bps in July, paused in its subsequent meetings in 2024. In its January 2025 meeting, however, the BoJ resumed policy hiking, raising the policy rate by 25 bps while keeping it steady in March.

In the BRICS economies, the Banco Central do Brasil, which had initiated the policy tightening cycle in September 2024, continued to raise its Selic rate

by 50 bps in November 2024 and by 100 bps each in the month of December, January and March. The South African Reserve Bank cut its repo rate by 25 bps each in its November 2024 and January 2025 meetings, followed by a pause in the month of March. In continuation of the slew of measures announced in September, the People's Bank of China lowered its one-year Loan Prime Rate (LPR) and over-five-year LPR by 25 bps each to 3.1 per cent and 3.6 per cent, respectively, in October 2024. Since then, it has maintained *status quo* in all subsequent meetings but indicated that the reserve requirement ratio and interest rates may be further cut depending on the domestic and external economic conditions. The Bank of Russia increased its policy rate by 200 bps in October but maintained *status quo* thereafter, keeping the key rate elevated at 21.00 per cent amidst inflationary pressures.

Among Asian EME central banks, the Bank of Thailand lowered its benchmark rate for the first time in October 2024 by 25 bps followed by a pause in December but again reduced by 25 bps in its February 2025 meeting. The Bank Indonesia maintained *status quo* on its key rate in Q4:2024, followed by a 25 bps cut in January and pause in subsequent meetings. The central bank of Philippines cut its policy rate by 25 bps in every alternate meeting since October 2024, cumulatively lowering its key rate by 75 bps since the commencement of the rate easing cycle in August 2024. In Latin America, the Banco de Mexico reduced its benchmark rate by 50 bps in Q4:2024 and by 100 bps in Q1:2025. The central bank of Colombia gradually moderated its pace of monetary policy easing by paring its benchmark rate by 50 bps in October 2024 and 25 bps in December, followed by a pause in 2025 so far. Chile lowered its policy rate by 25 bps in each of its meetings in Q4:2024 but paused in Q1:2025. Peru cut its reference rate by 25 bps each in November and January meetings

but maintained *status quo* in October, December, February and March. Among European EMEs, Hungary and Poland kept their policy rates unchanged in all meetings held during Q4:2024 and Q1:2025 (Chart V.6b).

V.4 Global Financial Markets

Global financial markets remained volatile since the final quarter of 2024 gyrating sharply with every incoming information as the outlook was shrouded in economic, political and trade policy uncertainty. Market sentiment has been largely conditioned by shifting expectations regarding monetary policy amidst fast changing growth-inflation outlook. Equities broadly shed gains since the last MPR but remained volatile throughout, increasing amidst resilient economic indicators, expectations of tax cuts and AI driven rally in China, but retreating due to risk-off sentiment and tariff induced disruptions. In Q4:2024, bond yields had increased, and the US dollar had appreciated in tandem with political transition in the US and uncertainty surrounding geopolitical developments. In Q1:2025, however, the adverse implications of such increased economic uncertainty came to the forefront denting consumer and corporate sentiments and igniting growth concerns causing bond yields in the US to decline and US dollar to depreciate. EME financial markets remain particularly vulnerable to spillovers from such shocks and the associated uncertainty that increases the trade-offs and complicates the conduct of monetary policy (Box V.1). Accordingly, EME currencies depreciated in the fourth quarter of 2024 although recovering partially in the first quarter of 2025.

Equity markets, in terms of the Morgan Stanley Capital International (MSCI) world index, remained volatile in the last quarter of 2024 shedding 1.2 per cent in Q4:2024 with EME equity markets

underperforming relative to those of AEs (Chart V.7a). In Q1:2025, equity markets extended their sell-off but with reversing trends as EMEs outperformed their AE counterparts. Among AEs, the US S&P 500 remained buoyant for the most part of October, spurred by the unusually aggressive beginning of the rate-cutting cycle by the US Fed, followed by turbulence amidst election-related uncertainty. Nonetheless, as the election outcome unveiled, US stock market rallied in November driven by expectations that the incoming

administration's policies would boost growth, lower taxes, and reduce regulation. Equity markets, however, witnessed an intermittent correction in mid-November post strong economic data releases and hawkish Fed commentary causing readjustments in the monetary policy trajectory (Chart V.8a). The correction persisted through mid-January 2025, as odds of one or no rate cuts by December 2025 increased. Optimism over the US exceptionalism and strong corporate earnings fuelled an equity market

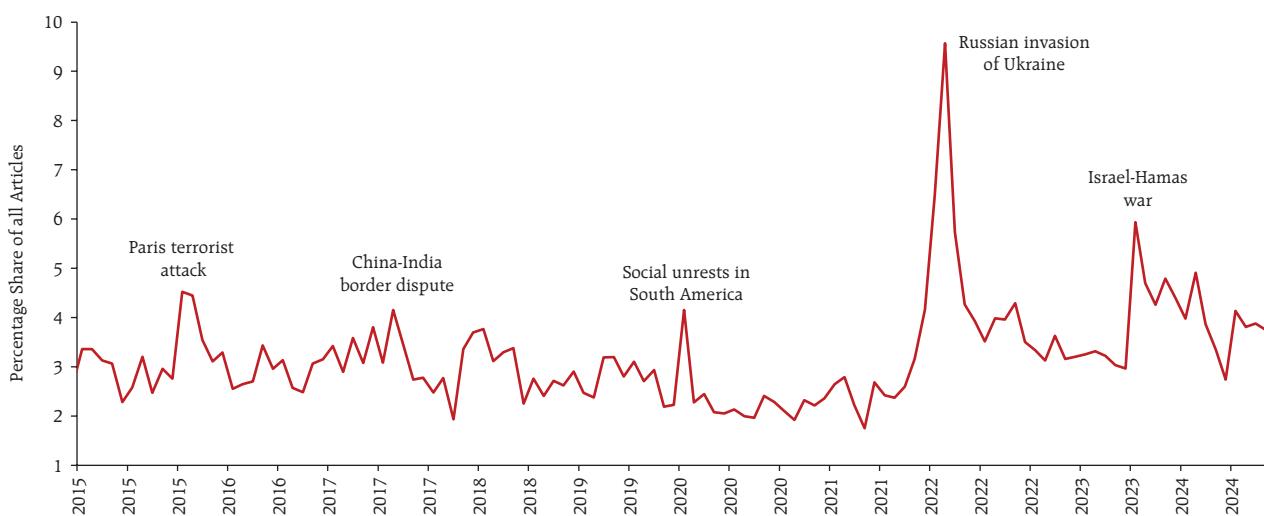
Box V.1: Geopolitical Spillover Shocks on Financial Markets of EMEs

Geopolitical tensions and heightened uncertainties owing to conflicts, wars including trade wars and related tensions have been a defining feature of the global landscape over the last few years, with its deleterious impact on the global economy drawing increasing attention of policy makers and researchers. Such systemic geopolitical shocks reinforce "flight home effect" (Feng *et al.*, 2023), leaving the financial system vulnerable, especially in EMEs. Geopolitical events can escalate risk aversion, prompting shifts in investment portfolios, triggering

stock market meltdown, exchange rate depreciation, and rising risk premia (Caporale and Menla-Ali, 2024), with heterogeneous effects on advanced and emerging markets (Choi, 2025).

To gauge the economic ramifications of geopolitical risks (GPR), the GPR Index (Chart V.1.1), which captures the episodic fluctuations linked to major geopolitical events (Caldara and Iacoviello, 2022)⁷, is used to assess the impact on stock markets, credit spreads

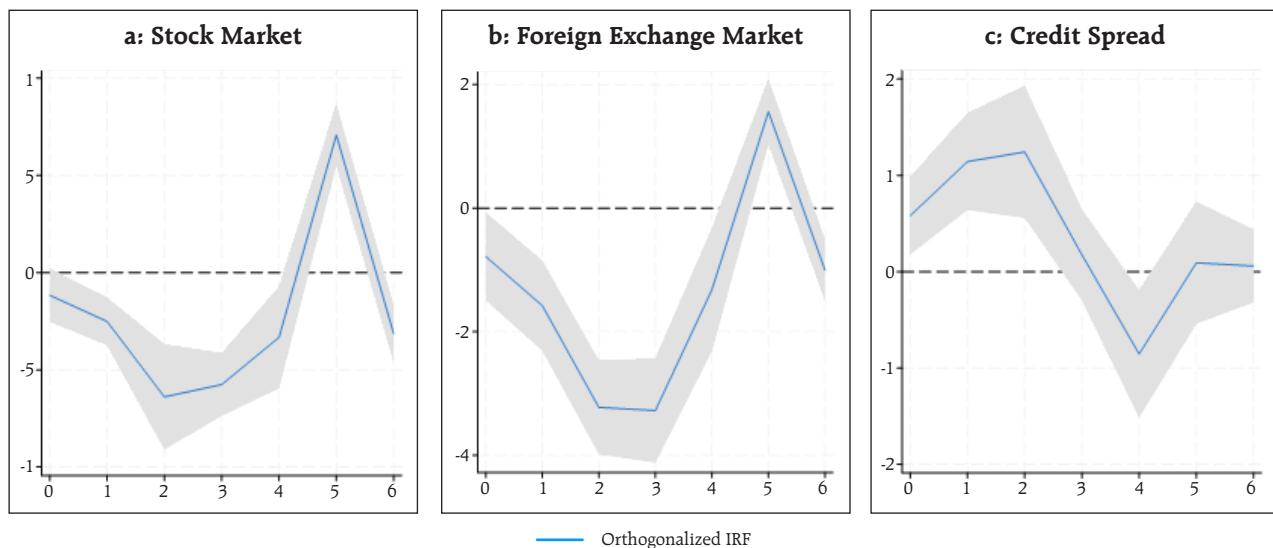
Chart V.1.1: GPR Index



Source: Caldara and Iacoviello, 2022.

(Contd.)

⁷ The Geopolitical Risk Index captures global risks by analysing geopolitical-related content in 10 major global newspapers. The index is calculated using a dictionary-based method by counting the number of articles related to adverse geopolitical events in each newspaper for each month (as a share of the total number of news articles).

Chart V.1.2: Impact of GPR shocks

Notes: Shaded region of the OIRFs indicate 68 per cent confidence interval using Newey-West standard errors. x-axes represent months and y-axes represent percentage points.

Source: RBI Staff estimates.

and exchange rates of EMEs using monthly data⁸ spanning 10 years (January 2015 to January 2025). Using the local projections model (Jordà, 2005), the movement in each financial market segment for the subsequent six months is predicted. The orthogonalized impulse response functions (OIRFs) evaluate the impact of a one-unit increase in the GPR Index on EMEs stocks, bonds and currency markets, after employing appropriate controls (Chart V.1.2).

The results indicate that a one percentage point rise in the GPR Index leads to a significant deterioration in EME financial conditions, causing stock markets to decline by 0.25 percentage points, currencies to depreciate by 0.16 percentage points, and credit spreads to widen by around 1 basis point in the first month, reflecting enhanced risk premia during periods of high geopolitical uncertainty and consequent flight to safety. The effect peaks in the second month in all three market segments, with stock markets shedding gains by 0.64 percentage points, currencies depreciating by 0.32 percentage points and credit spread worsening by around 1.2 basis points by the end of the second month. The effect, thereafter, gradually peters out. Nevertheless, the repeated occurrence of such geopolitical shocks that impinges on the economy with differential impact has lent a persistence to the turmoil

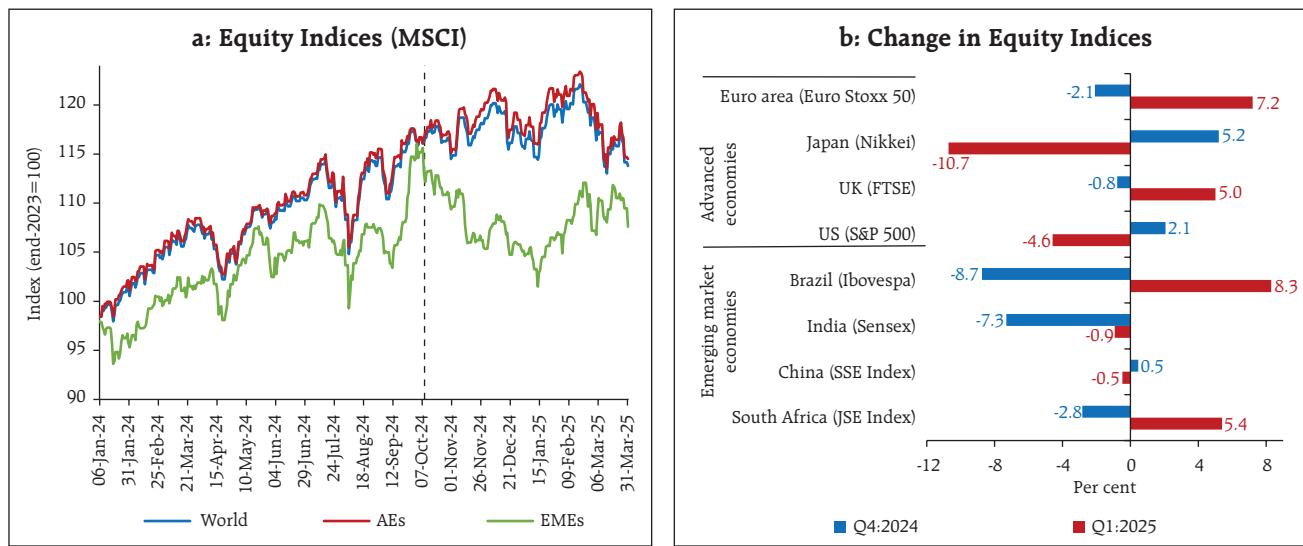
and uncertainty, keeping the risks elevated. The findings are broadly robust to alternate lags and controls.

Thus, the geopolitical shocks entail risks to financial stability in EMEs, underscoring the need for strategic policy measures to enhance resilience by building on their fundamentals and mitigating vulnerabilities.

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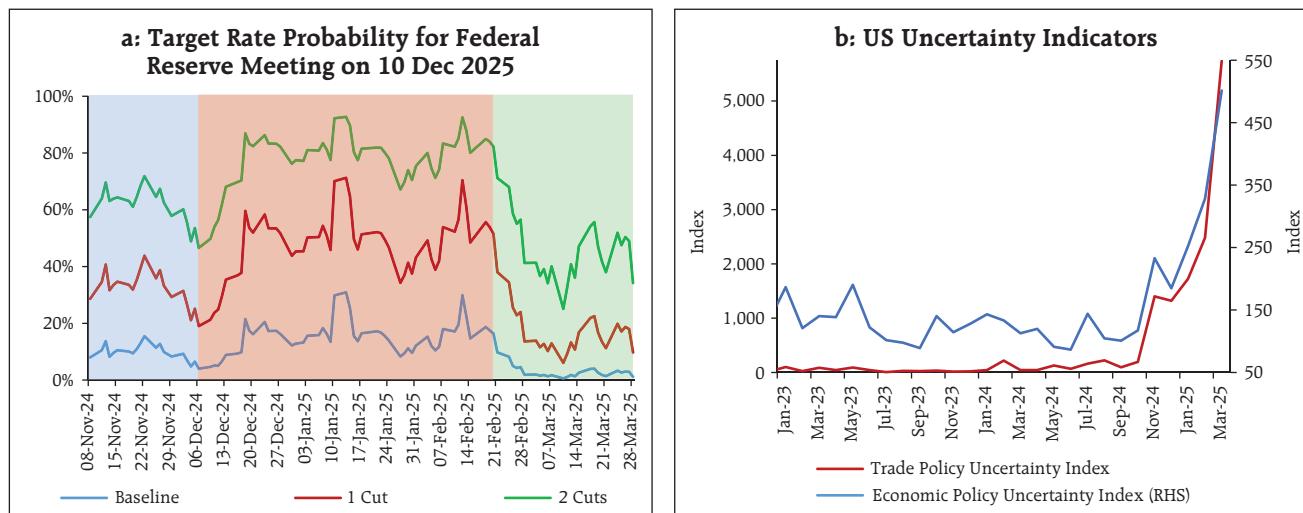
⁸ The MSCI Emerging Markets Index, the MSCI Emerging Markets Currency Index and the J.P. Morgan EMBI Global Spread are used to track equity markets, foreign exchange markets and credit spread in the emerging markets, respectively.

Chart V.7: Equity Markets

Sources: Bloomberg; and RBI staff estimates.

rally briefly in the later half of January. After turning cautious in February, markets corrected sharply in March amidst preliminary fears of stagflation and increasing policy uncertainty (Chart V.8b). Overall, the US S&P index rose by 2.1 per cent during Q4:2024 but pared gains to the tune of 4.6 per cent during Q1:2025.

European stocks underperformed in Q4:2024 as tariff fears induced market correction but have markedly outperformed its peers in Q1:2025 amidst ECB rate cut expectations, increased odds of a Russia-Ukraine peace deal, a stronger economy in France passing its contentious 2025 budget and Germany's fiscal overhaul. The UK's stock indices broadly tracked the European markets, though with a smaller

Chart V.8: Sources of Uncertainty: Monetary and Economic Policy

Sources: Bloomberg; and RBI staff estimates.

Notes: 1. In Chart V.8a, red shaded area represents the period with receding multiple rates cut expectations.
2. In chart 8a, baseline refers to no change in policy rate of the US while the pace of rate cut is assumed to be 25 bps.

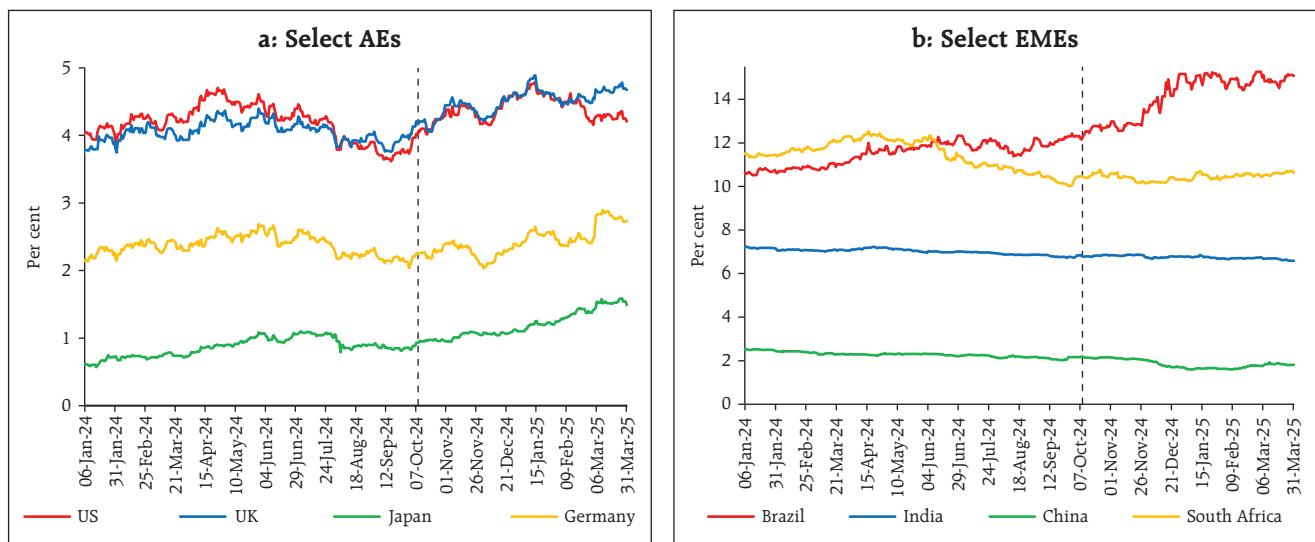
magnitude, performing well in Q1:2025, supported by higher odds of rate cut by the BoE. The Japanese market outperformed the US market in Q4:2024 as yen weakness towards the end of 2024 bolstered the earnings outlook for large-cap exporters, but retreated in 2025 as policy normalisation by the BoJ led to appreciation of the yen. Barring China, EME equities corrected in Q4:2024, tracking global cues and trade policy uncertainty (Chart V.7b). In 2025 so far, EME equity markets exhibited mixed trends as they gained ground supported by waning currency depreciation pressures but declined following global cues amidst increased uncertainty and idiosyncratic factors.

Sovereign bond yields across most major AEs hardened since Q4:2024 in response to expectations of a firmer future path of interest rates amidst sticky inflation and rising economic policy uncertainty. In the US, bond yields hardened in Q4:2024 with the 10-year treasury yield rising by 79 bps due to a revision in the dot plot projection to 50 bps rate cut by the end of 2025 as against 100 bps earlier. In Q1:2025, however, yields softened, driven by fears of growth slowdown, market corrections and shifting perceptions of policy rates and fiscal deficit. The UK 10-year bond yields

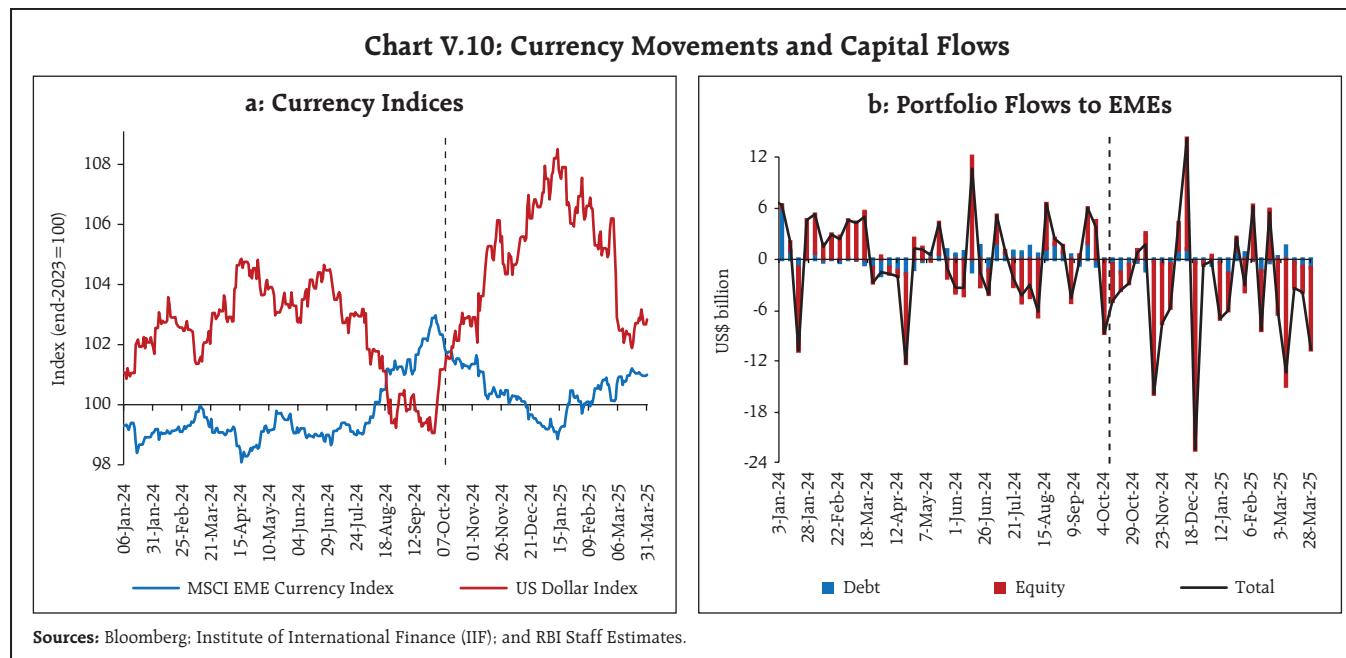
broadly hardened between October 2024-March 2025. The German 10-year yields also firmed up since Q4:2024 and even more so in March after the fiscal stimulus announcement. The 10-year Japanese Government bond yield firmed up by 63 bps (as on March 31, 2025) since October, driven by the BoJ's policy normalization, including its stance on further rate hikes contingent on its economic outlook (Chart V.9a). During October 2024-March 2025, bond yields in several EMEs exhibited an upward movement, driven by domestic fiscal conditions and global factors (Chart V.9b). In contrast, bond yields in China eased amidst expectations of further monetary policy easing, while India's bond yield remained relatively stable during this period with a softening bias.

In the currency market, the US dollar appreciated by 9.1 per cent between October 2024 and its peak on January 13, 2025 – the highest level since November 10, 2022 – driven by several factors arising from the policies of the new US administration. Investors swiftly adjusted their portfolios in anticipation of the change in trade and tariff policies, as the inflationary impact of tariffs could prompt the US Fed to adopt a more cautious stance on rate cuts. At the same

Chart V.9: 10-Year Sovereign Bond Yields



Source: Bloomberg



time, heightened trade tensions clouded the global economic growth outlook, and anticipated stricter immigration policies raised inflation concerns, all leading to portfolio rebalancing in favour of US assets. Since mid-January, however, the dollar has retreated from its multi-year high, amidst high frequency indicators signalling a lacklustre growth momentum, elevated policy uncertainty and non-realisation of other economic policies that had previously fuelled appreciation pressures (Chart V.10a). These movements were mirrored in the EME currencies, though the upswings were capped due to capital outflows (Chart V.10b). The MSCI Emerging Market Currency Index depreciated sharply in Q4:2024 (3.6 per cent) but rose by 1.7 per cent in Q1:2025.

V.5 Conclusion

Global growth faces considerable headwinds due to intensification of protectionist tariffs and heightened policy uncertainty. The sweeping tariff announcement by the US and ensuing retaliation by other countries risk escalating into a full-blown trade war, potentially disrupting the existing global supply chains. These supply chain disruptions may further hinder the stalling disinflation process, thus impeding the process of monetary policy easing. EMEs face considerable downside risks including burgeoning capital outflows, increasing risk premium and deepening external vulnerabilities. Besides, the recent financial market rout could just be a preview, showcasing the cascading effects of changing trade policies.

SPEECHES

Keynote address at the 24th FIMMDA-PDAI Annual conference
Shri Sanjay Malhotra

Welcome Address at the RBI@90 commemoration function on April 1, 2025
Shri Sanjay Malhotra

Address at the Private Sector Collaborative Forum of the
Financial Action Task Force (FATF)
Shri Sanjay Malhotra

Shared Vision, Shared Responsibility – Strengthening NBFCs
Shri Swaminathan J

Keynote address at the 24th FIMMDA-PDAI Annual Conference*

Shri Sanjay Malhotra

It is a pleasure to be here at the 24th FIMMDA-PDAI Annual Conference in Bali, an island that shares a deep and rich heritage with India, marked by centuries of cultural and commercial ties.

The past year has been eventful for financial markets globally. The initial optimism that global central banks were poised for synchronised easing of interest rates, seemingly reaching the final stage in their battle against high inflation, gave way to unprecedented uncertainty in recent months. In this backdrop, this conference provides an excellent opportunity for a fruitful exchange of ideas and vibrant discussions among financial market participants. I thank the organisers FIMMDA and PDAI for giving me this opportunity to participate in the conference and share my thoughts.

The Indian economy and the financial markets have demonstrated remarkable resilience while they are not immune to the vagaries of an uncertain and volatile global environment. As I mentioned in my statement post the recent monetary policy announcement, our domestic growth-inflation balance has improved significantly. There has been a decisive improvement in headline inflation which is projected to remain aligned to the target of 4 per cent in FY26. Global uncertainties and weather disturbances, however, pose risks to the inflation outlook. Even though we have projected a somewhat lower real GDP growth for FY26 at 6.5 per cent, India is still the fastest growing economy. Yet, it is much below what we aspire for. We have reduced repo rates

twice and provided sufficient liquidity. In view of the rapidly evolving situation, especially on the global front, we are continuously monitoring and assessing the economic outlook. We will be agile and proactive in our actions on the policy front, as always.

Coming to the Indian financial markets, all market segments including FX, G-sec, Money Markets, have largely remained stable. While the Rupee came under a bit of pressure a few months ago, it has fared better thereafter and regained some lost ground. Equity markets experienced significant correction, as capital outflows accelerated, a trend seen in most emerging markets. The government securities market has however, remained rock-steady throughout the year. The gross market borrowings of the central and state governments, totalling ₹24.7 lakh crore in FY 2024-25, sailed through smoothly. The cost of borrowing for the central government came down by 28 basis points to 6.96 per cent in FY25 from 7.24 per cent in FY24. The secondary market in g-secs continued to be deep and active, partly aided by India's inclusion in global bond indices.

Meanwhile, we stand at the threshold of an exciting phase of transformation in India – a transformation that has faced many challenges, but is imbued with exciting opportunities – our demographic dividend, our skilled manpower and our ability to develop and harness technology to transform society. Against this backdrop, the theme of this year's conference — "India's Financial Markets: Navigating Through Shifting Tides" is timely and relevant.

Financial markets – looking back and forging ahead

If India is to navigate the shifting tides and fulfil its aspirations, financial markets will have to play a crucial role. As the marketplace for raising capital and trading financial assets, financial markets are key enablers of economic growth. Financial markets have existed for centuries. They have evolved over time.

* Delivered in Bali on April 18, 2025

The complexities of financial markets have baffled humanity for centuries with one of history's greatest minds, Sir Isaac Newton, after losing his fortune in the South Sea Bubble, famously lamenting that "I can calculate the motions of the heavenly bodies, but not the madness of people."¹ Integrity of operations and the fostering of trust are fundamental to any financial market. Indeed, ensuring these elements is one of the primary objectives of financial market regulation. While, we realise as Benjamin Graham said that in the short run, market is a voting machine, but in the long run, we have to ensure that it is a weighing machine.

In India, financial markets have evolved within a regulated framework, adapting to changing regulatory philosophies and approaches. Up until the last decade of the 20th century, India's financial markets were shaped by a conservative macro-financial stance. From the 1990s, the foundation of robust and well-functioning financial markets started being built. Interest rates were deregulated. The exchange rate was freed. The Rupee became fully convertible on the current account. The capital account was progressively liberalised. In the years that followed, even as the financial markets in India developed, the overarching approach was driven by the priorities of macroeconomic and financial stability. In recent years, however, our growing and more interconnected economy placed increasing demands on financial markets.

Against this backdrop, the Reserve Bank's efforts in recent years to develop financial markets have focused on supporting the needs of an aspirational economy. I won't go into the details, as the audience here is well-versed in the various regulatory changes that have been brought about in recent years. Instead, I will focus on what we have accomplished and the work that still lies ahead.

¹ Brunnermeier, M., and Reis, R. (2023). "A Crash Course on Crises: Macroeconomic Concepts for Run-ups, Collapses, and Recoveries".

Financial markets: Recent trends

Over the past few years, we have witnessed significant developments that have transformed our markets into a dynamic and resilient force. Let me give a few statistics to illustrate:

- 80 per cent increase in average daily volumes in the overnight money markets from about ₹3 lakh crore in 2020 to over ₹5.4 lakh crore in 2024;
- 40 per cent increase in average daily volumes in the g-secs markets to ₹66,000 crore over the same period;
- Almost doubling of average daily turnover in the forex market from 32 billion USD in 2020 to 60 billion USD in 2024;
- 622 per cent increase in notional outstanding interest rate derivatives from around ₹18 lakh crore in 2015 to over ₹130 lakh crore at the end of FY25;
- 2,233 per cent increase in average daily client volumes in MIBOR OIS (the most liquid derivative product) from approximately ₹600 crore in 2015 to nearly ₹14,000 crore in 2024;
- 73 per cent growth in average daily volumes in FX forwards and swaps from US\$ 15 billion to over US\$ 26 billion over the last decade; and
- Daily volumes of about US\$ 7 billion in Non-deliverable forward (NDF) trades by domestic banks in recent months compared to negligible volumes on June 1, 2020, when it was first permitted.

The number of participants in the markets have also increased concomitantly:

- Several standalone primary dealers have been granted Authorised Dealer licences. The set of eligible market-makers has been

expanded for the interest rate and credit derivative markets though interest here appears muted.

- In the last decade, the number of clients registered with the CCIL Trade Repository for interest rate derivatives has increased by about 3,233 per cent from about 300 to nearly 10,000 and for foreign exchange derivatives by 3,854 per cent from 2,200 to about 87,000. Of course, not all clients will be active participants.
- Non-resident participation has also increased in the g-sec market especially after the inclusion in global bond indices. Foreigners now hold 3.2 per cent of g-secs as compared to 1.7 per cent in August 2023, ahead of the first announcement of the inclusion. Non-resident participation in the derivative markets has also been growing.

There have been significant developments in financial market infrastructure as well. Repo and government securities markets predominantly function on electronic platforms, and are centrally cleared. Most forex spot and forward transactions as well as most MIBOR and Modified MIFOR based interest rate swaps also trade on electronic platforms and are centrally cleared. All OTC derivatives are reported to a trade repository.

There is also growing product diversity. While plain-vanilla products dominate the derivative markets, there has been a noticeable rise in customized products in both interest rate and forex derivatives, tailored to meet the diverse hedging needs of various stakeholders. Recently, forward contracts in government securities have also been permitted. The approach to structured products, particularly those with asymmetric payoffs, has remained cautious and responsible. We plan to continue the same approach.

We have made significant strides in the development of financial markets in our country. Motivated to fulfil the nation's evolving needs and aspirations and guided by learnings from successive crises, our markets have matured and advanced. Our market infrastructure is state-of-the-art. The levels of transparency are at par with the best in the world. Markets for government securities, foreign exchange, and key derivative products are highly liquid, relative to most peer economies and even to many advanced countries. With recent regulatory reforms, we have seen greater product and participant diversity, and the onshore and offshore markets have become tightly integrated.

These advancements are a testament to your dedication, innovation, and collaborative efforts. I congratulate all of you for your contributions in this joint endeavour. Today, we have vibrant financial markets which not only continue to support India's economic growth but also inspire global confidence. But there is more to be done. Let me briefly outline my thoughts on some of these areas.

Issues and concerns

The Government securities market

The g-sec market is perceived as one of the most liquid markets globally as evidenced by low bid-ask spreads and low impact cost. However, the turnover ratio (measured as the annual turnover to outstanding stock of securities) of dated government securities has remained modest at just over one (1). If the less liquid state government securities (SGSs) are included, the ratio falls to below one (1). Liquidity continues to remain concentrated in few securities, thinning out for longer maturities. Secondary market trading is dominated by banks and primary dealers with many large institutional investors remaining "buy and hold" investors. Of the 3,000 plus institutional investors in g-secs, the top ten participants contributed a third of the overall turnover during 2024.

One continuing endeavour of the Reserve Bank has been to increase retail participation in the g-sec market. The launch of 'RBI Retail Direct' facility in November 2021, was one initiative in this direction. Recently, a mobile app for Retail Direct has been introduced. RBI also recently permitted retail clients of SEBI-registered non-bank stockbrokers to access NDS-OM. All of this makes it imperative to ensure that sufficient secondary market liquidity is available to such investors to be able to participate in the market at reasonable prices. Liquidity and pricing also need to improve for participants like cooperative banks, pension and provident funds with smaller deal sizes. Banks and primary dealers may need to play a much more active role to this end.

The Money Markets

The money markets in the country remain almost entirely overnight. Despite many efforts over the years to develop a term money market, for example by removing statutory pre-emptions on inter-bank liabilities and by conducting term repos/reverse repos of varying maturities, term markets remain missing especially in the 3 days to three months segment. Though alternatives such as overnight indexed swap rates and yields on treasury bills are being used, there remains a need for the development of a risk-free term structure to act as a benchmark for pricing of interest rate products, including loans.

The dwindling liquidity in the call money market – whose rate is the operating target for monetary policy – also requires attention. This market is also critical for the robustness of the MIBOR, the benchmark for the interest rate derivative market. Also of concern are the asymmetries which arise on occasions between different money market rates – the rate at which RBI provides liquidity, the call money rate, the market repo rate and TREPS rate. This calls for more proactive functioning by banks – the entities

with sole access to RBI's liquidity facilities, the call money market and the repo markets – to ensure that RBI's liquidity measures are promptly and seamlessly transmitted to the broader market.

The FX markets

The foreign exchange markets are reasonably liquid with narrow bid-ask spreads. There is growing transparency in this market. All FX derivatives are reported to the Trade Repository and reporting of cash, tom and spot transactions has commenced². A bulk of FX spot transactions are traded on electronic trading platforms (ETPs). Authorised trading platforms are also available for forward transactions but there appears to be a preference for such trades to take place bilaterally. Trading on ETPs enhances transparency and market efficiency. We would like to see an increasing share of transactions done on ETPs.

In January 2020, banks were permitted to deal in FX beyond onshore market hours. While volumes are not significant, we do see banks transacting both prior to and post onshore market hours. Such trading, however, is largely confined to the period immediately before and after domestic FX market hours, suggesting that we are still some distance away from a true 24*5 market.

Fair treatment of customers and transparency in forex pricing for the smaller and less sophisticated customers continues to engage our attention. Much more can be and needs to be done here. Divergence in pricing in FX markets for the small and large customers are far wider than what can be justified by operational considerations. FX-Retail, a transparent platform for undertaking FX transactions, has witnessed a lukewarm response and our feedback is that this is largely due to the reluctance of banks

² In terms of notifications RBI/2024-25/89/FMRD.MIOD.07/02.05.002/2024-25 dated November 8, 2024, on "Reporting of Foreign Exchange Transactions to Trade Repository". Authorised Dealers have started to report all inter-bank FX contracts undertaken by them to the Trade Repository of CCIL with effect from February 10, 2025.

to offer the platform to their customers. There are regulations in place to ensure transparency in pricing for retail customers including a mandate for disclosing the mid-market or interbank rate to customers. As an industry, there is a need for market-makers to introspect and assess in what ways they can effectively deliver on these regulatory and fiduciary mandates.

The Reserve Bank has recently announced that access to FX Retail will also be provided through the Bharat Connect platform. In the first phase, a pilot to facilitate purchase of US dollars by individuals is planned. Subsequently, its scope will be expanded based on the experience gained. I would appeal to all the financial market participants including Authorised Dealers to extend their full cooperation in ensuring that the pilot is implemented smoothly and successfully.

We also continue to see banking channels being used for activities on unauthorized FX trading platforms. This calls for greater vigilance and stronger efforts by banks to create awareness among their customers about the perils of using such platforms³.

The derivative markets

The size of the derivatives market, while growing, remains small in absolute terms and relative to our GDP. There are other issues apart from that of size. The liquidity in the interest rate derivative markets, for example, is limited to one or two products. Despite many efforts over the years, the interest rate futures market or the credit derivative market are yet to pick up. Market-making remains confined to banks, both in FX and interest rate derivatives. While this is not surprising, given that the Indian financial system is bank-dominated, the presence of a wider variety of players has the potential to enhance

market depth, add to the diversity of views and foster greater competition and efficiency. Meanwhile, developments elsewhere, including the need for more proactive management of risks by different stakeholders, have made the further development of these markets an imperative.

In this context, you are aware that an increasing number of bank loans are getting priced off external benchmarks, mostly the policy repo rate. The swap market based on an overnight rate may not be best suited to hedge such exposures especially as it is also used to express views on expected monetary policy movements. As was observed by the Committee on the MIBOR Benchmark, most developed countries have at least two major benchmarks – one used to take a view on the future movements of the policy rate and another used by the real sector to hedge risks. At least, a market for basis swap instruments needs to develop to manage the associated basis risks. The Committee also recommended the development of a Secured Overnight Rupee Rate (SORR) based on the secured overnight market. I understand that the Financial Benchmarks India Limited (FBIL) is developing the benchmark. Going forward, derivatives based on the SORR will also need to be developed.

Concluding remarks

Today, financial markets stand at a cusp of transformation between global and domestic headwinds, unprecedented opportunities and growing public expectations. When transformations such as these take place, there are many moving parts which need to come together like the pieces of a jigsaw and many stakeholders who have critical roles to play. FIMMDA and PDAI have been playing critical roles in fostering the development of Indian financial markets. In many ways though not formally so, FIMMDA has functioned as a self-regulatory organization (SRO) in the fixed income and money markets of the country. I am aware that FIMMDA has applied for recognition

³ The Reserve Bank, on its part, has been regularly updating the Alert List of unauthorized forex trading platforms and conducting awareness campaigns to educate users.

as an SRO under the framework for the recognition of the SROs in financial markets issued by RBI. While we are examining the request, we expect to see FIMMDA and PDAI continue partnering with us in further developing financial markets in India.

As India forges ahead to take its rightful place in the emerging global order, financial markets have a crucial role to play. Financial markets will need to facilitate efficient and cost-effective funding for realising the aspirations of the country. They will need to enable the economic agents to manage their risks more efficiently amidst shifting global and domestic tides. They will also need to

ensure fairness to every stakeholder as they chart ahead and make themselves robust, resilient, and future-ready.

As I conclude, I invite you to reflect on the intricate and dynamic wheels of finance that shape not only our markets but the very foundation of India's economy. These wheels, powered by transparency, trust, and innovation, require each cog — every participant in this room — to perform its role with purpose and integrity. Let us move forward with a shared commitment to manage risks wisely, foster growth responsibly, and ensure the integrity of our financial markets.

Thank you.

*Reserve Bank of India at the RBI@90 commemoration function on April 1, 2025**

Shri Sanjay Malhotra

Her Excellency, the President of India, Hon'ble Governor of Maharashtra, Hon'ble Chief Minister of Maharashtra, Hon'ble Union Minister of Communications, Hon'ble Deputy Chief Ministers of Maharashtra, distinguished invitees, representatives of the media, and my colleagues from the Reserve Bank, past and present.

It is my privilege to welcome you all on this momentous occasion marking the 90th anniversary of the Reserve Bank of India. We are deeply honoured by the participation of the Hon'ble President of India. Her gracious presence has greatly enhanced the importance of this occasion and encouraged us immensely. I am thankful to her for taking out time from her busy schedule for us. I warmly welcome her to this function. I also welcome His Excellency, the Governor of Maharashtra, the Honourable Union Minister of Communications, the Chief Minister and the Deputy Chief Ministers of Maharashtra. I also warmly welcome all other dignitaries and guests who have taken out time to be present here with us.

Ninety years ago, the Reserve Bank of India was established to serve as the custodian of India's monetary and financial stability. Over these nine decades, we have evolved, adapting to the changing economic landscape while remaining committed to the economic progress of our nation and the welfare of its people.

As we entered the 90th year, exactly one year ago, we initiated the celebrations with the opening

ceremony that was graced by the Hon'ble Prime Minister. Throughout the year, we organized several high-level events on themes such as emerging technologies and Digital Public Infrastructure. The Conference of Central Banks from the Global South reinforced India's thought leadership in the global community and deepened our understanding of the challenges and opportunities ahead.

To engage with the public, we hosted nationwide initiatives such as the RBI@90 Quiz, which received enthusiastic participation from students across the country. We organized an art competition that celebrated the creativity and heritage of India's artistic traditions. Sporting events, town hall meetings, tree plantation drives, and blood donation camps brought together our employees and communities.

All these events reinforced the spirit of collaboration and service that define the Reserve Bank. We celebrated our past and reaffirmed our responsibility for the future. We reflected on our achievements and rich legacy and recommitted ourselves to realising the vision of a Viksit Bharat built on a stronger, more stable, and inclusive financial system.

As we mark this milestone, we recognize that the Reserve Bank's role has expanded significantly beyond its initial mandate. Today, we stand at the confluence of tradition and transformation, where the imperatives of price stability, financial stability, and economic growth intersect with rapid technological advancements, global uncertainties, challenges of climate change and increasing public expectations.

The next decade will be crucial in shaping the financial architecture of our economy. We remain committed to expanding and deepening financial inclusion. We shall strive to foster a culture of continuous improvement in customer services and strengthening customer protection. It will be our endeavour to optimize our regulatory frameworks by balancing the interests of financial stability and

* Welcome Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the RBI@90 commemoration function on April 1, 2025

efficiency. We will continue to support technology and innovation. We shall remain vigilant, adaptive, and forward-looking. We will continue to collaborate effectively with all stakeholders – governments and financial sector regulators, among others. We will do everything that is required to improve the financial system by expanding its access, enhancing its efficiency, and strengthening its resilience in an evolving economic landscape.

Even as we embrace new technologies and modern regulatory approaches, our core values - integrity, transparency, and commitment to public service - will continue to guide us. The trust that the people of India repose in the Reserve Bank is our greatest asset. We are determined to preserve it and further strengthen it in the years ahead. This institution belongs to the nation. We shall continue to take each and every

decision, driven by an unwavering resolve to serve the interests of the people, the financial system, and the economy.

As we conclude this year-long celebration and step into our centenary decade, we do so with confidence, determination, and a clear vision. The journey ahead will demand continuous adaptation and agility; fresh thinking and innovation; collaboration and coordination; and an unwavering commitment to excellence and perfection. We, at the Reserve Bank, remain fully prepared to meet all challenges and seize all opportunities, to contribute proactively and vigorously, to India's economic progress.

With these words, I again welcome Her Excellency, the President of India, and all other dignitaries and guests to this commemorative event.

Thank you. Jai Hind.

Private Sector Collaborative Forum of the Financial Action Task Force (FATF), March 26, 2025, Mumbai*

Shri Sanjay Malhotra

It is a pleasure to be here at the Private Sector Collaborative Forum (PSCF) 2025 of the Financial Action Task Force (FATF). I am happy to note that this is the first time that the forum is being held in India. I thank FATF for giving us this opportunity. In my previous role as the Secretary in the Department of Revenue, Ministry of Finance, Government of India, I had the opportunity of being closely associated with the FATF during our mutual evaluation last year.

About FATF

FATF, the standard setting body for illicit financing has come a long way since its establishment in 1989. Over the years, it has evolved from an organisation with only 16 members to a global forum with 40 members. Through the FATF-styled regional bodies¹, its reach is even wider. The standards developed by FATF are used by over 200 jurisdictions to combat money laundering (ML), terrorism financing (TF) and proliferation financing. The implementation of the standards has played an important role in strengthening the global financial system and making the world a safer place.

India's Mutual Evaluation by FATF

India accords immense importance to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT). Last year, India underwent the

mutual evaluation by the FATF. India was placed in the 'regular follow-up' category, a distinction shared by only a few other G20 countries². This is a recognition of our effective AML and CFT framework. It demonstrates our commitment to AML and CFT. This is a result of many years of building and continuously improving and strengthening the financial system of our country.

This was possible due to the collaborative efforts of all stakeholders, led by the Government of India including financial entities and designated non-financial businesses and professions in the private and public sector, regulators, and the state governments. The private sector plays a vital role in keeping the financial systems secure. Their role in implementing due diligence procedures, conducting robust risk assessments, monitoring transactions, and reporting suspicious activities is critical for preventing the abuse of the financial system. They identify suspicious activities and help government agencies in destroying illicit financial networks.

Strong public-private partnerships form the bedrock for safeguarding the integrity of the financial system. In India, we recognize the importance of close cooperation between public and private sector stakeholders in achieving these goals. Reserve Bank of India, as the regulator and supervisor of a large segment of the financial system in India has diligently and consistently worked towards building and ensuring implementation of a strong AML and CFT framework in this segment of the financial system, in line with FATF recommendations. The Reserve Bank has taken several initiatives to enhance cooperation and coordination with various stakeholders. Similarly, the Financial Intelligence Unit (FIU)-India has also set up FPAC³, a public-private cooperation forum for

* Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the Private Sector Collaborative Forum of the Financial Action Task Force (FATF), March 26, 2025, Mumbai.

¹ In addition to its own 40 members, FATF is also supported by nine FATF-styled regional bodies (FSRBs).

² <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2056773>

³ FIU-India Initiative for Partnership in AML/CFT(FPAC), a public-private partnership (PPP) framework, was launched in January 2022, to facilitate collaboration between FIU-India and other stakeholders in the AML/CFT domain.

facilitating closer interaction and collaboration. It has also supported the setting up of ARIFAC⁴ - a cross sectoral forum for the private sector reporting entities to collaborate among themselves.

It is a result of these collaborative efforts that we have been able to build and demonstrate a robust and resilient AML and CFT framework. I compliment all the stakeholders, especially, the regulated entities in the financial sector as well as the designated non-financial businesses and professions for the successful mutual evaluation.

However, as all of you are aware, the threats from money laundering and terror financing to the national and global financial systems are continuously evolving and becoming more sophisticated. This is primarily due to technological advancements. In order to effectively counter these threats, we need to continue the close cooperation among various stakeholders - government agencies, financial entities in both the public and private sectors, civil society, and others.

The mutual evaluation process was rigorous and detailed. While providing us with valuable insights into our strengths, it has highlighted some areas of improvement in our AML-CFT framework. We are determined to further strengthen our financial system to deter and combat illicit financial activities taking into consideration the recommendations made during the evaluation. We will continue to strive for continuous improvement in this regard.

Some thoughts on the Agenda for PSCF 2025

I am told that yesterday's sessions were very engaging and produced lively discussions. Looking at the agenda for today and tomorrow, I am confident that the deliberations on contemporary topics such as evolving AML-CFT landscape, financial inclusion

& humanitarian channels, risk-based approach to supervision, digitalization & information sharing, beneficial ownership and countering of proliferation financing, will also be exciting. Let me outline some of my thoughts for the forum on these areas.

First, while we all continue to make our financial systems safe and secure against money laundering and terror financing, we as policy makers need to be mindful that our measures are not over-zealous and do not stifle legitimate activities and investments. You would appreciate that multiple laws and rules, each with their own level of granularity cast a high level of burden of compliance on the regulated financial service providers. This is relevant in the context of AML-CFT too. Therefore, we need to have laws and regulations which, with surgical precision, target only the illegitimate and illicit, rather than use them as blunt tools which unintentionally hurt even the honest.

Similarly, even while implementing the legal framework and regulations, we need to keep in mind the impact on persons and businesses. Risk-based approach is recommended in this regard. But let us keep in mind that this is only a step forward in reducing compliance burden. Let us appreciate that it is not the ultimate solution, as any risk-based approach is not perfect; it would have false positives and false negatives. We need to continuously refine and improve our risk assessment models to make them robust.

To make these improvements, we need to improve the quality of our data and harness emerging technologies. This will help improve screening of transactions and detection of suspicious activities thereby reducing false positives and false negatives. Considering the evolving landscape in the area of money laundering resulting from changing customer behaviour and evolving products and services, we need to continuously augment AML risk

⁴ Alliance of Reporting Entities in India for AML/CFT (ARIFAC) is a private-private partnership initiative amongst reporting entities in India belonging to multiple sectors to facilitate information sharing, development of knowledge products, training programmes and certifications.

assessment framework and make appropriate system enhancements on a regular basis after assessing the impact of ML and other risks. The focus has to also be on understanding the latest trends and developments in the financial world that can be exploited by criminals and accordingly develop tools and enabling frameworks that will allow us to detect suspicious transactions and activities early and take pre-emptive action. With the adoption of new technological tools and models, I am sure that AML-CFT risk assessments can be further fine-tuned. I would urge you all to discuss and share best practices in identification, mitigation and supervision of AML-CFT risks. This will not only help to reduce compliance burden on the Regulated Entities but also result in optimal allocation of supervisory resources.

While India has made remarkable progress in financial inclusion, we need to ensure that we continue to widen and deepen it. The discussions on FATF standards to promote financial inclusion need to find answers to the challenge of aligning financial inclusion and financial integrity, especially for the developing economies. It must be ensured that regulations do not create unintended barriers to financial inclusion. We need to be mindful of customer rights and convenience while fulfilling the due diligence requirements. I am happy to note that the amendments to Recommendation 1 and its interpretive note under the Mexican presidency intend to foster and promote financial inclusion without compromising on financial integrity. Similar approach is needed to extend access of financial channels for supporting humanitarian aid.

In recent years, digitalisation has been increasingly applied to customer onboarding and customer due diligence (CDD) processes. India has made huge strides in this regard too. The digital KYC and video KYC are shining examples of this. The Central KYC Records Registry (CKYCR) with more than one billion records is another example, which has the potential of ushering in a new era of customer onboarding by

making it easier and seamless not only for customers but also for regulated entities to perform customer identification and due diligence. I am told there is a separate session to deliberate on the state of play of technical solutions in customer due diligence area. The discussions could be helpful in further enhancing the capability and utility of CKYCR manifold.

Further, during the process of CDD, reporting entities collect a large amount of data from the customers. Moreover, there are requirements of sharing of information with Financial Intelligence Units, law enforcement agencies and data registries leading to concerns regarding data protection and sharing of information without consent. India has recently enacted a law for Digital Personal Data Protection. Exchange of experiences from different jurisdictions will help us in better implementing the law in our country.

Another important area which needs discussion is the travel rule. In today's world, fast payment systems are revolutionizing financial access and deepening financial inclusion. Developing countries like India have made huge progress in making digital payments accessible, affordable, and convenient. While card networks have helped developed economies in improving payment systems, fast payment systems have assisted Emerging Market and Developing Economies (EMDEs) leapfrog in this area. We have also enabled cross border payments using fast payment systems with a few countries. We will continue to work towards fulfilling our commitment to the effective implementation of the next phase of G20 roadmap towards inclusive cross-border payments by 2027. In this context, the ongoing discussions on FATF Recommendation 16 (R.16), known as the travel rule, assume importance. To meet the G20 objective of making cross-border payments faster, cheaper, more transparent and more inclusive, while maintaining their safety and security, it would be desirable to make the travel rule technology-neutral.

Lastly, discussions regarding combating proliferation financing and sanctions evasion need to answer questions related to identification of products and services which are most vulnerable to exploitation and the mitigation of the risks related to such products. This forum can discuss the best practices as well as challenges in this regard.

Conclusion

To conclude, I would like to stress that through our collaborative efforts, we can safeguard the trust

that underpins the global financial framework. Together, let us continue to collaborate and innovate in building a financial ecosystem that is not only safe and secure but also fast, convenient, accessible and affordable. Let us build financial systems that not only thwart the attempts of money laundering, terror financing and proliferation financing, but also support financial inclusion, encourage innovation, and facilitate economic growth. In the end, I wish the forum very fruitful and productive deliberations.

Thank you.

*Shared Vision, Shared Responsibility – Strengthening NBFCs**

Shri Swaminathan J

CA Shri Charanjot Singh Nanda, President, Institute of Chartered Accountants of India; Chairpersons of the Audit Committee of the Boards, MDs & CEOs of NBFCs, and Statutory Auditors of NBFCs, Executive Directors from RBI and my colleagues from the Reserve Bank of India, Ladies and Gentlemen. A very good morning to all of you.

It is an honour to address this esteemed gathering representing the key pillars of the NBFC ecosystem — CEOs entrusted with driving business responsibly, Chairpersons of Audit Committees overseeing assurance, Statutory Auditors who ensure transparency and integrity, along with regulators and supervisors committed to maintaining financial stability and fostering a sound regulatory environment. The theme of our engagement today — "Shared Vision, Shared Responsibility – Strengthening the NBFCs" — could not be more timely or relevant.

The evolution of the NBFC sector is indeed a story of entrepreneurial energy, innovation and social impact. However, as the sector grows in scale and systemic importance, so too must our efforts to reinforce its foundations. A resilient, customer-centric, and well-governed NBFC sector is a shared aspiration — and delivering on it our shared responsibility.

NBFCs have emerged as powerful engines of credit. By complementing the traditional banking system, they have significantly expanded access to credit, particularly for segments that have historically been underserved or excluded. Through innovative

credit delivery models that harness technology and local insights, NBFCs have been able to design customised financial products tailored to diverse borrower needs. Their agility and close connect with customers have enabled them to play a role that is not only complementary to the role traditionally played by banks but, in many instances, catalytic in building a financial ecosystem characterised by deeper intermediation and wider opportunity.

The importance of NBFCs has only grown with time. In fact, over the past decade, their growth has consistently outpaced that of banks — a trend that has become even more pronounced in the last few years. This rapid growth is a testament to the sector's relevance and resilience — but it also raises the stakes. As NBFCs become more systemically important, the standards of governance, risk management, and customer treatment must rise accordingly.

Understanding the Risks- Need for Responsible Innovation

The business model of NBFCs — while effective — comes with its own set of structural risks. Their funding is short-term as compared to the maturity of their lending or is directed towards higher-risk customer segments.

This maturity and credit transformation is at the heart of the NBFC model — but it also demands a heightened focus on risk management. If not carefully managed, it can create vulnerabilities, especially during periods of market stress or liquidity shocks.

Risk-taking must be intelligent and well planned, and never beyond the risk absorption capacity of the entity concerned. Liquidity and credit risks must be rigorously assessed and managed. Asset-liability mismatches, nature and tenor of the funding sources, and concentration risks all need board-level oversight which should be ably supported by robust internal controls.

* Speech by Shri Swaminathan J, Deputy Governor at the Conference of Non-Banking Financial Companies held at Chennai on March 28, 2025.

Growth with Fairness: Customer-Centricity is Non-Negotiable

Most importantly, even as we pursue scale, speed, and profits, we must not lose sight of fairness to the customer — that is the cornerstone of a sustainable business model. The NBFC sector must live up to its promise of inclusion by treating customers with dignity, transparency, and care. This entails ensuring transparent and easy-to-understand pricing, free from hidden charges or usurious interest rates. In instances of default, recovery practices must be conducted in an empathetic and respectful manner.

Unfortunately, some NBFCs think they can pursue a business model where it is par for the course to resort to weak underwriting in pursuit of quick growth, coupled with excessive and unsustainable interest rates — at times masked as upfront charges or processing fees — which is followed by aggressive recovery practices upon default. Let me state unequivocally: this is not an acceptable model. Financial inclusion cannot be used as a pretext for financial exploitation. I urge each one of you to commit your institutions to upholding fairness in all your dealings.

This responsibility for fair conduct is shared commitment by the CEO, the Board, and assurance functions in any entity. A customer-centric culture must be driven from the top and embedded at all levels.

How do we ensure that our shared vision is realised, and our collective responsibilities are fulfilled? One of the most effective ways is by strengthening both internal and external assurance mechanisms.

Strengthening Oversight: the Role of Audit Committee

Let me begin with the Audit Committee of the Board (ACB). Far from being a routine compliance requirement, the ACB is the lynchpin of institutional oversight and long-term financial health. It plays

a critical role in reinforcing governance, guiding management on assurance, and ensuring the integrity of internal control systems. When functioning effectively, it becomes a proactive forum for identifying vulnerabilities and initiating timely corrective actions.

The role of the Audit Committee Chairperson is particularly significant in setting the tone for effective governance. It is essential that committee meetings are held regularly, conducted with clear purpose, and thoroughly documented to ensure accountability and follow-through.

The effectiveness of the Committee is in the substance of its deliberations. The ACB must actively monitor the adequacy and functioning of internal control systems — not merely to confirm their presence, but to ensure they are operating effectively in practice. Similarly, audit observations should not remain confined to meeting minutes; they must translate into timely and meaningful corrective actions. A strong ACB also tracks audit findings and ensures that corrective measures are implemented without delay.

Equally important is the establishment of an effective whistleblower mechanism overseen by the Board or the ACB which empowers employees and grants them anonymity, to report unethical or non-compliant behaviour, without fear of reprisal.

CEOs too have a crucial role in upholding the integrity of financial reporting. They must actively deter any attempts—whether deliberate or cleverly disguised—to misapply accounting standards or regulatory provisions. It is equally important to foster an environment where the Chief Financial Officer and Head of Internal Audit feel empowered to engage in open, honest, and transparent dialogue with the Audit Committee of the Board.

The Crucial Role of Statutory Auditors

Now let me come to the role of Statutory Auditors, who are an indispensable part of the assurance

ecosystem. In fact, the role of auditors has never been more critical — not merely in checking compliance, but in upholding trust. And trust, once lost, is hard to rebuild.

Auditors are expected to provide an independent, professional opinion on whether the financial statements present a true and fair view of the NBFC's financial position and comply with regulatory and accounting standards. However, in today's complex and dynamic environment, this is no longer enough.

Recent incidents — both in India and abroad — have shown that traditional financial audits must evolve. Auditors must bring technical expertise, forensic insight, and an ethical lens to their work. Red flags must not be ignored. Complex structures, derivatives, off-balance sheet items, related party transactions, and provisioning policies must be closely examined.

Facilitative Role of Regulators and Supervisors

As regulators and supervisors, we shoulder a dual responsibility — to safeguard stability and discipline, while also fostering an environment that encourages innovation, inclusion, and sustainable growth. Contrary to perception in certain quarters, our approach actively seeks to strike the right balance. At the Reserve Bank of India, we are acutely aware that regulation is not merely about control; it is about enabling responsible financial intermediation within a well-defined and transparent framework. Several initiatives in recent years reflect this facilitative and proportionate approach to regulation. In my previous role as a commercial banker, I had the fortuitous opportunity to be closely associated with one such initiative—the Regulations Review Authority 2.0—which reinforced the RBI's strong commitment to easing the regulatory burden and streamlining compliance without compromising regulatory objectives.

The regulatory framework for NBFCs has evolved in the recent years with this understanding

— gradually moving toward greater harmonisation with banks where warranted, while still preserving operational flexibility suited to the unique role NBFCs play in the financial system. The introduction of the scale-based regulatory framework explicitly recognises that the intensity of regulation and supervision must be proportionate to systemic importance. At the same time, the regulatory architecture encourages the development of responsible innovation and healthy competition in the sector.

Similarly, the role of the supervisor has also become more interactive and forward-looking. It is not just about identifying compliance breaches after the fact, but about engaging with entities to strengthen internal systems, enhance governance, and build resilience against emerging risks. Through onsite inspections, offsite surveillance, thematic reviews, and structured engagements, the supervisory process aims to be a partner in the financial sector's long-term soundness — not an impediment to its progress.

Conclusion

Our shared vision is clear: a dynamic, inclusive, and trusted NBFC sector that complements the banking system and serves the evolving needs of the Indian economy. And the way to achieve it is through shared responsibility — in governance, in customer protection, in financial prudence, and in ethical conduct.

We in the regulatory community stand committed to supporting this journey. Our intent is not to stifle innovation but to ensure that growth is sustainable, risks are well-managed, and customer trust is never compromised. On behalf of the RBI, I can assure you that as regulators and supervisors we will remain committed to playing our part, not just as watchdogs, but as enablers of a robust, inclusive, and future-ready financial ecosystem.

This conference gives us an opportunity to reflect on how we can contribute to this shared agenda.

Whether making strategic decisions, chairing audit committees, or signing off on financials, drafting regulations or conducting supervision — we are shaping the sector's future.

Therefore, let us work together — with clarity of purpose and unity of action — to build a stronger, fairer, and more resilient NBFC ecosystem. Wealth creation should not just be for personal or institutional gain but to support the community, reflecting a sense

of shared responsibility amongst all of us, in our pursuit to achieve an inclusive growth for all and realise the vision of Viksit Bharat 2047.

With this I wish you all fruitful and enriching deliberations over the course of this conference and look forward to the ideas and insights that will emerge in pursuit of our shared vision. Thank you for this opportunity and wish you all good luck, Jai Hind!

ARTICLES

State of the Economy

Three Years of the Standing Deposit Facility: Some Insights

Changing Dynamics of Climate Policy Uncertainty and
Energy Commodity Prices

Rural Consumer Confidence in India: Bridging the Gap

*State of the Economy**

Escalation of trade and tariff tensions and the resultant financial market volatility have raised concerns regarding the weakening of global growth in the near-term. Although the dampening global economic outlook could impact India's economic growth through weaker external demand, the domestic growth engines, viz., consumption and investment, are relatively less susceptible to external headwinds. Prospects for the farm sector have been boosted by the forecast of an above normal southwest monsoon for 2025, which could augment farm incomes and keep food prices under check. Headline inflation moderated to a 67-month low of 3.3 per cent in March, mainly due to a moderation in food prices.

Introduction

The global economic landscape is rapidly evolving, with trade policy uncertainty emerging as the key driver of the near-term outlook. On April 2, 2025, the US announced a 10 per cent base tariff and reciprocal levies on approximately 60 countries, taking average US tariffs to their highest levels in over a century. A 90 day pause on implementation of tariffs was announced on April 9 for those countries which did not resort to retaliatory actions. These developments have stoked fears of a global trade war, and countries are still working out their appropriate response in this uncertain environment. The deleterious impact of these escalating trade tensions on global growth are, however, inevitable. As per the International Monetary Fund (IMF), these tariffs "represent a significant risk to the global outlook at a time of

sluggish growth"¹. The Organization for Economic Co-operation and Development (OECD), in its latest global economic outlook, has assessed that increasing trade restrictions will contribute to higher costs both for production and consumption.²

The baseline assessment is that global growth is likely to weaken while potential pass-through of tariffs to consumer prices could keep inflation elevated. It is estimated that a trade war triggered by the increase in import tariffs is likely to weaken global output by 0.5 per cent.³ Forecasters have also increased the likelihood of a recession in the US.⁴ While the immediate effects are already visible in market volatility and economic forecasts, the longer-term consequences could lead to widespread disruption in industries, reduced investment, and slower economic recovery worldwide. Falling commodity prices, however, could soften the blow on countries which are net importers. Oil prices dropped to a 4-year low and metals prices have plummeted tracking anticipated slowdown in global growth.

As per the World Trade Organization's (WTO's) assessment, the immediate impact of tariffs on world trade is expected to be substantial as, global merchandise trade volumes could contract by around 1 per cent in 2025, owing to new tariffs announced by the US along with those introduced at the beginning of the year.⁵ Much of this decline is expected to be driven by an 80 per cent fall in the bilateral trade between the US and China. As per the Food and Agriculture Organization's (FAO) estimate, world trade in cereals in 2024-25 is projected to decline by 6.7 per cent from the previous year's level, reaching the lowest since

* This article has been prepared by Rekha Misra, G. V. Nadhanel, Arpita Agarwal, Biswajeet Mohanty, Durga G. Garima Wahi, Ramesh Kumar Gupta, Harendra Behera, Jessica Maria Anthony, Akash Raj, Rachit Solanki, Sakshi Chauhan, Radhika Singh, Satyendra Kumar, Agamani Saha, Manu Swarnkar, Subhradip Paul, D. Suganthi, Pratibha Kedia, Avnish Kumar, Apeksha Sharma, Rajas Saroy, Yuvraj Kashyap, Satyam Kumar, Nikhil Prakash Kose and Akshara Awasthi. Views expressed in this article are those of the authors and do not represent the views of the Reserve Bank of India.

¹ Statement by IMF Managing Director Kristalina Georgieva, April 3, 2025.

² OECD, Global Economic Outlook, Press Release, March 17, 2025.

³ <https://www.bofbulletin.fi/en/2025/1/how-will-the-trade-war-hit-the-economy/>

⁴ Goldman Sachs, April 7, 2025.

⁵ Statement from Dr. Ngozi Okonjo-Iweala, Director-General of the WTO, April 3, 2025.

2019-20, engendering inflation concerns in cereal importing countries.⁶

Global financial markets are in a state of flux, scrambling to decipher the implications of the dynamically evolving trade policy scenario. The sweeping tariff announcements sent financial markets into a tailspin globally. In the US, the S&P 500 index plunged to its lowest level in 11 months, erasing over US\$5 trillion in market value within two days following the announcement of tariffs, but rebounded sharply on April 9 when a 90 day pause on implementation was announced. The US junk bond market saw its largest sell-off since 2020, even as the US dollar fell about 1.8 per cent. Global bond yields fell during March 2025 as investors, driven by flight to safety, moved to risk free government bonds amidst fears that escalating trade tensions could trigger a tariff-induced recession. The US bond yields, after reaching a high in mid-January 2025 fell as investor sentiments turned negative amidst continued sell-off in US equity markets. However, in early April, the 10-year US treasury yields moved higher, even raising concerns over reputation of US treasuries as a safe haven.⁷ Meanwhile, in Europe, the announcement of massive allocation of expenditure towards defence and infrastructure spending in some countries such as Germany and Portugal have led to the rise of the 10-year bond yields as investors priced in larger borrowings. The yield on 10-year Japanese bonds rose during March after years of being around zero as investors prepared for tighter monetary policy.

Policy makers across the globe are grappling with a number of challenges stemming from these developments. Potential higher trade costs and

anticipated slowdown in growth present them with the trade-off of supporting growth without fuelling inflation. The longer-term implications of these developments on productivity, market competition and welfare also cannot be ignored.

Amidst a myriad of challenges posed by this volatile external environment, the Indian economy has exhibited marked resilience, with growth poised to recover from the blip witnessed during H1:2024-25. Although the weakening of global economic outlook could impact overall growth through weaker external demand, India's domestic growth engines, viz., consumption and investment, are relatively less susceptible to external headwinds. As discussed in more detail in Section IV, India also has a low external debt-GDP ratio of 19 per cent and substantial forex reserves (close to 11 months of imports cover). India's position as the fastest growing major economy, coupled with macroeconomic stability, makes it a preferable investment destination in a world characterised by growth slowdown and macro vulnerabilities.⁸ Additionally, a stable financial sector provides the backbone for sustainable growth, as the Indian financial system has become more robust and diverse, including banks and NBFCs being resilient to macrofinancial shocks.⁹

The Reserve Bank has been proactively deploying a slew of measures, including open market operations (OMOs), daily variable rate repo (VRR) auctions, and dollar/rupee buy-sell swap auctions, to augment system liquidity. These measures, undertaken since mid-January 2025, have helped to maintain orderly conditions in the money market with softening rates

⁶ FAO Cereal Supply and Demand Brief, April 4, 2025.

⁷ <https://www.nbcnewyork.com/news/business/money-report/2-year-treasury-drops-to-lowest-level-in-years-as-investors-digest-impacts-of-tariff-s/6214561/?os=rebeccakelsey.comdfblog&ref=app>

⁸ During 2024-25, India fetched strong gross FDI inflows despite the moderation in net FDI inflows due to higher repatriation.

⁹ India: Financial Sector Assessment Program-Financial System Stability Assessment, International Monetary Fund, February 28, 2025.

and spreads amidst improving liquidity conditions. The spread of 3-month Certificates of Deposit and 3-month Commercial Paper over 91-day Treasury bills has also reduced, reflecting improvement in liquidity conditions. The funding to NBFCs is also expected to improve as low risk weights on bank loans to NBFCs have been restored from April 1, 2025.

On the real economy, Indian entrepreneurs are more confident than their global counterparts about their business prospects.¹⁰ India's Purchasing Managers Indices (PMIs) have consistently outperformed that of other countries in line with this optimistic outlook. The latest enterprise surveys conducted by the Reserve Bank corroborate this assessment (Annex 1). There is continued positivity across sectors, with manufacturing showing higher capacity utilisation and improved business sentiments. Services and infrastructure firms remain upbeat on demand, pricing and profitability. Going forward, sustained demand from rural areas, an anticipated revival in urban consumption, expected recovery of fixed capital formation supported by increased government capital expenditure, and healthy balance sheets of corporates and banks are expected to support growth.

Headline CPI inflation declined to a 67-month low of 3.3 per cent in March 2025, mainly due to the continued moderation in food prices. Core inflation (CPI excluding food and fuel), however, remained steady at 4.1 per cent, with gold contributing 22.8 per cent. Recent decline in global commodity prices on account of an expected slowdown in global growth has eased some of the pressures from imported inflation. Prospects for the farm sector have been boosted by the forecast of an above normal southwest monsoon for 2025, which could augment farm incomes and keep food prices under check.

¹⁰ EY-Parthenon CEO Outlook Survey: Global Confidence Index 2025.

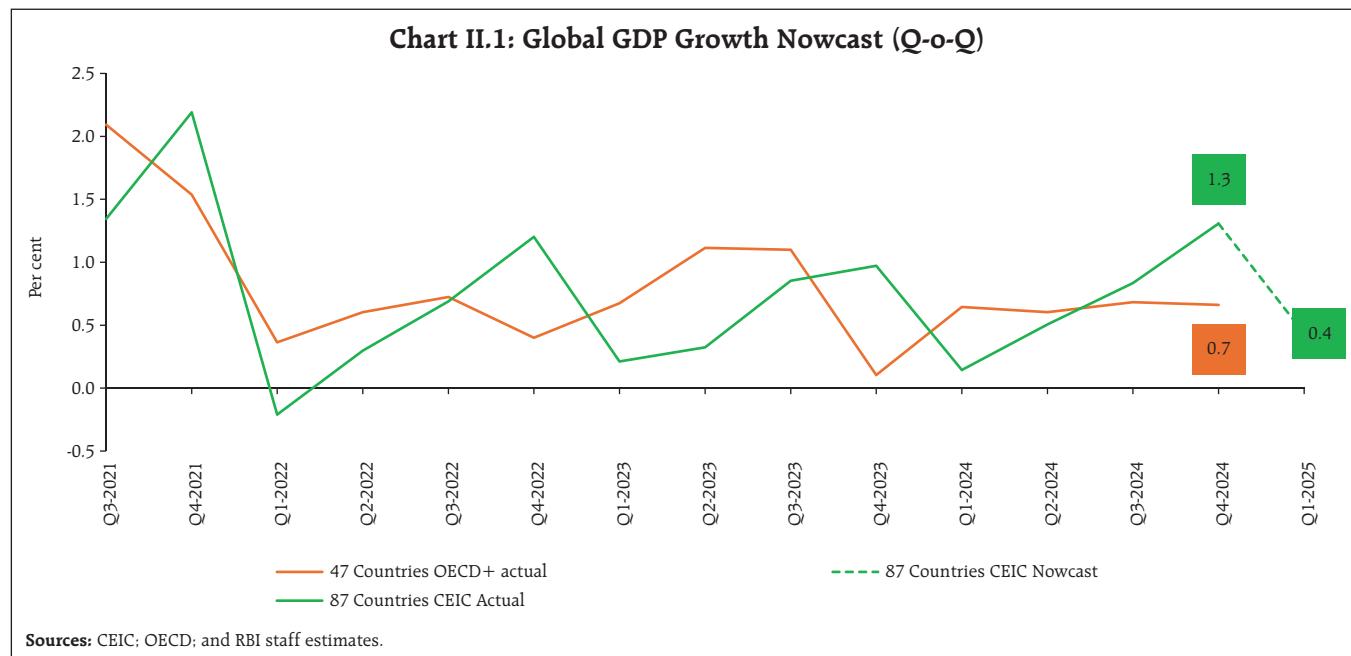
In its latest bi-monthly monetary policy meeting held during April 7-9, 2025, the Monetary Policy Committee (MPC) of the Reserve Bank recognised that the global economy is going through a period of exceptional uncertainties making it difficult to extract signal from a noisy and uncertain environment. The MPC noted that inflation is currently below the target and the domestic inflation outlook provides confidence of a durable alignment of headline inflation with the target of 4 per cent over the next year. The MPC opined that a benign inflation outlook and slackening pace of growth makes it imperative for monetary policy to remain growth supportive. Accordingly, the MPC reduced the policy repo rate by 25 bps to 6.00 per cent and reinforced the easing impact through a change in the stance to accommodative from neutral.

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. An assessment of domestic macroeconomic conditions is set out in Section III. Section IV encapsulates financial conditions in India, while the last Section presents the concluding observations.

II. Global Setting

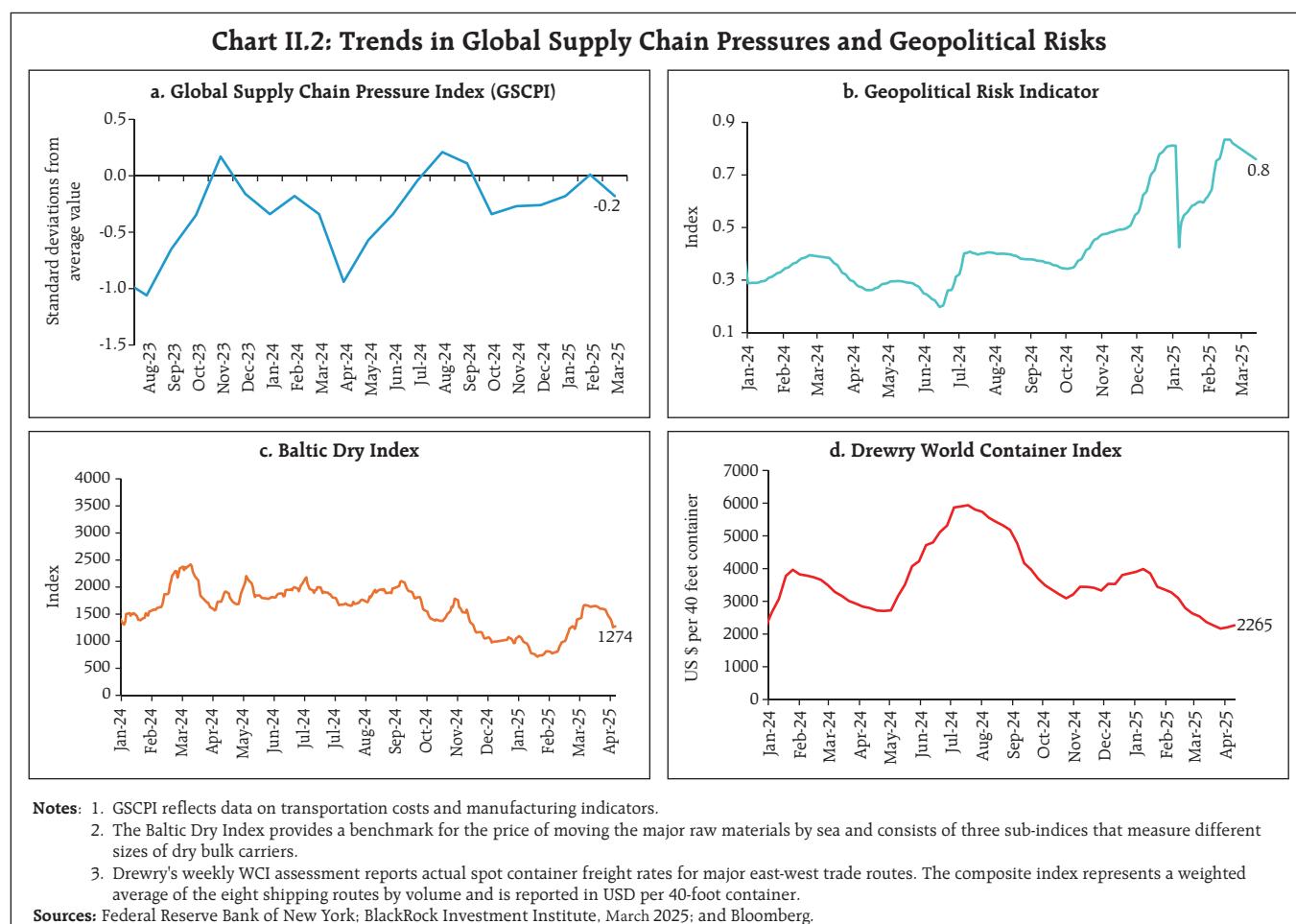
Growing policy uncertainty and tariff war escalation are weighing on global economic prospects amidst fears that the combined effect of tariffs and expected retaliations will intensify headwinds for global growth. Against this backdrop, estimates of global GDP growth, inflation and trade are likely to be revised downwards. Our model-based nowcasts also point to a significant deceleration in global growth momentum in Q1:2025 (Chart II.1).

While policy uncertainty has intensified, supply side pressures to the global economy are showing signs of easing. The Global Supply Chain Pressure



Index (GSCPI) declined below historical average levels in March 2025 on account of lower transportation

costs and reduced delivery times (Chart II.2a). The geopolitical risk indicator also recorded a sequential



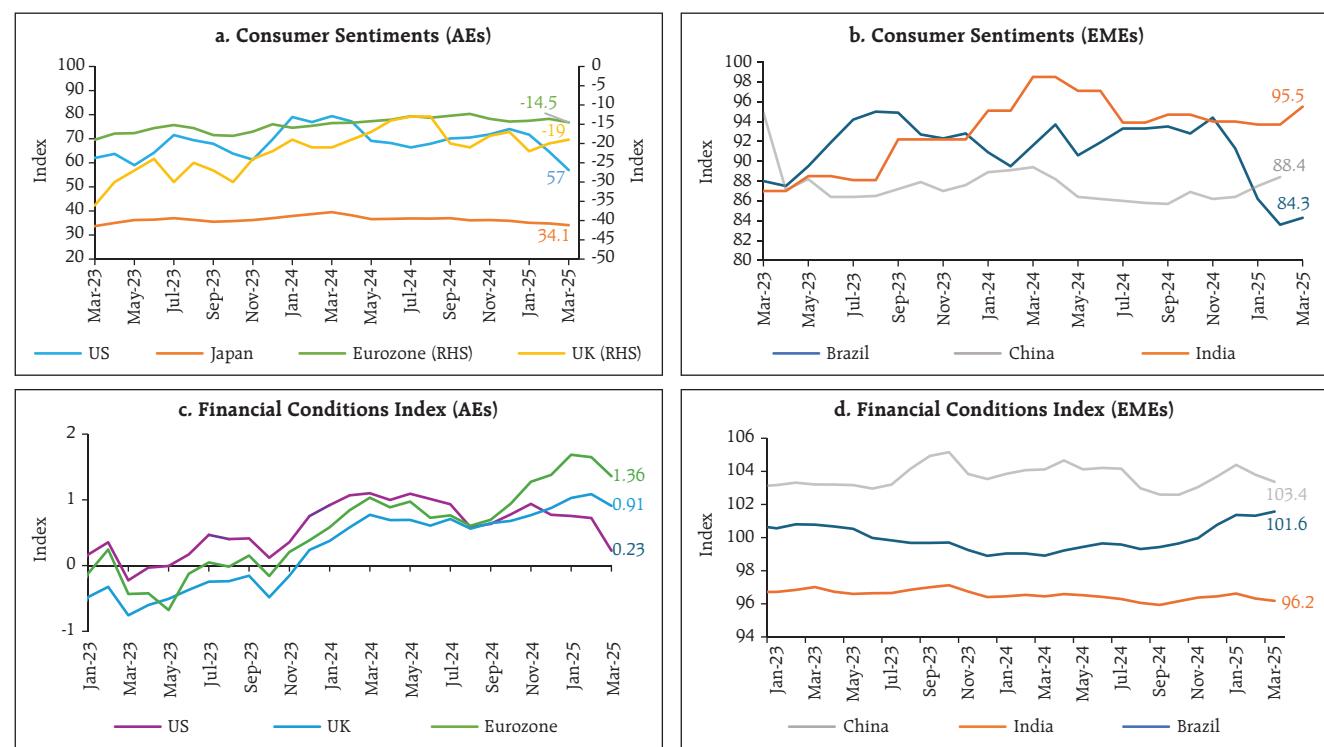
moderation in March although the level remains elevated (Chart II.2b). The Baltic Dry Index (BDI) eased slightly after a strong rebound in February, suggesting a temporary cooling in dry bulk shipping demand (Chart II.2c). Container freight rates, which had been on a declining trend, however, saw a brief uptick by early April driven by factors such as tariff-related disruptions and reduced shipping capacity (Chart II.2d).

Trade and policy uncertainties have started to impact consumer sentiments across geographies. Consumer sentiments worsened in the US in March 2025, reaching their lowest level since November 2022, on account of surging inflation expectations, worsening business conditions and uncertain economic outlook on account of tariff escalations.

Eurozone also witnessed weakening sentiments, while it improved marginally in the UK and Brazil (Chart II.3a and b). Financial conditions exhibited tightening bias across major AEs and EMEs, except in India and China (Chart II.3c and d).

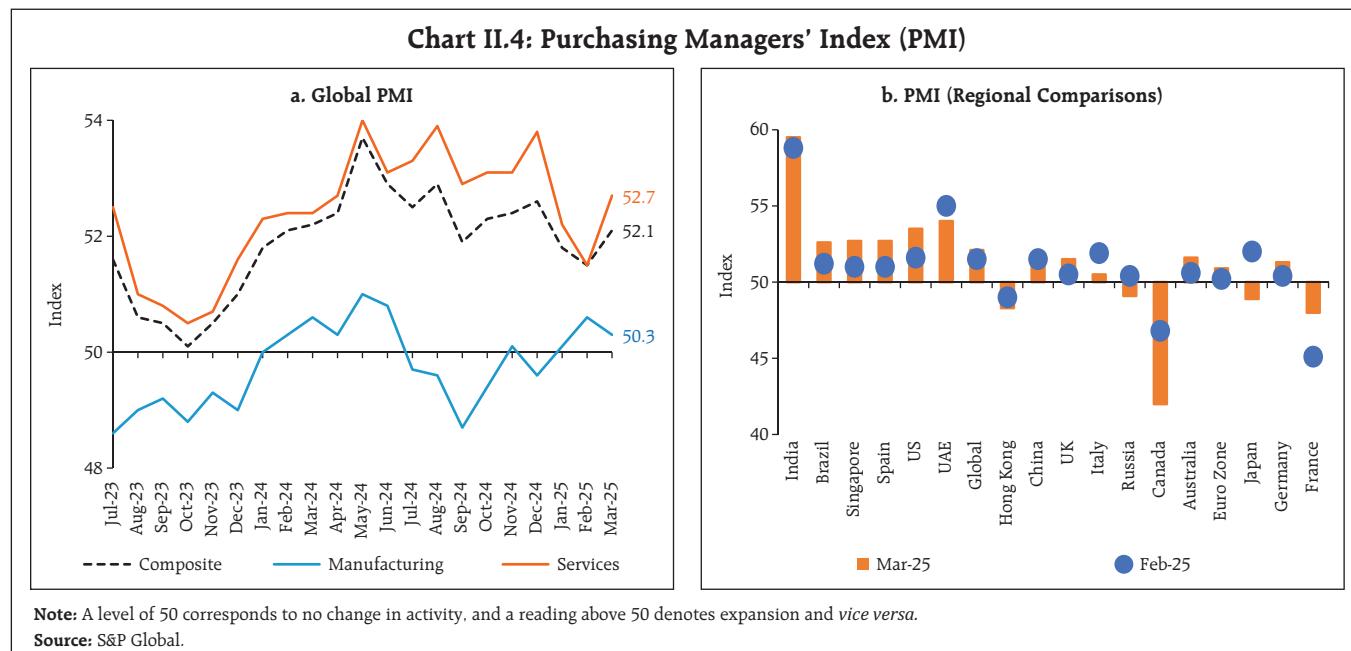
The global composite purchasing managers' index (PMI) increased modestly in March 2025 as the downturn in the manufacturing sector was offset by a sharp uptick in services sector activity (Chart II.4a). Global manufacturing PMI moderated as output and new orders decelerated, and business optimism fell to a three-month low. Global services PMI, however, rose sharply, recovering from February's low. Across regions, India continued to be an outlier with robust PMI readings compared with its peers (Chart II.4b).

Chart II.3: Consumer Sentiment and Financial Conditions



- Notes:**
1. Japan: A score above 50 indicates consumer optimism, below 50 shows a lack of consumer confidence, and 50 indicates neutrality.
 2. Eurozone and UK: -100 indicates extreme lack of confidence, 0 denotes neutrality, and 100 indicates extreme confidence.
 3. India and the US: The higher the index value, the higher the consumer confidence.
 4. For the financial condition index (pertaining to EMEs constructed by Goldman Sachs), a reading below 100 is accommodative and *vice versa*. As for the AEs, the index constructed by Bloomberg is a z-score where a positive value indicates accommodative/easy financial conditions and *vice versa*.

Source: Bloomberg



The composite PMI for new export orders recorded a sequential pick-up in March, with both the manufacturing and composite new export orders moving to expansionary territory, after remaining in contractionary zone since June 2024. Services export orders continued to expand despite a sequential deceleration (Chart II.5). Global trade outlook, however, is marred by considerable uncertainty as reflected in the trade policy

uncertainty (TPU) index reaching historical highs (Chart II.6).

Global commodity prices, as indicated by the Bloomberg Commodity Index, rose by 3.6 per cent in March, led by metal prices, which rose on account of rising optimism about China's stimulus package. Commodity prices, however, fell sharply in early April due to bleak demand outlook in anticipation of a

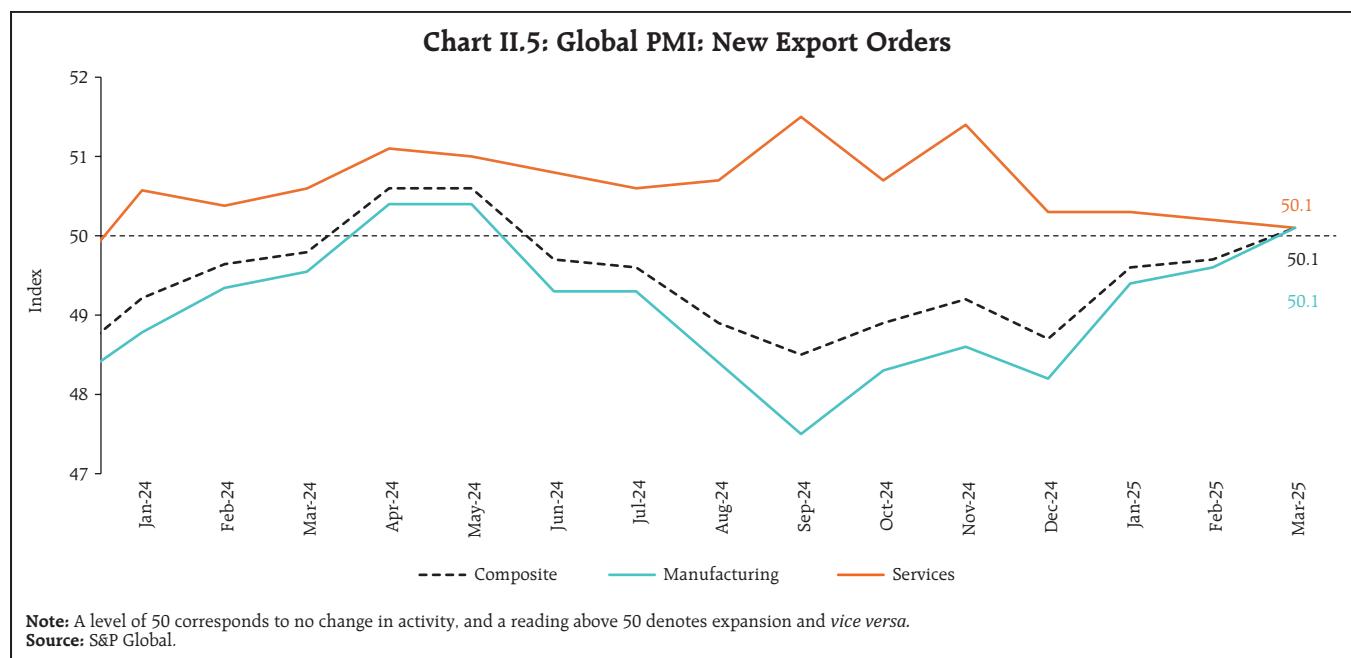
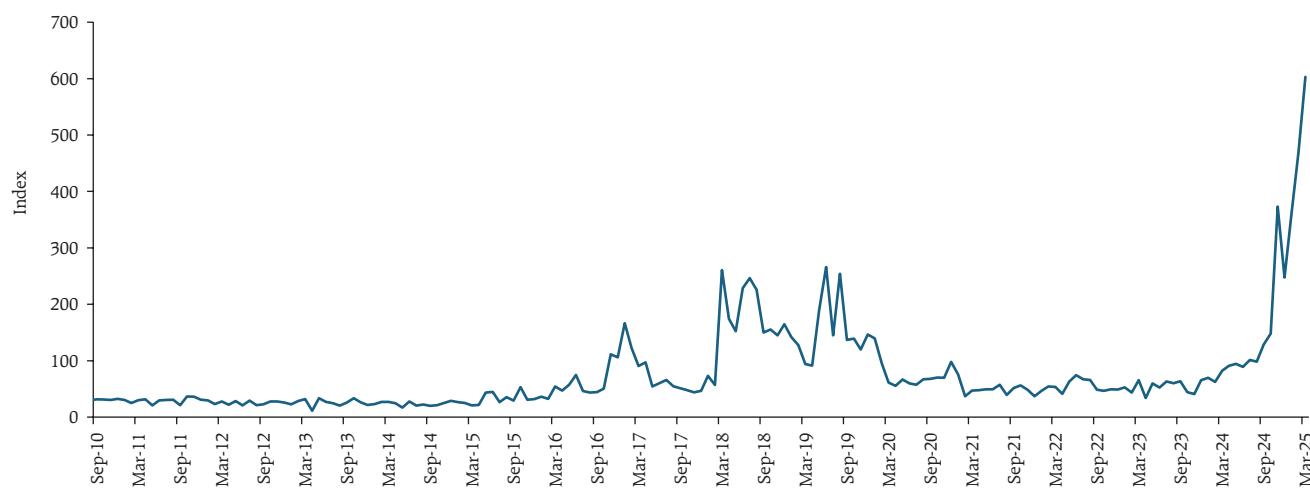


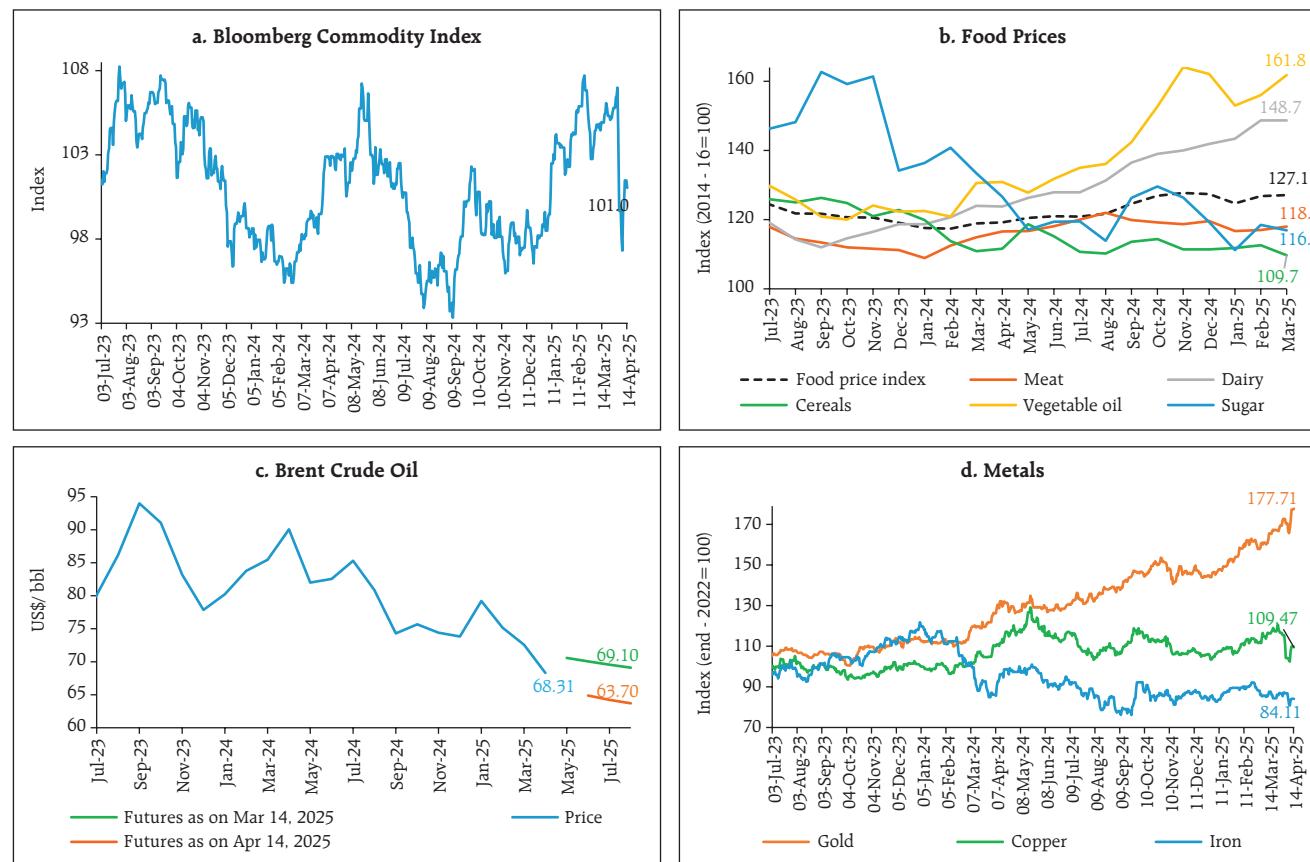
Chart II.6: Trade Policy Uncertainty (TPU) Index

Note: The TPU index is based on automated text searches of the electronic archives of seven newspapers: Boston Globe, Chicago Tribune, Guardian, Los Angeles Times, New York Times, Wall Street Journal, and Washington Post. The measure is calculated by counting the monthly frequency of articles discussing trade policy uncertainty (as a share of the total number of news articles) for each newspaper.

Source: <https://www.matteoiacoviello.com/tpu.htm>

global slowdown in the wake of a disruptive tariff war, though recovered partially thereafter (Chart II.7a).

Food prices, measured by the FAO's food price index, edged up by 0.3 per cent (m-o-m) in March, primarily

Chart II.7: Commodity and Food Prices

Sources: Bloomberg; World Bank Pink Sheet; and FAO.

driven by the increase in prices of vegetable oil, which was somewhat offset by moderation in prices of cereals and sugar (Chart II.7b). Crude oil prices increased by 5.1 per cent in March (m-o-m) after the US imposed fresh sanctions on Venezuela and Iran. Prices, however, declined precipitously in April, with the brent prices falling to around US\$ 63 per barrel on April 9 - touching nearly a four-year low - amidst fears of growth disruptive tariff wars (Chart II.7c). Apart from this, unexpected announcement by the OPEC *plus* to advance their plan to phase out the oil output cuts, thereby increasing output starting May, also contributed to the price decline. Brent oil prices recovered to US\$ 67 per barrel as on April 14, following tariff exemptions on electronic goods. Base metal prices also fell sharply in early April on account of an expected slowdown in global demand, followed by a modest recovery. Gold prices remained elevated

in March, bolstered by safe-haven demand amidst heightened trade uncertainties. Although the yellow metal pared gains in early April amidst escalating trade tensions, prices picked up again to surpass the \$3200 mark (Chart II.7d).

Headline inflation continued to remain moderate in most major economies, although spillover of tariffs to final consumer prices has emerged as a major upside risk. In the US, CPI inflation softened to 2.4 per cent (y-o-y) in March from 2.8 per cent in February. Inflation in terms of the personal consumption expenditure (PCE) deflator, however, remained stable at 2.5 per cent in February. Headline inflation in the Euro area moderated to 2.2 per cent in March from 2.3 per cent in February. Inflation in the UK and Japan also softened by 20 bps and 30 bps to 2.8 per cent and 3.7 per cent, respectively, in February (Chart II.8a).

Chart II.8: Inflation - AEs and EMEs



Sources: Bloomberg, and OECD.

Among EMEs, CPI inflation in Brazil and Russia rose in March, while that in South Africa remained stable. China, on the other hand, remained in deflation, with CPI registering a decline of 0.1 per cent (y-o-y) in March (Chart II.8b). Core inflation remained above the headline across major AEs, except in Japan, while services inflation decelerated in the US and Euro area (Chart II.8c and d).

The risk-off sentiment amidst trade policy uncertainty contributed to a significant downturn in the equity market in March and early April. The Morgan Stanley Capital International (MSCI) world equity index shed gains to the tune of 4.1 per cent (m-o-m) in March, led by the losses in AE equity markets. The sell-off in equity markets intensified after the tariff announcements, leading to broad-

based declines with the equity index shedding 10.2 per cent up to April 8 (Chart II.9a). Equity markets in most geographies staged a rapid recovery following the announcement of the pause in tariff implementation although volatility remains high. Yields on the US government securities remained volatile in March amidst a turbulent global environment which impacted the sentiments. The US 10-year treasury yields dropped below the 4 per cent mark on April 6 after fears of trade war intensified, inducing investors to deploy funds in safer assets (Chart II.9b). The yields recovered quickly in the following week, as safe haven appeal for gold and Swiss franc increased. The US dollar index (DXY) depreciated by 3.2 per cent in March and further by 4.4 per cent in April (up to April 14) as investors priced in a higher probability

Chart II.9: Global Financial Markets

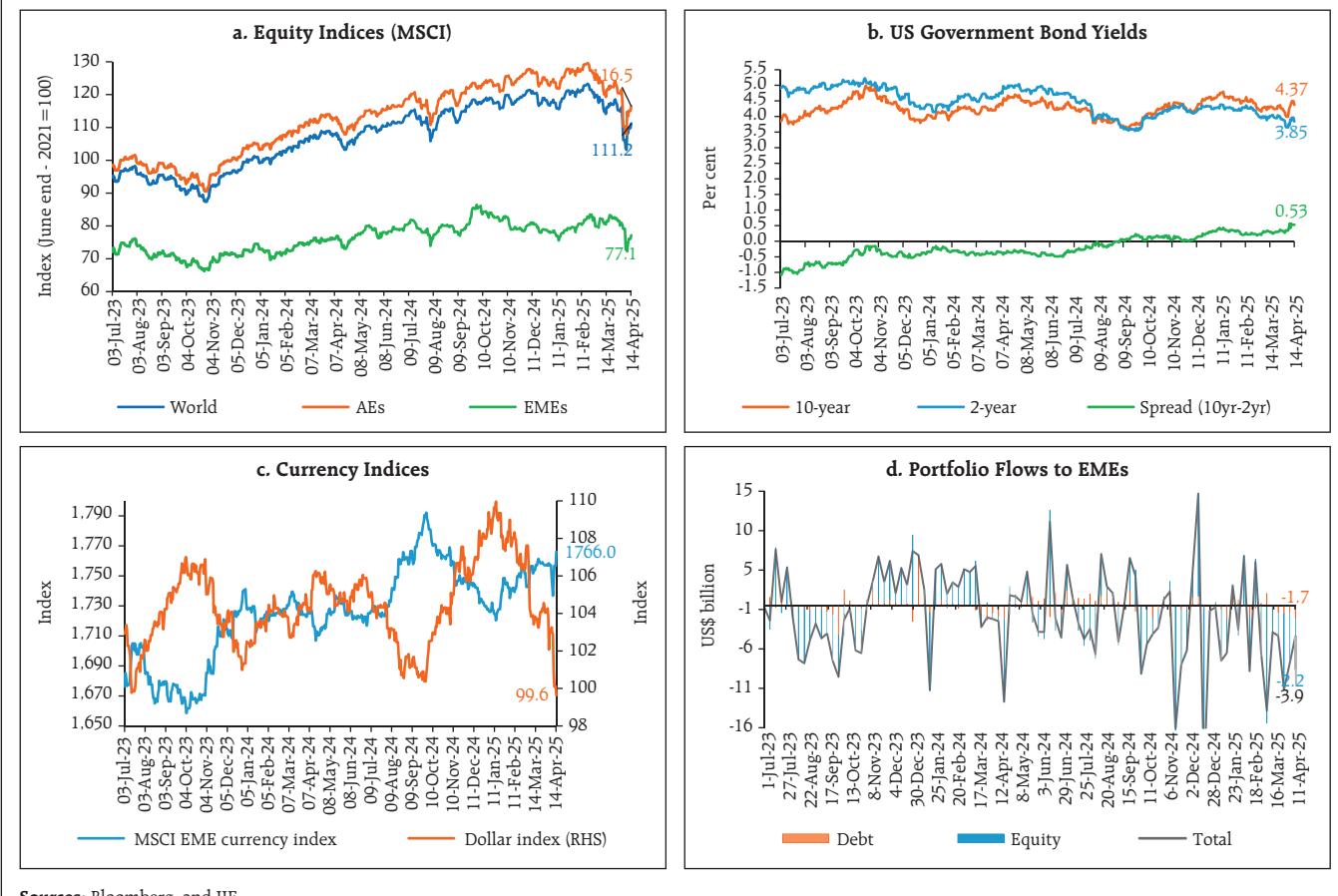
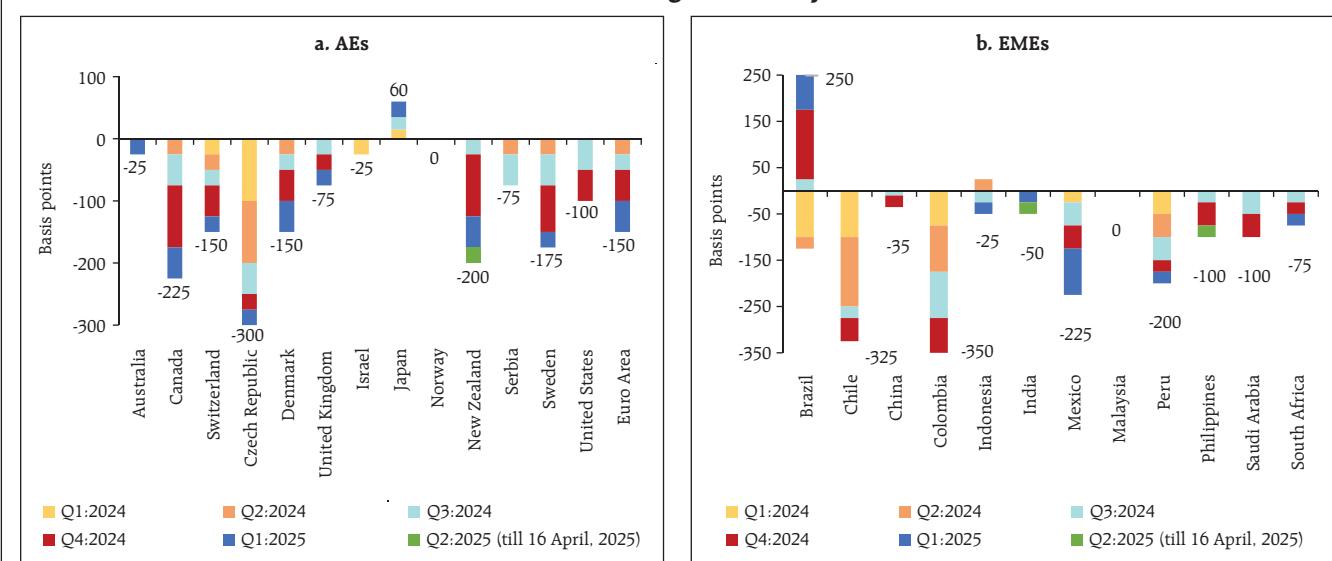


Chart II.10: Changes in Policy Rates

Source: Bloomberg.

of a recession in the US. The MSCI currency index for EMEs increased modestly in March and remained broadly steady in April (up to April 14) despite capital outflows, in both debt and equity, mounting downside pressures (Chart II.9c and II.9d).

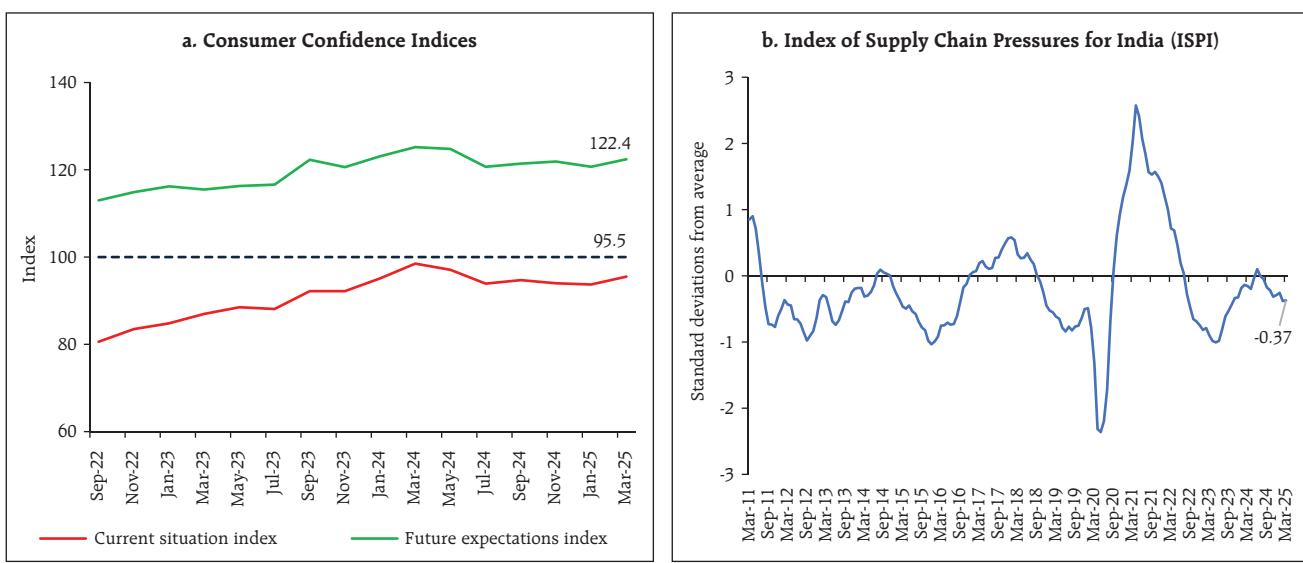
In terms of monetary policy actions, most countries remained guarded maintaining a pause, while a few reduced rates *albeit* with caution. Among AE central banks, the US, Japan, UK, Sweden, Norway and Czech Republic kept their key rates unchanged in March while the ECB and Switzerland reduced it by 25 bps each. Australia, Canada and Israel maintained a *status quo* in their April meetings whereas New Zealand cut its official cash rate by 25 bps (Chart II.10a). Among EME central banks, Poland and Peru maintained a *status quo* in April, and China, Russia, Hungary, Indonesia, South Africa, and Chile opted to maintain their policy rates unchanged in March. Mexico cut its policy rate by 50 bps in March and Philippines reduced its key rate by 25 bps in April. In contrast, Brazil hiked the policy rate by 100 bps in March (Chart II.10b).

III. Domestic Developments

The Indian economy continues to remain resilient on strong domestic growth impulses and sound macro-fundamentals despite strong global headwinds emanating from trade tensions. Consumers and businesses remain optimistic regarding the economic outlook. As per the latest Consumer Confidence Survey of the Reserve Bank, the Current Situation Index (CSI) sequentially improved although it remained below the neutral mark. Meanwhile, the Future Expectations Index (FEI) strengthened further, indicating optimistic outlook of the respondents on a net basis (Chart III.1a). Supply chain pressures continued to remain below historical average levels in March (Chart III.1b).

Aggregate Demand

High frequency indicators suggest that aggregate demand remained broadly resilient during Q4:2024-25. Indicators such as E-way bills and toll collections recorded robust y-o-y growth in double digits in March 2025, despite a sequential moderation in the latter (Chart III.2a and Chart III.2b).

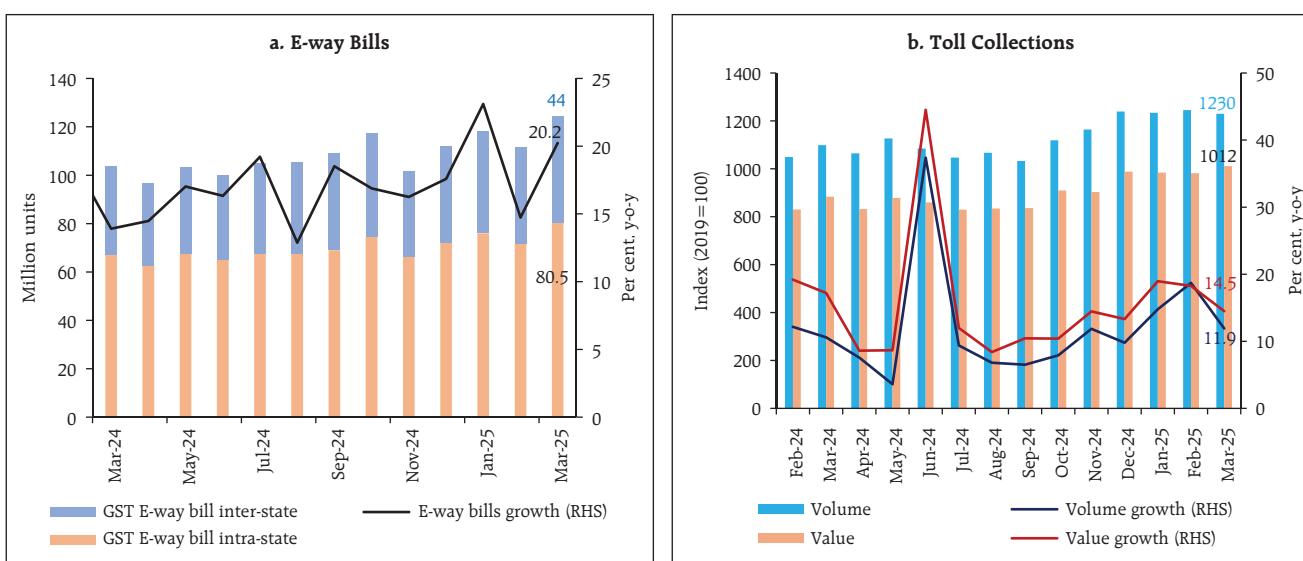
Chart III.1: Economic Activity Indicators

Sources: CCS, RBI; and RBI staff estimates.

Automobile sector showed signs of improvement in March. Wholesale automobile sales recorded a double-digit growth in March; scooter sales contributed significantly to overall two wheeler sales indicating strong rural demand (Chart III.3a and 3b). Tractor sales also registered a double-digit growth for the fourth consecutive month. Despite a sequential improvement, vehicle registrations

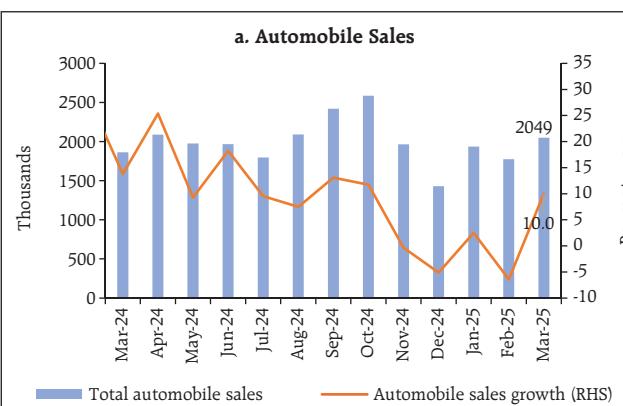
recorded a y-o-y contraction in both non-transport and transport vehicles segments (Chart III.3c). Petroleum consumption declined by 3.1 per cent (y-o-y) in March (Chart III.3d).

As per the PMI survey, job creation in both organised manufacturing and services sectors continued to expand despite a sequential deceleration in the pace of expansion (Chart III.4).

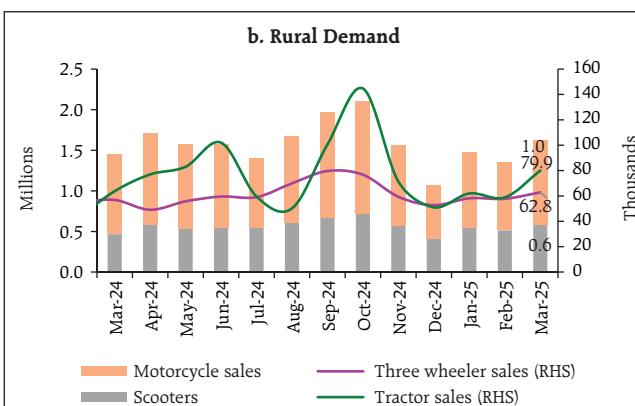
Chart III.2: E-way Bills and Toll Collections

Sources: GSTN; and RBI.

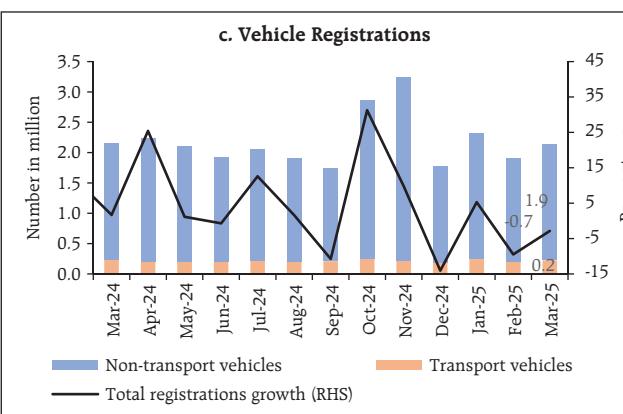
Chart III.3: Automobile Sector Indicators



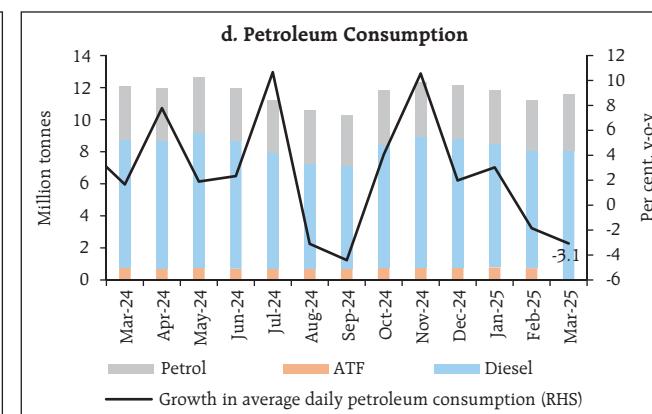
Source: Society of Indian Automobile Manufacturers (SIAM).



Sources: SIAM; and Tractor and Mechanization Association (TMA).



Source: Ministry of Road Transport and Highways.



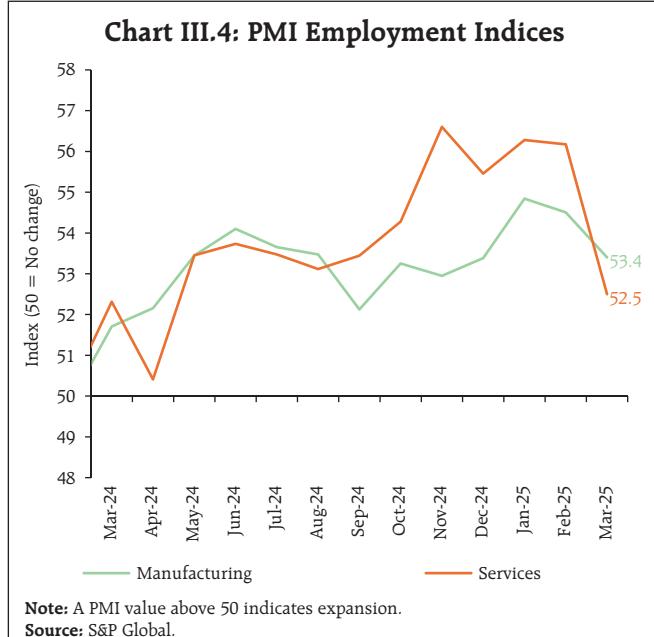
Source: Petroleum Planning and Analysis Cell.

With the commencement of the *rabi* harvest, the demand for work under the Mahatma Gandhi National

Rural Employment Guarantee Scheme (MGNREGS) declined in March. Annual demand for work during 2024-25 declined compared to the previous year by 7.4 per cent (Chart III.5a). The daily wages under the MGNREGS have increased between 2.3 per cent to 7.5 per cent (₹7 - ₹26 per day) across states with effect from April 01, 2025 (Chart III.5b).

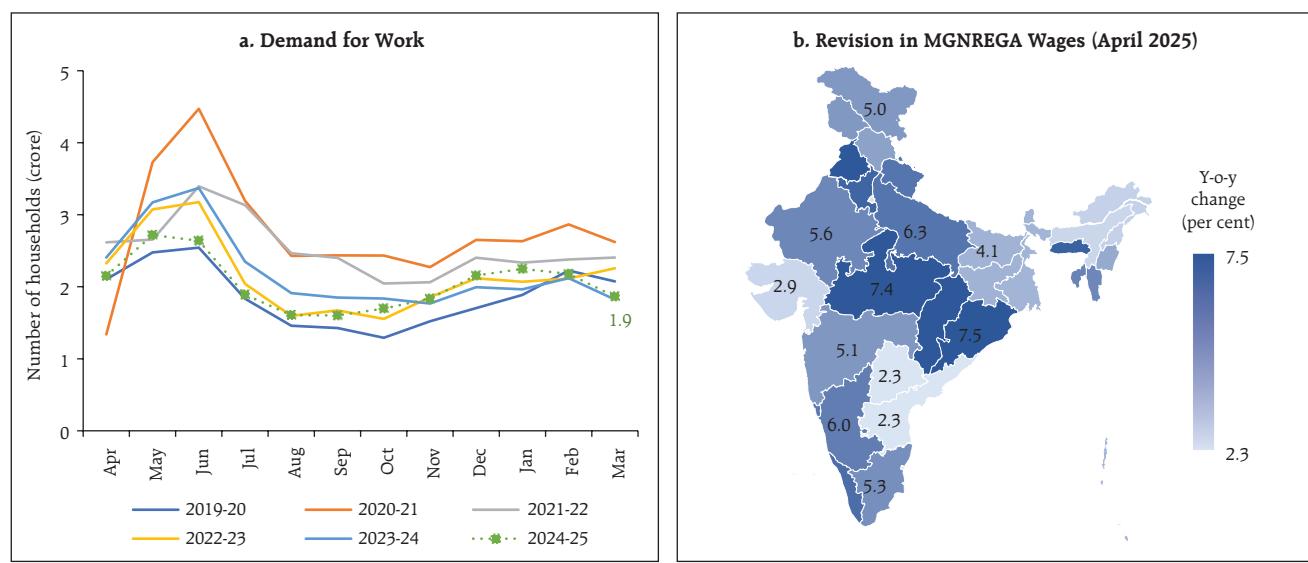
India's merchandise exports grew by 0.7 per cent (y-o-y) to US\$ 42.0 billion in March 2025 – marking a rebound after four straight months of contraction – driven by a recovery in non-oil exports (Chart III.6).

Exports of 18 out of 30 major commodities (accounting for 42.0 per cent of export basket in 2023-24) expanded on a y-o-y basis in March. Electronic goods, drugs and pharmaceuticals, gems and jewellery, marine products, and rice supported export growth in March while, organic and inorganic



Note: A PMI value above 50 indicates expansion.

Source: S&P Global.

Chart III.5: Demand for Work and Wage Revision under MGNREGS

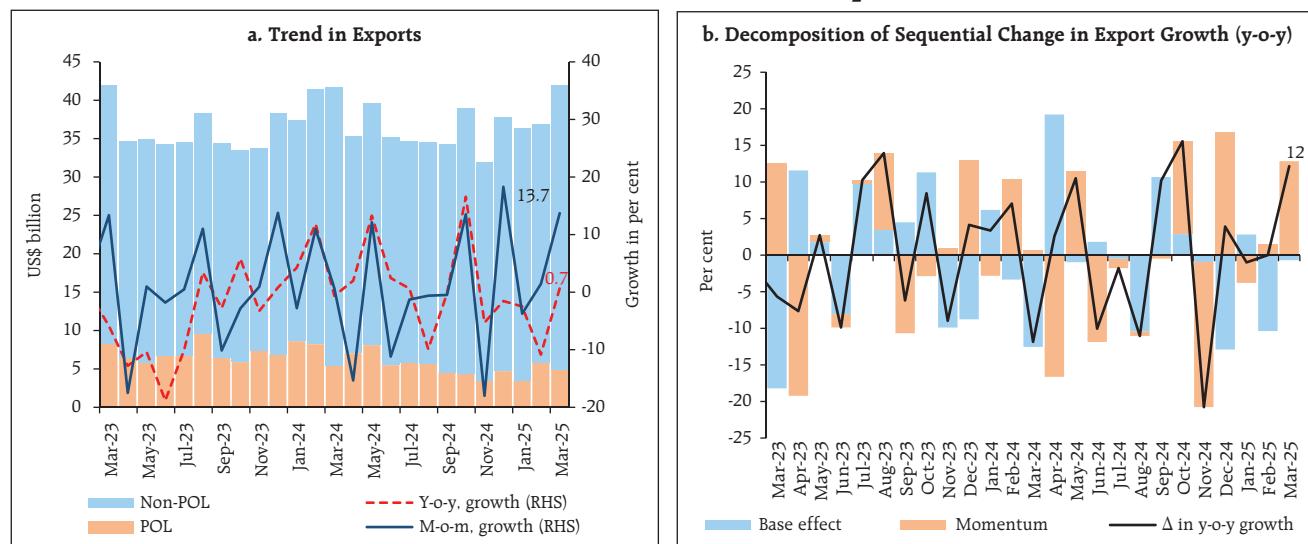
Source: Ministry of Rural Development.

chemicals, petroleum products, engineering goods, handicrafts excluding handmade carpet, and spices contributed negatively (Chart III.7).

During 2024-25 (April-March), India's merchandise exports expanded marginally by 0.1 per cent to US\$ 437.4 billion, primarily led by electronic goods, engineering goods, drugs and pharmaceuticals, rice,

and textiles, while petroleum products, gems and jewellery and iron ore dragged exports down.

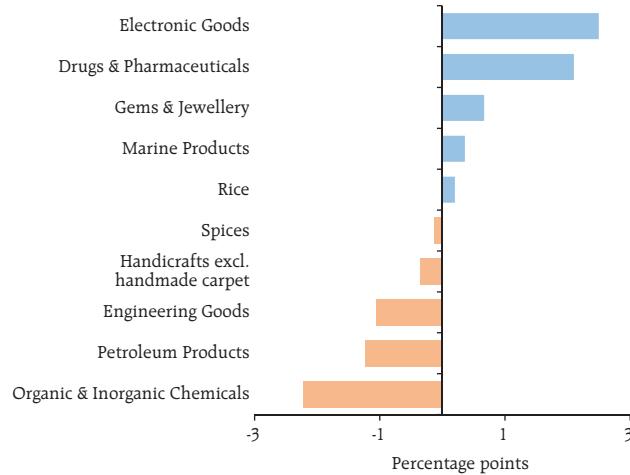
Exports to 10 out of 20 major destinations expanded in March 2025, while exports to 13 out of 20 major destinations expanded during 2024-25, with the US, the UAE and the Netherlands being the top three export destinations.

Chart III.6: India's Merchandise Exports

Note: POL: Petroleum, oil and lubricants.

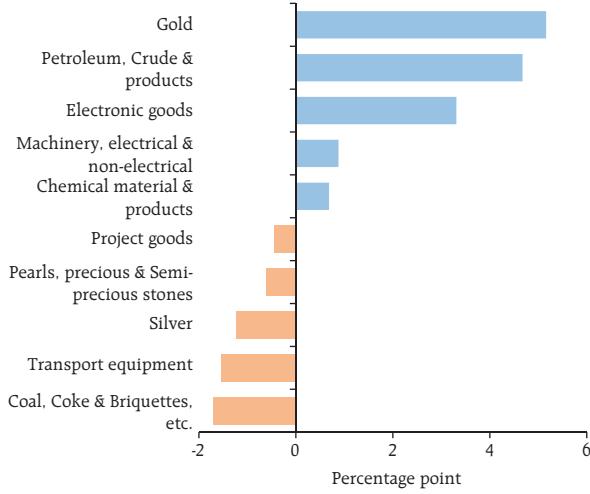
Sources: PIB; DCGI&S; and RBI staff estimates.

Chart III.7: India's Merchandise Exports – Relative Contribution
(March 2025 over March 2024)



Sources: PIB; and RBI staff estimates.

Chart III.9: India's Merchandise Imports – Relative Contribution
(March 2025 over March 2024)



Sources: PIB; and RBI staff estimates.

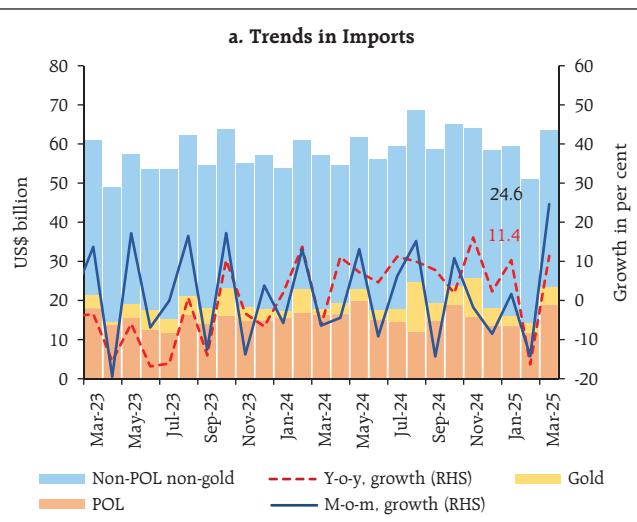
Merchandise imports at US\$ 63.5 billion expanded by 11.4 per cent (y-o-y) in March 2025, mainly due to increasing oil, gold and electronic imports. Out of 30 major commodities, 22 commodities (accounting for 81.7 per cent of import basket) registered an expansion on y-o-y basis (Chart III.8).

Gold, petroleum, crude and products, electronic goods, machinery, and chemical material and

products supported the import growth, while coal, coke and briquettes, transport equipments, silver, pearls, precious and semi-precious stones and project goods dragged imports down (Chart III.9).

During 2024-25, India's merchandise imports at US\$ 720.2 billion increased by 6.2 per cent (y-o-y), mainly led by gold, electronic goods, and petroleum, crude and products, while coal, coke and briquettes,

Chart III.8: India's Merchandise Imports



Note: POL: Petroleum, oil and lubricants.

Sources: PIB; DGCI&S; and RBI staff estimates.

b. Decomposition of Sequential Change in Import Growth (y-o-y)

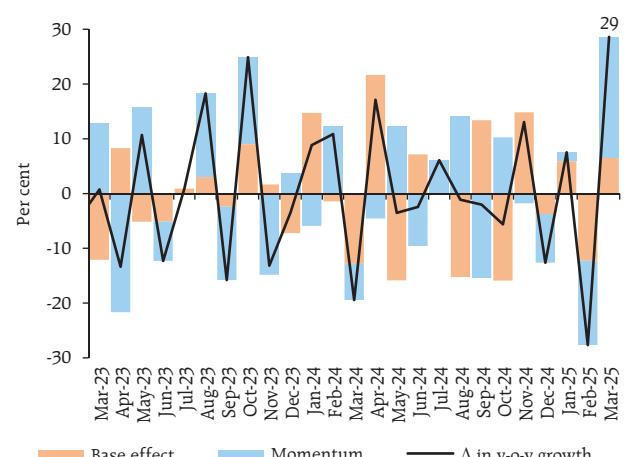
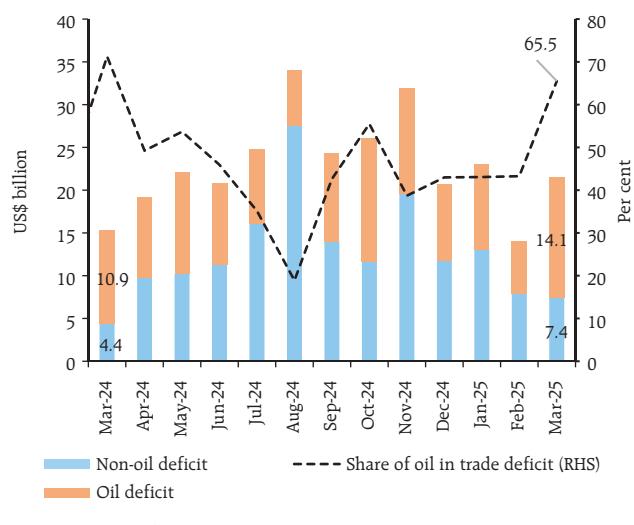


Chart III.10: Decomposition of India's Merchandise Trade Deficit



etc., pearls, precious and semi-precious stones contributed negatively.

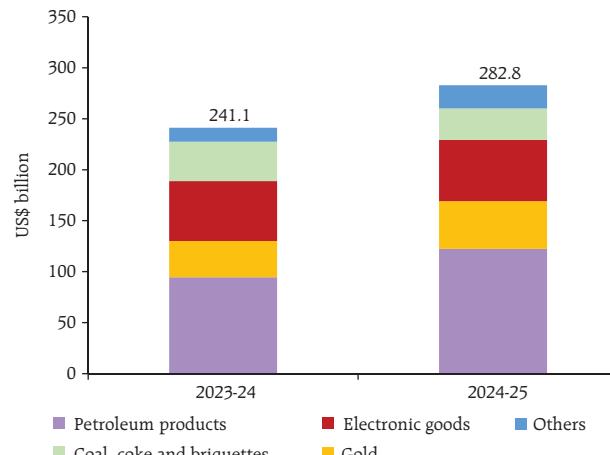
Imports from 11 out of 20 major source countries contracted in March 2025, while imports from 13 out of 20 major source countries expanded in 2024-25. Among major trading partners, imports from China, UAE and the US increased, while imports from Russia declined in March.

Merchandise trade deficit widened to US\$ 21.5 billion in March 2025 from US\$ 15.3 billion in March 2024. Oil deficit increased to US\$ 14.1 billion in March from US\$ 10.9 billion a year ago. However, its share in total trade deficit fell to 65.5 per cent in March from 71.3 per cent a year ago. Similarly, non-oil deficit widened to US\$ 7.4 billion in March from US\$ 4.4 billion a year ago (Chart III.10).

During 2024-25, merchandise trade deficit widened to US\$ 282.8 billion from US\$ 241.1 billion a year ago. Petroleum products were the largest source of deficit, followed by electronic goods and gold (Chart III.11).

In February 2025, net services export earnings recorded a robust y-o-y growth of 30.6 per cent.

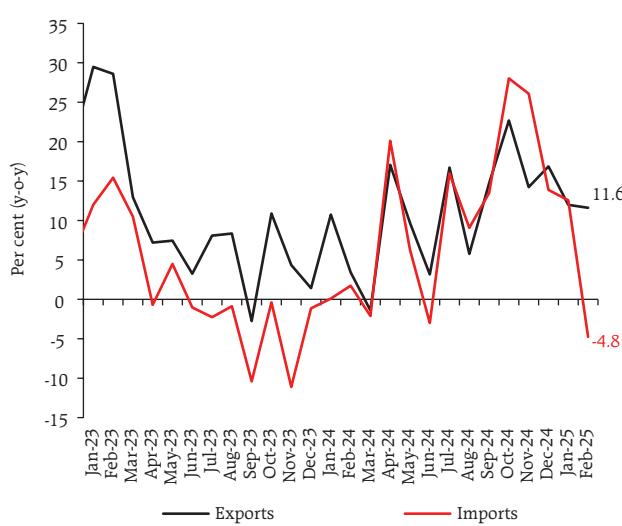
Chart III.11: Commodity-wise Merchandise Trade Deficit

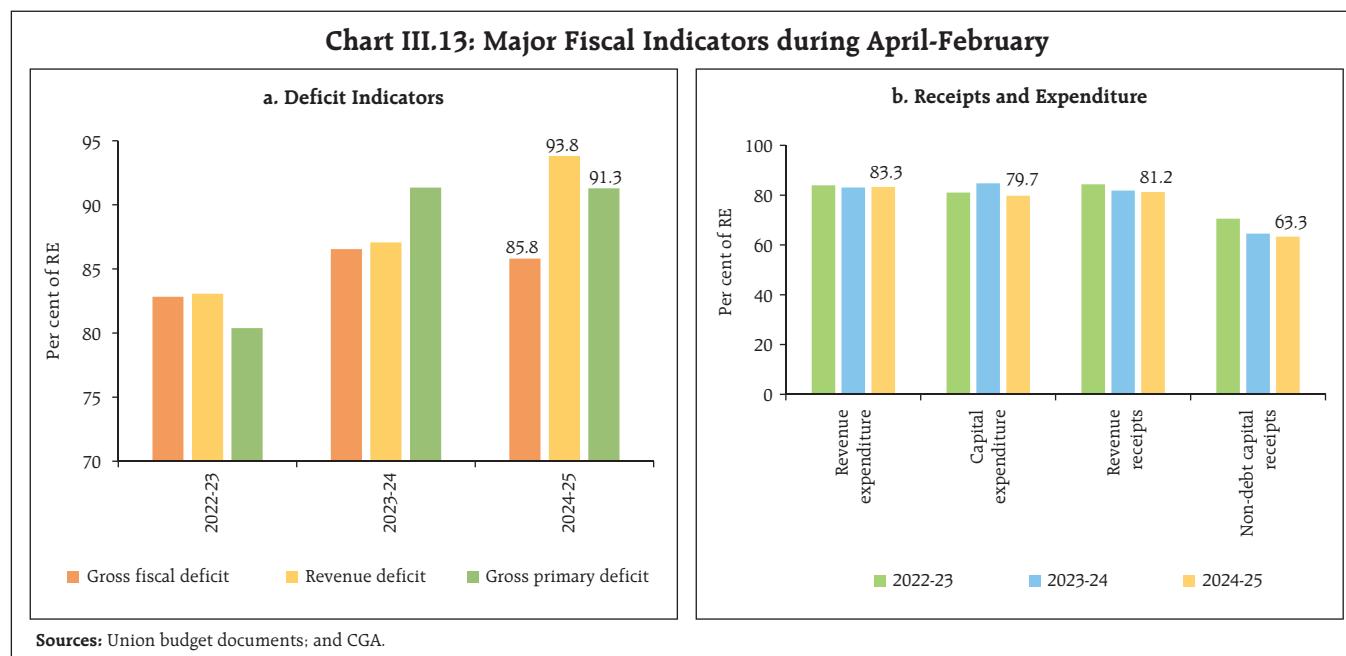


Services exports grew by 11.6 per cent (y-o-y) to US\$ 31.6 billion due to a rise in exports of software and business services, while services imports contracted by 4.8 per cent (y-o-y) to US\$ 14.5 billion (Chart III.12).

During April-February 2024-25, the gross fiscal deficit (GFD) –as a proportion of the revised estimates (RE) – was lower whereas the revenue deficit (RD) stood higher than the corresponding period of the

Chart III.12: Services Exports and Imports: Growth Rates





previous year. However, the gross primary deficit as proportion of RE remained the same as last year (Chart III.13a). During April-February 2024-25, the key fiscal indicators on the receipts and expenditure front, such as revenue receipts, revenue expenditure and, non-debt capital receipts (as per cent of RE for 2024-25) remained broadly in line with the pattern of the previous year (Chart III.13b).

The total expenditure of the Union government increased by 3.9 per cent during April-February 2024-25 *vis-à-vis* a growth of 7.3 per cent during April-February 2023-24. Amongst the expenditure components, revenue expenditure recorded a growth of 4.7 per cent (y-o-y) during April-February 2024-25 in comparison to 1.3 per cent witnessed during the corresponding period of the previous year. Revenue expenditure excluding interest payments and major subsidies grew by 3.9 per cent on a y-o-y basis, achieving 81.1 per cent of its target for 2024-25 (RE). Capital expenditure witnessed a growth of 0.8 per cent during April-February 2024-25 over the corresponding period of the previous year. As per cent of the RE for 2024-25, the capital expenditure

of top six ministries (with the highest share in capex) was broadly in line with that of the pattern observed in 2023-24 (RE), except for the Ministry of Communications (Chart III.14).

On the receipts side, the revenue receipts of the Union government registered a y-o-y growth of 13.5 per cent during April-February 2024-25 *vis-à-vis* a growth of 11.6 per cent registered during the

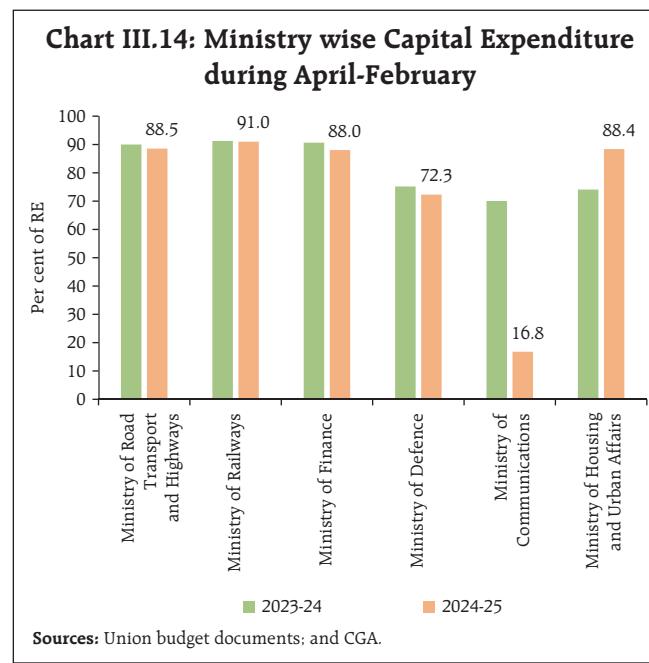


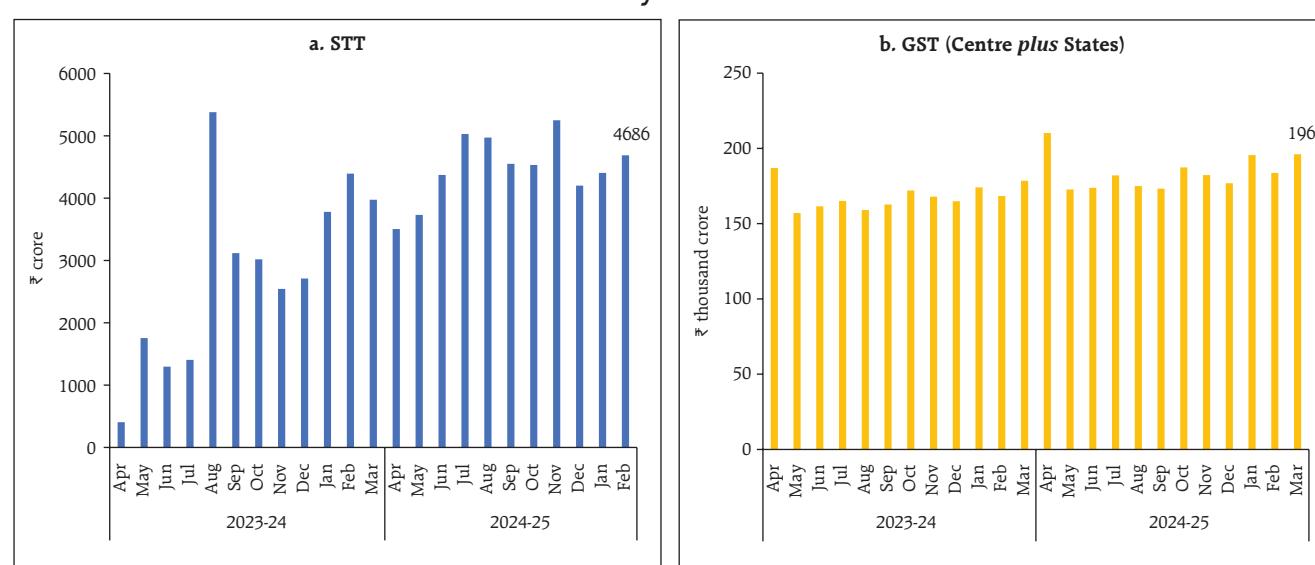
Chart III.15: Tax Receipts during April-February

Sources: Union budget documents; and CGA.

corresponding period of the previous year. Direct taxes increased by 13.3 per cent on a y-o-y basis whereas indirect taxes registered a growth of 7.9 per cent, leading to a growth in gross tax revenue by 10.9 per cent. The robust growth in tax collections was mainly driven by income tax, GST, and customs duties (Chart III.15a). Similarly, in terms of month-wise performance, collections from GST and income

tax registered positive y-o-y growth for most months, thereby augmenting the growth of tax revenue collections in 2024-25 (Chart III.15b).

The collections from securities transaction tax (STT) grew by 65.2 per cent y-o-y during April-February 2024-25 (Chart III.16a). Non-tax revenue collections grew by 36.9 per cent during April-February 2024-25, on the back of surplus transfer of ₹2.11 lakh

Chart III.16: Monthly Trends in STT and GST

Sources: CGA; Press Information Bureau (PIB); and GST Portal.

crore from the Reserve Bank. Overall, total receipts expanded by 13.4 per cent during April-February 2024-25 vis-à-vis a growth of 10.1 per cent during the corresponding period of the previous year.

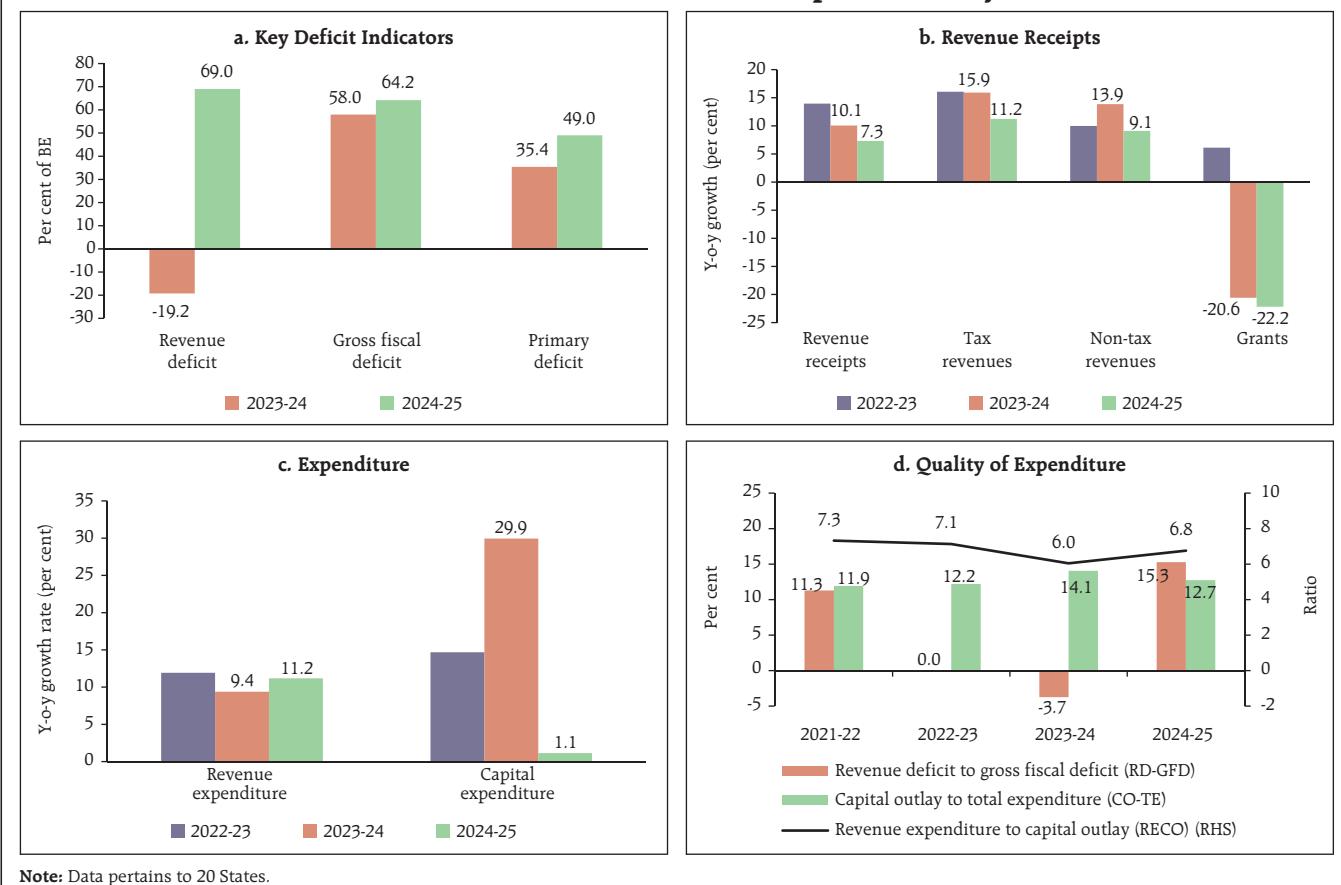
In March 2025, gross GST collections (Centre plus States) rose to ₹1.96 lakh crore, the second highest monthly collection since its inception in 2017. The cumulative GST collection during 2024-25 amounted to ₹22.09 lakh crore, 9.4 per cent higher than during 2023-24 (Chart III.16b). Notwithstanding the global challenges, the robust GST collection in recent times underlines the resilience of domestic economic activity.

As per the provisional data available up to February 2025, States' combined GFD reached 64.2

per cent of their budget estimates for 2024-25, higher than last year's level of 58.0 per cent (Chart III.17a). States' revenue receipts recorded a moderate growth of 7.3 per cent during 2024-25, primarily due to a decline in grants from the Centre. Tax revenues remained resilient, growing by 11.2 per cent, *albeit* lower than the growth of 15.9 per cent witnessed in the previous year (Chart III.17b). The States' Goods and Services Tax (SGST) experienced robust growth, while State excise growth decelerated. Additionally, sales tax/VAT rebounded after a decline in the previous year.

States' revenue expenditure increased by 11.2 per cent during April-February 2024-25, while capital expenditure experienced a modest growth of 1.1

Chart III.17: States' Fiscal Position (April – February)



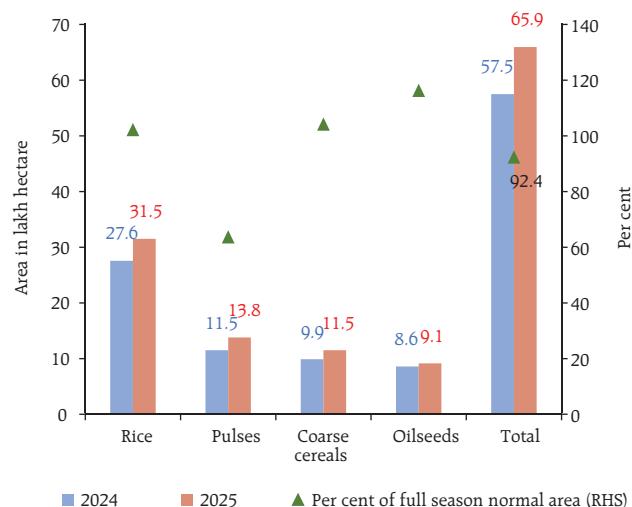
per cent (Chart III.17c). During April-January 2024-25, the Union government has released ₹1.1 lakh crore as financial assistance under the 'Scheme for Special Assistance to States for Capital Investment', amounting to 88.6 per cent of the revised estimate of ₹1.25 lakh crore for 2024-25. The revenue expenditure to capital outlay (RECO) ratio of states rose to 6.8 during April-February 2024-25 on account of a faster growth in revenue expenditure, thereby weakening the quality of expenditure (Chart III.17d). Similarly, the share of capital outlay in total expenditure (COTE) declined from 14.1 per cent last year to 12.7 per cent during 2024-25.

Aggregate Supply

As on April 11, 2025, 92.4 per cent of summer sowing was completed and the acreage was 14.7 per cent higher than the levels recorded a year ago (Chart III.18). Area under all the major crops recorded higher acreage compared to the previous year.

The above normal temperature (maximum as well as minimum) and above normal number of heatwave days are estimated over most parts of the country

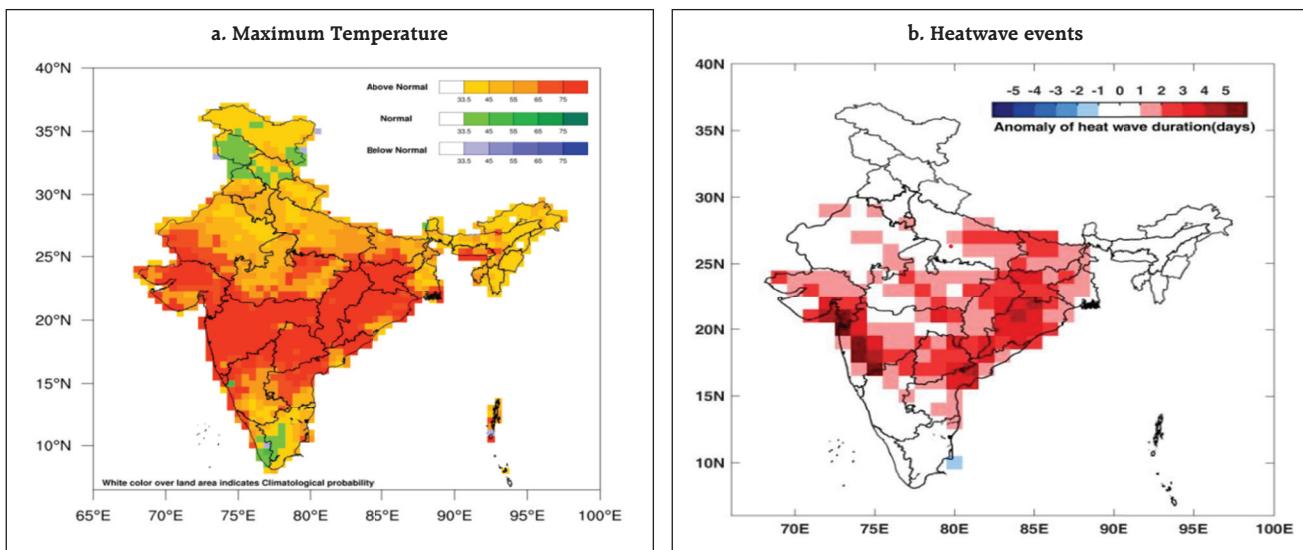
Chart III.18: Weekly Summer (Zaid) Sowing Progress (as on April 11)



Source: Ministry of Agriculture and Farmers' Welfare.

during the summer months (April to June), raising concerns on summer crops (Chart III.19). Nonetheless, the western disturbance induced rains in the selected regions could keep the temperature rise under control. Additionally, harvesting of majority of *rabi* crops (viz., wheat, rapeseed, mustard and chana) is expected to be completed by April, making heatwaves less of a concern for them (Chart III.19).

Chart III.19: Temperature Outlook for April (Probability Forecast)



Source: India Meteorological Department (IMD).

The reservoir levels (based on 161 major reservoirs) were at 37 per cent of total reservoir capacity (as of April 11, 2025), which is higher than the previous year as well as the decadal average levels (Chart III.20).

As per the IMD's first stage long-range forecast, the rainfall during southwest monsoon season (June-September 2025) is most likely to be above normal at 105 per cent of the long period average (with a model error of ± 5 per cent). The neutral *El-Nino*-Southern Oscillations (with features similar to *La Niña*), neutral Indian Ocean Dipole, and below normal snow cover over the northern hemisphere and Eurasia during January - March 2025 are other favourable factors for monsoon precipitation. These developments have boosted the crop prospects for the forthcoming *kharif* season.

Rice procurement for the *kharif* marketing season 2024-25 (Oct-Sep) at 516.3 lakh tonnes (as on April 17, 2025) was 6.5 per cent higher than the previous year. Wheat procurement for *rabi* marketing season (RMS) 2024-25 ended at 265.9 lakh tonnes (2

per cent higher than last year). Additionally, wheat procurement for RMS 2025-26 has started, and 48.02 lakh tonnes of wheat have been procured as on April 17, 2025.

Rice stocks held by the Food Corporation of India (as on April 1, 2025) reached 631 lakh tonnes, which is 4.6 times the buffer requirements. Wheat stock stood at 118 lakh tonnes, which is 1.6 times the buffer norms. To manage overall food security and to prevent speculation, the Union government has mandated the traders/wholesalers, retailers, big chain retailers and processors to declare their stock position of wheat as on April 01, 2025 and subsequently on every Friday (Chart III.21).

India's manufacturing PMI reached an eight-month high in March 2025, reflecting acceleration in new orders and output (Chart III.22a). The services PMI, however, recorded a marginal deceleration in March, although it continued to remain strongly in expansionary territory (Chart III.22b). Business expectations/future output assessments moderated slightly for manufacturing and services.

**Chart III.20: Reservoir Level
(as on April 11)**

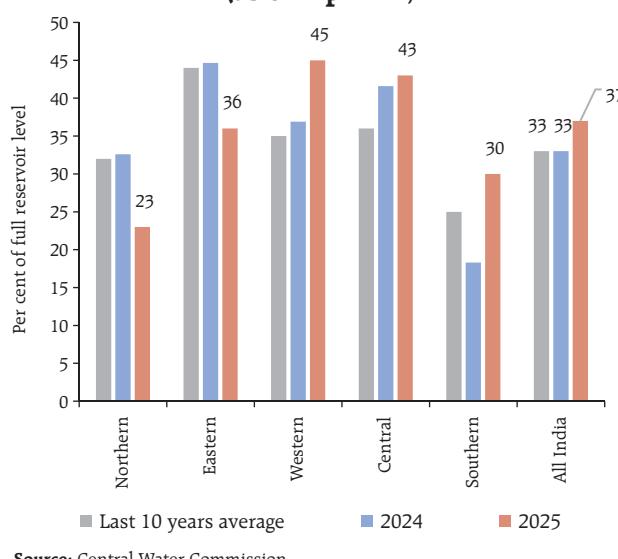
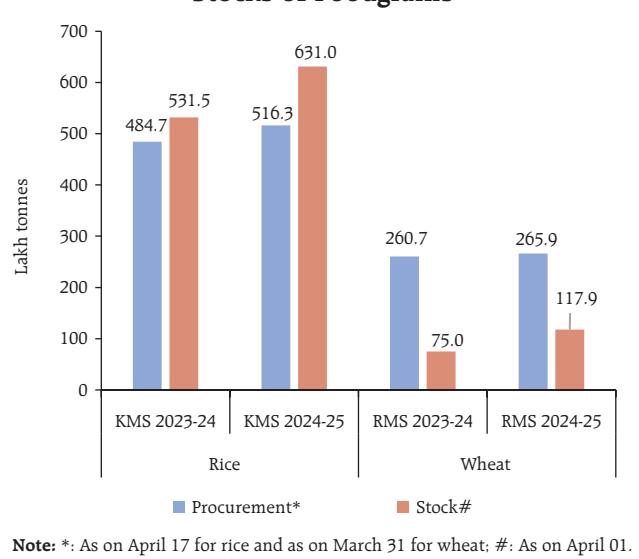
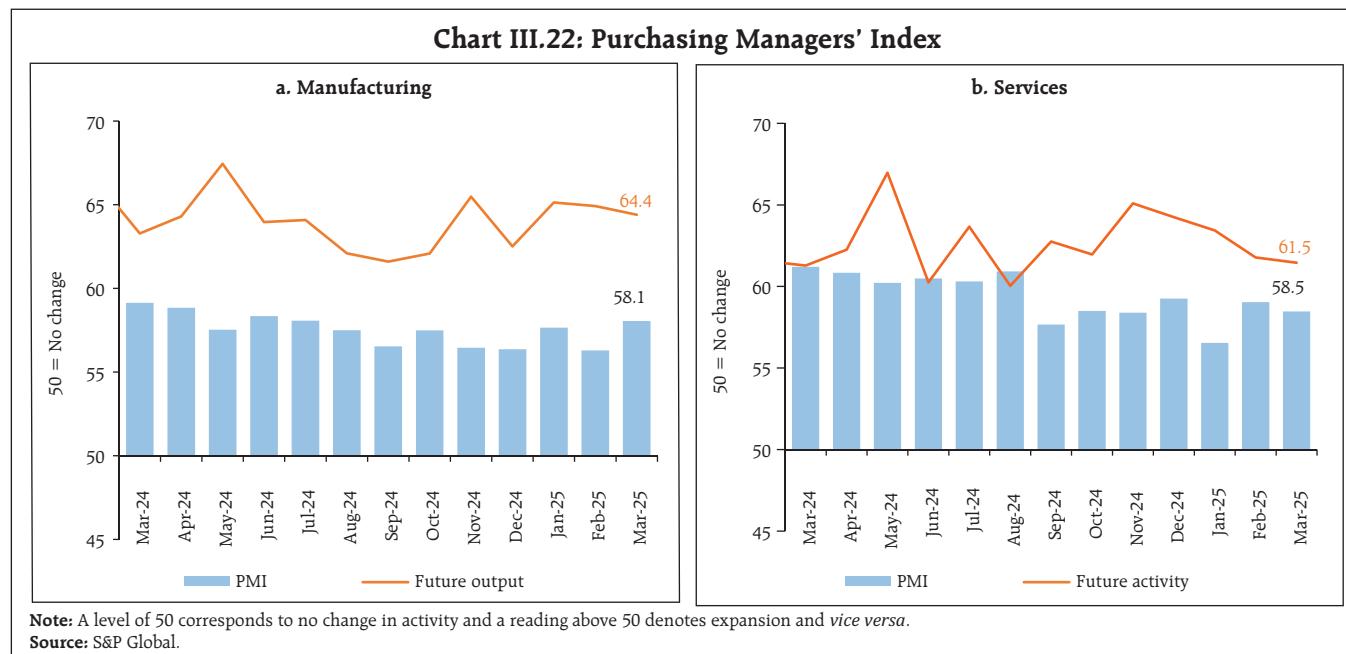


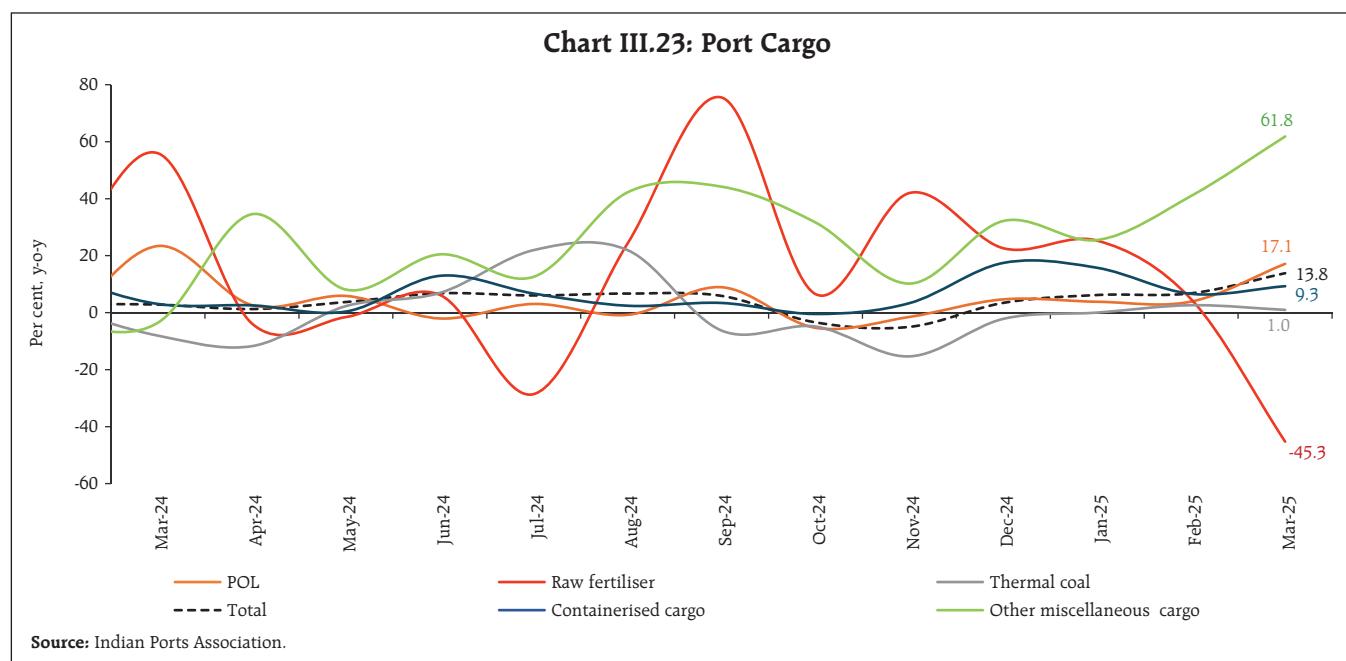
Chart III.21: Procurement and Stocks of Foodgrains

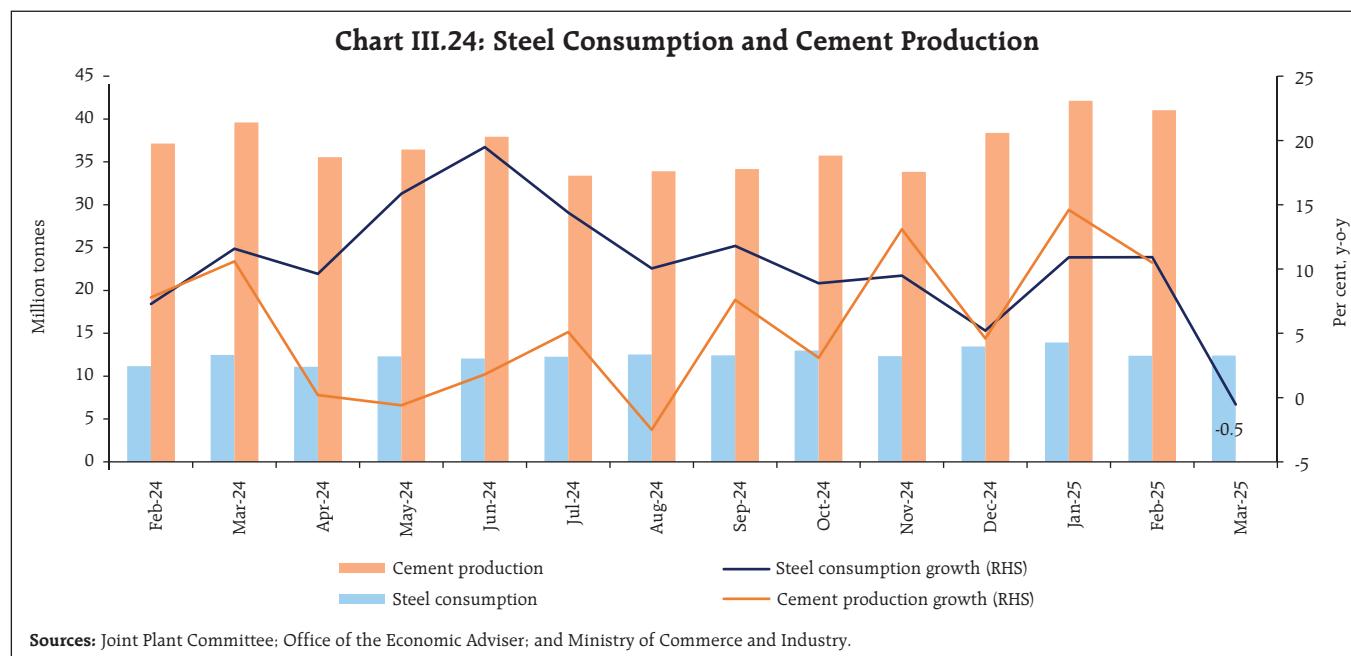




Among the high frequency indicators of industrial activity, growth in port traffic accelerated in March 2025, driven by higher growth in petroleum, oil and lubricants (POL) and other miscellaneous cargo (Chart III.23).

The construction sector reflected a mixed picture as cement production recorded double-digit y-o-y growth in February while steel consumption recorded a decline in March (Chart III.24).





Available high frequency indicators for the services sector reflect broad based growth in economic activity in March (Table III.1).

Table III.1: High Frequency Indicators- Services

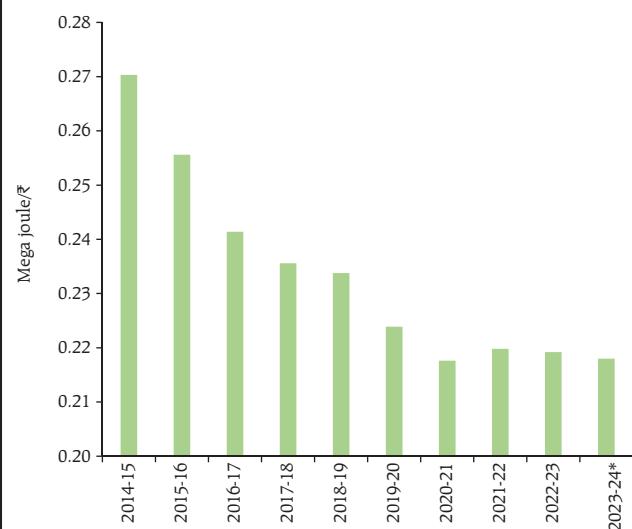
(y-o-y, per cent)

Sector	Indicator	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Urban demand	Passenger Vehicles Sales	8.9	1.2	4.3	4.9	-2.0	-1.6	-0.4	1.1	4.4	11.4	3.5	3.7	3.7
Rural demand	Two-Wheeler Sales	15.3	30.8	10.1	21.3	12.5	9.3	15.8	14.2	-1.1	-8.8	2.1	-9.0	11.4
	Three-Wheeler Sales	4.3	14.5	14.4	12.3	5.1	8.0	6.7	-0.7	-1.3	3.5	8.6	4.7	10.5
	Tractor Sales	-23.1	-3.0	0.0	3.6	1.6	-5.8	3.7	22.4	-1.3	14.0	11.4	35.9	25.4
	Commercial Vehicles Sales	-3.8		3.5			-11.0			1.3			1.6	
	Railway Freight Traffic	8.6	1.4	3.7	10.1	4.5	0.0	-5.8	1.5	1.2				
	Port Cargo Traffic	2.7	1.3	3.8	6.8	5.9	6.7	5.8	-3.4	-4.9	3.4	7.6	3.6	13.8
	Domestic Air Cargo Traffic	8.7	0.3	10.3	10.3	8.8	0.6	14.0	8.9	0.3	4.3	6.9	-2.5	
	International Air Cargo Traffic	22.5	16.2	19.2	19.6	24.4	20.7	20.5	18.4	16.1	10.5	7.1	-6.3	
Trade, hotels, transport, communication	Domestic Air Passenger Traffic*	4.7	3.8	5.9	6.9	7.6	6.7	7.4	9.6	13.8	10.8	14.1	12.1	10.1
	International Air Passenger Traffic*	15	16.8	19.6	11.3	8.8	11.1	11.2	10.3	10.7	9.0	11.1	7.7	4.7
	GST E-way Bills (Total)	13.9	14.5	17.0	16.3	19.2	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2
	GST E-way Bills (Intra State)	15.8	17.3	18.9	16.4	19.0	13.1	19.0	18.3	5.4	17.9	23.3	14.9	20.3
	GST E-way Bills (Inter State)	10.7	9.6	13.6	16.3	19.6	12.5	17.7	14.4	44.1	17.1	22.8	14.4	20.1
	Hotel occupancy	2.7	-1.4	-2.6	-3.1	3.6	0.7	2.1	-5.3	11.1	-0.2	1.2	0.6	
	Average revenue per room	6.7	4.8	1.8	2.8	7.6	5.2	3.5	4.8	10.7	8.9	8.7	14.0	
	Tourist Arrivals	8.0	7.7	0.3	9.0	-1.3	-4.2	0.4	-1.4	-0.1	-6.6	-0.2	-8.6	
Construction	Steel Consumption	11.6	9.6	15.9	19.5	14.4	10.0	11.8	8.9	9.5	5.2	10.9	10.9	-0.5
	Cement Production	10.6	0.2	-0.6	1.8	5.1	-2.5	7.6	3.1	13.1	4.6	14.6	10.5	
PMI Index#	Services	61.2	60.8	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59.0	58.5

<<Contraction----- Expansion>>

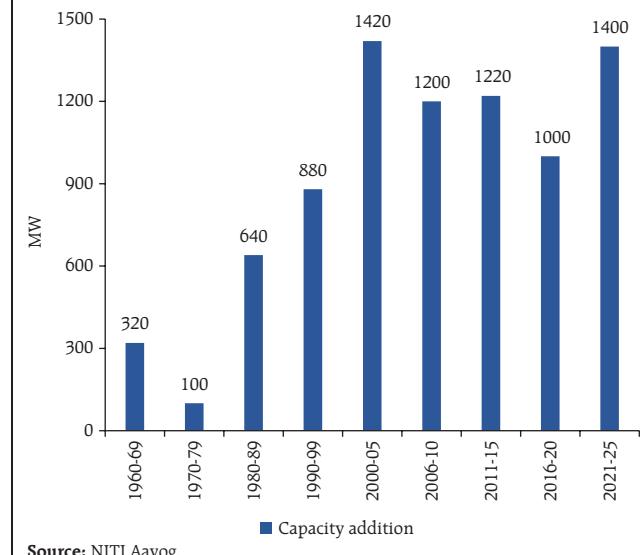
Note: #: Data in levels. *: March 2025 data are based on the monthly average of daily figures. The Heat-map is constructed for each indicator for the period July-2021 till date.

Sources: SIAM; Ministry of Railways; Tractor and Mechanisation Association; Indian Ports Association; Office of Economic Adviser; GSTN; Airports Authority of India; HVS Anarock; Ministry of Tourism; Joint Plant Committee; and IHS Markit.

Chart III.25: Energy Intensity in India

Note: *: Provisional.

Source: MoSPI.

Chart III.26: Nuclear Energy Capacity Addition over the Years

Source: NITI Aayog.

India has been working diligently towards adapting to climate change while mitigating the risks from them. India's climate actions for energy conservation have been on track as compared to other emerging market economies. India's economy has become increasingly energy-efficient, with energy intensity¹¹ reducing from 0.27 Mega Joules/₹ in 2014-15 to 0.22 Mega Joules/₹ in 2023-24 (Chart III.25). The major energy conservation programmes being implemented by the government include perform, achieve and trade (PAT) scheme for energy-intensive industries; standards and labelling scheme for appliances by the Bureau of Energy Efficiency (BEE); *Unnat Jyoti* by Affordable LEDs for All (UJALA) scheme; and adoption of electric mobility.

According to the Energy Statistics of India 2025, the potential for energy generation from renewable sources has been estimated at 21,09,655 megawatt (MW) as on March 31, 2024. The highest potential for energy generation comes from wind (55.17 per cent), followed by solar energy (35.50 per cent) and

large hydro (6.32 per cent). India is also enhancing its nuclear power capacity to meet growing energy demand from non-renewable sources. There has been more than 70 per cent increase in India's nuclear power capacity from 4,780 MW in 2010-11 to 8,180 MW in 2024. Further, India plans to increase its nuclear power capacity to 22,480 MW by 2031-32 (Chart III.26). The Union Budget 2025-26 announced a nuclear energy mission for research and development of Small Modular Reactors (SMR) with an outlay of ₹20,000 crore and development of nuclear energy capacity of 100 giga watt (GW) by 2047.¹²

Inflation

Headline inflation, as measured by y-o-y changes in the all-India consumer price index (CPI)¹³, declined to 3.3 per cent in March 2025 from 3.6 per cent in February, marking the fourth consecutive monthly decline and the lowest reading since August 2019

¹¹ Energy intensity is defined as the amount of energy consumed to generate one unit of GDP at constant prices.

¹² <https://pib.gov.in/PressReleasePage.aspx?PRID=2099244>

¹³ As per the provisional data released by the National Statistical Office (NSO) on April 15, 2025.

(Chart III.27). The decline in headline inflation by approximately 30 basis points (bps) came entirely from a negative price momentum of around 30 bps in the absence of any base effect in March.¹⁴ Among the major groups, CPI food recorded a negative momentum of around (-)0.7 per cent during the month, while momentum in CPI fuel and core (excluding food and fuel) groups was positive at 0.1 and 0.2 per cent, respectively.

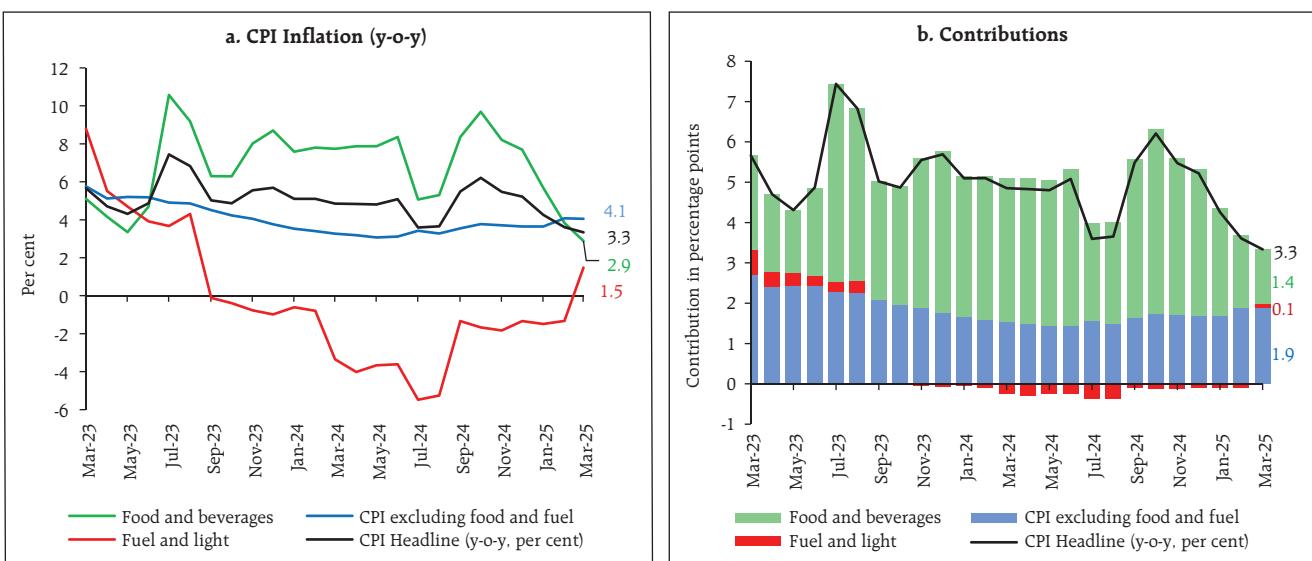
Annual inflation in food group decelerated sharply to 2.9 per cent in March from 3.8 per cent in February. In terms of sub-groups, vegetables, pulses and eggs experienced further deflation. Spices continued to remain in deflation, *albeit* at a slower pace. Inflation in cereals, meat and fish, and milk and products continued to moderate. Inflation in oils and fats, fruits, sugar and confectionary, non-alcoholic beverages, and prepared meals, however, continued to rise (Chart III.28).

Fuel and light group registered an inflation of 1.5 per cent (y-o-y) in March as against the contraction of (-)1.3 per cent in February. This was the first positive y-o-y print for fuel group following eighteen consecutive months of deflation. Kerosene prices moving out of deflation, a higher rate of inflation in electricity prices along with a lower rate of deflation in LPG prices drove this turnaround.

Core CPI inflation remained steady at 4.1 per cent in March 2025, although contrarian trends were witnessed within the sub-groups. Inflation increased in pan, tobacco and intoxicants, housing, health, transport and communication and education, while it moderated in clothing and footwear, recreation and amusement, personal care and effects and household goods and services (Chart III.29).

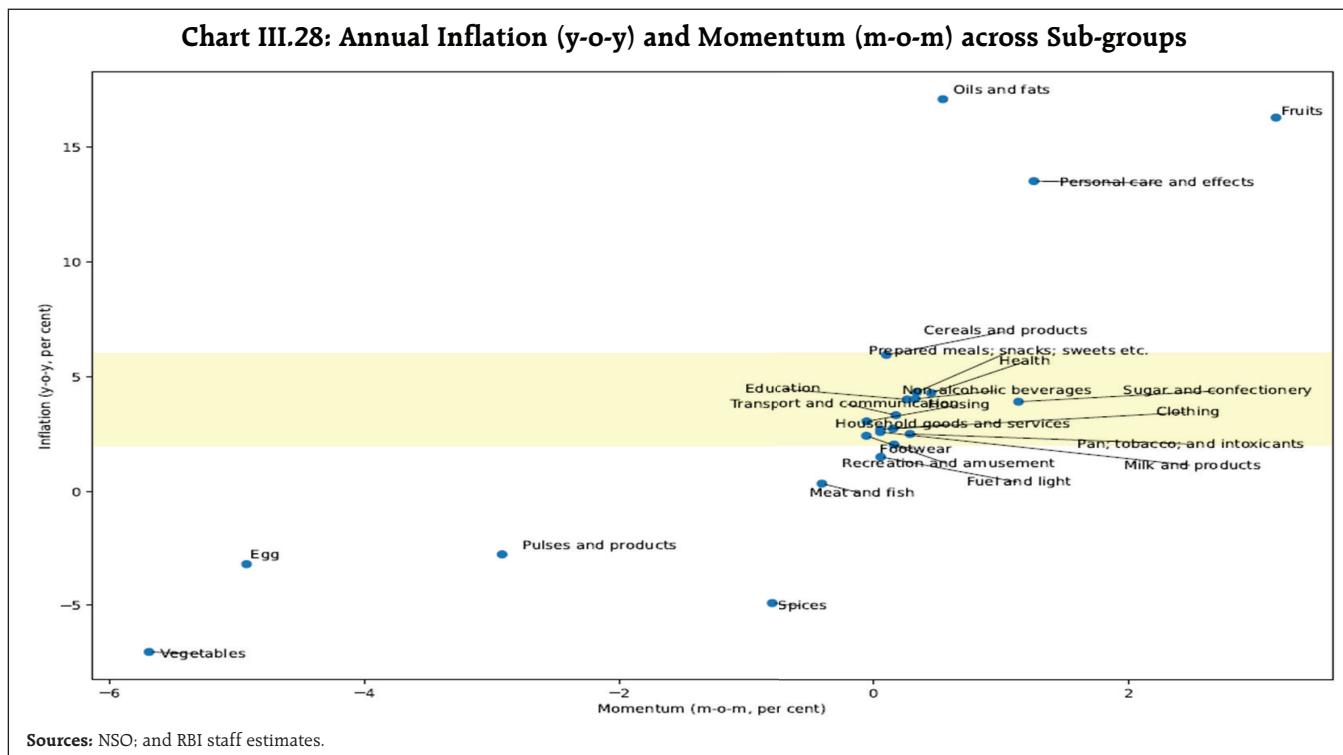
In terms of regional distribution, rural and urban inflation eased to 3.25 per cent and 3.43 per cent,

Chart III.27: Trends and Drivers of CPI Inflation



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

¹⁴ Base effect, *i.e.* the effect of changes in index during the previous year on current y-o-y inflation, was zero in March as CPI remained unchanged between February and March in 2024.



respectively, in March 2025. CPI inflation ranged between 1.1 per cent to 6.6 per cent at state-level,

with majority of the states registering less than 4 per cent inflation (Chart III.30).

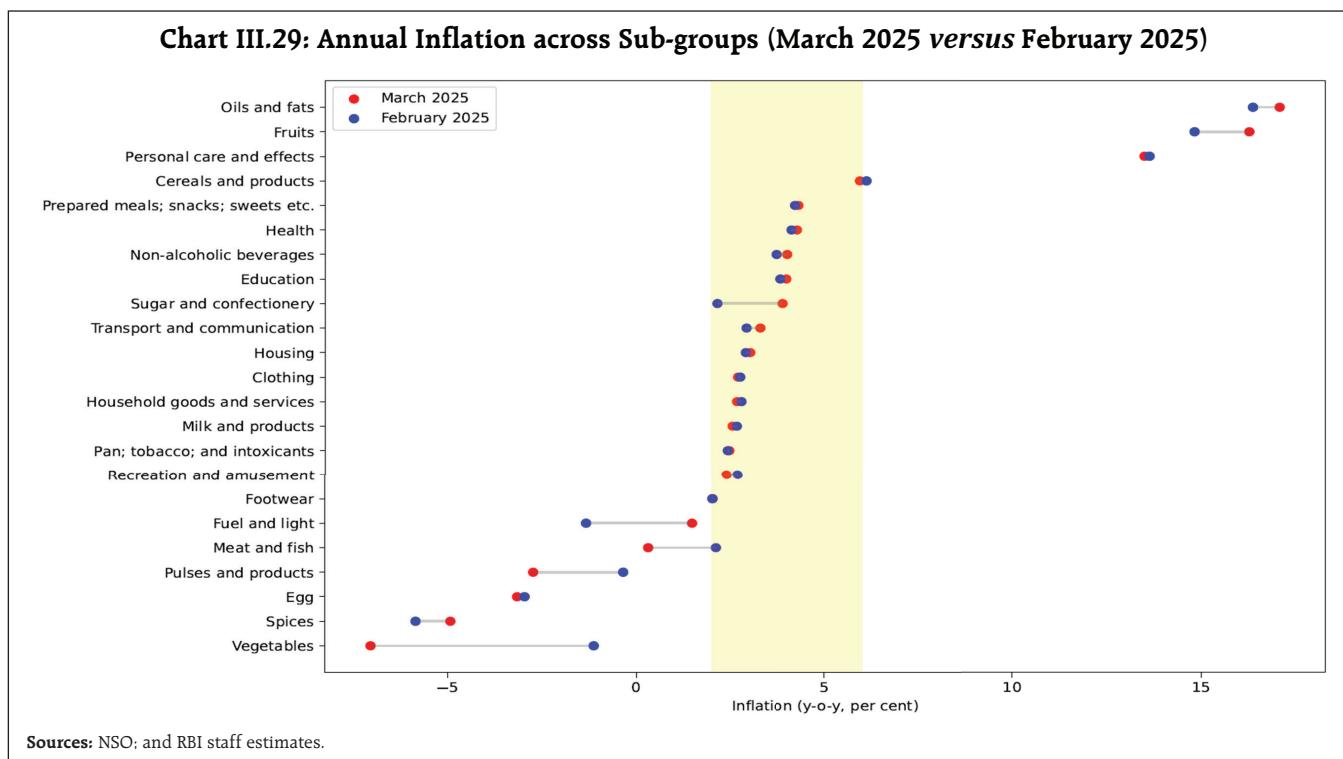
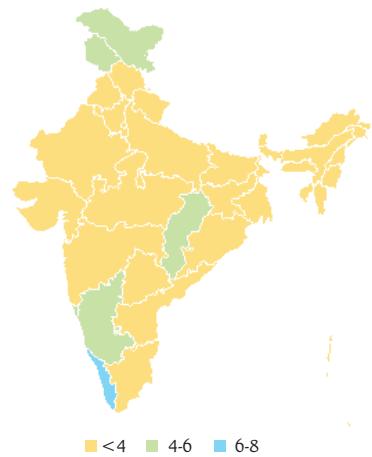


Chart III.30: Spatial Distribution of Inflation: March 2025 (CPI-Combined)



Note: Map is for illustrative purposes only.
Sources: NSO; and RBI staff estimates.

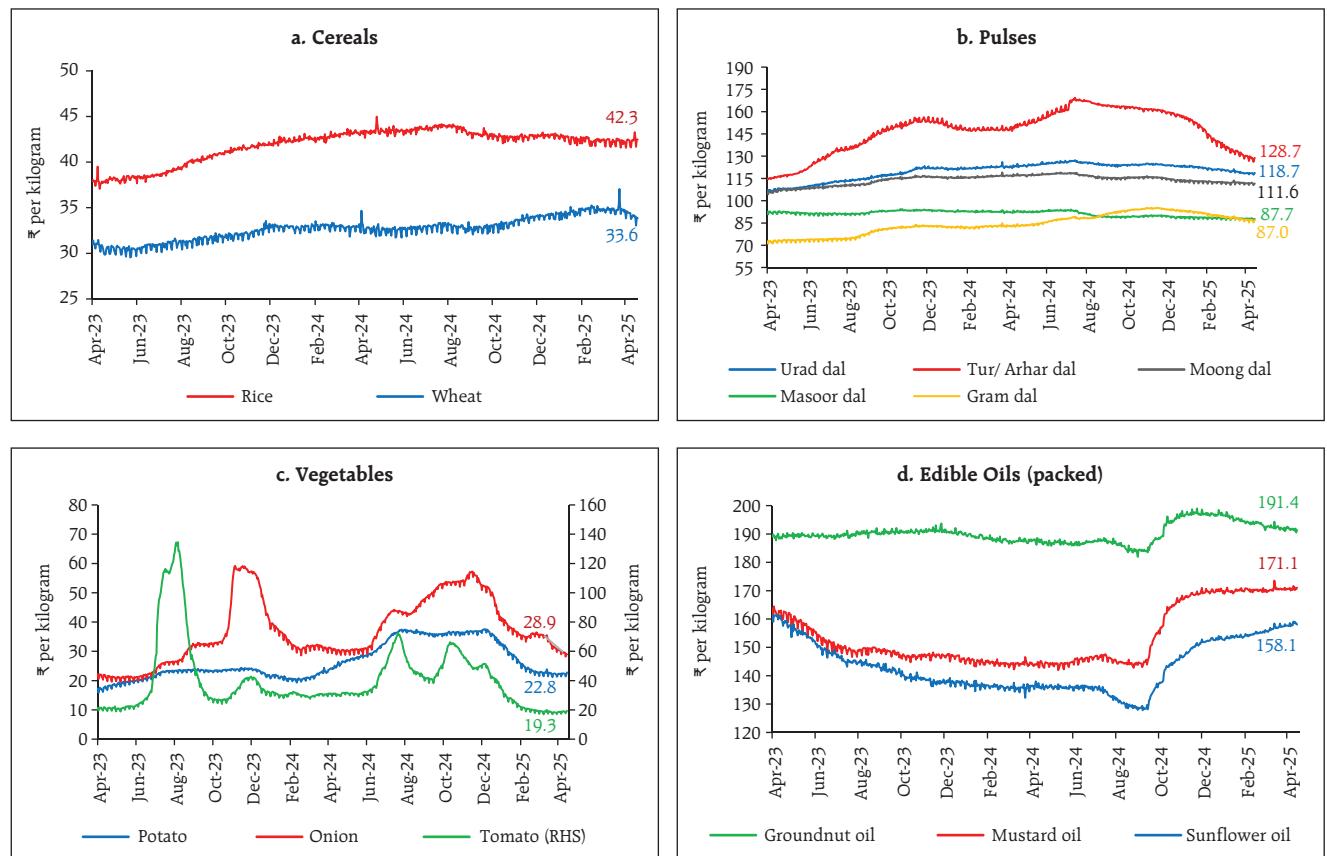
High frequency food price data for April so far (up to 15th) show a moderation in cereal prices, for

both rice and wheat. Pulses prices also continued to record a broad-based moderation. Edible oil prices, on the other hand, have firmed up - mainly for palm, soybean and sunflower oil. Among key vegetables, prices of potato and onion recorded further correction, while tomato prices witnessed a slight pick-up (Chart III.31).

Retail selling prices of petrol and diesel have remained unchanged in April thus far (up to 15th). While kerosene prices picked up slightly, LPG prices were hiked by ₹50 per cylinder on April 8, 2025 (Table III.2).

The PMIs for March 2025 recorded an uptick in the rate of expansion of input prices for manufacturing, while for services sector it remained relatively sticky. Selling price pressures, however,

Chart III.31: DCA Essential Commodity Prices



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

Table III.2: Petroleum Products Prices

Item	Unit	Domestic Prices			Month-over-month (per cent)	
		Feb-25	Mar-25	Apr-25 ^	Mar-25	Apr-25 ^
Petrol	₹/litre	101.02	101.02	101.02	0.0	0.0
Diesel	₹/litre	90.48	90.48	90.48	0.0	0.0
Kerosene (subsidised)	₹/litre	46.37	46.23	46.56	-0.3	0.7
LPG (non-subsidised)	₹/cylinder	813.25	813.25	863.25	0.0	6.1

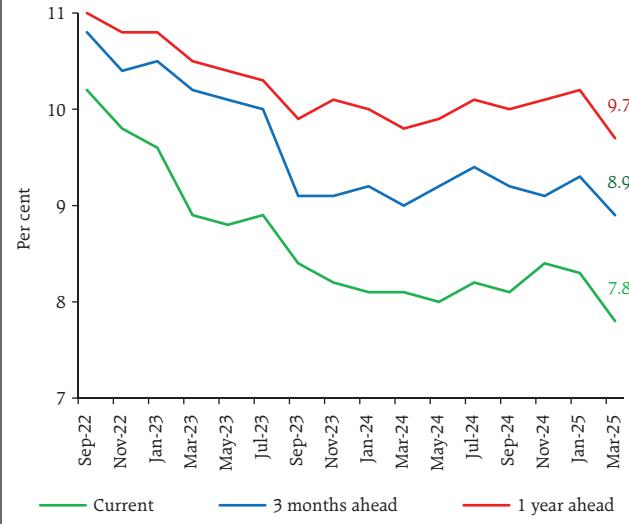
Notes: 1. ^ : For the period April 1-15, 2025.

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.

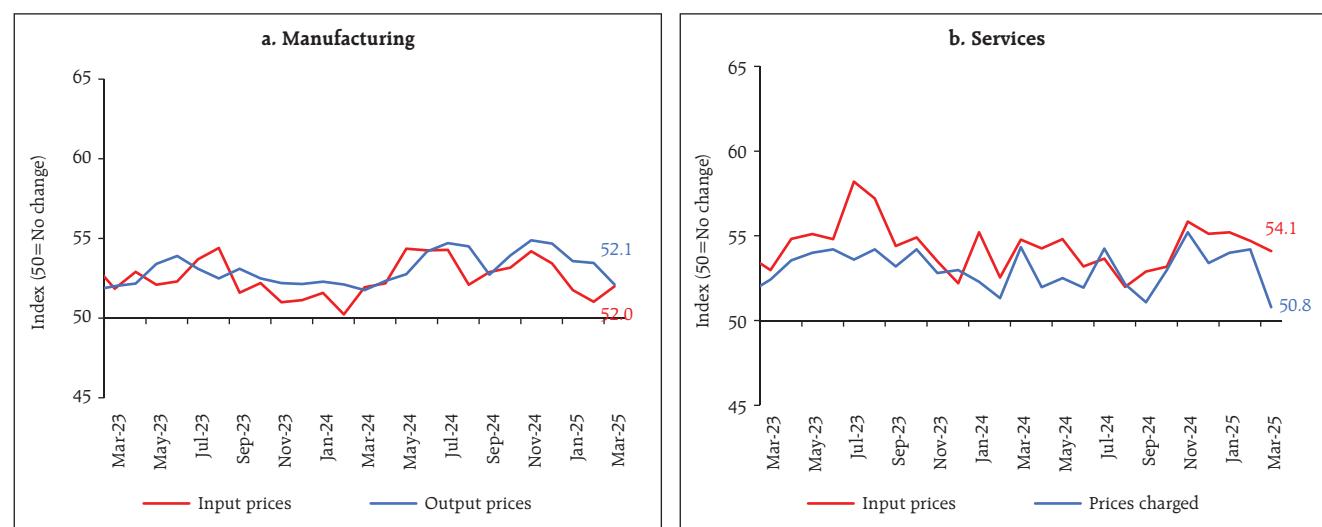
moderated across manufacturing and services firms in March (Chart III.32).

Households' perception of the current inflation declined by 50 bps to 7.8 per cent. Their inflation expectations also eased, with a reduction of 40 bps and 50 bps for the next three months and one year, respectively (Chart III.33).

Chart III.33: Households' Median Inflation Expectations

IV. Financial Conditions

The seasonal increase in currency in circulation and RBI's forex operations were the major drivers of liquidity tightness during Q4:2024-25. Responding to the liquidity needs of the banking system, the Reserve Bank has taken a slew of measures to inject durable liquidity, apart from conducting daily variable

Chart III.32: PMI: Input and Output Prices

Note: A level of 50 corresponds to no change in activity and a reading above 50 denotes expansion and vice versa.

Source: S&P.

rate repo (VRR) auctions since mid-January 2025. Consequently, liquidity deficit in the banking system moderated during February-March 2025, with average daily net injection under the Liquidity Adjustment Facility (LAF) declining to ₹1.1 lakh crore in March 2025 as compared to ₹2.0 lakh crore in January 2025.

Since January 2025, the Reserve Bank has injected around ₹7.9 lakh crore of durable liquidity through a combination of open market operation (OMO) purchases, longer-duration VRR auctions and forex swaps, so far (Table IV.1). System liquidity turned into surplus since March 29, 2025, after a gap of over three months on account of RBI's liquidity augmenting measures along with the usual drawdown of government cash balances in the

month-end. Furthermore, the aggregate limit available to Standalone Primary Dealers (SPDs) under the Standing Liquidity Facility (SLF) were increased from ₹10,000 crore to ₹15,000 crore beginning April 2, 2025, and a calendar of open market purchase operations were announced for April 2025. Effective March 26, 2025, SPDs were also allowed to participate in all repo operations, irrespective of the tenor.

The Reserve Bank has been conducting daily VRR auctions since January 16, 2025 and standalone primary dealers (SPDs) were allowed to participate in these auctions. An aggregate amount of ₹10.2 lakh crore was injected into the banking system through nineteen fine-tuning VRR operations of 1 to 5 days maturity during March 16 to April 17, 2025.

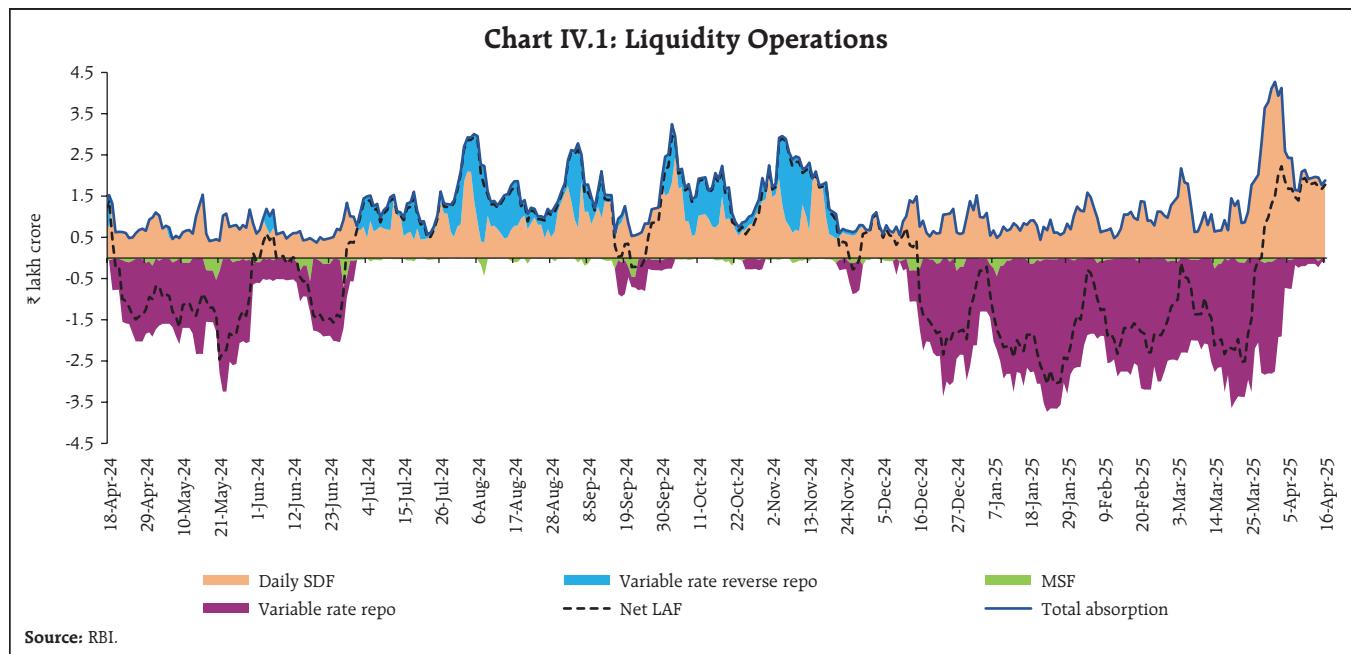
Table IV.1: Durable Liquidity Measures since January 2025

(Amount in ₹ crore)

Measures	Auction Date	Description	Bid Cover Ratio	Liquidity injected
OMO Purchase	January to March, 2025	Through NDS-OM		38,825
OMO Purchase auctions	January 30, 2025	Notified Amount: 20,000	6.03	20,020
	February 13, 2025	Notified Amount: 40,000	4.53	40,000
	February 20, 2025	Notified Amount: 40,000	4.69	40,000
	March 12, 2025	Notified Amount: 50,000	2.51	50,000
	March 18, 2025	Notified Amount: 50,000	2.02	50,000
	March 25, 2025	Notified Amount: 50,000	1.35	44,541
	April 3, 2025	Notified Amount: 20,000	4.04	20,000
	April 8, 2025	Notified Amount: 20,000	3.51	20,000
	April 17, 2025	Notified Amount: 40,000	2.03	40,000
Term Repo Auctions	February 07, 2025	56-day VRR auction Notified Amount: 50,000	2.17	50,010
	February 14, 2025	49-day VRR auction Notified Amount: 75,000	1.33	75,003
	February 21, 2025	45-day VRR auction Notified Amount: 75,000	0.77	57,951
	April 17, 2025	43-day VRR auction Notified Amount: 1,50,000	0.17	25,731
USD/INR Buy/Sell swap auctions	January 31, 2025 (Settlement on Feb 4, 2025)	Tenor: 6 months Notified Amount: USD 5 billion	5.12	44,000*
	February 28, 2025 (Settlement on Mar 4, 2025)	Tenor: 3 years Notified Amount: USD 10 billion	1.62	88,000*
	March 24, 2025 (Settlement on Mar 26, 2025)	Tenor: 3 years Notified Amount: USD 10 billion	2.23	86,000*
Total				7,90,081*

Note: *: indicates approximate value.

Sources: RBI; and Monetary Policy Report, April 2025.



The average daily net absorption under the liquidity adjustment facility (LAF) stood at ₹0.31 lakh crore during March 16 to April 17, 2025 as compared to average daily net injection of ₹1.46 lakh crore during February 16 to March 15, 2025 (Chart IV.1). Banks' placement of funds under the standing deposit facility (SDF) averaged ₹2.13 lakh crore during this period, higher than ₹1.12 lakh crore in the previous month. The co-existence of deficit liquidity conditions and substantial fund placements under the SDF during mid-December 2024 to end-March 2025 suggests the asymmetric distribution of liquidity within the banking system. Meanwhile, daily average borrowings under the marginal standing facility (MSF) declined marginally to ₹0.04 lakh crore during this period.

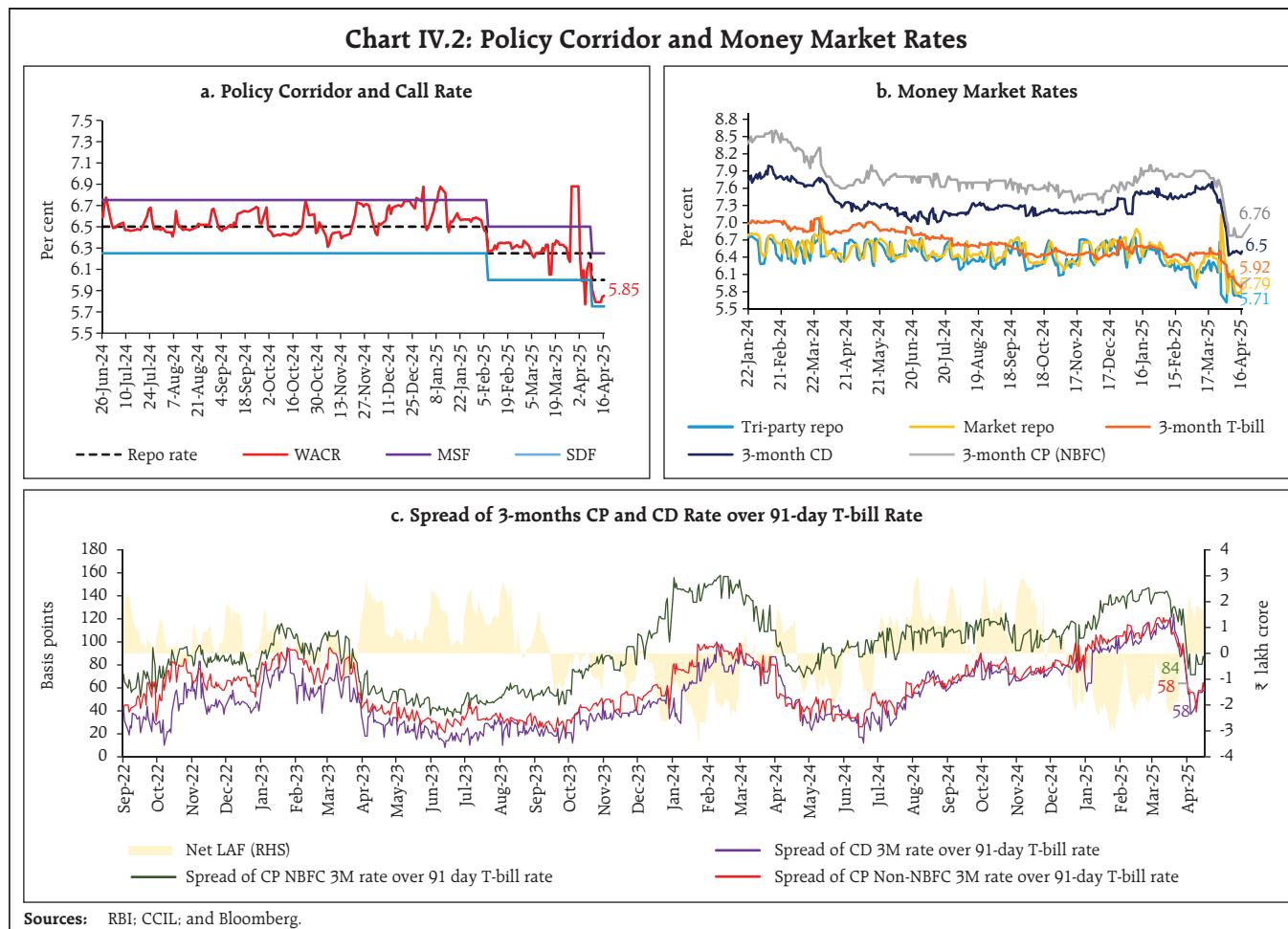
The weighted average call rate (WACR) – the operating target of monetary policy – broadly remained within the policy corridor, barring the year-end spike. The spread of the WACR over the policy repo rate averaged (-)1 basis point (bp) during March 16 and April 16, 2025, compared to 5 bps during

February 16 to March 15, 2025 (Chart IV.2a). Rates in the collateralised segment also moderated due to improving liquidity conditions.

Across the term money market segment, the rates on 3-month certificates of deposit (CDs), 3-month commercial papers (CPs) issued by non-banking financial companies (NBFCs) and 91-day T-bills moderated since the latter part of March after remaining elevated since mid-December 2024 (Chart IV.2b). The average risk premia in the money market (3-month CP [NBFC] minus 91-day T-bill) moderated to 104 bps during the current period from 142 bps during March 16 to April 16, 2025 (Chart IV.2c).

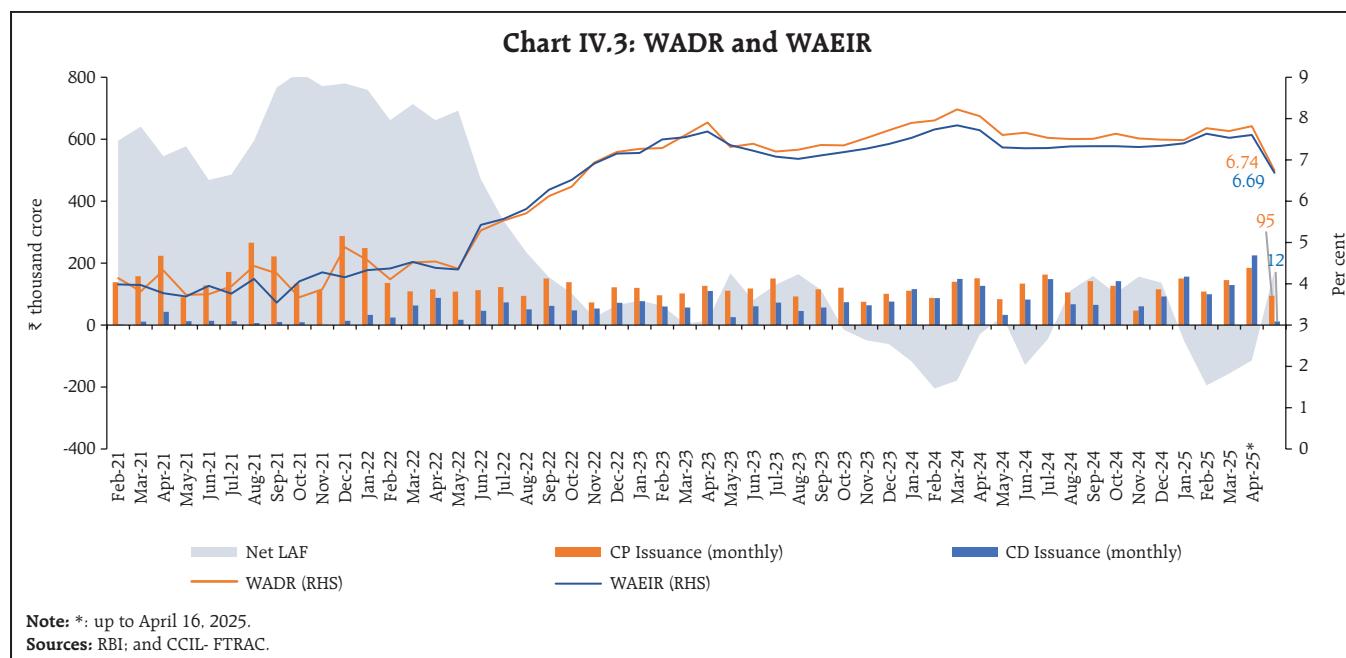
During March 16 to April 16, 2025, the weighted average discount rate (WADR) of CPs and the weighted average effective interest rate (WAEIR) of CDs remained lower by 59 bps and 6 bps, respectively, than the levels recorded a year ago (Chart IV.3).

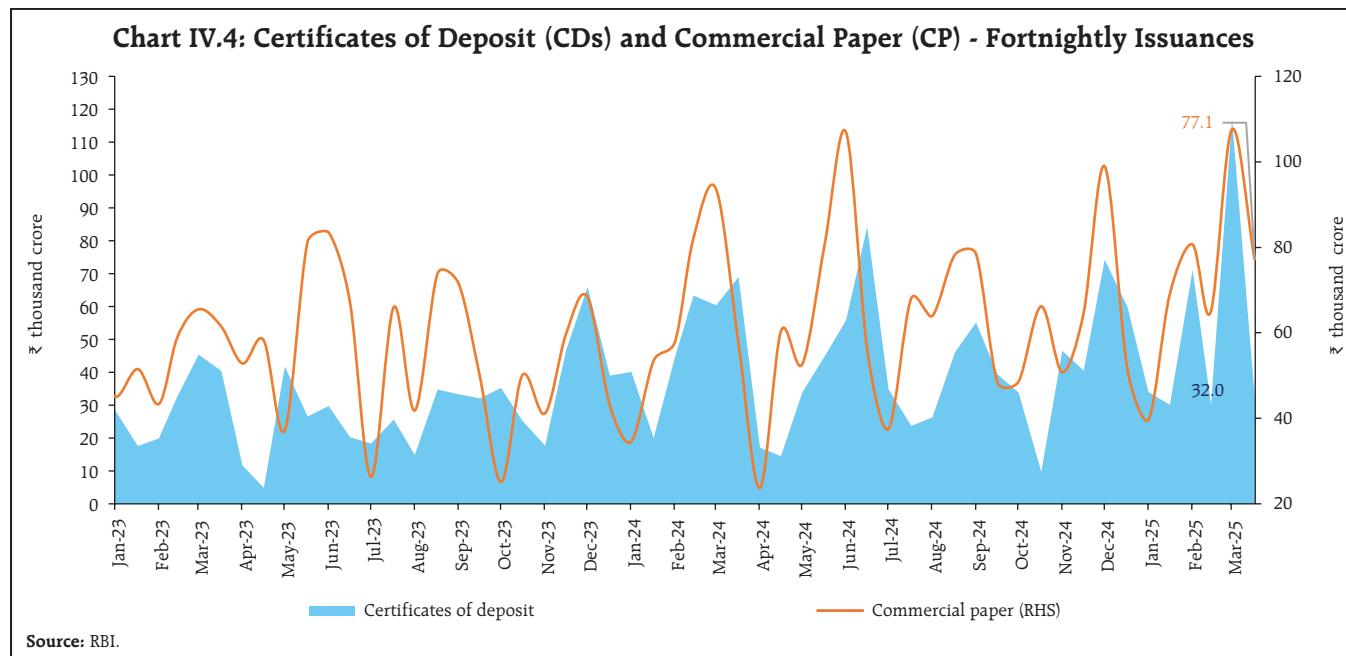
In the primary market, issuances of CDs reached an all-time high of ₹11.75 lakh crore during 2024-25 (up to March 21, 2025) [Chart IV.4]. Banks' reliance on CDs to meet their funding requirements in March is also a seasonal phenomenon. Similarly, CP issuances



at ₹15.74 lakh crore were higher by 14.5 per cent during 2024–25 (up to March 31, 2025).

The yield on the 10-year G-sec benchmark softened to 6.39 per cent on April 16, 2025, as

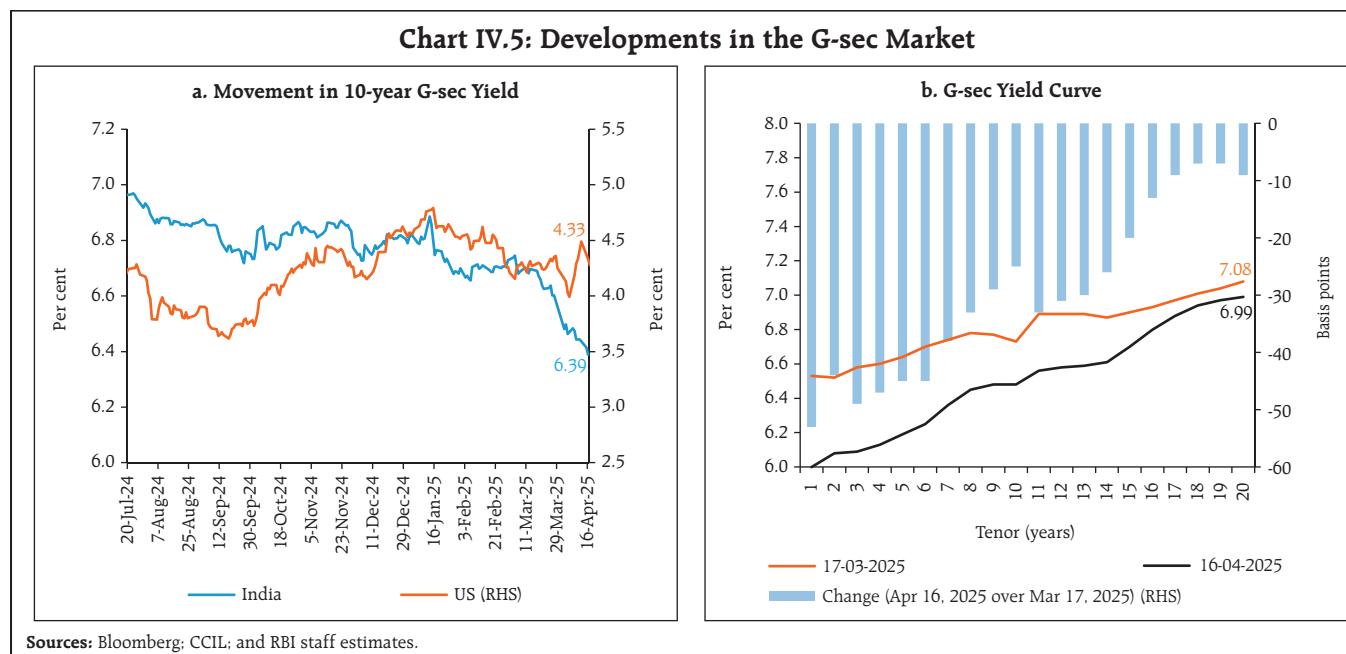


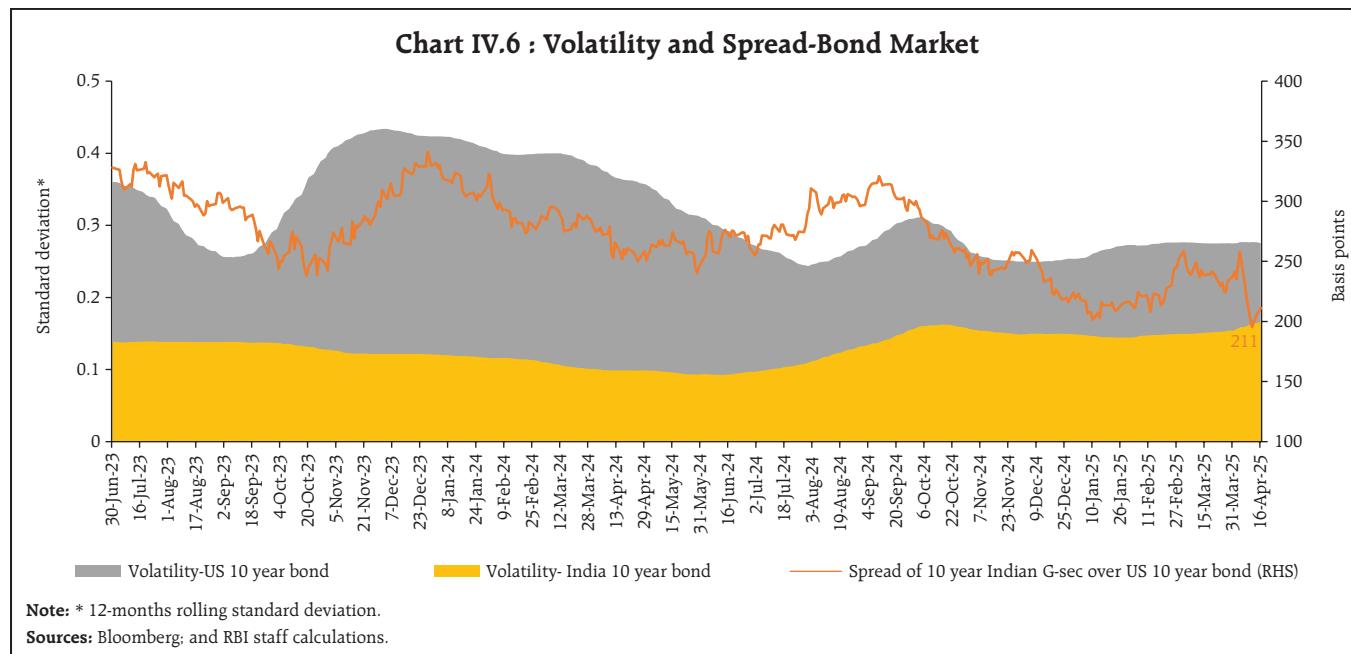


compared to 6.70 per cent on March 17, 2025 (Chart IV.5a). The moderation was on account of lower than expected inflation, open market operations by the Reserve Bank, and softening of global bond yields. The domestic yield curve softened across the term structure (Chart IV.5b). Between March 16 and April 16, 2025, the average term spread (10-year G-sec yield minus 91-day T-bills yield) marginally hardened to 29 bps as compared to 27 bps during the previous period.

The spread of the 10-year Indian G-sec yield over the 10-year US bond yield moderated in March, driven by a fall in Indian yields. The spread has fallen in April so far (up to April 16, 2025), mainly due to spike in US bond yields. The volatility of yields in India remained low relative to the US treasuries (Chart IV.6).

Corporate bond issuances at ₹8.77 lakh crore were 16.3 per cent higher during 2024-25 (up to





February) as compared to last year. Corporate bond yields moderated across rating spectrum and tenors, while the corresponding risk premia exhibited mixed trends during the second half of March till April 15, 2025 (Table IV.2).

Reserve money (RM), adjusted for the first-round impact of change in the cash reserve ratio (CRR), recorded a growth of 6.5 per cent (y-o-y) as on April 11, 2025 (6.3 per cent a year ago) [Chart IV.7]. Growth in currency in circulation (CiC), the largest component

of RM, stood at 5.9 per cent (y-o-y) as compared with 3.8 per cent a year ago.

On the sources side (assets) of RM which include both RBI's net foreign assets (NFA) and net domestic assets (NDA), while foreign currency assets grew marginally by 4.9 per cent (y-o-y) as on April 11, 2025, gold increased by 47.9 per cent mainly due to revaluation gains on account of higher gold prices (Chart IV.8). This led to a steady rise in its share in NFA from 8.3 per cent as at end-March 2024 to 12.1 per cent as on April 11, 2025.

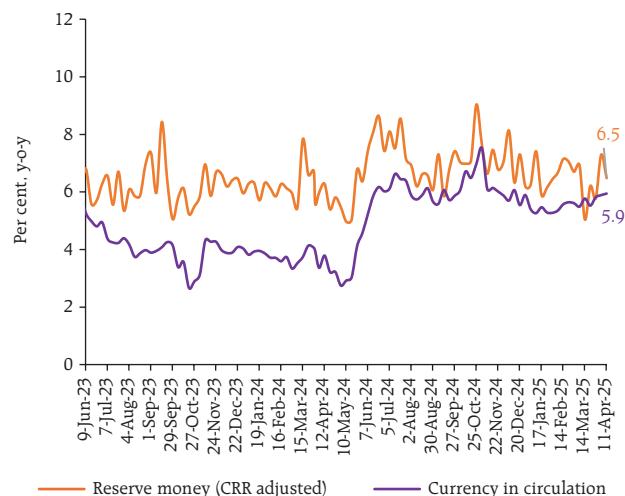
Table IV.2: Financial Markets - Rates and Spread

Instrument	Interest Rates (per cent)			Spread (basis points)		
		(Over Corresponding Risk-free Rate)				
Feb 16, 2025 – Mar 13, 2025	Mar 16, 2025 – Apr 15, 2025	Variation	Feb 16, 2025 – Mar 13, 2025	Mar 16, 2025 – Apr 15, 2025	Variation	
1	2	3	(4 = 3-2)	5	6	(7 = 6-5)
Corporate Bonds						
(i) AAA (1-year)	7.85	7.43	-42	121	99	-22
(ii) AAA (3-year)	7.65	7.44	-21	96	94	-2
(iii) AAA (5-year)	7.60	7.42	-18	84	86	2
(iv) AA (3-year)	8.43	8.27	-16	174	177	3
(v) BBB- (3-year)	12.08	11.93	-15	539	543	4

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

Sources: FIMMDA; and Bloomberg.

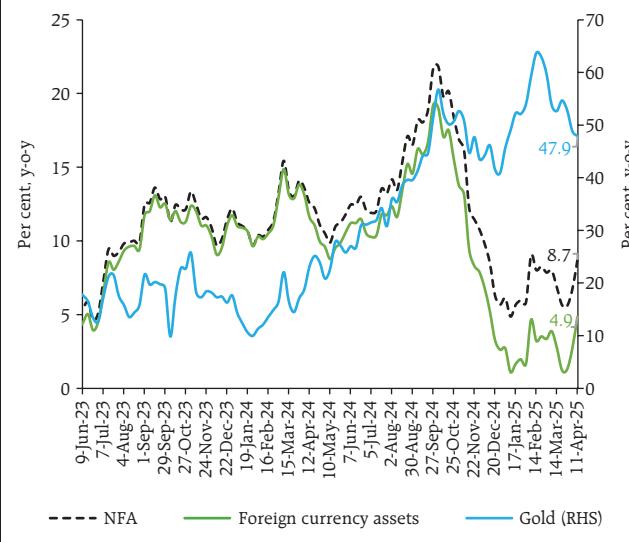
Chart IV.7: Reserve Money and Currency in Circulation



Note: Latest data for reserve money pertain to April 11, 2025.

Source: RBI.

Chart IV.8: RBI's Net Foreign Exchange Assets (NFA) - Growth



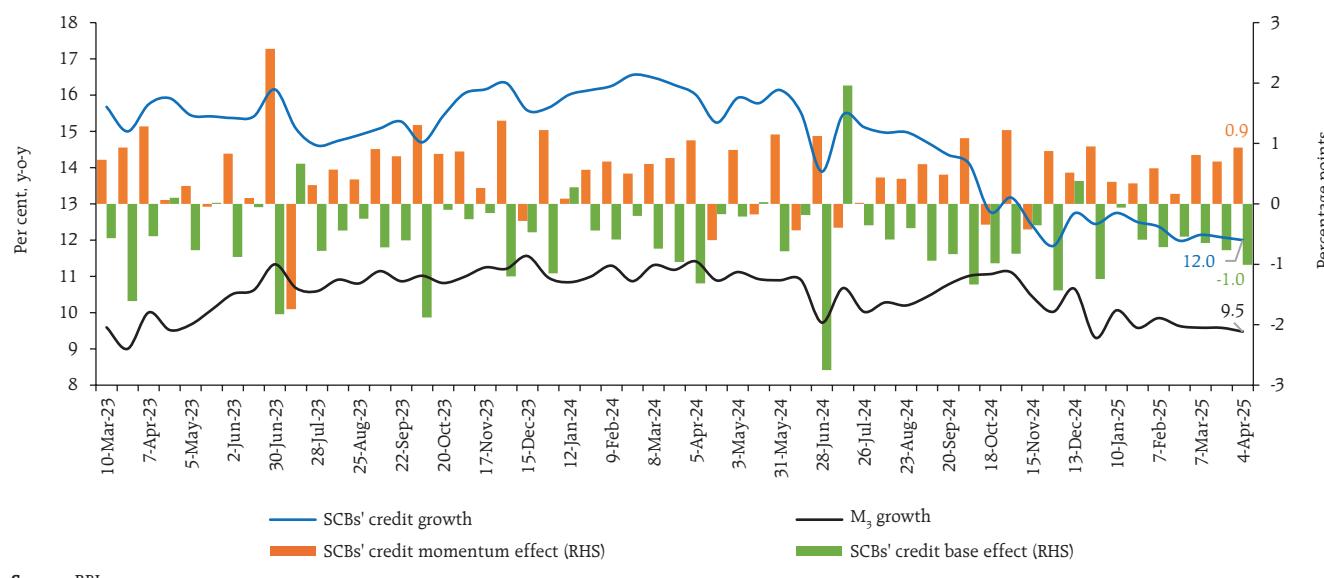
Source: RBI.

Money supply (M_3) rose by 9.5 per cent (y-o-y) as on April 4, 2025 (11.4 per cent a year ago).¹⁵ Aggregate deposits with banks, accounting for around 86.5 per cent of M_3 , increased by 9.9 per cent (12.7 per cent a year ago). Scheduled commercial banks' (SCBs') credit growth moderated to 12.0 per cent as on April 4, 2025

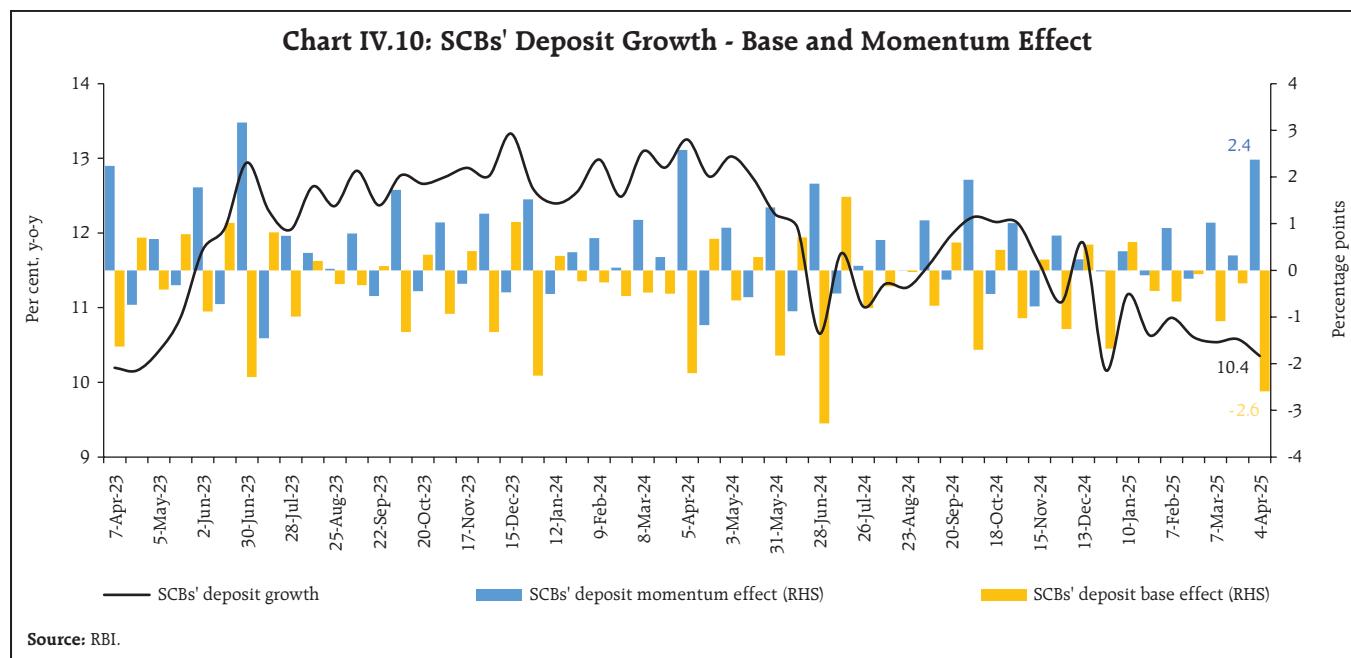
(16.0 per cent a year ago) on account of unfavourable base effect, which offset the positive momentum (Chart IV.9).

As on April 4, 2025, SCBs' deposit growth (excluding the impact of the merger) decelerated to 10.4 per cent from 13.3 per cent a year ago (Chart IV.10).

Chart IV.9: M_3 Growth and Credit Growth of SCBs – Base and Momentum Effect



¹⁵ Excluding the impact of the merger of a non-bank with a bank (with effect from July 1, 2023).



SCBs' incremental credit-deposit ratio increased to 89.1 per cent as on April 4, 2025 from a low of 80.7 per cent as on October 18, 2024.

In response to the 50-bps cut in the policy repo rate since February 2025, banks have reduced their repo-linked EBLRs by a similar magnitude. The marginal cost of funds-based lending rate (MCLR)

that have a longer reset period and are referenced to the cost of fund, may get adjusted with some lag. The weighted average lending rates (WALR) on outstanding rupee loans of scheduled commercial banks (SCBs) declined by 7 bps; however, it has increased for fresh rupee loans by 8 bps in February (Table IV.3). In case of deposits, the weighted average domestic term deposit rate (WADTDR) on

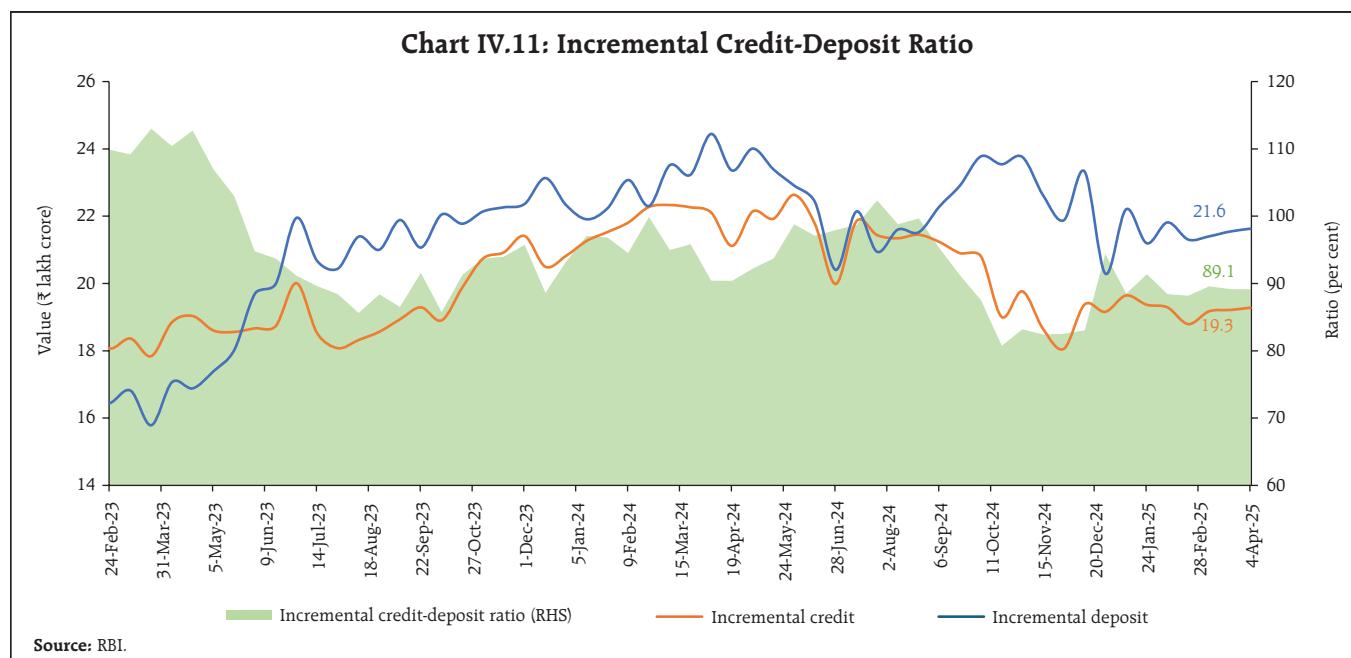


Table IV.3: Transmission to Banks' Deposit and Lending Rates

(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
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Easing Phase Feb 2025 to Mar* 2025	-25	-8	0	-25	0	8	-7
Tightening Period May 2022 to Jan 2025	+250	253	199	250	178	181	115
Easing Phase Feb 2019 to Mar 2022	-250	-259	-188	-250	-155	-232	-150

Notes: Data on EBLR pertain to 32 domestic banks.

*: Data on WADTDR and WALR pertain to February 2025.

WALR: Weighted Average Lending Rate; **WADTDR:** Weighted Average Domestic Term Deposit Rate;

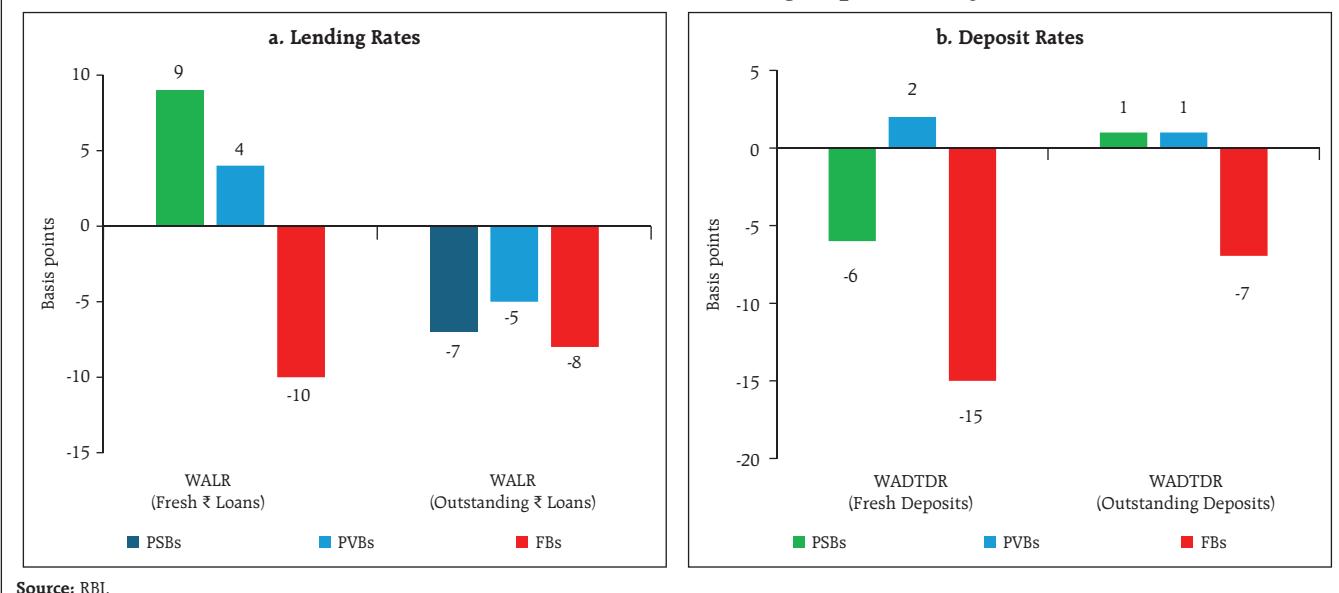
MCLR: Marginal Cost of Funds-based Lending Rate; **EBLR:** External Benchmark-based Lending Rate.

Source: RBI.

fresh deposits moderated by 8 bps during the same period.

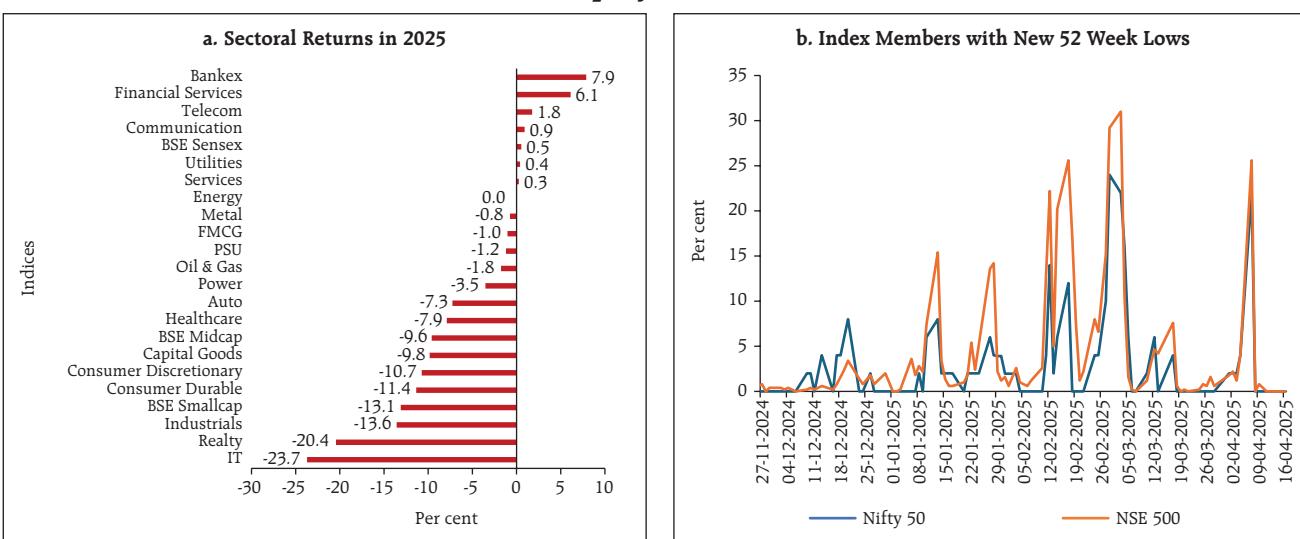
The increase in WALR was higher in public sector banks (PSBs) as compared to private banks; however, in case of outstanding loans the transmission was higher in PSBs during February 2025 (Chart IV.12). In case of WADTDRs, both PSBs and foreign banks have reduced their fresh deposit rates.

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 it unchanged for Q1:2025-26.¹⁶ As a result, the rates on most of the instruments are now above the formula-based rates in the range 16-66 bps.¹⁷ In a rate easing cycle when deposit rates are expected to come down, higher small

Chart IV.12: Transmission across Bank-group (February 2025)

¹⁶ <https://dea.gov.in/sites/default/files/Revision%20of%20RoI.pdf>

¹⁷ RBI Monetary Policy Report- April 2025, Chapter IV.

Chart IV.13 : Equity Market Performance

Note: Data up to April 17, 2025.

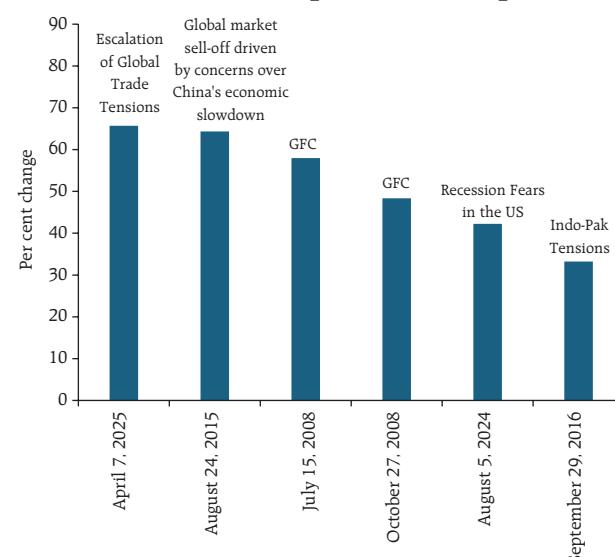
Source: Bloomberg.

savings rates can be a potential source of concern for bank deposit growth.

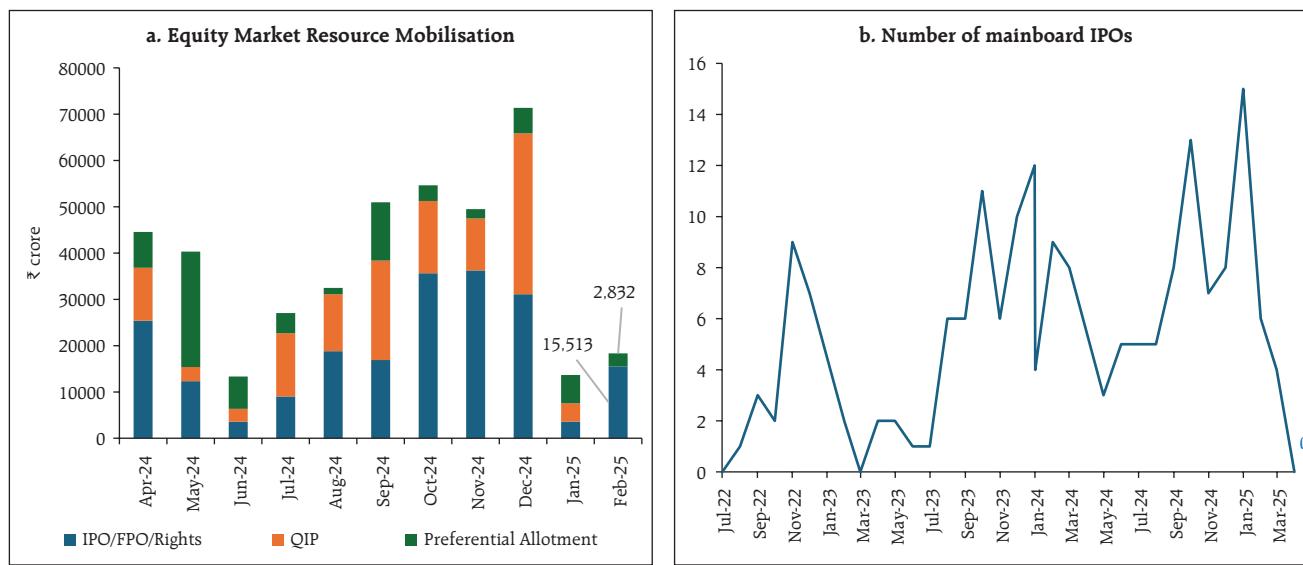
Indian equity markets recorded gains in the second half of March, aided by foreign portfolio investor (FPI) inflows, resilient economic activity and moderation in inflation. Equity markets, however, witnessed a sharp decline in early April, tracking losses in global markets emanating from the imposition of reciprocal tariffs by the United States. The sharp sell-off on April 7, effectively eroded the gains recorded in the latter half of March, as 22 per cent of the Nifty 50 constituents and 26 per cent of the NSE 500 stocks registered fresh 52-week lows on the day (Chart IV.13). This was also associated with heightened volatility as the India VIX recorded its highest single-day percentage surge on April 07, 2025 (since November 2007) [Chart IV.14]. Domestic equity markets subsequently rebounded, tracking global market gains after the US announced a pause in reciprocal tariffs. Financial sector stocks led the recovery, supported by a decline in domestic CPI inflation in March 2025.

Uncertainty in both domestic and global equity markets has continued to weigh on resource mobilisation through equity issuances (Chart IV.15a). There was no issuance of mainboard IPOs in March 2025 — the first such instance since February 2023 (Chart IV.15b).

An analysis of sectoral equity market indices compiled by the Centre for Monitoring Indian

Chart IV.14: India VIX: Episodes of Sharp Volatility

Sources: Bloomberg; and RBI staff calculations.

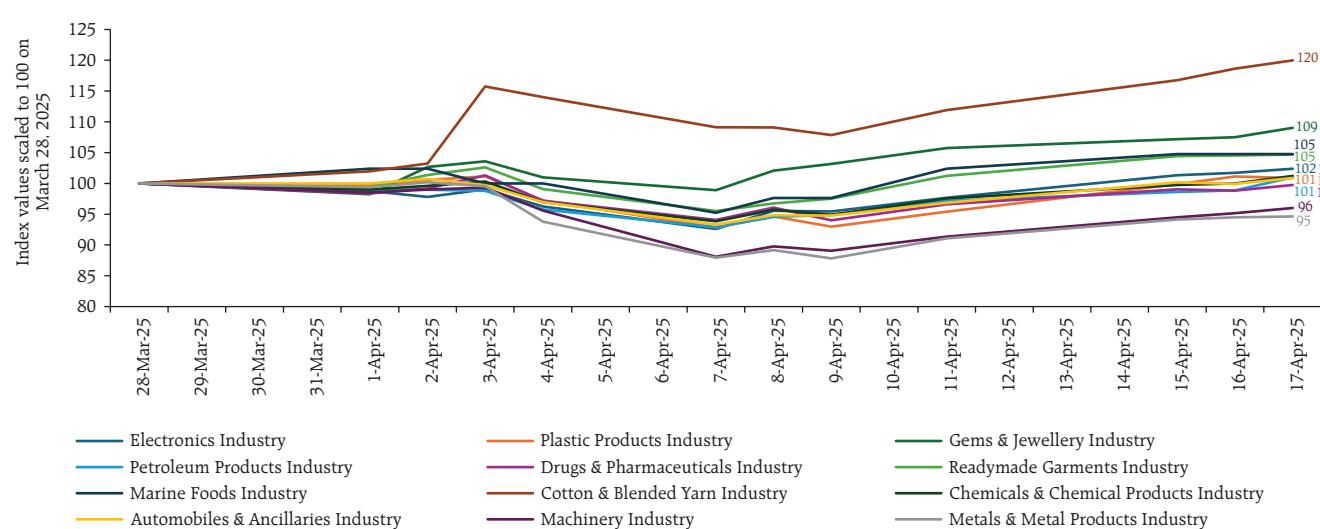
Chart IV.15: Primary Market Activity

Source: SEBI.

Economy (CMIE) indicates that sectors with a substantial export exposure to the US have remained highly volatile so far in April 2025 (Chart IV.16).

Indian equities have historically traded at a premium compared to other EMEs. An analysis of market valuation, measured by the premium/discount relative to the 10-year average of forward

price-to-earnings (PE) ratios across various indices, shows that forward PE ratios surged well above their 10-year averages in the early months of H2:2024-25. Following the correction in Indian equity markets since then, these ratios have now approached their long-term average, signalling a moderation in market valuations to more sustainable levels (Chart IV.17).

Chart IV.16: Performance of CMIE Sectoral Indices

Note: Data up to April 17, 2025.

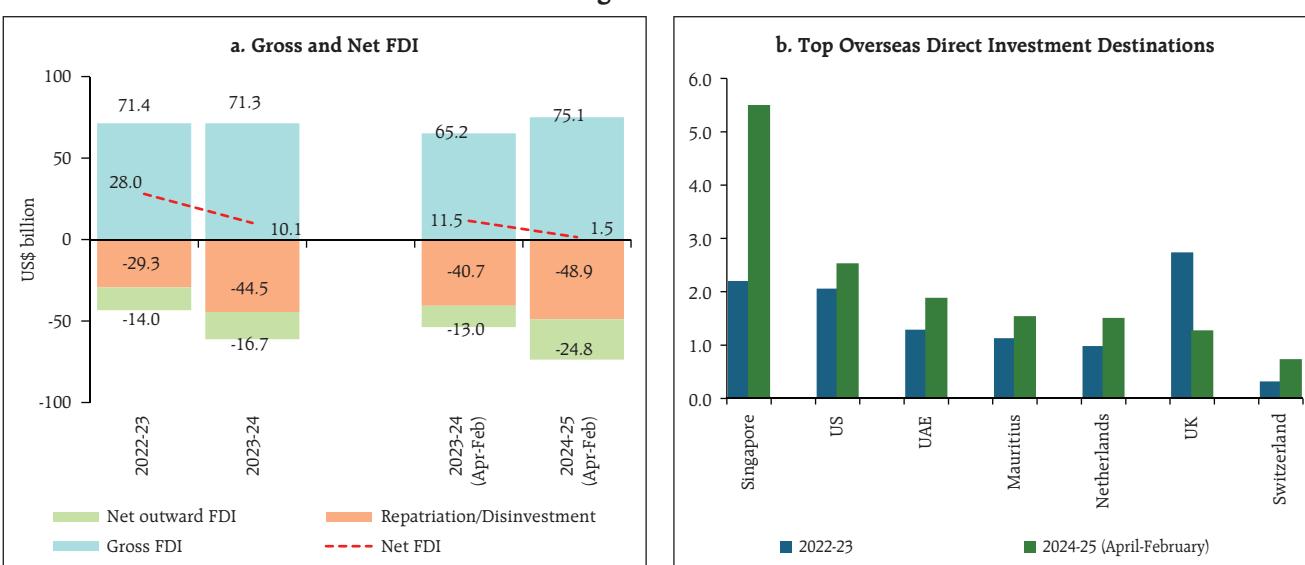
Sources: CMIE; and RBI staff calculations.

Chart IV.17: 12-Month Forward PE Multiple Premium/Discount over 10-year Average

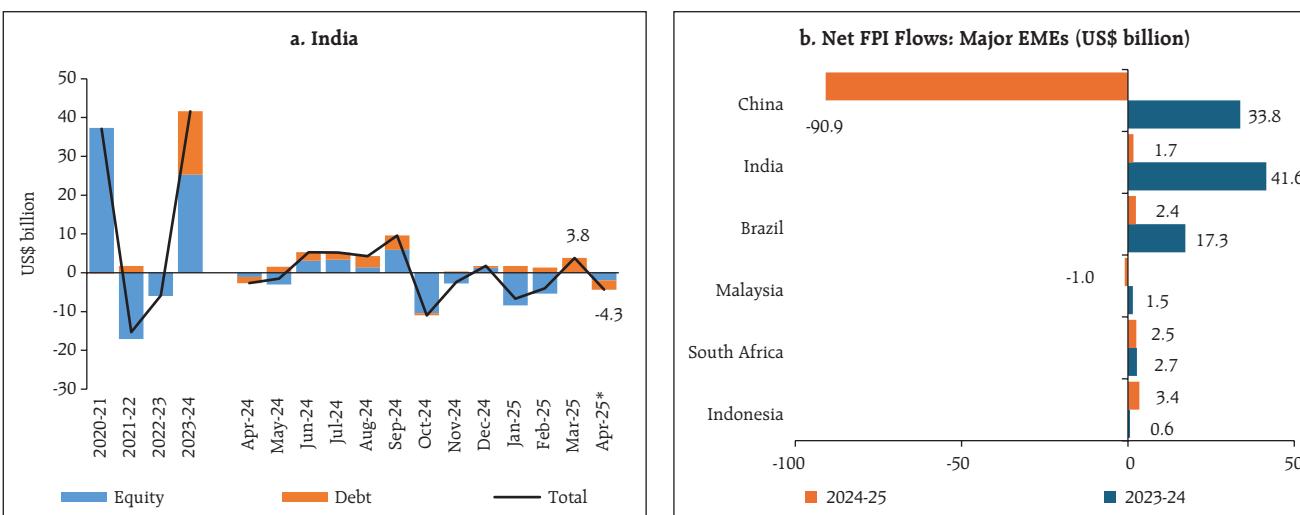
Sources: Bloomberg; and RBI staff calculations.

Gross inward foreign direct investment (FDI) grew by 15.2 per cent (y-o-y) to US\$ 75.1 billion during 2024-25 (April - February) [Chart IV.18a]. Singapore was the largest source of equity inflows with a share of 29.8 per cent, followed by Mauritius and the US. Manufacturing sector accounted for the highest share (24.1 per cent) of FDI inflows, followed by financial services and electricity. Net FDI declined

to US\$ 1.5 billion during this period owing to higher repatriation and outward FDI from India. Globally, the US remains the most favoured destination for inward FDI and is the second largest destination for overseas direct investment (ODI) from India in recent years (Chart IV.18b). Moreover, multinationals have been redirecting their investment plans to the US, influenced by recent policy announcements.

Chart IV.18: Foreign Direct Investment Flows

Sources: RBI; and Department of Economic Affairs, Ministry of Finance.

Chart IV.19: Net Portfolio Investments

Notes: 1. Debt also includes investments under the hybrid instruments.

2. *: Data up to April 16, 2025.

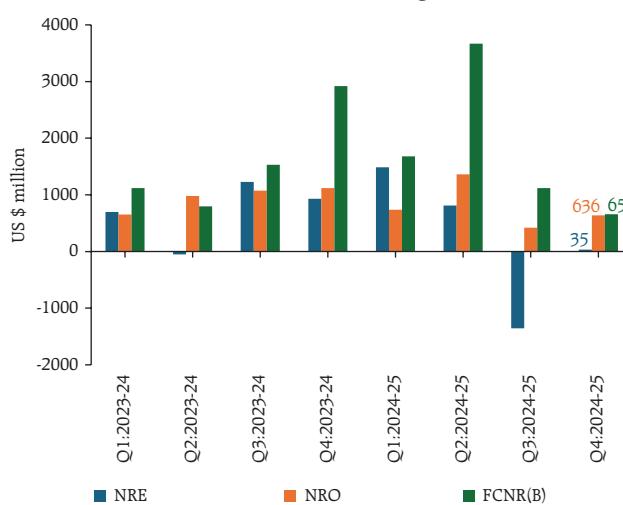
Sources: National Securities Depository Limited (NSDL); and Institute of International Finance.

FPI flows witnessed a turnaround in March 2025 by recording inflows worth US\$ 3.8 billion, driven mostly by the debt segment (US\$ 3.6 billion) [Chart IV.19a]. Equity segment witnessed modest inflows of US\$ 0.2 billion in March, reversing the trend of outflows seen over the previous two months. Debt FPI amounting to US\$ 9.4 billion has flowed into government securities through the Fully Accessible Route (FAR) in 2024-25.¹⁸ Despite outflows in the equity segment during H2:2024-25 on rising risk-off sentiments amidst ongoing global trade uncertainties, net FPI flows remained positive at US\$ 1.7 billion during 2024-25 but significantly lower than in the previous year (Chart IV.19b).

The flow of non-resident deposits (NRD) witnessed an improvement in Q4:2024-25 compared to the previous quarter for SCBs (excluding Regional Rural Banks) [Chart IV.20]. For 2024-25, net inflows of NRDs remained positive across all sub-components, viz., Foreign Currency Non-Resident (Banks) (FCNR(B)), Non-Resident (External) Rupee

Accounts (NR(E)RA) and Non-Resident Ordinary (NRO) accounts.

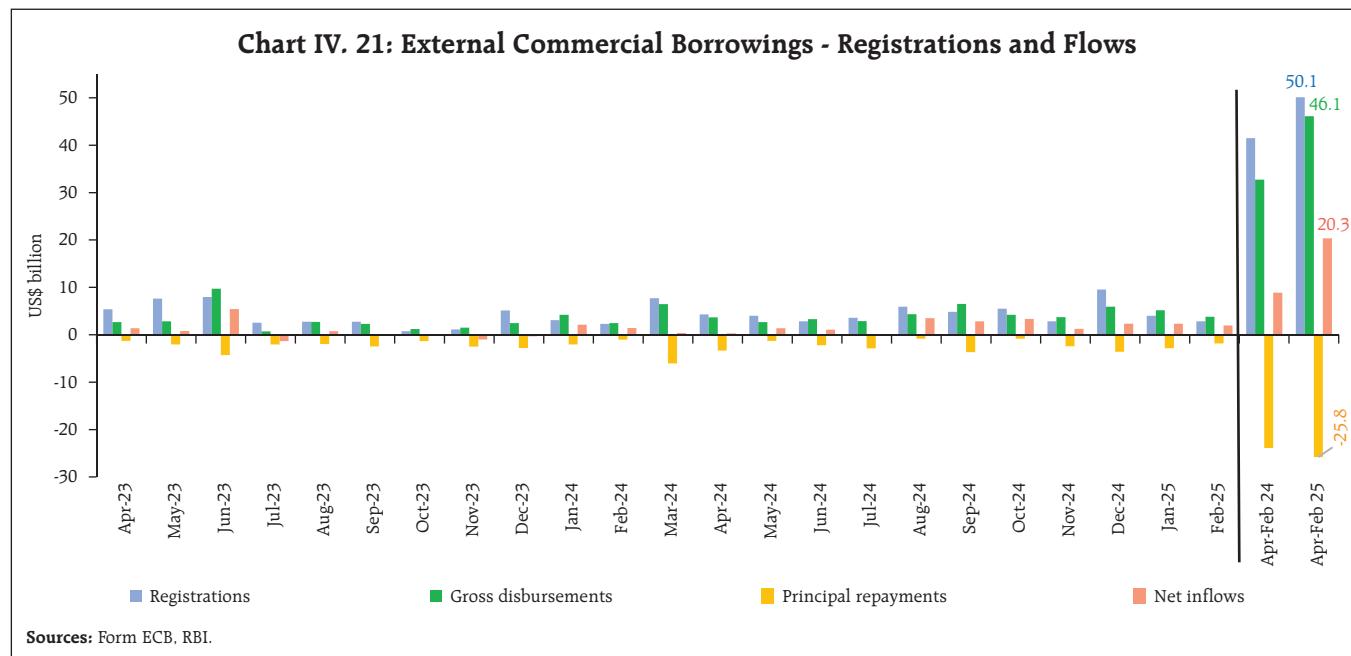
On a cumulative basis, external commercial borrowing (ECB) registrations (US\$ 50.1 billion) and disbursements (US\$ 46.1 billion) during April 2024 - February 2025 were higher than those recorded during the same period last year by US\$8.6 billion and US\$13.4 billion, respectively.

Chart IV.20: Quarterly Flows of Components of NRD of SCBs (excluding RRBs)

Note: Data for Q4:2024-25 are provisional.

Source: Form A return under Section 42(2) of RBI Act, 1934.

¹⁸ Source: <https://www.fpi.nsdl.co.in/web/Reports/Yearwise.aspx?RptType=5>

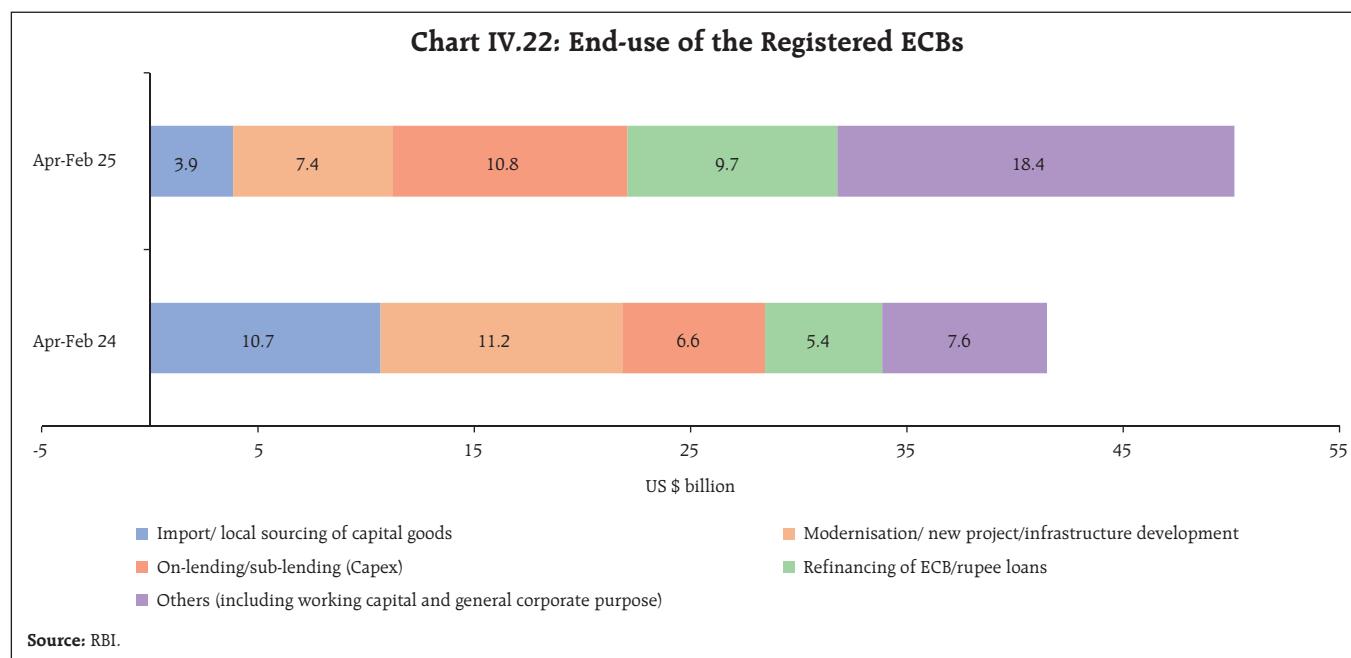


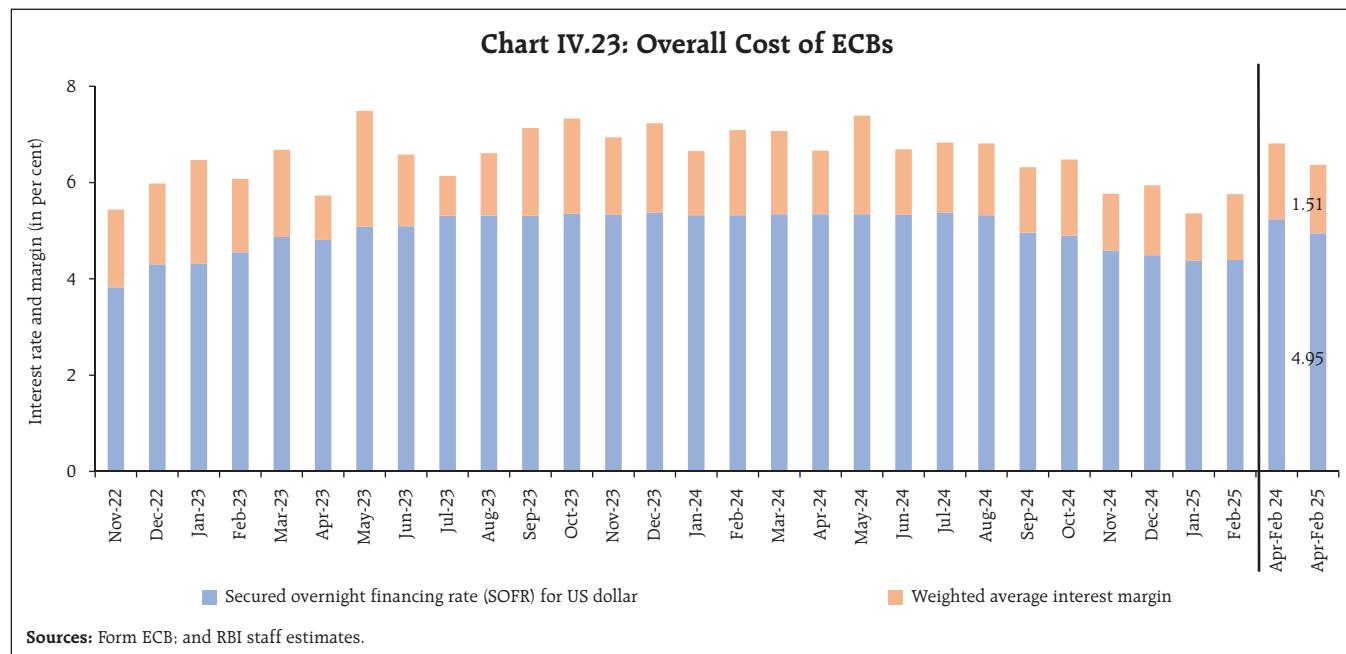
After adjusting for principal repayment of US\$ 25.8 billion, net ECB inflows (US\$ 20.3 billion) stood significantly higher during the current financial year — more than double the level recorded a year ago (Chart IV.21).

Nearly 44 per cent of total ECBs registered during April 2024–February 2025 were for capital expenditure, including on-lending/sub-lending (Chart IV.22).

The overall cost of registered ECBs declined by 35 bps during the year, driven by a reduction in both the global benchmark interest rates - the secured overnight financing rate (SOFR) and the weighted average interest margin (WAIM) [Chart IV.23].

The Indian rupee (INR) appreciated by 0.5 per cent (m-o-m) during March 2025, supported by FPI inflows and year-end dollar receipts from inter-





company borrowings; however, INR volatility rose driven by elevated global uncertainty (Chart IV.24).

The INR depreciated by 1.0 per cent (m-o-m) in terms of the 40-currency real effective exchange rate (REER) in March 2025 due to depreciation of the INR in nominal effective terms and widening of India's inflation differential with its major trading partners (Chart IV.25).

As on April 11, 2025, India held foreign exchange reserves worth US\$ 677.8 billion, sufficient for about 11 months of imports and 94 per cent of external debt outstanding at end-December 2024 (Chart IV.26a). At its current level, India holds the world's fourth largest foreign exchange reserves (Chart IV.26b).

India's current account deficit (CAD) moderated to US\$ 11.5 billion (1.1 per cent of GDP) in Q3:2024-25

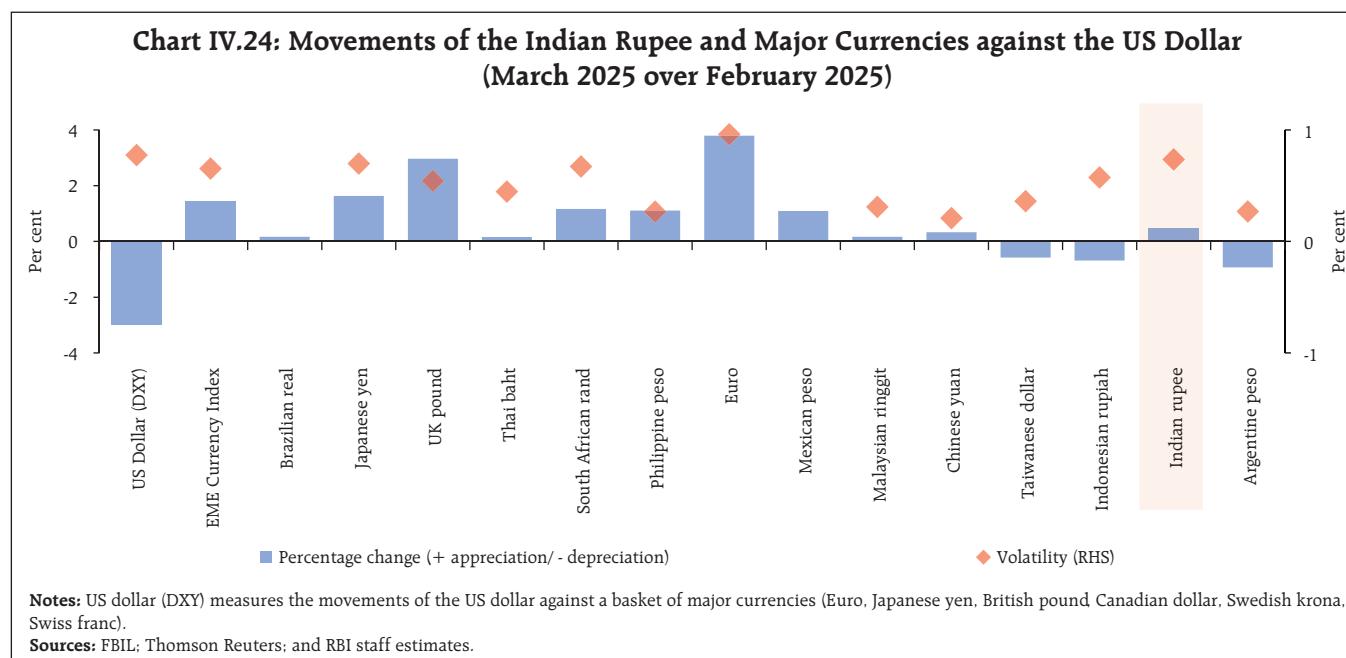
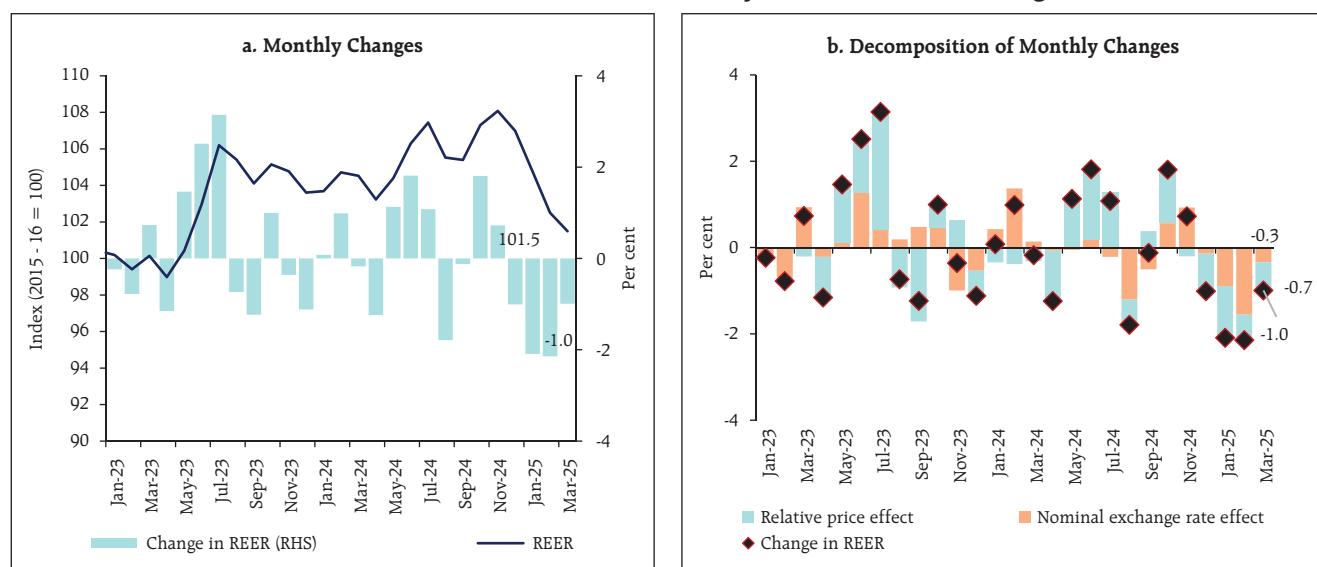


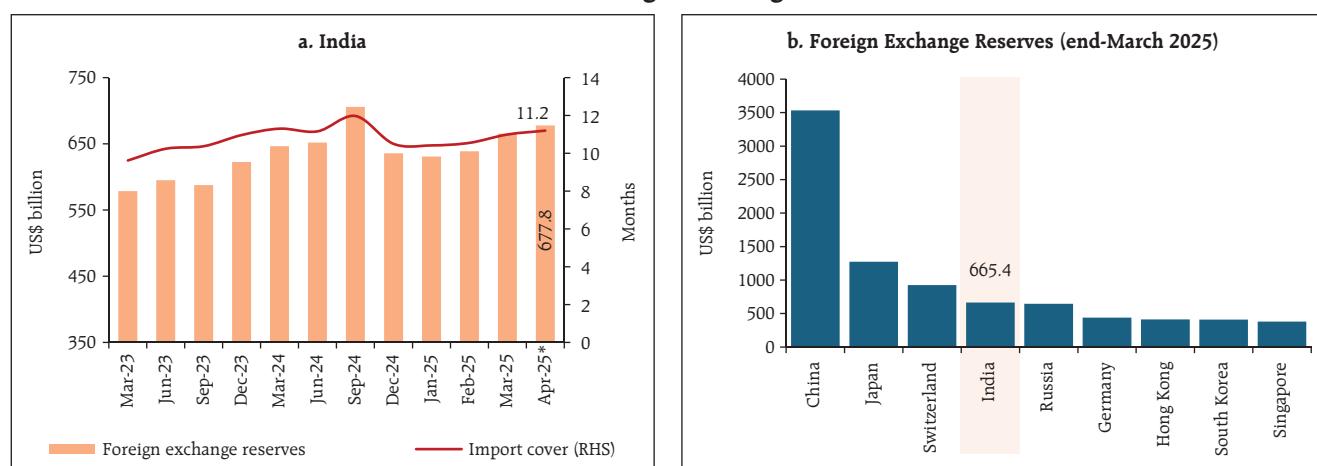
Chart IV.25: Movements in the 40-Currency Real Effective Exchange Rate

Source: RBI.

from US\$ 16.7 billion (1.8 per cent of GDP) in Q2:2024-25 but was higher than US\$ 10.4 billion (1.1 per cent of GDP) in Q3:2023-24. Robust growth in business, computer, transportation and travel, services exports alongside higher remittance receipts cushioned the effect of a widening merchandise trade deficit. Net capital outflows of US\$ 26.8 billion in Q3:2024-25

were driven mainly by outflows in FPI and FDI to India. CAD and net capital outflows led to a depletion of US\$ 37.7 billion in foreign exchange reserves (on a BoP basis) during Q3 (Chart IV.27).

India's external debt rose to US\$ 717.9 billion (19.1 per cent of GDP) at end-December 2024 from US\$ 668.8 billion (18.5 per cent of GDP) at end-

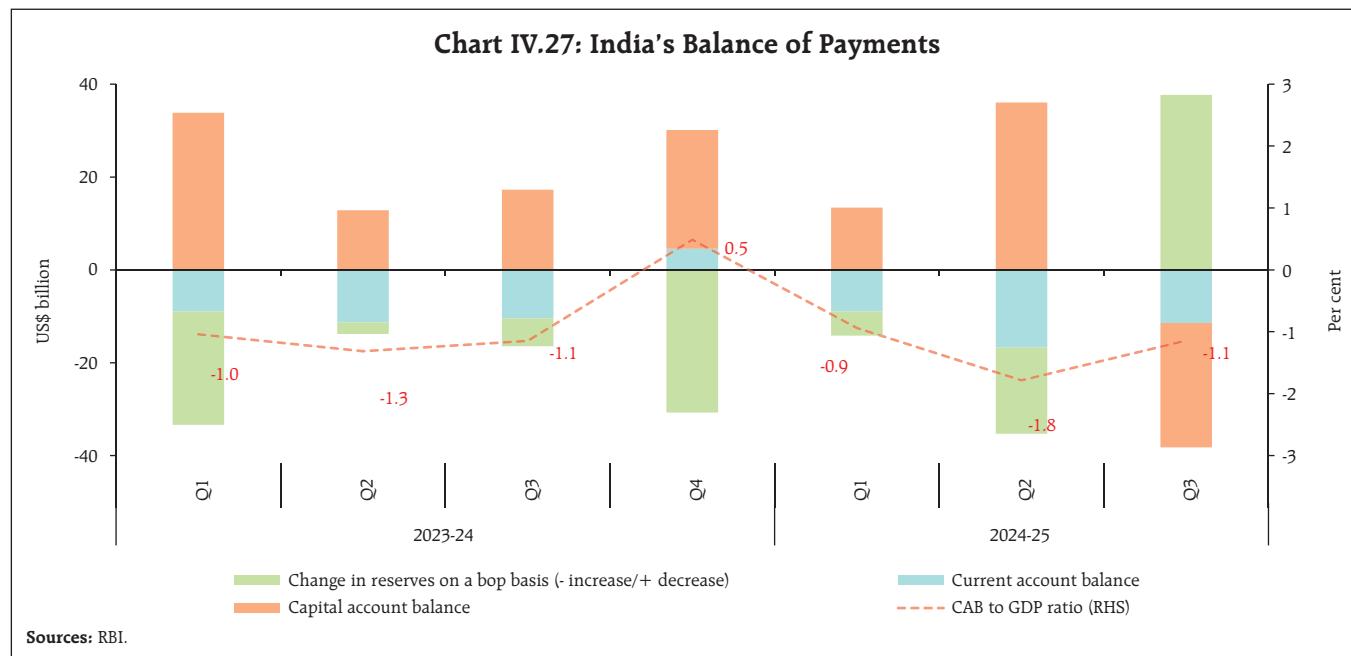
Chart IV.26: Foreign Exchange Reserves

Notes: 1. *: Data for April 11.

2. The import cover data for December 2024, January, February, and March 2025 is based on annualised merchandise imports for the quarter ending December 2024 as per the balance of payments statistics.

3. Data for Switzerland is for February 2025.

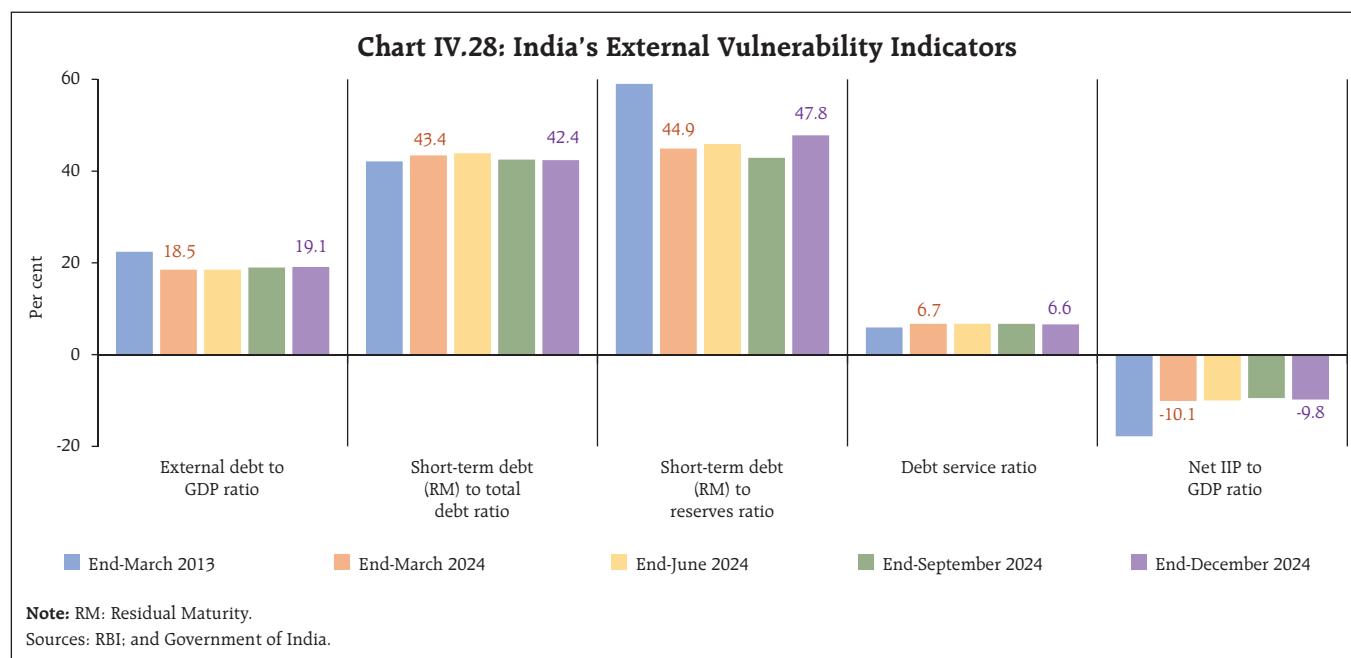
Sources: RBI; respective central bank websites; and RBI staff estimates.

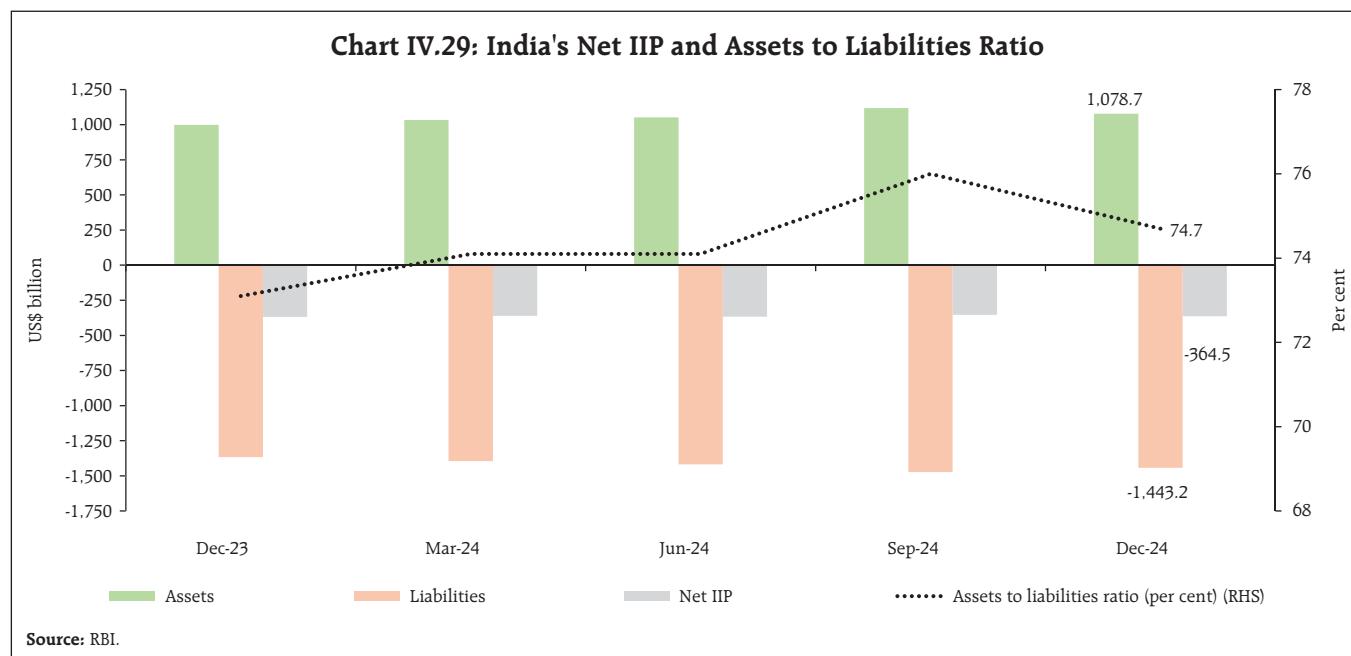


March 2024. Other external vulnerability indicators, however, witnessed an improvement during the same period, emphasising India's external sector resilience amidst a challenging global environment (Chart IV.28).

India's net international investment position (IIP) increased by US\$ 11 billion during Q3:2024-25

to US\$ 364.5 billion. While both the foreign assets of Indian residents and India's foreign liabilities declined during the quarter, the ratio of international assets to international liabilities improved to 74.7 per cent in December 2024 from 73.1 per cent a year ago (Chart IV.29).





Payment Systems

Digital transactions grew across different payment modes in March 2025, led by retail transactions through the Unified Payments Interface (UPI) and the Bharat Bill Payment System (BBPS) [Table IV.4]. Large-value transactions through the Real Time Gross Settlement (RTGS) posted a steady growth in volume and value. BBPS also continued to witness sustained growth in both volume and value,

with March 2025 marking a continued upward trend, indicating a steady shift in consumer bill payment through digital platforms.

UPI remains the cornerstone of India's digital payments landscape, recording the second highest growth among major payment systems with 18.3 billion transactions in March 2025. A significant share of UPI transactions is spent on shopping, encompassing both lifestyle-related and essential purchases¹⁹.

Table IV.4 : Growth in Select Payment Systems

(y-o-y in per cent)

Payment Modes	Transaction Volume				Transaction Value			
	Feb-24	Feb-25	Mar-24	Mar-25	Feb-24	Feb-25	Mar-24	Mar-25
RTGS	18.8	2.5	12.3	10.3	21.2	10.2	12.4	18.1
NEFT	47.3	11.0	45.2	13.5	25.1	2.0	15.2	12.3
UPI	60.6	33.1	55.3	36.2	47.9	20.2	40.8	25.2
IMPS	19.4	-24.3	16.8	-20.5	21.2	-0.9	16.2	5.2
NACH	13.1	6.8	22.8	12.3	15.6	20.0	15.8	18.4
NETC	12.1	18.7	10.6	11.9	19.2	18.3	17.2	14.5
BBPS	29.8	87.3	25.4	85.7	85.8	240.6	82.8	265.0

Notes: RTGS: Real Time Gross Settlement, NEFT: National Electronic Funds Transfer, UPI: Unified Payments Interface, IMPS: Immediate Payment Service, NACH: National Automated Clearing House, NETC: National Electronic Toll Collection, BBPS: Bharat Bill Payment System.

Source: RBI.

¹⁹ Perfios & PwC. (2025). *How India spends: A deep dive into consumer spending behaviour*. Perfios, February.

As part of its continued outreach to the payments and fintech sector, the Reserve Bank observed the 5th Digital Payments Awareness Week (DPAW) in March 2025.²⁰ Held under the theme 'India Pays Digitally' and aligned with the '*Har Payment Digital*' mission, the initiative aimed at enhancing public awareness. In its Statement on Developmental and Regulatory Policies of April 9, 2025, the Reserve Bank proposed that National Payments Corporation of India (NPCI) may revise UPI transaction limits for Person to Merchant (P2M) payments, based on evolving user needs. Certain P2M categories already allow higher limits of ₹2 lakh and ₹5 lakh. Banks will retain discretion to set internal limits within NPCI's framework. Meanwhile, the Regulatory Sandbox will become 'Theme Neutral' and 'On Tap', enabling continuous testing of eligible FinTech innovations across categories.

V. Conclusion

In the near-term, global growth outlook remains downcast, as uncertainty surrounding tariffs and the individual policy responses of different countries could result in lower investments spending, subdued consumer confidence, and a slowdown in global trade. The long-term effects of these developments on the course of the global economy remain highly uncertain as there is still no clarity regarding the scope, timing and intensity of tariffs. Going forward, global financial conditions are likely to remain volatile and EMEs are vulnerable to feedback loops and spillovers which may lead to reigniting of global inflation. Decline in global commodity prices, however, could ease pressure on inflation in commodity importing

countries, although currency pressures could partly offset such benefits.

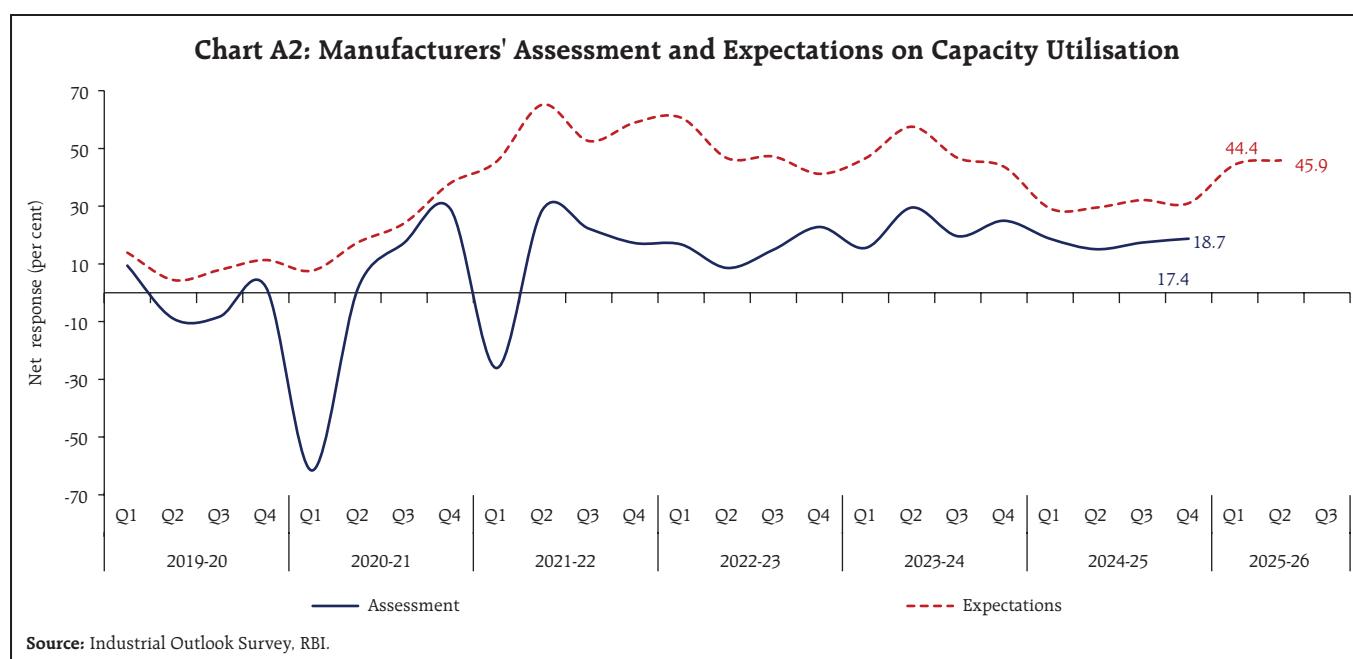
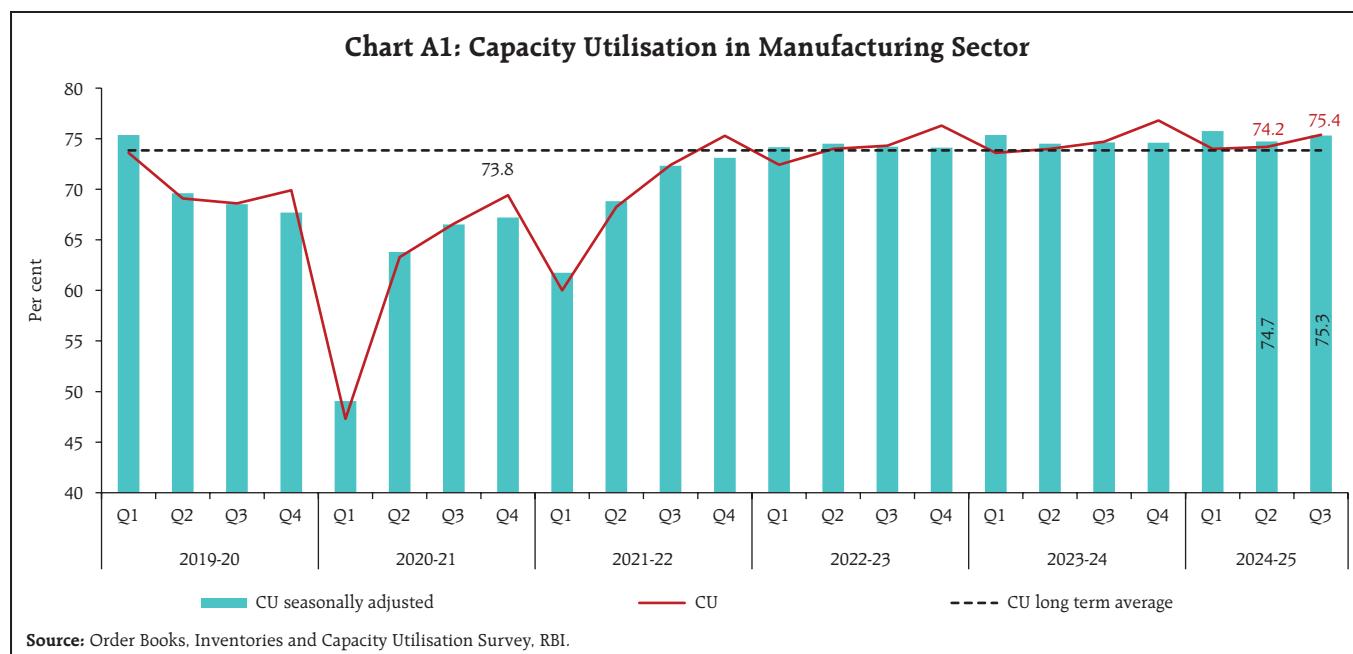
India's strength to withstand these headwinds stem from its robust growth fostered by a strong macroeconomic framework and moderating inflation, with strong domestic engines of growth. The agricultural sector in India is poised to sustain its momentum, supported by bumper *kharif* and *rabi* harvest and higher summer sowing amidst comfortable reservoir position. Risks emanating from the rise in temperature above normal levels and likelihood of heatwaves in the current summer season (April - June), however, needs to be monitored. Industrial and services activity continue to remain resilient. Results of the survey conducted among representatives from industry associations, including several industry bodies, credit rating agencies, and banks reveal optimism in economic activity supported by moderating inflation, sustained upswing in rural consumption and recovery in urban consumption. Global uncertainties, however, act as downside risks to this outlook.

Going forward, India is poised to benefit from supply chain realignments, diversified FDI sources, and engagement with global investors seeking resilience and scale, given its already established trade linkages. Moreover, India's consistent strength in services exports and remittance inflows continues to provide a vital buffer for the current account. Calibrated policy support can help India turn global volatility into an opportunity and strengthen its position in the emerging world economic landscape.

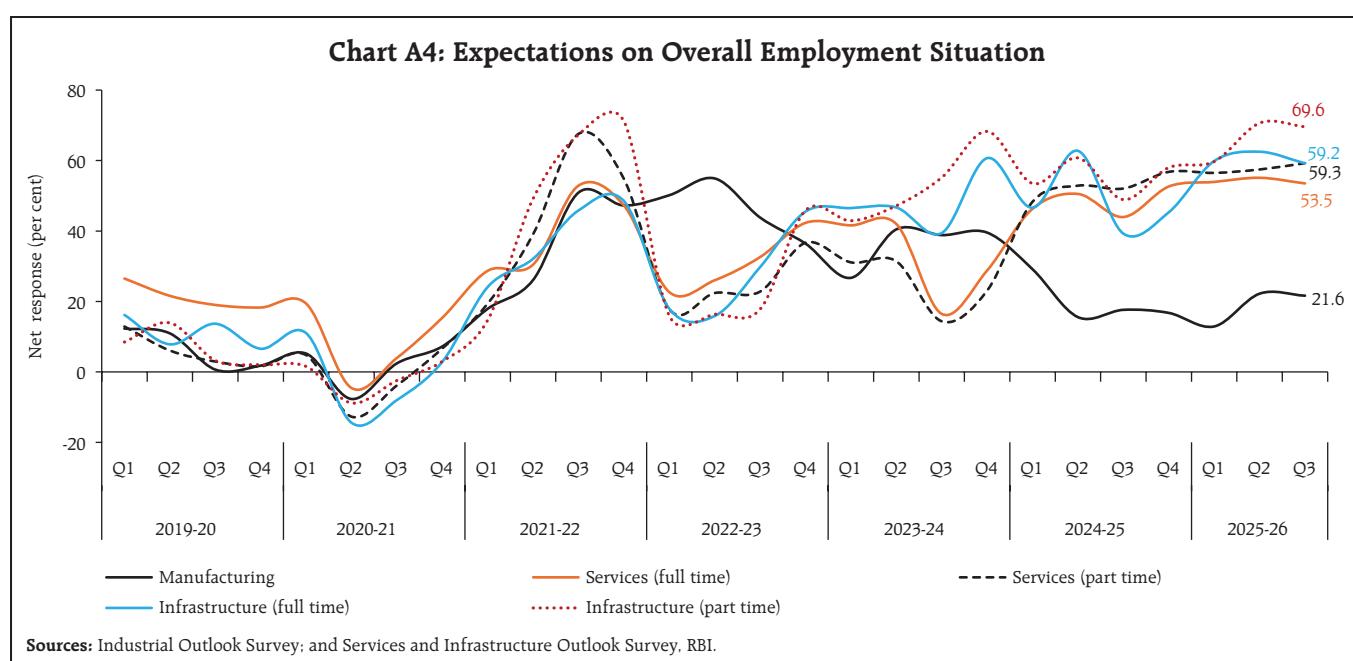
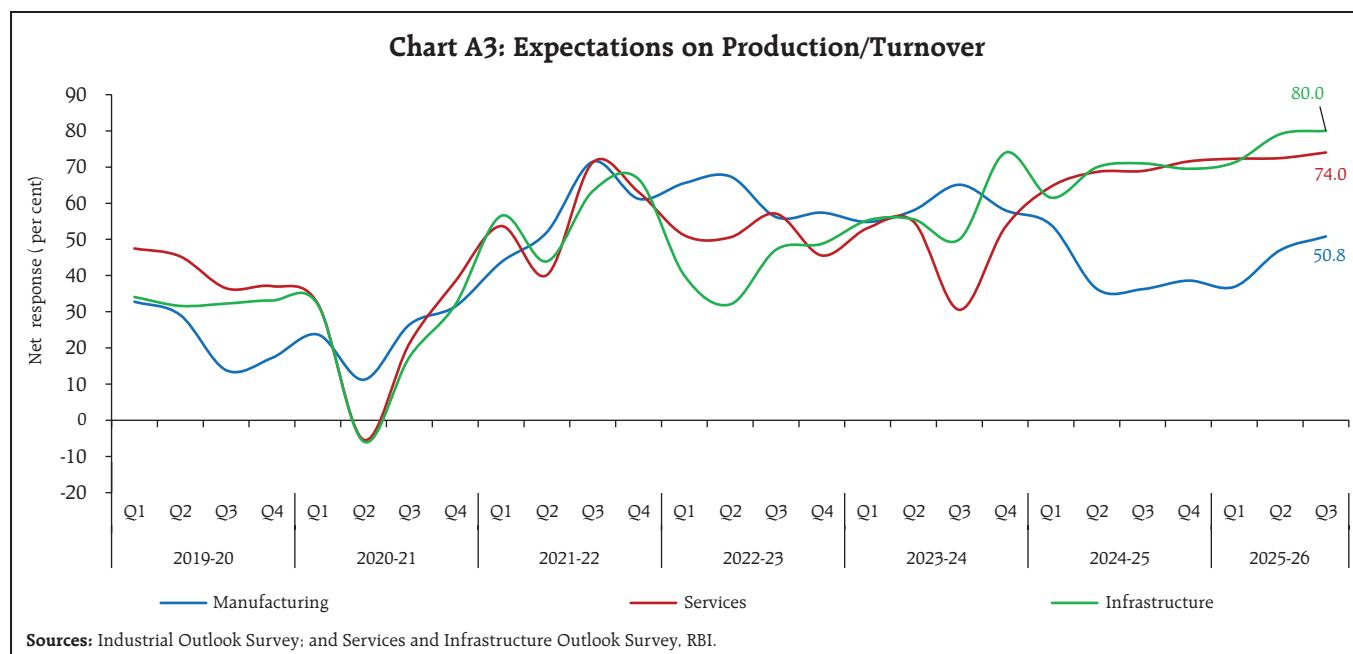
²⁰ RBI Press release, March 10, 2025. Digital Payments Awareness Week 2025.

Annex 1: Major Takeaways from the RBI's Enterprise Surveys

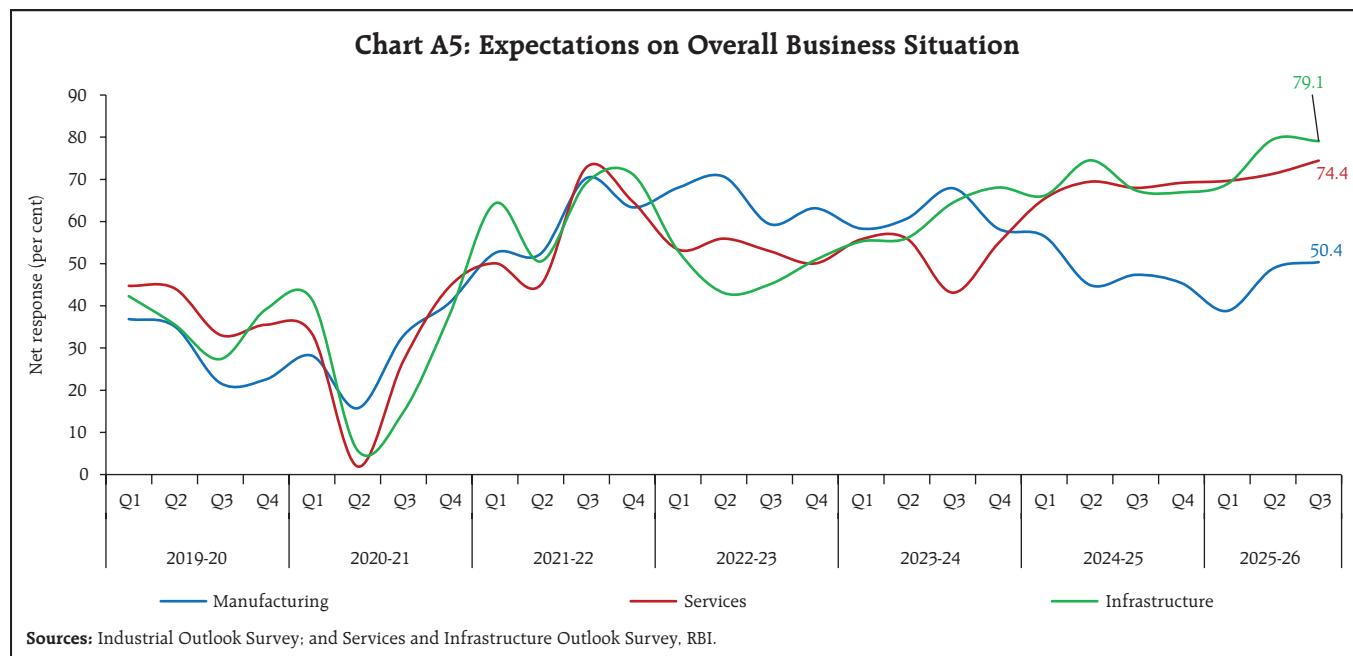
Capacity utilisation (CU) in the manufacturing sector increased by 120 bps while the seasonally adjusted CU increased by 60 bps in Q3:2024-25 (Chart A1). Manufacturers continued to report a positive outlook on CU for the ensuing quarters (Chart A2).



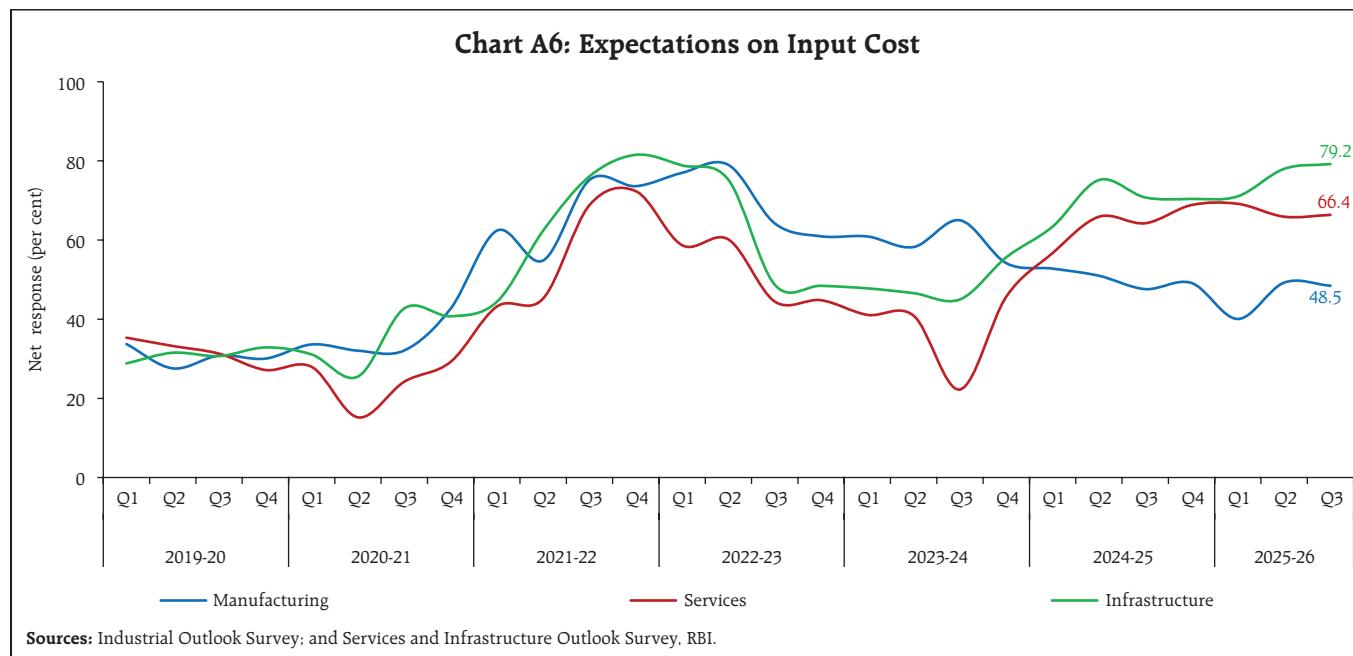
Manufacturers' optimism on demand conditions registered a seasonal moderation for Q1:2025-26 but recorded an improvement for the ensuing quarters. Services and infrastructure firms continued to report a more optimistic outlook on demand conditions (Chart A3). Expectations on employment situation evolved largely in sync with the demand conditions (Chart A4).



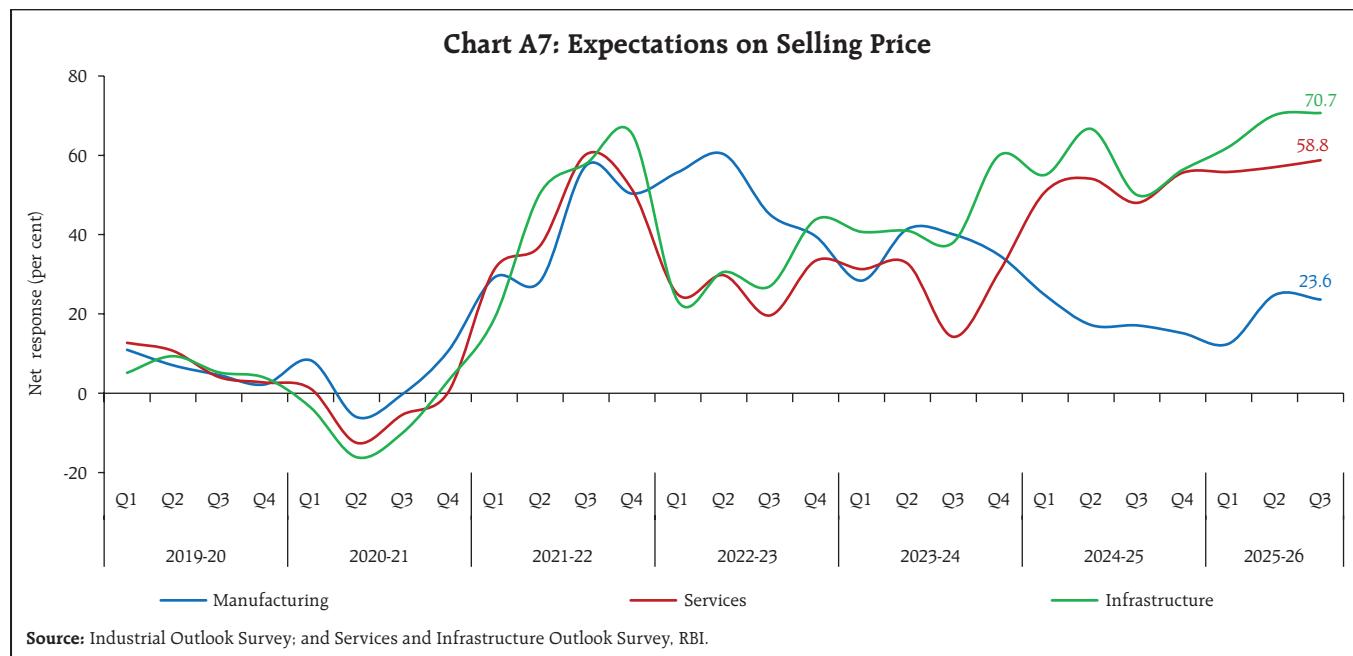
Firms across the broad sectors remain optimistic about the overall business situation through Q3:2025-26 (Chart A5).



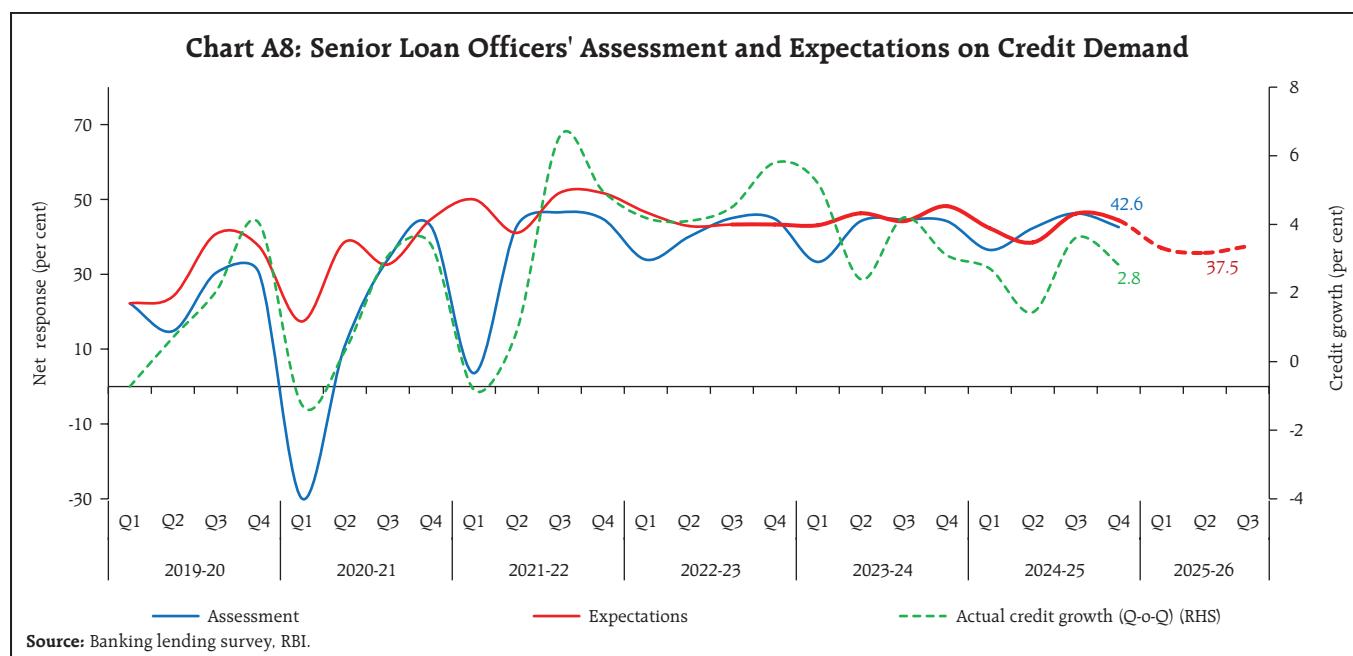
Input cost pressures are likely to remain high for the services and the infrastructure sectors during Q1:2025-26; while the manufacturing sector expects some easing of cost pressures (Chart A6).



Growth of selling prices and profit margins in Q1:2025-26 is likely to moderate for manufacturing enterprises, in line with the softer demand conditions. Services and infrastructure firms, however, expect improved growth in both selling prices and profit margins during the same period (Chart A7).



Bankers' optimism on loan demand moderated during Q1:2025-26 (Chart A8).



Note: The 'net response' is calculated as the difference between the percentage of respondents reporting optimism and that reporting pessimism. The increase option (I) is an optimistic response for all parameters, except the cost related parameters, such as cost of raw materials, etc., where the decrease option (D) signifies optimism from the viewpoint of a respondent company.

Three Years of the Standing Deposit Facility: Some Insights

by Avnish Kumar, Priyanka Sachdeva and
Indranil Bhattacharyya[^]

Marking three years since its introduction, the Standing Deposit Facility (SDF) has been an important feature of the Reserve Bank of India's liquidity management framework, replacing the fixed rate reverse repo as the floor of the LAF corridor. This article presents an assessment of the SDF in India in the overall context of standing facilities made available by central banks. The institution of the SDF is generally in line with global best practices wherein deposit facilities are in the form of uncollateralised deposits. The empirical results bear testimony to the importance of liquidity conditions, liquidity uncertainty and market microstructure in determining the location of the WACR in the LAF corridor.

Introduction

Liquidity management operations and practices are at the core of the operationalisation of monetary policy – "the plumbing in its architecture" (Patra et al., 2016). In central banking parlance, the operating procedure of monetary policy refers to the daily implementation of monetary policy through appropriate liquidity management operations. The operating framework includes the operating target and the instruments that the central bank uses to manage liquidity conditions in the interbank market for bank reserves in pursuance of its objective of aligning the operating target to the policy rate. These instruments include (i) standing facilities – both lending and deposit facilities – which can be accessed

by commercial banks at their own discretion; (ii) open market operations (OMOs) – both outright and reversible operations through repurchase agreements – that are conducted at the discretion of the central bank; and (iii) minimum reserve requirements along with its maintenance procedure prescribed by the central bank.

In the Indian context, the weighted average call money rate (WACR), which is the rate of the uncollateralised segment of the money market and is reflective of liquidity mismatch in the banking system, is the operating target in the interest rate corridor framework institutionalised in May 2011 (RBI, 2011). Under this framework, banks could avail liquidity from the central bank at a penal rate above the policy rate on an overnight basis by pledging collateral through the marginal standing facility (MSF) while they could place funds with the central bank on an overnight basis at a rate below the policy rate against collateral under the fixed rate reverse repo (FRRR). Thus, the interest rates on both these facilities under the liquidity adjustment facility (LAF) defined the interest rate corridor with the MSF rate as the ceiling, the FRRR as the floor and the policy repo rate somewhere in between. This framework was operational till April 8, 2022, when the standing deposit facility (SDF) replaced the FRRR as the floor of the LAF corridor. Unlike the FRRR, however, the SDF is an uncollateralised facility which frees the central bank from collateral encumbrance and thereby enhances its flexibility in liquidity management.

Once the policy repo rate is announced by the monetary policy committee (MPC), liquidity management operations are conducted to align the WACR to the policy repo rate. The main liquidity management operation is synchronized with the reserve maintenance cycle. In addition, fine tuning operations are conducted at the discretion of the Reserve Bank to offset temporary liquidity mismatches and stabilise the WACR close to the policy

[^] The authors are from the Reserve Bank of India. They are grateful to an anonymous referee for comments and Darshan P. Bodhale for data support. The views expressed in this article are those of the authors and do not represent the views of the Reserve Bank of India.

rate. With liquidity management assuming critical importance in monetary policy implementation, the operating procedure has undergone major refinements with the institution of the SDF.

This article presents an assessment of the standing deposit facility in India in the overall context of standing facilities made available by central banks. The paper is structured in the following manner: Section II presents a snapshot of the global practices on standing facilities of central banks followed by a discussion of the Indian experience with the SDF in Section III. The empirical methodology, results and their implications are presented in Section IV, with some concluding observations in Section V.

II. Central Bank Standing Facilities - Global Practices

In terms of permissible variability in the operating target, the monetary policy operating frameworks can be categorised as ceiling, corridor or floor system. Central banks across the world have generally adopted either a corridor or a floor system. Cross country experience suggests that all major central banks have standing facilities that are available to banks and other eligible counterparties at their own initiative under the conditions specified by the central bank to provide or absorb overnight liquidity (Bindseil, 2014).

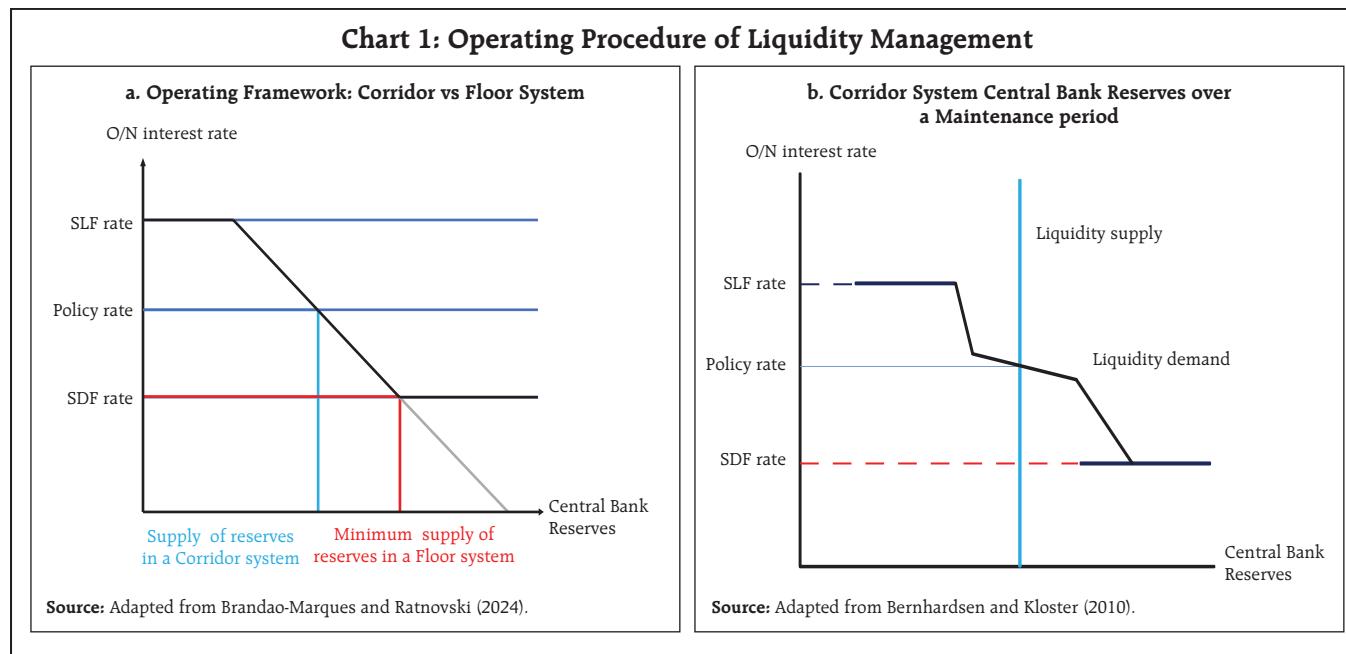
A liquid interbank market and a sound payments and settlement system ensures that market equilibrium simultaneously leads to equilibrium at the individual financial institution level, thus minimising recourse to standing facilities. In such a scenario, a central bank's lending facility serves just as an overdraft facility to fund any end-of-day imbalances with regular access to it discouraged by charging a penal rate higher than the regular refinancing operation (policy rate). Similarly, the lower interest rate on deposit facility is meant to disincentivise passive funds deployment with the central bank; instead, participants should do transactions with each other which helps in

developing a liquid inter-bank market. The penal rates ensure that standing facilities act as a safety valve for liquidity management (Mohan, 2006).

The interest rates on standing facilities under the liquidity adjustment facility defines the corridor framework. An identical margin on both sides of the policy rate constitutes a symmetric corridor. A corridor system encourages banks to manage their liquidity buffers more tightly and facilitate greater activity in the interbank market. However, it requires relatively more frequent central bank operations to ensure that the money market rates stay close to the policy rate. A floor system has been the norm for large and advanced economies since the global financial crisis (GFC). Under this system, central banks supply reserves in abundance through liquidity operations, and provide a floor for the price of reserves (interest rate) through a deposit facility. The advantage of the floor system is that the central bank can increase the supply of liquidity to the banking system without pushing short-term money market rates below the key rate (Branda-Marques and Ratnovski, 2024). Thus, the central bank has two independent tools – the interest rate and the amount of liquidity supplied (Chart 1.a).

In a fractional reserve system, however, reserve requirements may check the need for fine-tuning liquidity, based on the statutory requirements for reserve maintenance. If banks are subjected to reserve averaging *i.e.*, they can reduce maintenance to a minimum daily average level over the maintenance period, the demand curve for bank reserves becomes flatter for interest rates near the middle of the corridor (Chart 1.b).

Among advanced economies, the European Central Bank (ECB), the Bank of Canada (BoC), Reserve Bank of New Zealand (RBNZ), and Reserve Bank of Australia (RBA) were the pioneers of the symmetric corridor system around the year 2000. While the ECB combined its standing deposit facility with a one-



month reserve maintenance period, the other three central banks operated without reserve averaging (Whitesell, 2006). The Norges Bank implemented monetary policy through a relatively pure version of a floor system until October 2011; thereafter, it shifted to a quota-based system – a compromise between a floor system and a corridor system¹. Central banks like the Bank of Canada (BoC) and the Reserve Bank of New Zealand (RBNZ) adopted the floor system in 2020. In the case of the US, the deposit facility takes the form of a remuneration of excess reserves, which is equivalent to a deposit facility with automatic transfer of excess reserves to it. The US Fed uses two rates to establish the floor of the overnight interest rate. One is the interest on reserve balances, which is the rate paid on reserve balances of banks or other eligible counterparties. The other is the rate on the overnight reverse repo facility that is offered to a broad range of financial institutions (Afonso *et al.*, 2023).

¹ Under the new system, only a certain amount of each bank's deposits with the central bank – a quota – is remunerated at the key policy rate. Deposits in excess of the quota are remunerated at a lower rate, the reserve rate.

In the recent period, however, the BoC, the Bank of England (BoE), the ECB, and the RBA have all announced plans to reduce reserves until borrowing from the central bank picks up and market rates are marginally above the interest rate paid by the central bank on deposits, essentially returning to a corridor system, although they do not refer to it as the "corridor" (Nelson, 2024). The new 'soft' floor framework with a narrower spread can be characterised as a hybrid system, combining the smallest possible central bank balance sheet with both structural and fine-tuning operations. Its main objective is to allow for effective control of short-term money market rates in transition from a situation of abundant excess liquidity to one of less ample liquidity (Höflmayr and Kläffling, 2024). To avoid high volatility in the short-term money market rate, the hybrid system complements the deposit facility with a standing lending facility or frequent fixed-rate full-allotment lending operations priced at or slightly above the deposit facility rate, capping the money market interest rate from above and thereby making the framework a zero-width or near-zero-width corridor. The RBA has endorsed a plan to move to ample reserves system in which banks' demands for

reserves are satisfied via open market repo operations at a price near the cash rate target, in what are known as full allotment auctions. Together with the floor provided by the exchange settlement (ES) rate, these operations should keep the cash rate close to target².

Historically, central banks used only liquidity providing facility – either a discount or an advance facility. Central banks, however, started to introduce liquidity absorbing facilities in late 1990s (Bindseil and Jablecki, 2011). Central banks generally lend to financial institutions through collateralised transactions, *i.e.*, repurchase agreements to protect themselves from credit risk and ensure equal treatment of counterparties (Chailloux *et al.*, 2008). While lending to counterparties, the central bank is clear about the extent of risk it is willing to be exposed to by specifying (i) the securities it is willing to accept as collateral; and (ii) the haircut/margin it would charge on these securities. This practice protects the quality of the central bank's balance sheet besides fostering financial discipline. Deposit facilities, on the other hand, are generally in the form of unsecured deposits (Annex Table 1). Being the monopoly supplier of bank reserves, central banks never face a situation where it defaults – thus, banks do not have any counterparty risk while depositing funds with the central bank. A central bank, however, may choose to provide security as collateral through sale or reverse repurchase agreements for creating a market for securities (Rule, 2012).

III. Standing Deposit Facility in India

In the Indian context, the standing deposit facility (SDF) was first recommended in the report of the Expert Committee to Revise and Strengthen the Monetary Policy Framework (Chairman: Dr. Urjit R. Patel, 2014) as part of the overhaul of the operating framework of monetary policy. The committee recommended that a (low) remunerated SDF may

² Christopher Kent (2024), 'The Future System for Monetary Policy Implementation', Bloomberg Australia Briefing, Speech Retrieved from <https://www.rba.gov.au/speeches/2024/sp-ag-2024-04-02.html>

be introduced as the floor for absorption of surplus liquidity from the system but without the need for providing collateral in exchange, with the discretion to set the interest rate without reference to the policy target rate. The SDF was also proposed to be used for sterilisation operations as it will not require the provision of collateral for absorption – which may be a binding constraint on the reverse repo facility in the face of sustained surge in capital flows (RBI, 2014). The withdrawal of ₹500 and ₹1000 denomination currency notes from circulation in 2016 and the resultant liquidity glut also demonstrated collateral constraints associated with conventional instruments warranting introduction of unconventional measures like imposition of incremental cash reserve ratio (CRR) of 100 per cent on the increase in net demand and time liabilities (NDTL) and issuance of bonds under the market stabilisation scheme (MSS) to drain large surplus liquidity from the banking system. In the absence of such options, there is the risk of the inter-bank rates dropping to near zero levels amidst abundant liquidity, posing risks to financial stability.

The amendment to Section 17 of the RBI Act in 2018³ enabled the Reserve Bank to institutionalise the SDF. The SDF was introduced in April 2022 and replaced the FRRR as the floor of the LAF corridor. With the institution of the SDF, the FRRR, retained at 3.35 per cent, was delinked from the policy repo rate although it remains a part of the Reserve Bank's toolkit and can be used at its discretion. The SDF rate, which is applicable on uncollateralised overnight deposits, was set at 25 basis points (bps) below the policy repo rate. This, along with the MSF rate at 25 bps above the repo rate, restored the width of the LAF corridor to its pre-pandemic level of 50 bps. Thus, standing facilities were instituted at both ends of the LAF corridor – one to absorb and the other to inject liquidity, rendering the operating framework symmetric. Furthermore,

³ The Union Budget 2018-19 had proposed an amendment to Section 17 of the RBI Act, 1934 which allowed the Reserve Bank of India to accept "money as deposits, repayable with interest, from banks or any other person under the Standing Deposit Facility Scheme, as approved by the Central Board, from time to time, for the purposes of liquidity management."

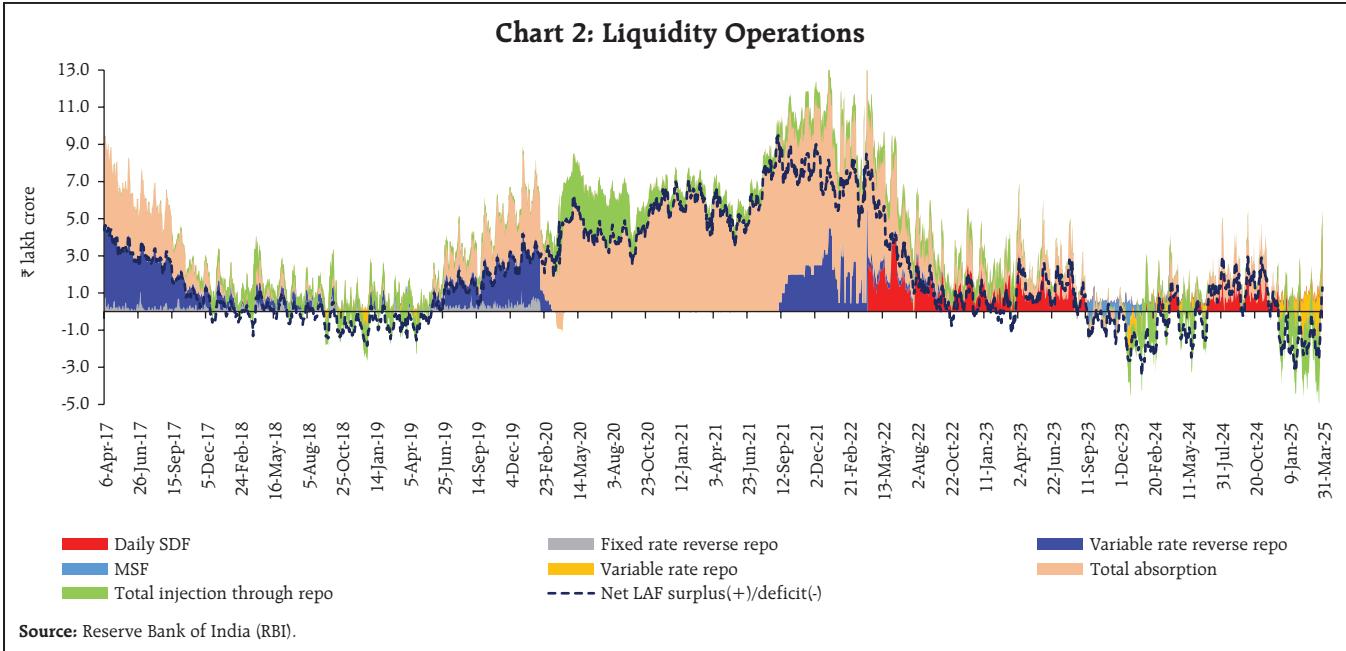
access to SDF and MSF are at the discretion of banks, unlike repurchase transactions, outright OMOs and CRR, which are conducted at the discretion of the Reserve Bank. In addition, the RBI retains the flexibility to absorb liquidity for longer tenors under the SDF with appropriate pricing, as and when the need arises. By removing the binding collateral constraint that could have inhibited the central bank's liquidity management operations, the SDF has strengthened the operating framework of monetary policy. It also acts as a financial stability tool by providing a floor to overnight inter-bank market rates. The institution of the SDF is generally in line with global best practices wherein deposit facilities are in the form of unsecured deposits.

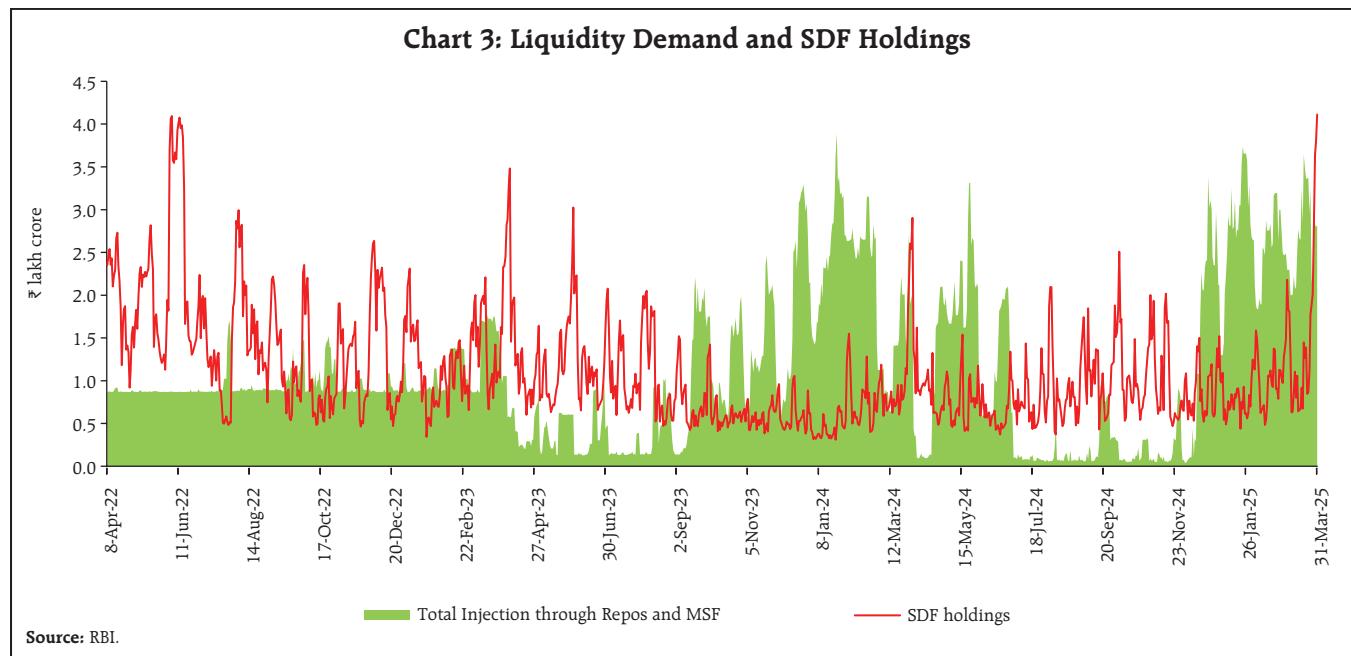
In the aftermath of COVID-19, the Reserve Bank injected substantial liquidity into the banking system through both conventional and unconventional policy measures to mitigate the adverse impact of the pandemic on the real economy. The surplus was mopped up entirely through overnight FRRRs during March 2020 to January 2021. Subsequently, as normal liquidity operations resumed in January 2021, the bulk of surplus liquidity was absorbed through variable rate

reverse repo (VRRR) fine tuning operations of various sizes and tenors. The liquidity glut and the required normalisation thereafter provided an opportune time for the introduction of the SDF in April 2022. Since then, surplus liquidity has been largely mopped up through the SDF with declining share of absorptions through VRRR operations. Surplus liquidity conditions abated in 2022-23 in sync with the change in monetary policy stance to withdrawal of accommodation. Taking cognisance of banks' higher recourse to the MSF while simultaneously parking large surplus funds under the SDF, reversal of liquidity facilities under both the SDF and the MSF was allowed even during weekends and holidays, effective December 30, 2023, which provided banks greater flexibility in their operations. Of the average liquidity absorption of ₹1.7 lakh crore since April 2022 and up to March 2025, nearly 65 per cent was through the SDF while the remaining was mopped up through VRRR auctions as compared to only 16 per cent absorbed under the FRRR during April 7, 2017 to March 20, 2020 (Chart 2).

The simultaneous occurrence of liquidity deficit conditions alongside substantial fund placements under the SDF suggests asymmetric distribution

Chart 2: Liquidity Operations



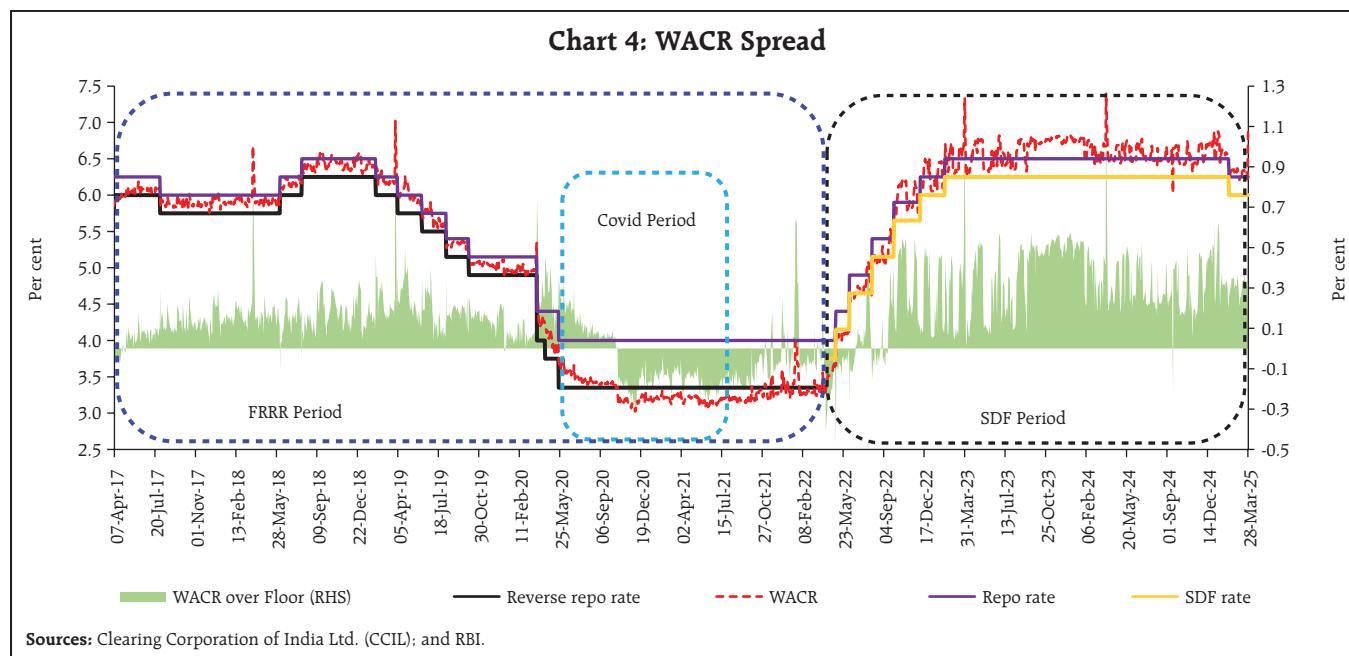


of liquidity within the banking system and the increased liquidity preference of banks (Chart 3). The increase in the share of SDF balances as a proportion of total absorption by the Reserve Bank reflects the increase in the precautionary demand for funds by banks. In the backdrop of the need for higher liquidity insurance in view of 24/7/365 payment systems, banks are facing uncertainty in their day-to-day transactions as high value transactions at late hours can result in shortfall in reserve maintenance. Moreover, the Just in Time release of funds from the treasury to the end beneficiary have considerably shrunk the float money that were available with banks earlier. Thus, banks increasingly prefer to hold larger balances on a daily basis in recent years, which coincide with the SDF phase. This has also resulted in banks showing less inclination in parking surplus funds with the central bank through VRER operations of longer tenors under the LAF.

The standing facility is a primary tool used by central banks to control the level and volatility of the operating target. Since the formal adoption of flexible inflation targeting (FIT), the WACR largely traded above the floor of the corridor barring the COVID

period. The liquidity glut due to COVID-19 related measures along with large capital inflows pushed the WACR below the FRRR (floor of the corridor) as reflected in the large negative spread of the WACR *vis-à-vis* the FRRR. This negative spread persisted after the implementation of the SDF during April to August 2022 with July 2022 being the exception. Subsequently, the WACR gradually moved above the SDF rate (Chart 4).

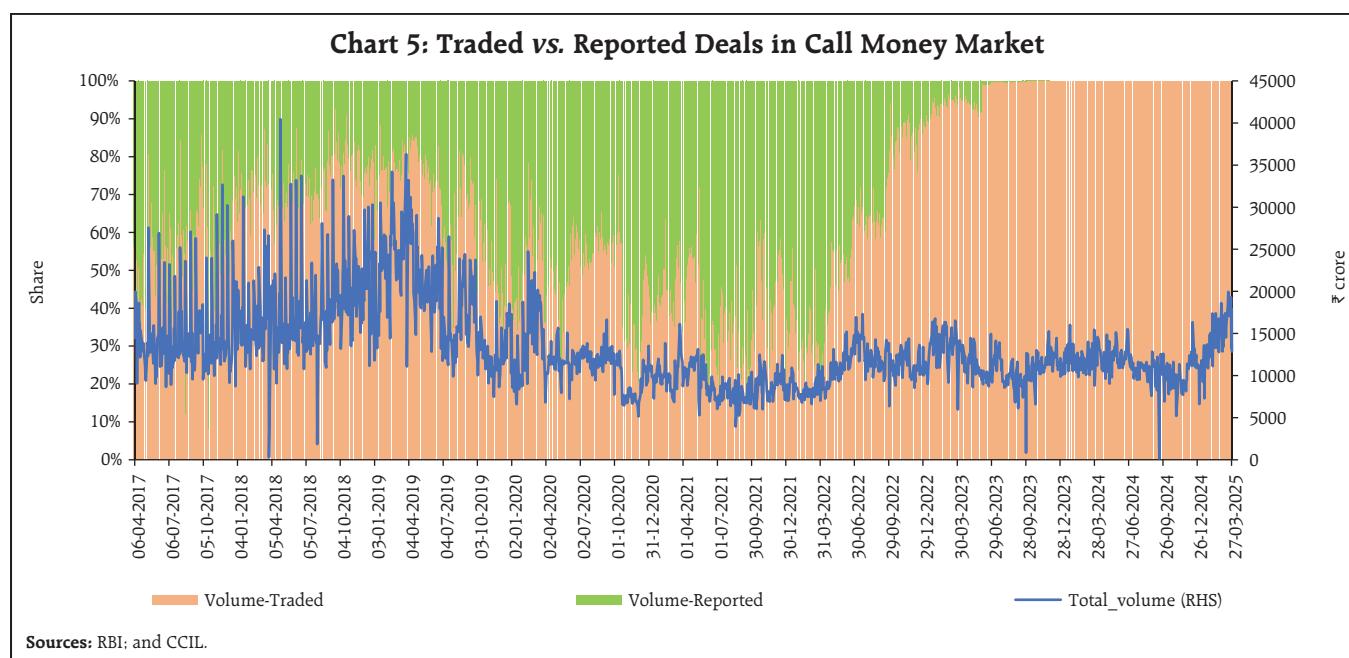
Market microstructure and regulatory prescriptions, apart from system liquidity and corridor width, determine the level of the WACR and its variability. The skewed distribution of liquidity across banks may encourage arbitrage opportunities which may result in the hardening of WACR and widening of the spread. Furthermore, the regulatory developments regarding the Reserve Bank's directive to all eligible call money participants (including cooperative banks) to obtain the Negotiated Dealing System-Call (NDS-Call) membership has resulted in migration of participants towards the NDS-Call platform – thus increasing traded deals. Call money market transactions were either traded on the NDS-Call or are reported on NDS-Call after being traded



over the counter (OTC). The share of traded volume which had declined during 2020-22 has gradually increased since then with all transactions taking place in the traded segment since October 2023 (Chart 5). Earlier, the WACR was pulled down disproportionately because of the lower rate on reported deals as small cooperative banks – principal lenders in reported deals and who did not have the requisite information

technology (IT) infrastructure to access the NDS-Call – usually extended loans bilaterally towards the close of market hours at lower rates.

Moreover, the restoration and harmonisation of market timing in the call money market removed the market anomaly which reduced reported deals and increased traded deals. The trading hours for



various markets regulated by the Reserve Bank were amended with effect from April 7, 2020 in view of the operational dislocations and elevated levels of health risks posed by COVID-19. During the period of liquidity glut, banks could borrow funds from cooperative banks at ultra-low rates and park them at higher rates under the FRRR/SDF window. The Reserve Bank restored market hours in a phased manner commencing November 2020⁴.

IV. Empirical Analysis

As alluded to earlier, several factors are at play in determining the level of WACR, and thus its spread over the floor of the LAF corridor. This section attempts to assess the determinants of WACR spread over the SDF, based on daily data during the period April 8, 2022 to March 28, 2025, benchmarking it to the FRRR period with similar attribute of corridor width (50 bps), *i.e.*, April 6, 2017 to March 20, 2020⁵. An empirical analysis is undertaken to investigate the determinants of the spread of the call rate over the floor of the LAF corridor under the two regimes, which is conditioned by factors influencing liquidity as well as elements of market microstructure. Based on existing literature (Kumar, et al., 2017; Prabu and Bhattacharyya, 2023), liquidity conditions (LIQ_Cond), liquidity distribution (LIQ_Dist) and liquidity uncertainty (LIQ_Unc), along with the proportion of traded to total deals in uncollateralised market (TRDToTot) were included as independent variables.

Liquidity condition is defined as the daily net LAF position⁶ as a proportion of net demand and time liabilities (NDTL) of the banking system. LAF

operations are targeted to address transient/frictional liquidity mismatches in the system. During systemic liquidity deficit, banks with adequate collateral can avail liquidity from the Reserve Bank. On the contrary, easy liquidity condition results in lower recourse to liquidity from the Reserve Bank. Positive net LAF to NDTL implies surplus liquidity within the banking system and vice versa. An increase in this ratio would reduce the WACR and its spread over the SDF rate. Liquidity distribution is another important factor as a skewed distribution of liquidity is likely to result in higher dependence on the call money market from a systemic perspective. As such, an increase in demand for call money relative to the total overnight money market volume would exert upward pressure on the WACR and widen its spread over the SDF rate. In this exercise, liquidity distribution is proxied by the ratio of uncollateralised interbank call money market volume as a proportion of the total volume of the overnight money market. Liquidity uncertainty, captured as the square of mean deviation of net LAF during the SDF period, firms up the WACR thus increasing its spread over the SDF rate. The share of traded to total deals is also expected to positively impact the spread as discussed earlier. The summary statistics of the selected variables for both the sample periods are presented in Annex Table 2.

At the outset, scatter plots are presented for a preliminary evaluation of the relationship between the dependent and the explanatory variables. Scatter plots show that the spread of WACR is negatively correlated with the liquidity conditions during both the SDF as well as the FRRR period, while traded to total deals and liquidity uncertainty are positively correlated. The correlation between WACR spread and liquidity distribution is, however, ambiguous (Chart 6).

The WACR, and thus its spread, exhibits high volatility persistence (Singh, 2020). An autoregressive conditional heteroscedasticity (ARCH) model

⁴ RBI Press Release dated February 8, 2023 on RBI Extends Market Trading Hours: https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55180

⁵ In empirical analysis, the sample for FRRR period does not include period after March 20, 2020 because of the liquidity glut caused by the Covid-19 induced stimulus through various conventional and unconventional measures. Excluding the Covid period from the sample also takes care of fixed width corridor for both time periods considered for empirical analysis.

⁶ Defined as total absorption of liquidity through VRRR and SDF, net of injections through repo and MSF.

Chart 6: Relationship between WACR Spread (over LAF floor) and Explanatory Variables

(Engle and Bollerslev, 1986) is estimated to analyse the determinants of spread⁷. Apart from a mean equation, the ARCH model has a variance equation (σ_t^2) which is expressed as a function of the weighted average of its past squared error term, i.e., the ARCH term (ε_{t-1}^2) and the past conditional variance term (σ_{t-1}^2). The coefficients in the variance equation can be interpreted as the autocorrelation factor (θ) and volatility persistence ($\theta + \varphi$) factor. Controlling for the variables discussed earlier, the mean and variance equations are estimated in an ARCH framework for the SDF and the FRRR period using the maximum likelihood method. Policy repo rate ($Repo_t$) is included in the variance equation to see the impact of policy announcement on variability in spread. LIQ_Unct is

also included in the variance equation. The model is specified below and the results are presented in Table 1 and Table 2.

Mean Equation

$$\begin{aligned} Spread_t = & c + \alpha Spread_{t-1} + \beta_1 LIQ_Cond_t + \\ & \beta_2 LIQ_Dist_t + \beta_3 TRDtoTot_t + \\ & \beta_4 LIQ_Unct_t + \varepsilon_t \end{aligned}$$

Variance Equation

$$\sigma_t^2 = c_o + \theta \varepsilon_{t-1}^2 + \mu_1 LIQ_Unct_t + \mu_2 (Repo)_t, \quad \text{where } \theta > 0$$

From Table 1, it is noted that liquidity conditions have a negative and significant impact on the spread of WACR (over the SDF rate) during the sample period, i.e., surplus liquidity in the banking system softens the interbank call rate, thereby, compressing the spread.

⁷ ARCH models allow the variance to change over time and are often used to characterise short but highly volatile periods.

Table 1: Factors impacting Spread during SDF Period

Dependent Variable: Spread (WACR over SDF Rate)			
Mean Equation		Variance Equation	
Explanatory Variables			
Spread (-1)	0.770***	C	-0.009***
Liquidity Conditions	-0.027***	RESID(-1) ²	0.825***
Traded to Total Volume	0.044***	Repo	0.002***
Liquidity Distribution	0.011***	Liquidity Uncertainty	0.001***
Liquidity Uncertainty	0.007***		
Diagnostics			
ARCH LM (6) (p-value)	0.99		
Q (6) (p-value)	0.67		
Adjusted R ²	0.75		

Note: '***', '**' and '*' indicate the significance at 1, 5 and 10 per cent, respectively.

Source: Authors' estimates.

The positive coefficient of liquidity distribution and liquidity uncertainty are also on expected lines – a more skewed distribution and greater uncertainty firms up the WACR thereby increasing the spread. The positive relationship between WACR spread and liquidity distribution reflects the lack of depth in the call money market where few players often drive market dynamics (Kumar et al., 2017). An increase in share of traded deals is also associated with an increase in spread for reasons alluded to earlier. Since the interbank overnight market is characterised by volatility clustering, lagged spread indicating persistence is positively related to the spread. Results from the variance equation suggest that liquidity uncertainty increases volatility of the spread while policy announcement has positive and significant impact on spread.

As evident from Table 2, the signs of the coefficients for lagged spread, liquidity conditions and liquidity distribution in the mean equation of the FRRR period is similar to that under the SDF period. The impact of traded deals and liquidity uncertainty is not found to be significant under FRRR unlike in

Table 2: Factors impacting Spread during FRRR Period

Dependent Variable: Spread (WACR over Fixed Rate Reverse Repo)			
Mean Equation		Variance Equation	
Explanatory Variables			
Spread (-1)	0.609***	C	-0.002
Liquidity Conditions	-0.007***	RESID(-1) ²	0.342***
Traded to Total Volume	-0.008	Repo	0.001***
Liquidity Distribution	0.007***	Liquidity Uncertainty	0.001***
Liquidity Uncertainty	-0.002		
Diagnostics			
ARCH LM (6) (p-value)	0.99		
Q (6) (p-value)	0.17		
Adjusted R ²	0.47		

Note: '***', '**' and '*' indicate the significance at 1, 5 and 10 per cent, respectively.

Source: Authors' estimates.

the SDF. During the FRRR period, banks had access to the fixed rate repo up to 0.25 per cent of their own net demand and time liabilities (NDTL) on a daily basis and up to 0.75 per cent of the banking system NDTL through four 14-day variable rate term repo auctions conducted during the reserve maintenance fortnight, which provided an amount of assured liquidity. Thus, the impact of liquidity uncertainty on the level of spread was not significant during this period. However, liquidity uncertainty is found to have a significant positive impact on variability of spread. Similar to SDF, policy announcement is also found to have a positive and statistically significant impact on spread during the FRRR period.

V. Conclusion

The introduction of the SDF represents a paradigm shift in monetary policy implementation in the Indian context. It allows the central bank greater flexibility in liquidity management without being hamstrung by collateral availability – a fact noted earlier during periods of exceptional liquidity glut. Moreover, the SDF provides the flexibility to absorb liquidity over longer tenors with appropriate

pricing. Thus, sterilisation of excess liquidity can be conducted without triggering further inflows, which is likely through repeated OMO sales that keep interest rates elevated and maintains the interest rate differential.

The empirical results bear testimony to the importance of liquidity conditions, liquidity uncertainty and liquidity distribution in determining the WACR and its spread, which is corroborated by recent developments in the overnight inter-bank money market. The results also provide evidence about the efficacy of the regulatory initiatives of the Reserve Bank in migrating cooperative banks to the NDS-Call platform that has ameliorated the distortions in the pricing of WACR witnessed earlier. In addition, introduction of daily VRR since mid-January 2025 has reduced liquidity uncertainty. Such refinements in market microstructure and the operating procedure of monetary policy on a continuous basis is indeed essential to facilitate signal extraction from market dynamics and the pricing of financial market instruments.

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Annex**Table 1: Standing Deposit Facilities: Cross Country**

Countries	Name	Form	Pricing method	Access limited by/to
Australia	Exchange Settlement Account	RBA Deposit Rate	Cash target rate – 10 bps	Exchange settlement account eligibility
Brazil	Standing facility	Reverse repo	Base Selic rate – 35 bps	Financial institutions that are primary dealers; eligible collateral
Canada	Deposit facility	Deposit	Fixed at lower limit of the operating band;	Participants in the LVTS payment system
Euro system	Deposit facility	Deposit	Fixed rate	No limit
India	Standing deposit facility	Uncollateralised deposit	Policy Rate - 25bps	SCBs; select UCBs, RRBs, select SSCBs and Primary Dealers
Indonesia	Deposit facility	Deposit	Policy Rate - 75bps	Banks registered as participants in monetary operations
Korea	Liquidity adjustment deposits	Deposit	Base rate – 50bps	Reserve depository institutions
Malaysia	Standing facility	Deposit	OPR - 25bps	Financial institutions that are interbank participants
Mexico	Standing facility	Deposit	Not remunerated	Commercial and development banks
New Zealand	Standing facility	Deposit	Fixed below Official cash rate	Commercial banks and Fis
Norway	Standing facility	Excess Reserve	Remunerated	Commercial Banks, Settlement Banks and specialised financial institutions
Philippines	Deposit Facility	Overnight Deposit	Fixed rate	Banks, NBQBs, and Trust entities
Singapore	Standing facility	Deposit	Reference rate less 50bp, floored at 0 per cent	MEPS+ participating banks
South Africa	Standing facility reverse repo	Automatic end of day square off facility	Repo less 100 bps	Clearing banks
Sweden	Standing facility	Deposit	Repo rate minus 10 bps	Monetary policy counterparties and some participants in the Riksbank's payment system RIX
Thailand	End-of-day Deposit Facility	Deposit	Policy rate minus 50bp	Banks, finance companies, specialised financial institutions and other juristic persons permitted by BOT
United Kingdom	Operational Standing Deposit Facility	Deposit	Bank Rate minus 25bp	Banks, building societies, CCPs and broker dealers, unlimited size
United States	Standing facility	Interest on Reserve balances	As of March 2025, 440 bps	Depository institutions

Sources: BIS; and Central Bank websites.

Table 2: Summary Statistics

	SPREAD (WACR – Floor)		Liquidity Conditions		Liquidity Distribution		Traded to Total Deals	
	FRRR	SDF	FRRR	SDF	FRRR	SDF	FRRR	SDF
Mean	0.15	0.28	0.82	0.34	8.32	2.23	0.67	0.91
Median	0.14	0.29	0.48	0.25	7.92	2.19	0.71	0.99
Maximum	1.02	1.16	4.27	4.46	29.83	3.76	0.94	1.0
Minimum	-0.15	-0.48	-1.50	-1.65	3.02	0.17	0.08	0.23
Std. Dev.	0.09	0.20	1.28	0.99	2.76	0.40	0.13	0.15
Skewness	2.11	-0.33	0.51	1.24	1.40	0.22	-0.73	-1.91
Kurtosis	19.7	3.53	2.27	5.70	8.77	4.37	3.27	5.7
Observations	712	721	712	721	712	721	712	721

Note: FRRR period covers April 6, 2017 to March 20, 2020; SDF period covers April 8, 2022 to March 28, 2025.

Source: Authors' estimates.

Changing Dynamics of Climate Policy Uncertainty and Energy Commodity Prices

by Satadru Das and Vidya Kamate ^

This article analyses the evolving relationship between climate change measured using Climate Policy Uncertainty (CPU) index developed by Gavrilidis (2021) and global energy commodity prices, and its implication for India's domestic inflation. Statistical tests using monthly data indicate that the relationship between CPU index and global energy commodity prices underwent a structural break around March 2017. While before March 2017, the relationship between the two variables was positive, it has since been negative. Empirical analysis using a Local Linear Projection (LLP) framework suggests that this change in dynamics between CPU and energy commodity prices has led to a countercyclical pass-through of global climate policy uncertainty to domestic prices in India in recent years.

Introduction

Traditional sources of energy such as fossil fuels have contributed to global economic expansion. The simultaneous adverse environmental consequences of continued fossil fuel usage have resulted in global policy concern towards the climate change phenomenon. Since the signing of the Paris Agreement in 2016 aiming to limit the increase of global temperature to well under 2 degree Celsius, a growing number of countries are drawing up roadmaps for voluntary emission reductions and other development strategies to attain the vision of "net zero emissions". Therefore, global energy usage and energy commodity

prices are intricately intertwined with uncertainties related to climate policy changes. In light of the aforementioned interlinkages, this paper analyses the impact of climate policy uncertainty on global energy prices and relatedly, on the ramifications of these dynamics for domestic inflation in India.

The relationship between climate change and energy prices could be either positive or negative. Climate regulation induced uncertainty has been found to be positively related to firm investment in green energy driven by its desire to diminish its carbon footprint (Rodriguez Lopez et al., 2017). Investors move away from brown firms and switch to green firms in response to rising climate change worries which leads to underperformance of brown stocks vis-à-vis green stocks (Pástor et al., 2021; Bouri et al., 2022). In contrast, the real options approach to investment decisions under uncertainty dictates the agents to postpone their investments by increasing the option value of waiting to invest (Bernanke, 1983; Dixit et al., 1994). A number of studies have found empirical evidence of such investment postponement in green or low carbon technologies (Fuss et al., 2009; Blyth et al., 2007; Kettunen et al., 2011). The two opposing views with one arguing that uncertainty discourages firms from investing, while other suggesting that uncertainty encourages investment may have opposing implications for prices of energy commodities and therefore, calls for further empirical analysis. Climate transition risk related policies are likely to affect energy prices. Inflationary pressures can arise from the impact of climate policy uncertainty on investment demand and inflation expectations (Adediran et al., 2023). Physical risks related to climate change can increase inflation volatility regarding food, housing and energy prices which can have heterogenous effects on inflation (RBI, 2023). Therefore, it becomes important to analyse the pass-through of energy price changes caused by climate policy uncertainty to domestic inflation.

[^] The authors are from the Department of Economic and Policy Research (DEPR). The authors would like to thank Muneesh Kapur, Saurabh Ghosh and Harendra Kumar Behera for their guidance. The views expressed in this article are those of the authors and do not represent the views of the Reserve Bank of India.

With this backdrop, the rest of the article is organised as follows. Section II provides a brief overview of the literature analysing the relationship between climate change policy and energy prices. Section III presents a detailed description of the choice of data and variables used in the analysis. Section IV and V discuss the methodology and main empirical results obtained in the paper. Section VI concludes with some key takeaways and policy suggestions.

II. Literature Review

Extant literature has analysed various aspects of the relationship between climate change and oil industry. Climate change policies have the potential to alter the risk premiums for oil sector through their impact on transition risks and relative costs of crude oil usage and renewable energy consumption (Diaz-Rainey *et al.*, 2021). Fossil fuel firms face relatively larger bank borrowing costs as compared to non-fossil fuel firms due to higher uncertainty (Delis *et al.*, 2019). The financial market impact of climate change on carbon-intensive industries has been the subject of numerous studies. Using data from prediction markets, Meng (2017) analyse how changes in likelihood of carbon regulation is measured by the stock market. Schlenker and Taylor (2021) highlight the impact of expectations of future climate policies on the profitability of the energy industries. Pastor *et al.* (2022) attribute the high performance of green bonds to strong increases in environmental concerns and not to high expected returns. Similar conclusion is arrived at in Ardia *et al.* (2023) using data for S&P 500 companies. Bolton and Kacperczyk (2021) analyse the cross section of US stock returns and find that stocks of firms with higher carbon dioxide emissions earn higher returns highlighting the increased compensation demanded by investors for being exposed to carbon emission risk.

There is no single instrument that is able to capture climate change in its full dimensionality. To

overcome this challenge, Gavriilidis (2021) developed a Climate Policy Uncertainty (CPU) index. The CPU index not only accounts for the outlook change on climate but also provides signals relating to transition risks to the energy sector. There is a growing literature analysing the relationship of the index with various economic indicators. Bouri *et al.* (2022) find that difference in performance of green versus brown energy stocks is driven by climate policy uncertainty. Treepongkaruna *et al.* (2023) show that the risk-adjusted future returns of stocks with low exposure to CPU are higher than those with high CPU exposure and thus provide evidence of CPU being priced in cross-section of individual stocks. He and Yang (2022) find strong in and out of sample stock market predictability of oil industry using CPU index. Ren *et al.* (2022) analyse the bidirectional causality between CPU and traditional energy and green energy markets. Zhou *et al.* (2023) developed a time varying parameter vector autoregressive model with stochastic volatility (TVP-SV-VAR) to investigate the relationship between climate policy uncertainty, oil prices, and renewable energy consumption. Dai and Zhang (2023) find that CPU increases insolvency risk in commercial banks. Tian *et al.* (2022) highlight the asymmetric effects of CPU on green bond prices in US, Europe and China. The pass-through effect of CPU index on domestic prices is relatively underexplored and this article fills that gap in the context of India.

III. Data

Any analysis of the impact of climate change on economic outcomes would require an adequate measure of climate change that is able to capture all aspects of the climate system consisting of atmosphere, land surface, snow and ice, oceans and other bodies of water, and living things. Given that India is a price taker in global energy markets, an appropriate measure could be the CPU index pertaining to global climate policy. The CPU Index has been used as a benchmark for global climate risk in

analysis in the context of other developing economies (Ren et al., 2022; Dai and Zhang, 2023). Another advantage is that as compared to other climate change variables, CPU index is available at a higher frequency (monthly).

The construction of CPU index is based on the methodology outlined in Baker et al. (2016). In particular, eight leading US newspapers were searched for keywords relating to climate change uncertainty and average of the standardised scaled number of relevant articles was considered to construct the index¹. The monthly energy price index data is obtained from World Bank Pink Sheet commodity markets data. The energy index comprises of a weighted price index of coal, crude oil and natural gas. The sample period used in the analysis is January 1991 – October 2022.

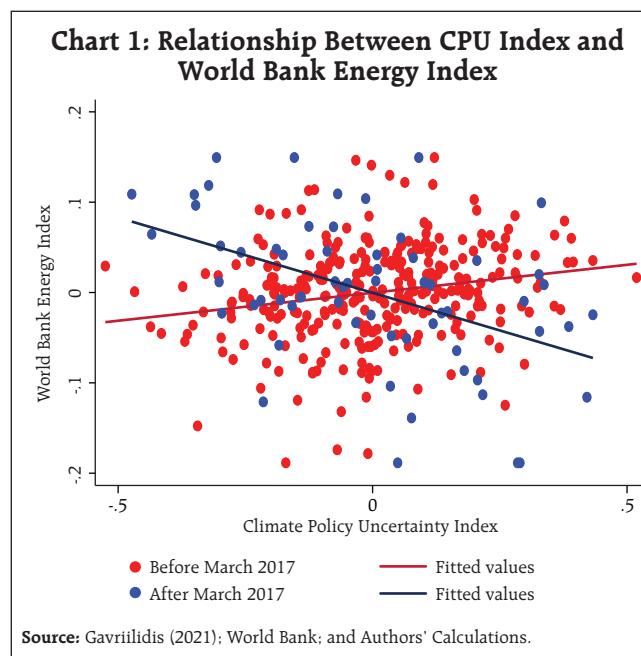
The data on WPI is obtained from CEIC and a consistent time series from January 1991 to October 2022 is obtained through splicing given the base year changes in 1993-94, 2004-2005 and 2011-2012. The historical series has been constructed by using the latest series as the benchmark.

All the three variables are de-seasonalized, log-transformed and detrended using a Baxter King filter and cycles are extracted. The detrending leads to the loss of observations of few months in the beginning and the end of the sample, and the final sample consists of the period between May 1991 and May 2022. All the empirical analysis in the forthcoming sections is conducted on the extracted cycles of the series.

IV. Methodology and Results

The relationship between CPU, oil price and renewable energy consumption is dynamic and time varying (Zhou et al., 2023). As has been alluded to earlier, the relationship between CPU and energy prices could be either positive or negative with one view

arguing that climate-related uncertainty discourages firms from making investment in green energy while the other view provides support for increased investment in cleaner energy in response to heightened climate-related concerns. Consequently, the price of conventional energy may also be impacted in either direction due to CPU. Lower/higher investment in greener energy may imply delayed/faster transition to greener energy and that may increase/decrease prices of energy commodities like oil, natural gas, and coal. It is also possible that the relationship is evolving and changing with time depending on the climate policy related discourse. Therefore, in order to analyse the dynamic relationship between CPU and energy price index, a supremum Wald test was conducted to identify the presence of structural breaks, if any. The results of the test highlight a structural break around March 2017 (Annex Table A1). A scatter plot between the two variables in the two samples also confirms the structural break and the change in the relationship. While the pre-March 2017 relationship between the variables is positive, the post-2017 relationship is negative (Chart 1). The change in relationship is robust to winsorising the data and, therefore, is not driven by a few outlier observations.



¹ For detailed explanation of the construction of the CPU index, see Gavrilidis (2021).

The results are consistent with extant empirical evidence that suggests a time-varying dynamic relationship between CPU index and energy prices. Zhou *et al.* (2023) shows that the impact of CPU on oil prices is heterogeneous and dynamic. Using time-varying Granger tests, Ren *et al.* (2023) find that the causal relationship between CPU and energy prices rises significantly in the aftermath of extreme climate events or major climate-related policy changes.

One potential explanation for the change in relationship from positive to negative could be the increased global climate change policy effort post the Paris Agreement that became effective in November 2016. The Paris Agreement is a landmark international accord that aims to reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius and pursuing the means to limit the increase to 1.5 degrees. Under the agreement, all major emitting countries made commitments to cut their climate pollution. Post the signing of the Paris Agreement, many countries have issued detailed Nationally Determined Contributions (NDCs) that outline their respective climate action plan to cut emissions and adapt to climate impacts. Prior to the Paris Agreement, the uncertainty in climate policy may have been regarding the likelihood of green transition. If there was an increase in uncertainty, it may have suggested that the duration of a transition will either be postponed or remain unchanged. This may have led to withholding of investment in green projects and longer usage of traditional sources of energy. Post 2016, climate policy may have changed to one of a faster than previously anticipated transition to net zero. In the present scenario, any increase in uncertainty may be interpreted as to whether the transition timeframe will be expedited or remain as anticipated. This may foster increased impetus towards green energy investments and a bearish outlook for the conventional energy sources. As a result, the relationship between energy price index

and climate policy uncertainty has moved from being pro-cyclical to counter-cyclical. This change in relationship between the two and its implications for India is formally analysed in the following section.

V. Impact on the Indian Economy of the Evolving Dynamics of CPU and Energy Prices

The analysis so far has indicated that the relationship between CPU index and Energy index underwent a structural change and went from positive to negative post March 2017. Next, a series of econometric models are estimated using three variables for the two subsamples to determine if the change in this relationship affects the Indian economy. The three variables in consideration are CPU Index, Energy Commodity Price Index, and India's headline Wholesale Price Index (WPI). We estimate a local linear projection (LLP) model of the following form

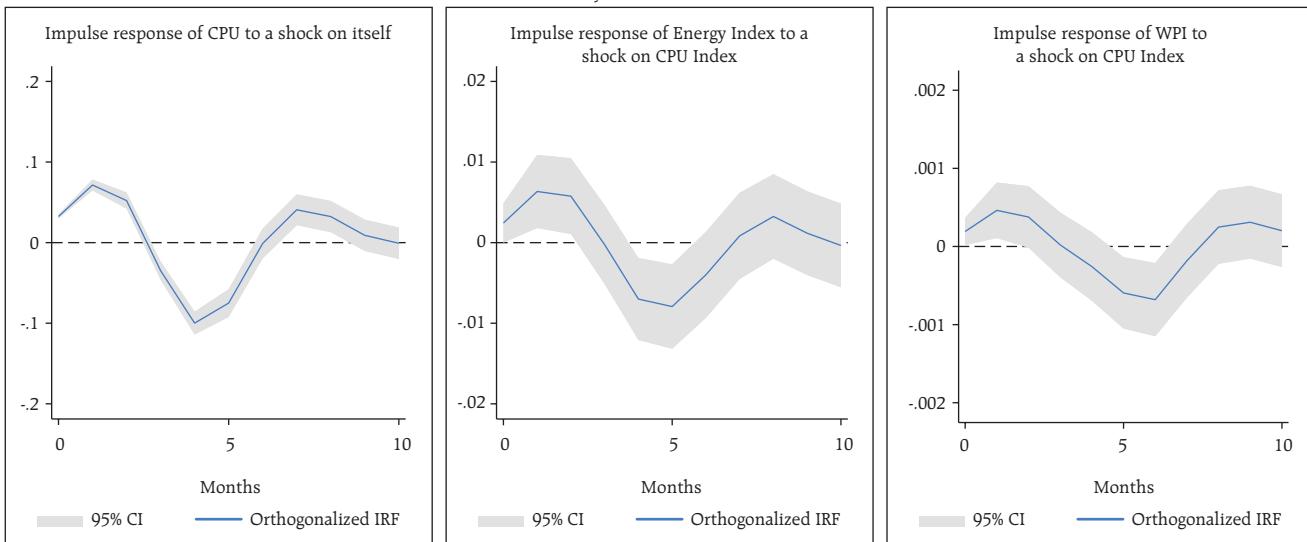
$$y_{t+k} = \alpha_k + \beta_k CPU_t + \sum_{j=t-12}^{t-1} \gamma_{k,j} X_j + \epsilon_{i,t} \text{ where } k = 1, 2, \dots, 10$$

The unit of analysis is observed value of the dependent variable in a month. The dependent variable is the CPU, the global Energy Index or the WPI. To generate the impulse response function, we need to measure the impact of a Climate Policy Shock on the dependent variable at various subsequent time horizons. Accordingly, k -number of separate regressions with the k -leads of dependent variable are run, where $k=0, 1, \dots, 10$ months. The main explanatory variable is the contemporaneous cycle in CPU index. Control variables include up to twelve lags of the CPU index, and the dependent variable.

The impulse response functions show that prior to March 2017, the relationship between CPU Index and WPI was significant with CPU increase (decrease) resulting in WPI increase (decrease). However, the response of Energy Index and WPI to CPU has reversed since March 2017. While it was procyclical pre-March

Chart 2: Pre-March 2017 Relationship Between CPU Index, Energy Index and WPI

May 1991 - March 2017



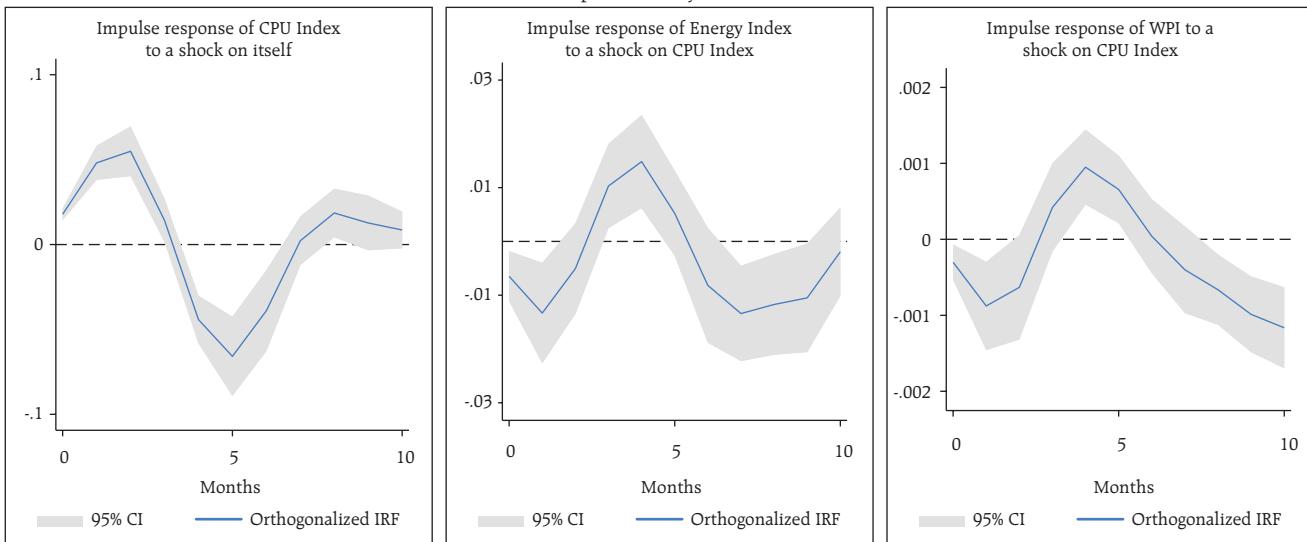
Source: Authors' Calculations.

2017 (Chart 2), it has become countercyclical since then (Chart 3). Post March 2017, there is a negative effect of a positive CPU shock on energy prices and WPI. Alternative econometric models were estimated to check for the robustness of the results. A VARX model with cycles of CPU Index used as an exogenous shock and an SVAR model with Cholesky ordering both

produce qualitatively similar results. Additionally, an indicator of global demand – the OECD composite economic indicator for G20 economies, was introduced in the VARX and SVAR models. The results do not differ significantly from the models without the aforementioned demand indicator (Annex Charts A2-A5).

Chart 3: Post-March 2017 Relationship Between CPU Index, Energy Index and WPI

April 2017 - May 2022



Source: Authors' Calculations.

VI. Conclusion

Sustained use of fossil fuels to meet growing energy needs of economic development of the world has resulted in not just depletion of reserves of traditional sources of energy but also a rapid and unpredictable slew of extreme climate events and a trend increase in global temperatures. This has resulted in global calls for climate-related concerns and spurred many nations across the world into action on developing and adhering to plans of transitioning to a greener economy. In this context, this paper analyses the relationship between climate policy uncertainty using a CPU index and energy commodity prices.

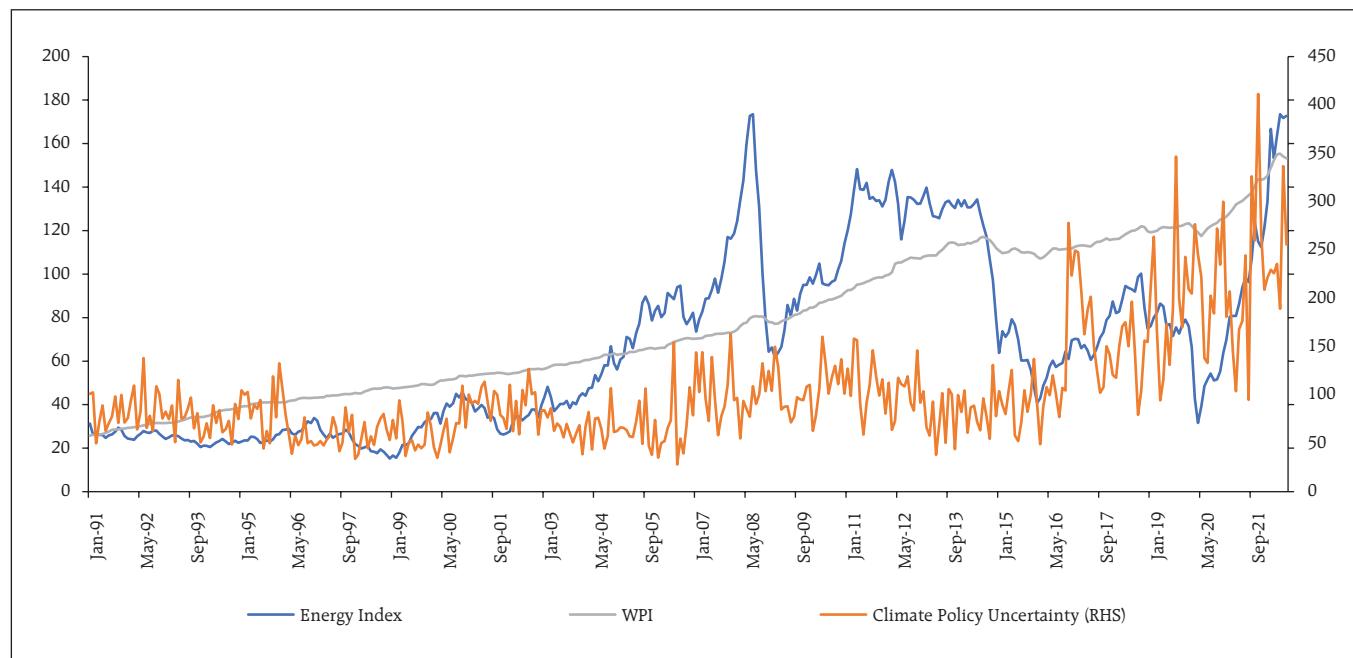
The relationship between CPU index and energy commodity index is found to be time-varying. The relationship that was positive underwent a structural break around March 2017 post which it turned negative. These changed dynamics have also resulted in differing evolving dynamics of the impact of climate policy uncertainty on WPI in India.

The conclusions have important policy implications. First, the impact on energy prices of climate policies should be taken into account while formulating policies relating to green energy transition. Second, while climate policy may have an impact on the macroeconomy of India through various other channels, the channel of pass-through of policy uncertainty to domestic WPI via brown energy prices has undergone a significant change. In the medium term, India may benefit from heightened global policy actions as these seem to have a negative effect on global energy prices. However, the relationship between these variables is continuously evolving and needs to be regularly monitored. The current analysis considers the impact of CPU on energy index, as a whole. The heterogeneity of impact of CPU on prices of different types of energy sources could be a potential direction for future research.

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Annexure**Chart A1: Time series of the three indices****Table A1: Supremum Wald Test for Structural Break in Relationship between Energy Index and CPU**

Energy Index	
CPU Index	0.0065 (0.0173)
Constant	-0.0001 (0.0030)

N 372

*p < 0.1, **p < 0.05, ***p < 0.01.

Full sample:	1991m5 - 2022m4	
Estimated break date:	2017m3	
Ho:	No structural break	
Test	Statistic	p-value
SWALD	31.5702	0.0000
Exogenous variables:	CPU Index	
Coefficients included in test:	CPU Index; Constant	

Results from Alternative Specifications (includes OECD composite economic indicator for G20 economies)

1. VARX model with cycles of CPU index used as exogenous shock

Chart A2: Pre-March 2017 Relationship Between CPU Index, Energy Index and WPI

May 1991 - March 2017

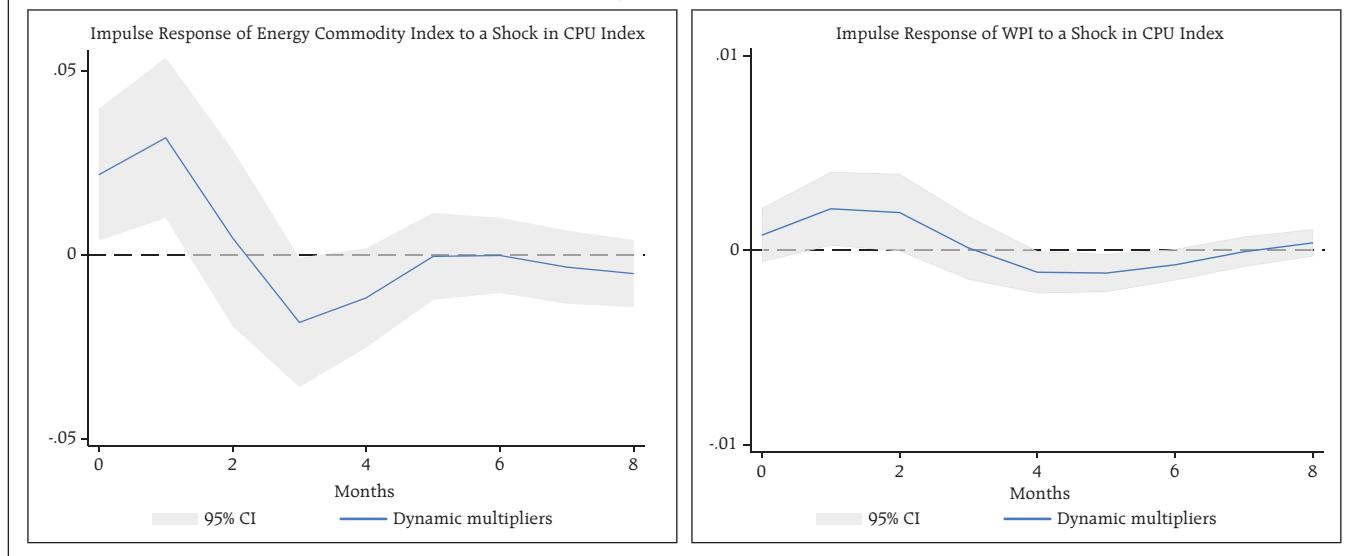
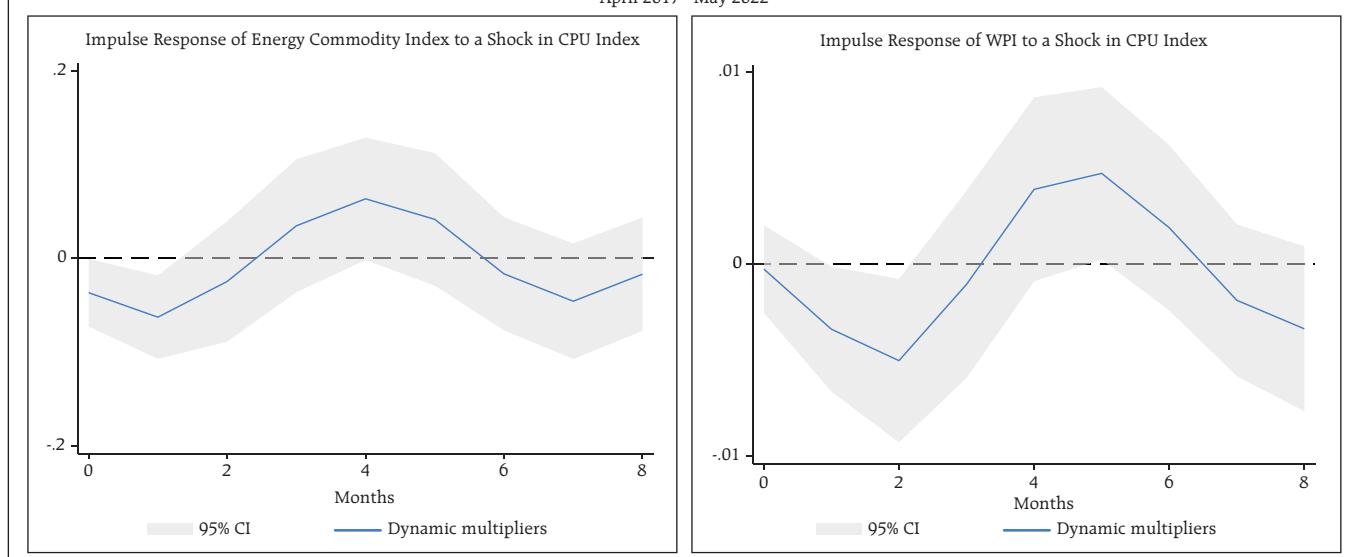


Chart A3: Post-March 2017 Relationship Between CPU Index, Energy Index and WPI

April 2017 - May 2022



Results are similar to those obtained using LLP although the coefficients of the post 2017 period are less significant statistically on account of widening confidence intervals.

2. SVAR with Cholesky Ordering

A structural VAR using three variables, namely, CPU Index, Energy Commodity Price Index and WPI is estimated. The structural form of the regressions is as follows:

$$B_0 y_t = A + B_1 y_{t-1} + B_2 y_{t-2} + B_3 y_{t-3} + \dots B_s y_{t-s} + u_t$$

Where y_t is a $nx1$ vector of variables, A is a $nx1$ vector of constants, B_s is a nxn matrix of coefficients where $s = 1, 2, 3, \dots, p$ are number of lags, and u_t is a $nx1$ vector of structural disturbances.

We assume Cholesky decomposition for identification. Therefore, the identification scheme is the following:

$$\begin{bmatrix} u_t^{CPU} \\ u_t^{Global\ Activity\ Index} \\ u_t^{Energy\ Index} \\ u_t^{WPI} \end{bmatrix} = \begin{bmatrix} b_{11} & 0 & 0 & 0 \\ b_{21} & b_{22} & 0 & 0 \\ b_{31} & b_{32} & b_{33} & 0 \\ b_{41} & b_{42} & b_{43} & b_{44} \end{bmatrix} \begin{bmatrix} \epsilon_t^{CPU} \\ \epsilon_t^{Global\ Activity\ Index} \\ \epsilon_t^{Energy\ Index} \\ \epsilon_t^{WPI} \end{bmatrix}$$

Chart A4: Pre-March 2017 Relationship Between CPU Index, Energy Index and WPI

May 1991 - March 2017

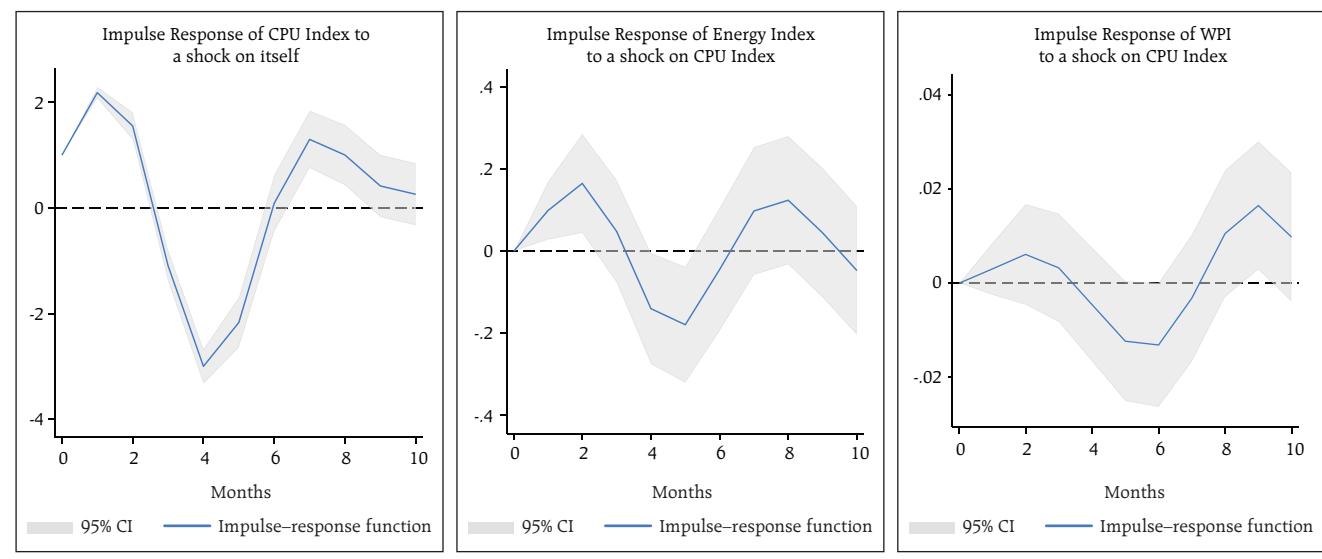
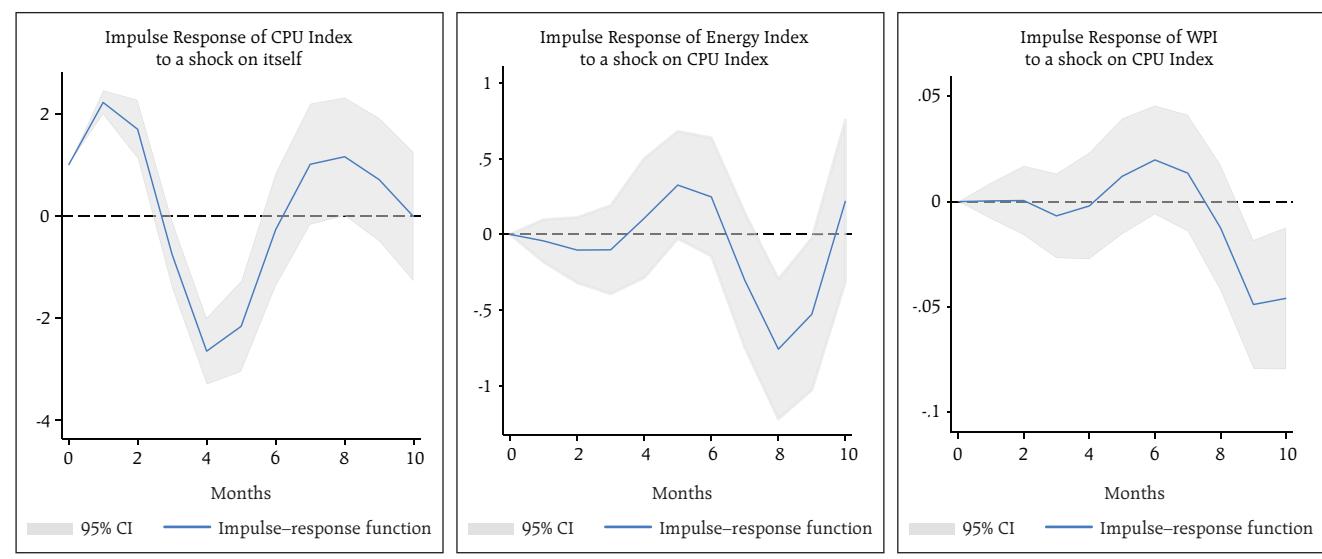


Chart A5: Post-March 2017 Relationship Between CPU Index, Energy Index and WPI

April 2017 - May 2022



The results from SVAR model are similar to the ones obtained from LLP but with lower statistical significance on account of wider confidence intervals.

Rural Consumer Confidence in India: Bridging the Gap

by Sourajyoti Sardar, Manu Swarnkar,
Ayan Paul, and Tushar B Das[^]

The Reserve Bank initiated the Rural Consumer Confidence Survey (RCCS) in 2022 to inclusively capture rural sentiments about the economy. The survey reveals improving perceptions of the general economic and employment situations, with future outlooks consistently optimistic. Despite ongoing concerns, households exhibit strong confidence in future income and resilient spending behaviour. Inflation perceptions and expectations remain high but show a moderating trend. The Current Situation Index has steadily recovered, while the Future Expectations Index indicates steady optimism. RCCS enriches the policymaking landscape by bringing rural voices to the forefront, highlighting their evolving expectations and economic resilience.

Introduction

In India's economic landscape, the rural¹ sector plays a crucial role, driving the nation's growth and development. The importance of Indian rural markets is evident from the fact that about 56-60 per cent GDP, 53 per cent of fast-moving consumer goods demand and 59 per cent of consumer durable demand is originated from the rural areas (Ancarani, Fabio, et al., 2014). India's rural populace is diverse in culture, socioeconomic status, and geographic spread and the

sentiment of the rural and semi-urban households about the economy provides vital insights into economic outlook, purchasing behaviour, and overall well-being.

The Reserve Bank has been conducting household surveys like the Inflation Expectations Survey of Households (IESH) and the Consumer Confidence Survey (CCS) to assess consumer sentiments. However, these efforts have primarily focused on urban consumers. The ambit of household surveys to non-urban areas was extended by initiating a bi-monthly RCCS in September 2022. The survey elucidates rural consumers' perceptions of their income and spending patterns, the prevailing price situation, and their sentiment on the broader economic environment and employment scenario. The design and implementation of the survey was under the guidance of the Technical Advisory Committee on Surveys (TACS).

This article provides a brief overview of the background, survey methodology and results in terms of descriptive statistics based on the RCCS data collected so far. The rest of the article is organised as follows. Section II of the article provides a background on the evolution of the RCCS. The subsequent sections include a detailed overview of the survey methodology and scope (Section III) and the presentation of survey results (Section IV). The article concludes by summarising the major findings and discussing their policy implications in Section V.

II. Background

The Reserve Bank has been exploring the prospect of expanding household surveys to encompass rural and semi-urban areas and in March 2022, it was decided to extend the coverage of CCS to rural areas as well. Subsequently, a draft questionnaire for collecting the sentiments of rural consumers on various macro parameters was prepared. This, along with a prospective sampling design almost akin to the urban household surveys and a detailed sampling frame, was deliberated upon during several meetings of the

[^] The authors are from the Reserve Bank of India (RBI). The views expressed in this article are those of the authors and do not represent the views of the RBI.

¹ The classification of population groups, such as rural, semi-urban, urban, and metropolitan, is sourced from the Central Information System for Banking Infrastructure (CISBI) of the RBI. Areas with populations up to 9,999 are categorised as 'Rural', populations ranging from 10,000 to 99,999 are labelled 'Semi-Urban', populations from 1,00,000 to 9,99,999 fall under 'urban', and areas with populations of 10 lakh and above are designated as 'metropolitan'. Urban surveys conducted by the RBI, namely IESH and CCS, focus on urban and metropolitan centres, while the RCCS is specifically carried out in rural and semi-urban locations.

Bank's TACS and finalised for on-field implementation (See Annex 1 for a discussion on TACS).

An experimental survey was conducted in *Malavali* village under Pune district during the last week of June 2022 to check the efficacy of the survey questionnaire. Based on the insights gathered, the questionnaire was suitably amended and an exploratory round of RCCS was launched in July 2022. Lessons from the exploratory round, such as larger time requirement as compared with urban surveys, challenges in achieving the target sample size in many villages, and mismatches in ground situation from the data available from 2011 census were taken into account to revise the sampling strategy.

Based on the revised sampling strategy, the first pilot survey was initiated in September 2022 covering 42 districts across 19 states, with a target sample size of 6,100. The districts were selected within a reachable periphery around the RBI offices, allowing agency investigators to comfortably travel to the locations for conducting surveys and RBI officials to timely complete verifications, ensuring data quality. The sampling frame maintained a consistent 3:2 ratio between rural and semi-urban centres. The targeted number of interviews in each rural or semi-urban centre was set at 15, with the intention of gathering responses from a village to ensure diversity. The survey used a fixed panel of districts within a state.

Three pilot rounds were conducted in September 2022, November 2022 and January 2023. Further, two rounds of repeat surveys, alongside the normal pilot survey rounds, were conducted in May and July 2023 canvassing the same questionnaire to the respondents who participated in the survey during previous rounds to test 'response consistency' across rounds. The result of the repeat surveys indicated consistency with the corresponding pilot survey rounds for almost all parameters. The data quality aspect was also ensured through the already tested verification processes similar to urban surveys.

In September 2023, the survey coverage was expanded following a review of the RCCS pilot rounds. Seven additional states were added to the sampling frame to improve representativeness, bringing the target sample size to 8,100. A year later, the coverage was further extended to five new states/ union territories (UTs) including four north-eastern states viz., Arunachal Pradesh, Nagaland, Manipur, Mizoram, and the Union Territory of Ladakh, targeting 500 additional households. With these additional samples and further addition of samples in existing states, the rural survey now encompasses 9000 households from 610 villages across 100 districts, covering all 28 Indian states and three UTs and is conducted on a bi-monthly basis.

As a part of thorough testing of the survey process, including the quality and consistency of the data, the work of conducting a rigorous statistical data audit (SDA) was entrusted to the ISI, Kolkata (Annex 2). The findings of the data audit reaffirmed the robustness of the survey. The suggestions on enhancing the survey process were deliberated upon and modifications were incorporated in the computer aided personal interview (CAPI) script for better articulation and understanding by the survey respondents.

After due diligence on data quality and observation of consistency in results across various rounds, it was decided that the data from the RCCS would be released in public domain for easy access of various stakeholders. This is in alignment with the practice of disseminating the information in public domain, as in the case of other surveys conducted by the Reserve Bank.

III. Survey Framework and Methodology Overview

III.1 Questionnaire and Related Details

The RCCS questionnaire is designed from the survey schedules of two flagship urban surveys viz., CCS and IESH. Structured into four distinct blocks, the questionnaire aims to gather comprehensive

information from rural and semi-urban respondents. The survey questionnaire is provided in Annex 3 for details regarding the exact nature of questions and methods of assessment.

Block I of the questionnaire captures essential demographic details, number of earning members, average monthly income, and possession of agricultural land. Block II complements respondents' views and anticipations on the economy, focusing on general economic conditions, employment scenarios, and price levels, including inflation. Block III delves into participants' perceptions and expectations regarding their household's income and spending. Using a three-point scale, respondents provide feedback on the current situation compared to a year ago and their expectations for the next year. Finally, Block IV of the questionnaire focuses on quantitative assessments of inflation perceptions and expectations.

III.2 Coverage

Since July 2024, the updated survey scheme covers over 100 districts across all Indian states and 3 UTs, with a target sample size of 9,000. To arrive at the sample size, a proportionate sampling scheme was used. In this process, the state-level sample size was determined based on the respective proportions of rural and semi-urban populations within each state. This sampling scheme ensures the inclusion of most states and population diversity in the survey, making it one of the unique endeavours in consumer sentiment surveys globally. Table A1 in Annex 4 provides a comprehensive list of states covered by the RCCS along with their respective target sample sizes.

III.3 Sampling Scheme

The RCCS sampling scheme adopts a two-stage approach similar to the urban surveys. To conform with a two-stage sampling scheme, a fixed set of districts within a state are panelled keeping in view both representativeness and feasibility of completion of verification within the stipulated time to ensure

data quality. The selection of districts is such that it covers enough rural and semi-urban centres to achieve target sample size.

In the first stage, primary sampling units (PSUs) also known as 'first-stage units (FSUs)', comprising rural villages and semi-urban centres, are chosen through a systematic random sampling technique within the district. Rural and semi-urban centres are selected based on the presence of a minimum level of banking infrastructure to ensure an adequate number of samples for the second-stage units (SSUs), namely households. In case a chosen village falls under a restricted area, the nearest feasible village is selected to maintain the integrity of the sampling procedure.

15 households are interviewed in each selected village or semi-urban centres. The initial household is chosen randomly, and subsequent households are selected using the right-hand rule, skipping five households after each successful interview, ensuring the spread of the sample within the centre. Non-response situations are managed by selecting the next available household for an interview. In multi-storied buildings or apartments, a maximum of two interviews are conducted per building.

III.4 Methodology

III.4.a Net Response and Summarising Indices

In traditional opinion surveys, respondents are typically provided with three options, say, increase, remained the same and decrease. Interpreting all three can be challenging, rather difficult, to comprehend. It is, therefore, required to arrive at a single quantitative measure for general understanding of the movement of the parameter under consideration. A common method for this transformation is through 'Net Responses,' also known as 'Balances' or 'Net Balances.' This metric is calculated by subtracting the percentage of respondents reporting a worsening (negative) from the percentage reporting an improvement (positive) and can range from -100 to +100.

In the RCCS, 'net response' is employed to derive two key indices that capture consumer confidences on two different time horizons—the Current Situation Index (CSI), reflecting the present perceptions compared to a year ago, and the Future Expectations Index (FEI), indicating year ahead expectations. The calculation for both summary indices follows the formula:

$$\text{Overall Index} = 100 + \text{Average (Net Response of selected factors)}$$

where, Net Response = Positive perception (in per cent) – Negative perception (in per cent)

The average net responses on the current perceptions on various factors, viz., economic conditions, employment, price level, income and spending are used for the calculation of the CSI while the average net responses on the year ahead expectations on these factors are used to calculate the FEI. The CSI and FEI have a range between 0 to 200, with index values below 100 representing pessimism and figures above 100 indicating optimism.

III.4.b Estimation of Median Values

The aggregation of median values for quantitative inflation perceptions and expectations employs a two-stage simple random sampling with replacement, iteratively performed K times. In each iteration, the median value of inflation perceptions/expectations \widehat{Y}_k is calculated from the resampled data. The arithmetic mean of these K median values \widehat{Y} is then computed as the aggregate median inflation perceptions/expectations. Utilising these K median values and their arithmetic mean, the aggregate-level standard error is subsequently calculated.

$$\widehat{Y} = \frac{1}{K} \sum_{k=1}^K \widehat{Y}_k \quad (\text{I})$$

$$SE(\widehat{Y}) = \sqrt{\frac{1}{K-1} \sum_{k=1}^K (\widehat{Y}_k - \widehat{Y})^2} \quad (\text{II})$$

Having illustrated the methodology, the rest of this article presents the results of the survey.

IV. Survey Results²

IV.1 Respondents' Profile

The March 2025 survey round reflects a male-to-female respondent ratio of 3:2, with notable variations across different states. Around 83 per cent of surveyed households indicated monthly household income below ₹25,000, while around 5 per cent reported incomes surpassing ₹50,000 monthly (Chart 1a). In terms of education qualification, nearly 60 per cent completed 10th standard, with around 40 per cent among them holding degrees or higher education. Homemakers and self-employed individuals, constituting a combined total of over 50 per cent, were the predominant occupational groups, with daily wage workers representing the third highest category of respondents (Chart 1b). Over 30 per cent of households possessed income-generating agricultural land. Detailed demographic distribution is given in Table A2 in Annex 4.

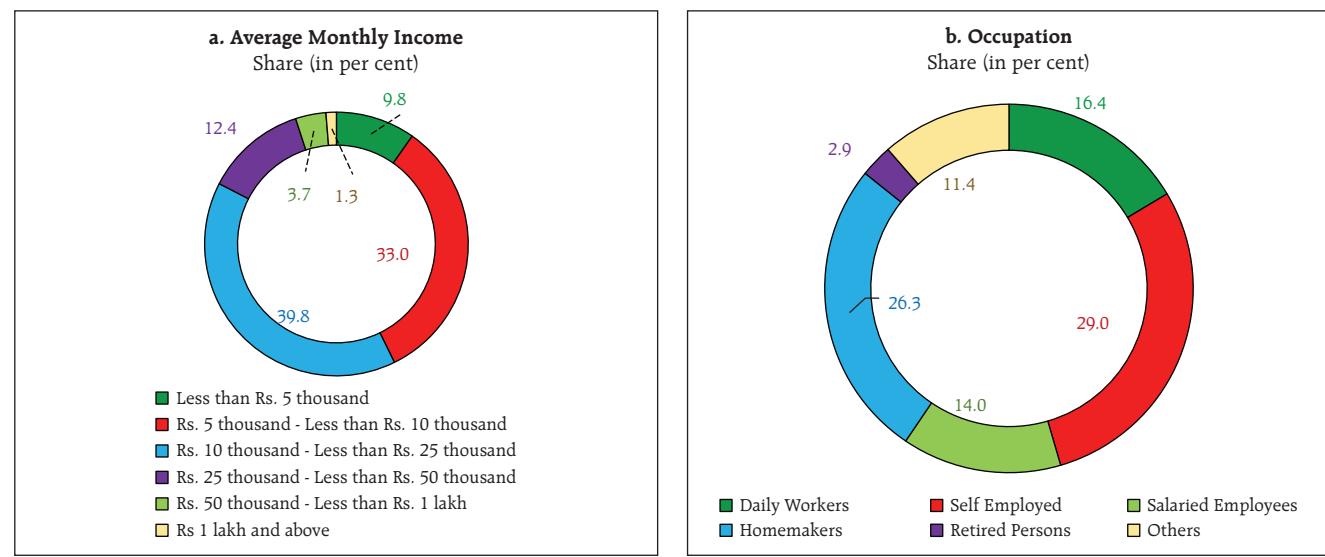
IV.2 Views on Macroeconomic Conditions

IV.2.a General Economic Situation

Rural and semi-urban households voiced a notably negative sentiment (-27.7) regarding their perceptions of the overall economic situation in September 2022, largely referring to the lingering distress of the COVID-19 pandemic. Over time, their sentiment gradually improved, turning optimistic for the first time in September 2023. This upward trend continued through March 2024, reflecting a remarkable 43-point increase from the initial survey round in September 2022. Perceptions of the current economic situation, however, began to decline thereafter, with the net response dropping from 14.9 in March 2024 to 1.1 in November 2024, before showing improvement since the January 2025 survey round.

Despite these fluctuations, rural respondents consistently maintained optimism regarding the one-

² It may be noted that the demographic as well as socioeconomic profile presented here corresponds to the Survey respondents and should not be taken as representing the population characteristics.

Chart 1: Demographic Distribution of the Respondents (March 2025)

Source: RBI's RCCS; and Authors' calculations.

year economic outlook since the survey's inception. In most rounds, over half of the respondents anticipated an improvement in the general economic situation (Chart 2; and Table B1 in Annex 5).

IV.2.b Employment Condition

The current sentiment among rural and semi-urban households regarding employment conditions

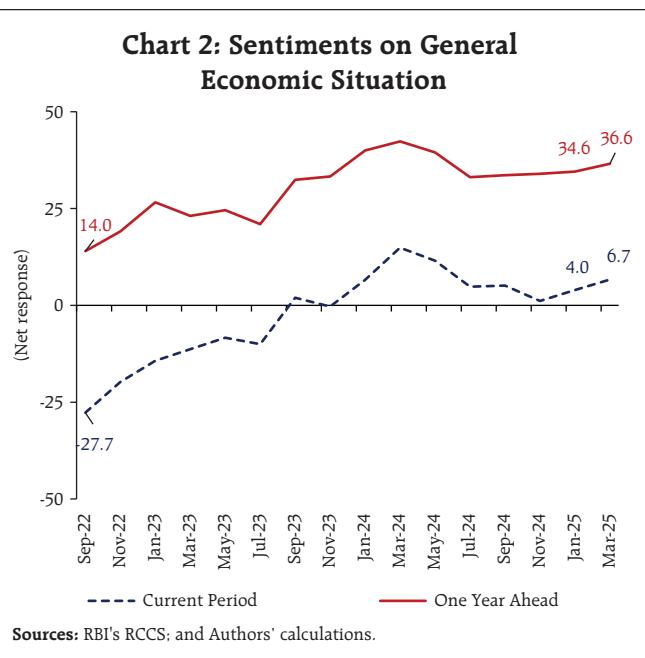
reflects a pattern akin to that observed in the general economic situation. Starting with a net negative sentiment in September 2022, perceptions of the current employment situation gradually improved, turning positive at the onset of 2024. This improvement persisted through March 2024 but began to moderate thereafter. Between July and November 2024, sentiment remained pessimistic before returning to optimism since January 2025.

Looking ahead, respondents remain highly optimistic about the one-year outlook for employment conditions. Consistently, more than half of the rural respondents have expressed positivity about future employment prospects, with this figure exceeding 55 per cent since March 2024 (Chart 3; and Table B2 in Annex 5).

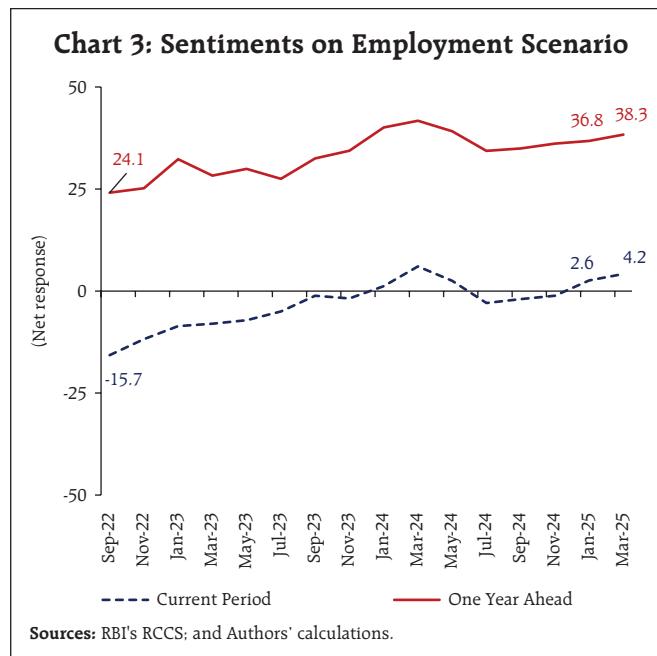
IV.3 Households' Assessment of their Income and Spending Situation

IV.3.a Income Scenario

The sentiment among rural and semi-urban consumers regarding their current household income condition persisted in the pessimistic zone, with gradual decline in pessimism over the rounds. Since May 2024, however, the progress slowed as pessimism

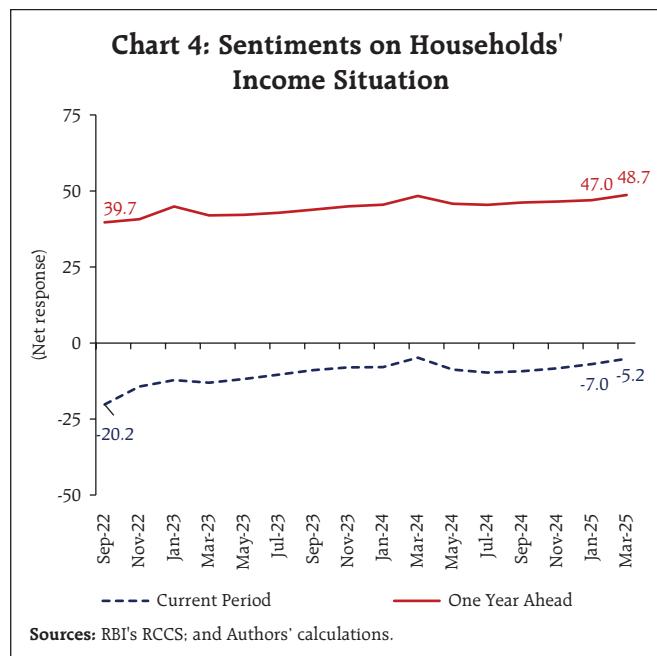


Sources: RBI's RCCS; and Authors' calculations.



about the current income situation increased, before easing in the most recent three survey rounds.

In contrast, rural households consistently maintained a highly optimistic outlook on future income prospects throughout the survey period. Notably, around 90 per cent of respondents do not anticipate any deterioration in their household income over the next year, reflecting strong confidence



in their future earnings (Chart 4; and Table B5 in Annex 5).

While the rural and semi-urban populace continues to grapple with prevailing income-related concerns, the buoyant outlook regarding future income trajectories among households signals a promising undercurrent of economic resilience and confidence, indicative of evolving consumer confidence amidst dynamic economic landscapes.

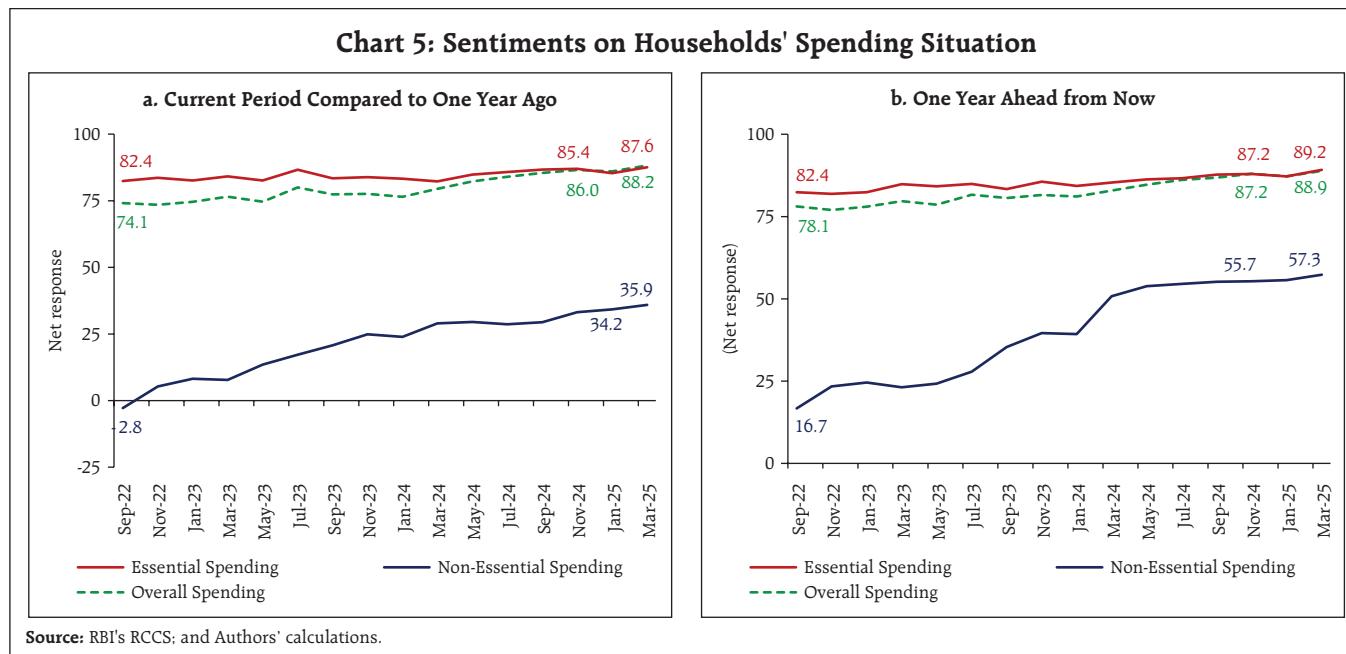
IV.3.b Spending Situation

Since September 2022, rural and semi-urban households consistently exhibited a notably buoyant sentiment toward current spending, with the net response reaching its peak at 88.2 in March 2025. Essential spending has been a primary driver of this overall outlay, although non-essential expenditures have also played a role in bolstering the aggregate expenditure. Initiating from the negative territory in September 2022, the sentiment surrounding non-essential expenditures witnessed a remarkable improvement, surging by nearly 38.7 points on a net basis to reach the 35.9 mark by March 2025. While inflation may have contributed to higher essential spending, the recovery in income conditions and seasonal push of purchase patterns indicate a rise in non-essential expenditures as well during the current period. Similarly, the outlook on future expenditures persisted within the ambit of high optimism, buoyed by both essential and non-essential spending. It is noteworthy that, on a net basis, sentiment regarding non-essential outlays for both the current period and one year ahead witnessed improvement, *albeit* at levels notably lower than essential spending (Chart 5; and Tables B6-B8 in Annex 5).

IV.4 Assessment on Price level and Inflation Expectations

IV.4.a Quantitative Assessment of Inflation Expectations

The majority of rural and semi-urban households continue to be concerned about rising prices.

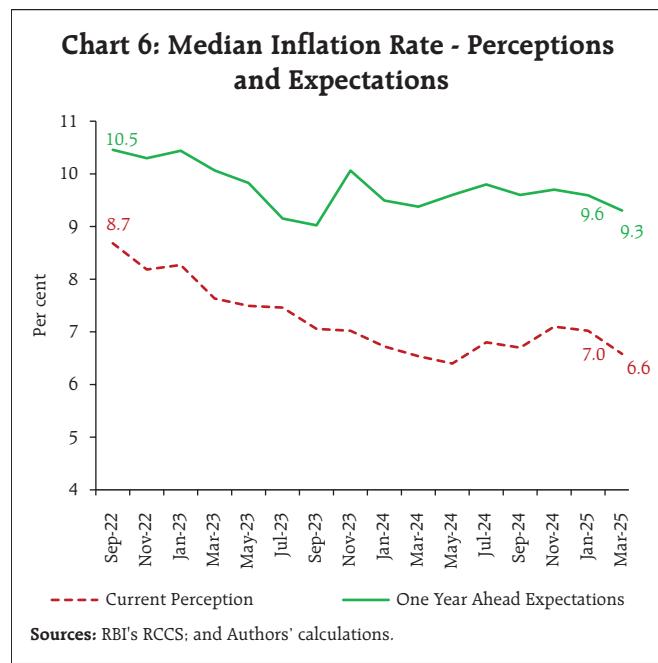


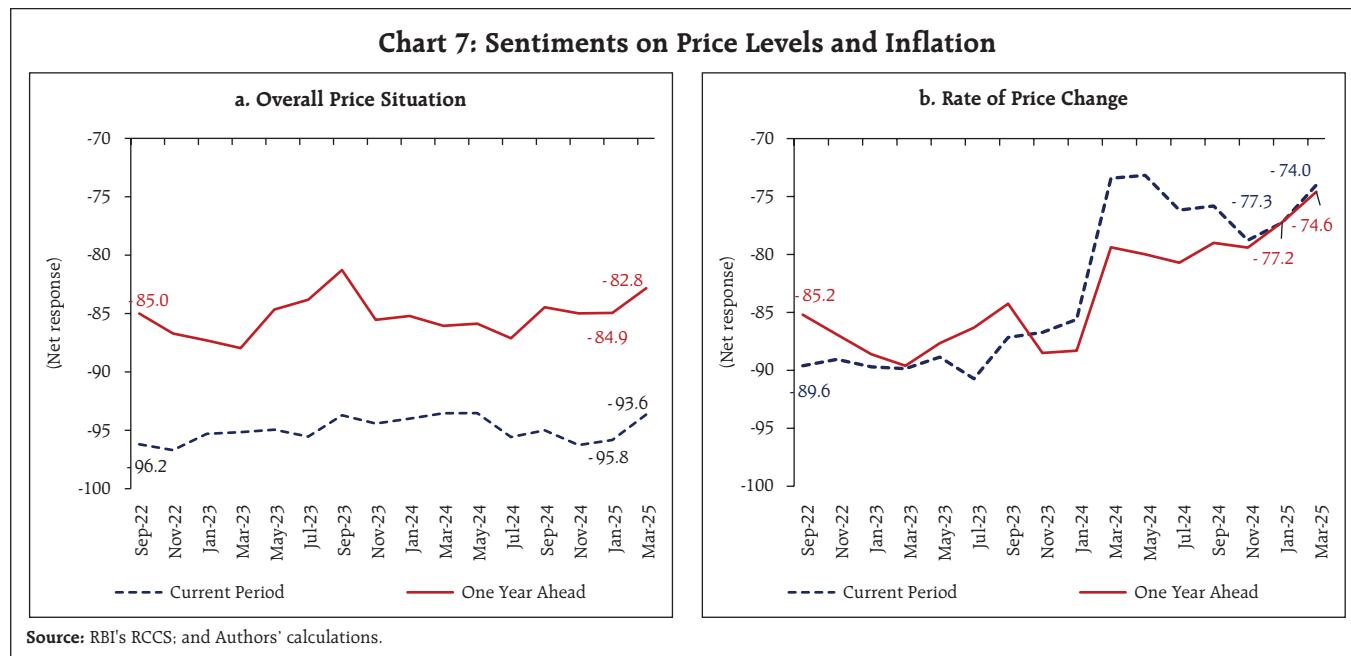
Despite a 230 basis points (bps) cumulative decline in their perception of current overall inflation from September 2022 to May 2024, rural and semi-urban households remained cautious about year-ahead inflation expectations, as it decreased by only 90 bps during the same period. Since July 2024, inflation perceptions have trended upward, largely due to rising food prices, especially vegetables. However, as food prices began to ease, the January 2025 survey reflected a moderation in these perceptions. By March 2025, households' current inflation perception had declined by 40 bps over the previous round to 6.6 per cent. Inflation expectations for the year ahead also recorded a cumulative decline of 40 bps over the last two survey rounds, although the level remained high at 9.3 per cent in March 2025 (Chart 6).

IV.4.b Qualitative Assessment on Price Level and Inflation Expectations

Households' sentiment regarding the general price level has remained consistently pessimistic throughout all the rounds of surveys. The majority of households have reported an increase in prices and anticipate that they will remain elevated over the next year. The qualitative assessment of both

current inflation and its future trajectory follows a similar trend to their quantitative assessment. The March 2025 survey, however, showed a 15.6 points net reduction in pessimism in the current perception of inflation compared to September 2022. The year-ahead outlook, however, recorded a lower magnitude (10.6 point) net reduction in pessimism (Chart 7; and Tables B3-B4 in Annex 5).

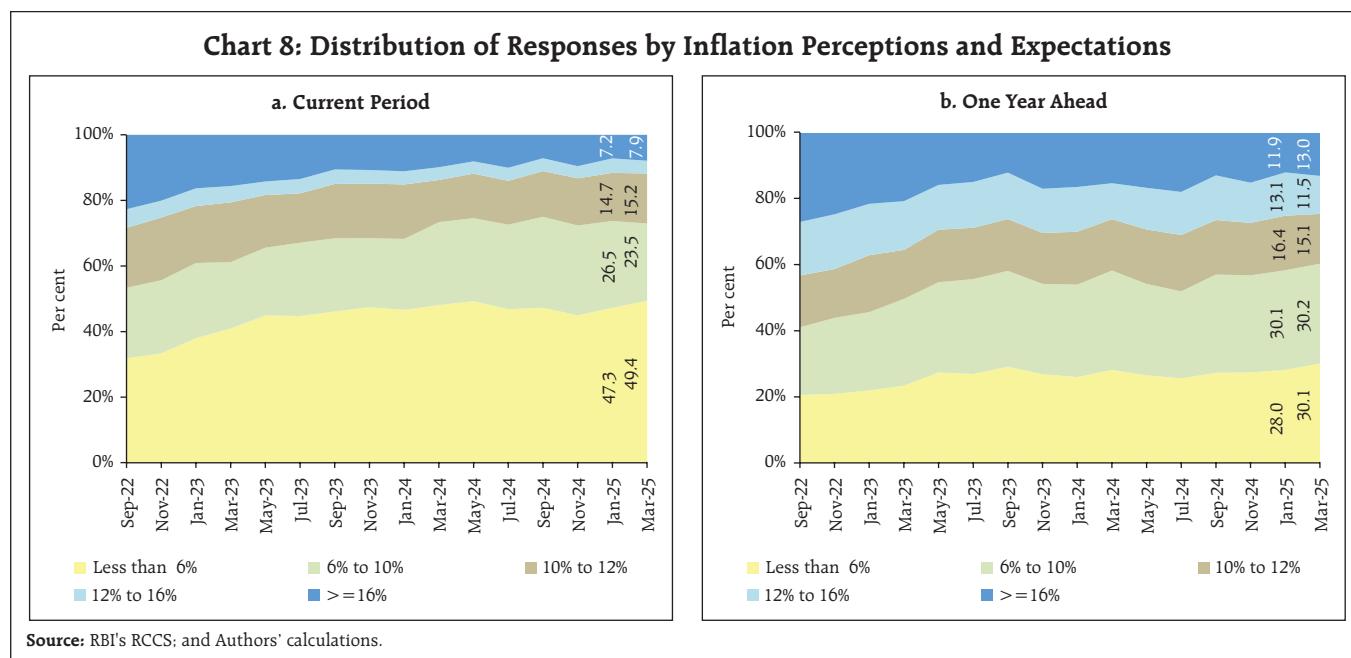




IV.4.c Distribution of Responses by Inflation Expectations

A chronological presentation of the distribution of respondents across different inflation brackets offers insight into the changing perceptions of inflation over time. Notably, while little above the half of the surveyed households perceived inflation to be less than 10 per cent in September 2022, around

three-fourth of the respondents now perceive less than 10 per cent inflation in the latest survey round, conducted in March 2025. It is evident that the shift predominantly came from the highest inflation bracket. Similarly, the proportion of respondents anticipating inflation to stay below 10 per cent in the coming year also exhibit a similar trend, though the share is much lower than the current perceptions (Chart 8).



IV.4.d Inflation Expectations by Income and Occupation Category

Inflation perceptions and expectations vary across income and occupation categories. In March 2025, retired individuals reported relatively high current-period inflation, while both homemakers and retirees expressed concerns about future inflation. Similarly, in the previous three survey rounds, retirees raised concerns about both current inflation and future expectations. However, this pattern does not hold consistently across all survey rounds (Table 1; and Tables C1-C2 in Annex 6).

Variation is evident among various other socio-economic classes concerning household sentiments regarding inflation perception and expectations. Further details are provided in Annex 6.

Table 1: Median Inflation Perceptions and Expectations in March 2025

(in per cent)

Average monthly Income wise				
Income bracket	Current		One year ahead	
	Median	Std. Error	Median	Std. Error
Less than ₹5 thousand	6.2	0.38	9.9	0.34
₹5 thousand - Less than ₹10 thousand	6.6	0.28	8.9	0.22
₹10 thousand - Less than ₹25 thousand	6.3	0.27	9.2	0.29
₹25 thousand - Less than ₹50 thousand	7.0	0.46	9.3	0.43
₹50 thousand - Less than ₹1 lakh	6.0	0.26	8.8	0.57
₹1 lakh and above	6.3	0.45	8.0	0.47

Occupation wise				
Occupation Category	Current		One year ahead	
	Median	Std. Error	Median	Std. Error
Daily Worker	6.6	0.39	9.3	0.36
Self Employed	6.9	0.38	9.0	0.34
Salaried Employee	6.5	0.35	9.1	0.32
Homemaker	6.4	0.29	9.5	0.31
Retired Person	7.6	0.83	9.5	0.79
Others	6.1	0.25	8.8	0.29

Notes: Figures are compiled based on 31 states/ UTs.

Sources: RBI's RCCS; and Authors' calculations.

IV.5 Summary Indices

IV.5.a Current Situation Index (CSI)

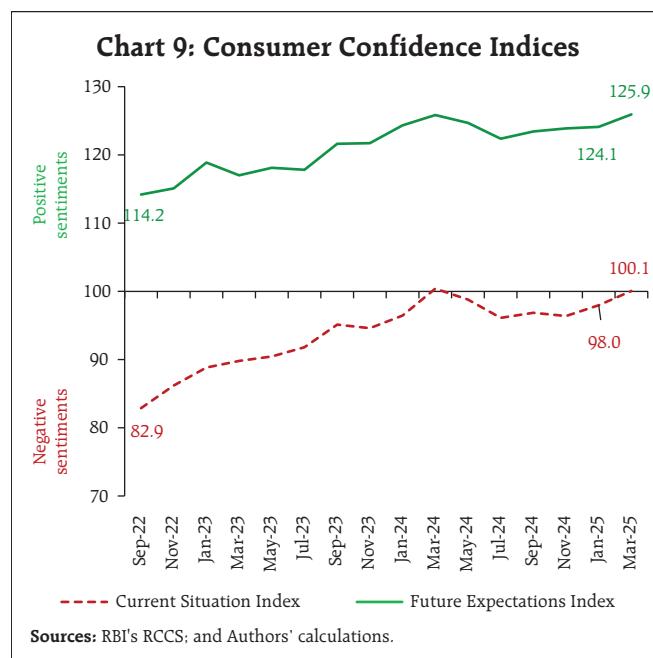
The CSI has shown consistent and notable improvement over time. Beginning at 82.9 within the pessimistic territory in September 2022, the CSI has undergone substantial recovery, entering positive territory (100.4) in the March 2024 survey round. The momentum in the CSI moderated during the second half of 2024, hovering near the neutral line while staying in negative territory. Current sentiment again showed improvement since January 2025 round (Chart 9).

IV.5.b Future Expectations Index (FEI)

The FEI provides a forward-looking perspective, indicating consistent positivity and gradual improvement over time. Outlook of the households cumulatively improved by 9.9 points since September 2022, reaching 125.9 in March 2025 (Chart 9).

IV.5.c Confidence among Various Income Groups and Occupation Categories

In a robust survey framework, it is natural to anticipate heterogeneity in economic perceptions and expectations among various socio-economic groups.



In general, responses from higher income brackets consistently suggest a better economic outlook, which is also mirrored in the summary indices (Table D1 in Annex 7).

The salaried class emerges as the most optimistic among the groups regarding confidence in the current economic situation. Conversely, according to the FEI, both the salaried class and homemakers exhibit high levels of optimism (Table D2 in Annex 7).

V. Conclusion

Understanding evolution of sentiments of economic agents regarding economic conditions is vital for evidence-based policy making. Recognising the need for making such surveys more inclusive, the Reserve Bank initiated a RCCS in 2022 to gauge rural sentiments, in line with the existing surveys of urban households. This article presents the sampling framework, and methodology of the RCCS along with the results based on trends observed in rural consumer confidence and inflation expectations.

The results from various survey rounds reveal that households' perceptions of the general economic

situation and employment conditions staged a marked recovery since 2022, despite intermittent setbacks. Optimism about future income prospects remains a key highlight, with rural households consistently expecting better earnings over the next year. Spending sentiment has remained robust, primarily driven by essential spending, while non-essential expenditures have also shown gradual improvement, reflecting resilience in a challenging economic scenario.

The perceptions about current inflation have shown a declining trend over time, barring brief episodes of heightened concern, driven by elevated food prices. These have also translated to lower inflation expectations, *albeit* with the rate of decline being slower. Broad measures of consumer sentiments, such as the CSI has shown a remarkable recovery, hovering around neutral levels in recent rounds, while the FEI continues to signal strong optimism. With the introduction of this survey, the information set available for policy making has expanded, as assessments and aspirations of rural consumers, a major conduit of inclusive economic progress, are explicitly captured.

Annex 1: Technical Advisory Committee on Surveys (TACS)

To measure household inflation expectations, RBI has been conducting IESH survey since 2005 across different population groups in major urban centres across the country. The survey results were regularly presented at the quarterly Monetary Policy Strategy meetings, with key insights shared during the Technical Advisory Committee on Monetary Policy (TACMP) meeting. Given the sensitive nature of the data, particularly prior to its public disclosure, the seventh TACMP meeting in January 2007 stressed the importance of ensuring the survey's methodological integrity, quality, and consistency. Consequently, in March 2007, recognising the need for structured technical guidance on various surveys, the Reserve Bank constituted the TACS, under the chairmanship of Dr. Rakesh Mohan, the then DG. This high-level committee comprised of external experts from institutions of repute, like Indian Statistical Institute (ISI), Indira Gandhi Institute of Development Research (IGIDR), and market analysts, along with representatives from relevant user departments, *viz.*, Department of Economic Research and Policy (DEPR) and Monetary Policy Department (MPD). Currently, the TACS is chaired by the DG with ED as the vice-chairman. The panel of external experts currently part of the TACS are from ISI; IGIDR; National Council of Applied Economic Research (NCAER); and National Statistical Office (NSO), Government of India.

Annex 2: Statistical Data Audit

The RBI gathers macroeconomic and financial statistics, through regulatory and supervisory reporting and also from various structured surveys, forming the foundation for informed decision-making and policy formulation. To improve the foundation of data quality, the RBI has instituted a mechanism to conduct Statistical Data Audit (SDA) of such important and valuable data. This structured statistical audit evaluates the consistency, integrity, and reliability of the statistical data, ensuring transparency and professional accuracy in its usage. However, confidentiality and security of internal data remained top priority for the RBI, with robust data management protocols in place.

The Indian Statistical Institute (ISI), recognised as an Institution of National Importance, plays a pivotal role in theoretical and applied statistics. The RBI has entered into a memorandum of understanding (MoU) with the ISI to conduct the statistical data audit for the survey data used by the Bank. As a first reference, the ISI was entrusted to conduct the statistical audit of the data of six pilot rounds of the RCCS. The key deliverables included evaluation of data sources, a report on data cleaning, review of sampling methodology, application of statistical analysis techniques, validation of results, examination of assumptions and limitations, documentation of reproducibility, compliance verification and an audit summary with recommendations.

In its report, the ISI has appreciated the work and recognised the issues and challenges of conducting field survey in rural and semi-urban villages in India. They have also acknowledged that RCCS is an intense survey and conducting the same in bi-monthly frequency with limited resources itself is a challenge. The summary observations of the ISI's data audit are given below:

- a) the steadiness of the pattern of stochastic dominance of the distribution of survey parameters of RCCS is consistent with the presumption of the propriety of the survey and thus, concluded that the qualitative data of the rural survey is consistent.
- b) the in-built validation checks of the CAPI script to ensure data consistency of the survey was discussed at length in the report.

The TACS, based on these observations, recommended continuing the survey with the existing sampling design and consider publishing the data in public domain for wider circulation.

Annex 3: Survey Questionnaire

The RBI conducts nation-wide RCCS every two months among households in select states with an objective to assess their current perceptions and future expectations on various economic parameters including prices and inflation. Personal information of all respondents are kept confidential and not disseminated; only aggregated results are published.

Are you willing to participate in the survey?	Yes/No
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Block I: Respondent's Details

Name							
Address	Address1 - House Number/Building Name						
	Address2 - Colony/Street/Village						
	Landmark						
	Village/District	Pin Code					
Telephone Number							
Age of the respondent	(in completed years, 21 years and above)						
Gender	Male	Female	Others				
Occupation	Salaried Employee [1]	Other self employed [2]	Home maker [3]				
	Daily Worker [4]	Retired Person [5]	Others (Unemployed, student etc.) [6]				
Agricultural land	Yes	No					
Family Members	1 or 2 [1]	3 or 4 [2]	5 and more [3]				
Number of Earning members							
Average Monthly Income	Less than ₹5 thousand [1]	₹5 thousand - ₹10 thousand [2]	₹10 thousand - ₹25 thousand [3]				
	₹25 thousand - ₹50 thousand [4]	₹50 thousand - ₹1 lakh [5]	₹1 lakh and above [6]				
Educational Qualification	Illiterate [1]	Below 5 th Std [2]	5 th Std-Below 10 th Std [3]				
	10 th Std-Below 12 th Std [4]	12 th Std [5]	Graduate [6]	Postgraduate [7]			

Block II: Respondent's Perceptions and Expectations about the economy

Q. No.		As compared with one -year ago			One-year from now		
		Improved/ Increased	Remained the same	Worsened/ Decreased	Will Improve/ Increase	Remain the same	Will Worsen/ Decrease
1	General economic situation	[1]	[2]	[3]	[1]	[2]	[3]
2	Employement scenario	[1]	[2]	[3]	[1]	[2]	[3]

Block III: Perceptions and Expectations about the household

Q. No.		As compared with one -year ago			One-year from now		
		Improved/ Increased	Remained the same	Worsened/ Decreased	Will Improve/ Increase	Remain the same	Will Worsen/ Decrease
3	Household Income	[1]	[2]	[3]	[1]	[2]	[3]
4a	Expenditure on essential items	[1]	[2]	[3]	[1]	[2]	[3]
4b	Expenditure on non-essential items	[1]	[2]	[3]	[1]	[2]	[3]
4	Overall Spending	[1]	[2]	[3]	[1]	[2]	[3]

Q5 [If Q4_1 = <Increased / Decreased>] Why have you <increased/decreased> your (or other family members') spending? (Choose all applicable answers)

			Yes	No
a.	Because your income has <increased/decreased>.	[1]	[2]	
b.	Because value of your investments/wealth has <increased/decreased>.	[1]	[2]	
c.	Because your expenditure towards large ticket purchases such as real estate, car, consumer durable goods has <increased/decreased>.	[1]	[2]	
d.	Because the cost of consumer goods, cost of services (e.g., medical, education, transport, etc.) has <gone up/gone down>.	[1]	[2]	
e.	Others (Please Specify)	[1]	[2]	

Q6	Current financial situation of Household	Saving a lot	Saving a little	Just making ends meet	Drawing on past saving	Running debt
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Block IV: Perceptions and Expectations about prices and rate of price change

Q. No.		As compared with one -year ago					One-year from now			
		Increased		Remained the same	Decreased		Will Increase	Remain the same	Will Decrease	
7	Overall prices of goods and services	[1]		[2]		[3]		[1]	[2]	
8	Rate of price change*	[1]		[2]		[3]		[1]	[2]	
8a	Current inflation rate [#]	< 1 per cent	1-2 per cent	2-3 per cent	3-4 per cent	4-5 per cent	5-6 per cent	6-7 per cent	7-8 per cent	8-9 per cent
		9-10 per cent	10-11 per cent	11-12 per cent	12-13 per cent	13-14 per cent	14-15 per cent	15-16 per cent	>=16 per cent	No idea
8b	Inflation rate after 1 year [#]	< 1 per cent	1-2 per cent	2-3 per cent	3-4 per cent	4-5 per cent	5-6 per cent	6-7 per cent	7-8 per cent	8-9 per cent
		9-10 per cent	10-11 per cent	11-12 per cent	12-13 per cent	13-14 per cent	14-15 per cent	15-16 per cent	>=16 per cent	No idea

*- If you choose (1) in Question 7, please answer Question 8.

[#]- The Inflation rate is the annual rate of the price change. Please tick relevant options for each question.

Annex- 4**Table A1: State Wise Target Sample Size**

State	Targeted Sample Size
Andhra Pradesh*	300
Arunachal Pradesh**	100
Assam	200
Bihar	800
Chhattisgarh	150
Delhi	100
Goa*	100
Gujarat	550
Haryana	200
Himachal Pradesh*	100
Jammu and Kashmir	100
Jharkhand	200
Karnataka	500
Kerala	200
Ladakh (UT)**	100
Madhya Pradesh	400
Maharashtra	1000
Manipur**	100
Meghalaya*	100
Mizoram**	100
Nagaland**	100
Odisha	300
Punjab	150
Rajasthan	400
Sikkim*	100
Tamil Nadu	450
Telangana	300
Tripura*	100
Uttar Pradesh	1000
Uttarakhand*	100
West Bengal	600
Total	9000

Notes: **: Added since July 2024. *: Added since September 2023.

Sources: RBI's RCCS; and Authors' calculations.

Table A2: Demographic Distribution of Respondents in March 2025

(in per cent)

	Share of Respondents
Gender Wise	
Female	41.9
Male	58.1
Age Group Wise	
21-29 Years	27.8
30-39 Years	26.8
40-59 Years	33.4
60 Years and above	12.1
Occupation Group Wise	
Daily Workers	16.4
Self Employed	29.0
Salaried Employees	14.0
Homemakers	26.3
Retired Persons	2.9
Others	11.4
Average Monthly Income Wise	
Less than ₹ 5 thousand	9.8
₹ 5 thousand - Less than ₹ 10 thousand	33.0
₹ 10 thousand - Less than ₹ 25 thousand	39.8
₹ 25 thousand - Less than ₹ 50 thousand	12.4
₹ 50 thousand - Less than ₹ 1 lakh	3.7
Rs 1 lakh and above	1.3
Education Qualification Wise	
Illiterate	6.1
Below 5th Std	6.1
5th Std to <10th Std	28.6
10th Std to <12th Std	18.3
12th Std	18.4
Graduate	17.8
Postgraduate	4.7
Share of households having Agricultural Land*	32.0

Notes: * Agricultural land generating income.**Sources:** RBI's RCCS; and Authors' calculations.

Annex- 5**Table B1: Perceptions and Expectations on the General Economic Situation**

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Improved	Remained same	Worsened	Net Response	Improve	Remains same	Worsen	Net Response
Sep-22	27.6	17.1	55.3	-27.7	48.3	17.4	34.3	14.0
Nov-22	30.8	18.6	50.6	-19.8	51.4	16.4	32.3	19.1
Jan-23	32.5	20.7	46.8	-14.3	54.5	17.7	27.8	26.6
Mar-23	33.7	21.3	45.0	-11.3	52.5	18.2	29.3	23.1
May-23	33.7	24.3	42.0	-8.4	52.4	19.7	27.9	24.6
Jul-23	34.1	21.8	44.1	-10.0	51.2	18.6	30.2	21.0
Sep-23	40.8	20.4	38.8	2.0	58.0	16.5	25.6	32.4
Nov-23	39.0	21.7	39.3	-0.3	58.5	16.4	25.2	33.3
Jan-24	41.7	23.3	35.1	6.6	61.8	16.4	21.8	40.0
Mar-24	45.9	23.1	31.0	14.9	63.3	15.8	20.9	42.4
May-24	44.6	22.4	33.0	11.6	61.2	17.2	21.7	39.5
Jul-24	39.6	25.6	34.8	4.8	58.1	16.9	25.0	33.1
Sep-24	39.9	25.4	34.8	5.1	57.2	19.2	23.6	33.6
Nov-24	38.2	24.7	37.1	1.1	57.9	18.1	24.0	34.0
Jan-25	39.4	25.2	35.4	4.0	58.8	17.0	24.2	34.6
Mar-25	41.4	23.8	34.7	6.7	60.0	16.6	23.4	36.6

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Table B2: Perceptions and Expectations on Employment

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Improved	Remained same	Worsened	Net Response	Improve	Remains same	Worsen	Net Response
Sep-22	31.7	21.0	47.4	-15.7	51.9	20.3	27.8	24.1
Nov-22	34.0	20.2	45.8	-11.8	53.1	18.9	27.9	25.2
Jan-23	33.6	24.2	42.2	-8.6	56.1	20.0	23.9	32.3
Mar-23	34.2	23.6	42.2	-8.0	53.7	20.8	25.5	28.3
May-23	33.2	26.4	40.4	-7.2	54.5	21.0	24.6	29.9
Jul-23	34.7	25.6	39.7	-5.0	52.8	21.9	25.3	27.5
Sep-23	36.9	25.1	38.1	-1.2	56.3	19.9	23.8	32.5
Nov-23	36.9	24.4	38.7	-1.8	57.7	19.0	23.3	34.4
Jan-24	37.8	25.6	36.6	1.2	61.0	18.1	20.9	40.1
Mar-24	40.6	24.8	34.6	6.0	62.1	17.5	20.4	41.7
May-24	39.4	23.8	36.8	2.5	60.4	18.5	21.2	39.2
Jul-24	35.0	27.1	37.9	-2.9	57.7	19.0	23.3	34.4
Sep-24	35.9	26.2	37.9	-2.0	57.1	20.9	22.1	35.0
Nov-24	36.6	25.6	37.8	-1.2	58.4	19.4	22.2	36.1
Jan-25	38.4	25.8	35.8	2.6	58.9	19.0	22.1	36.8
Mar-25	39.6	24.9	35.4	4.2	59.8	18.8	21.5	38.3

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Table B3: Perceptions and Expectations on Price Level

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Increased	Remained Same	Decreased	Net Response	Will Increase	Will Remain Same	Will Decrease	Net Response
Sep-22	96.8	2.5	0.7	-96.2	89.9	5.1	4.9	-85.0
Nov-22	97.2	2.4	0.5	-96.7	90.8	5.1	4.1	-86.7
Jan-23	96.1	3.1	0.8	-95.3	91.2	4.9	3.9	-87.3
Mar-23	96.0	3.2	0.8	-95.2	91.2	5.6	3.2	-88.0
May-23	95.9	3.2	0.9	-95.0	89.8	5.0	5.2	-84.7
Jul-23	96.3	3.0	0.7	-95.5	89.8	4.3	6.0	-83.8
Sep-23	94.9	3.9	1.2	-93.7	87.8	5.7	6.5	-81.3
Nov-23	95.4	3.7	0.9	-94.4	90.2	5.2	4.6	-85.5
Jan-24	94.7	4.6	0.7	-94.0	90.0	5.2	4.8	-85.2
Mar-24	94.6	4.3	1.1	-93.5	90.2	5.7	4.1	-86.1
May-24	94.6	4.3	1.1	-93.5	90.3	5.3	4.4	-85.9
Jul-24	96.2	3.2	0.6	-95.6	91.2	4.7	4.1	-87.1
Sep-24	96.1	2.7	1.1	-95.0	89.6	5.2	5.2	-84.5
Nov-24	96.6	3.0	0.4	-96.3	90.0	5.0	5.0	-85.0
Jan-25	96.2	3.3	0.4	-95.8	90.0	5.0	5.1	-84.9
Mar-25	95.1	3.4	1.5	-93.6	88.7	5.4	5.9	-82.8

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Table B4: Perceptions and Expectations on Rate of Change in Price Level (Inflation)*
 (Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Price Increase More Than Last Year	Price Increase Similar to Last Year	Price Increase Less Than Last Year	Net Response	Price Increase More Than Current Rate	Price Increase Similar to Current Rate	Price Increase Less Than Current Rate	Net Response
Sep-22	91.5	6.6	1.9	-89.6	88.7	7.9	3.5	-85.2
Nov-22	91.7	5.7	2.6	-89.1	89.9	7.0	3.0	-86.9
Jan-23	91.6	6.6	1.9	-89.7	90.9	6.8	2.3	-88.6
Mar-23	91.3	7.3	1.4	-89.9	91.3	7.1	1.7	-89.6
May-23	91.0	6.9	2.1	-88.9	90.6	6.5	2.9	-87.7
Jul-23	92.8	5.1	2.1	-90.7	90.4	5.6	4.1	-86.3
Sep-23	89.9	7.5	2.7	-87.2	88.8	6.6	4.6	-84.3
Nov-23	89.8	7.1	3.1	-86.7	91.4	5.7	2.9	-88.5
Jan-24	88.8	8.0	3.2	-85.6	91.6	5.1	3.3	-88.3
Mar-24	78.1	17.2	4.7	-73.4	82.5	14.3	3.1	-79.4
May-24	78.9	15.4	5.7	-73.2	82.3	15.3	2.4	-80.0
Jul-24	80.5	15.2	4.3	-76.2	83.6	13.5	2.9	-80.7
Sep-24	80.6	14.6	4.8	-75.8	81.8	15.4	2.8	-79.0
Nov-24	82.3	14.2	3.5	-78.8	83.6	12.3	4.2	-79.4
Jan-25	80.4	16.5	3.1	-77.3	80.5	16.3	3.2	-77.2
Mar-25	78.3	17.4	4.3	-74.0	79.3	16.0	4.7	-74.6

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

*Applicable only for those respondents who felt price has increased/price will increase.

Sources: RBI's RCCS; and Authors' calculations.

Table B5: Perceptions and Expectations on Income

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Increased	Remained Same	Decreased	Net Response	Will Increase	Will Remain Same	Will Decrease	Net Response
Sep-22	20.1	39.7	40.2	-20.2	52.2	35.3	12.5	39.7
Nov-22	22.0	41.6	36.4	-14.3	52.6	35.6	11.9	40.7
Jan-23	22.0	43.9	34.2	-12.2	55.6	33.8	10.7	44.9
Mar-23	21.2	44.6	34.3	-13.1	54.2	33.6	12.2	42.0
May-23	21.1	45.9	33.0	-11.8	54.2	33.8	12.0	42.1
Jul-23	22.7	44.3	33.1	-10.4	54.8	33.2	12.0	42.8
Sep-23	23.6	43.9	32.5	-8.9	55.8	32.3	11.9	43.9
Nov-23	24.5	43.1	32.4	-8.0	56.8	31.3	11.9	45.0
Jan-24	22.4	47.3	30.3	-7.9	57.4	30.7	11.9	45.5
Mar-24	23.8	47.6	28.6	-4.8	59.0	30.3	10.7	48.4
May-24	22.5	46.4	31.2	-8.7	57.4	31.0	11.6	45.8
Jul-24	22.7	45.0	32.4	-9.7	57.5	30.5	12.0	45.5
Sep-24	23.3	44.1	32.6	-9.3	57.1	31.9	11.0	46.2
Nov-24	24.2	43.3	32.5	-8.3	58.2	30.1	11.7	46.5
Jan-25	23.7	45.6	30.7	-7.0	58.4	30.1	11.5	47.0
Mar-25	24.7	45.3	29.9	-5.2	59.0	30.8	10.3	48.7

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Table B6: Perceptions and Expectations on Spending

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Increased	Remained Same	Decreased	Net Response	Will Increase	Will Remain Same	Will Decrease	Net Response
Sep-22	80.1	14.0	6.0	74.1	82.2	13.7	4.1	78.1
Nov-22	79.5	14.5	6.0	73.5	81.4	14.2	4.4	77.0
Jan-23	79.4	15.7	4.9	74.6	81.9	14.2	3.9	78.0
Mar-23	80.7	15.2	4.1	76.6	82.9	13.9	3.2	79.7
May-23	80.5	13.6	5.9	74.7	83.5	11.7	4.9	78.6
Jul-23	83.4	13.3	3.4	80.0	84.8	12.0	3.2	81.6
Sep-23	81.2	15.0	3.8	77.4	84.2	12.3	3.5	80.6
Nov-23	80.8	16.0	3.2	77.6	84.6	12.4	3.0	81.6
Jan-24	80.0	16.5	3.5	76.5	84.4	12.2	3.3	81.1
Mar-24	82.5	14.4	3.1	79.5	85.7	11.6	2.8	82.9
May-24	85.0	12.3	2.7	82.3	87.1	10.4	2.5	84.7
Jul-24	86.2	11.5	2.2	84.0	88.5	9.1	2.4	86.1
Sep-24	87.9	9.7	2.5	85.4	88.8	9.2	2.0	86.9
Nov-24	88.5	9.6	1.9	86.6	90.0	8.0	2.0	88.0
Jan-25	87.9	10.3	1.9	86.0	89.0	9.3	1.8	87.2
Mar-25	90.5	7.3	2.2	88.2	90.8	7.4	1.9	88.9

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Table B7: Perceptions and Expectations on Spending- Essential Items

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Increased	Remained Same	Decreased	Net Response	Will Increase	Will Remain Same	Will Decrease	Net Response
Sep-22	86.8	8.9	4.3	82.4	85.9	10.6	3.5	82.4
Nov-22	87.5	8.7	3.9	83.6	85.3	11.4	3.4	81.9
Jan-23	86.4	9.7	3.8	82.6	85.6	11.3	3.2	82.4
Mar-23	87.1	10.0	2.9	84.1	87.4	10.1	2.6	84.8
May-23	86.8	8.9	4.2	82.6	87.6	9.0	3.4	84.2
Jul-23	89.1	8.5	2.4	86.7	87.6	9.8	2.7	84.9
Sep-23	86.5	10.4	3.1	83.4	86.8	9.9	3.4	83.4
Nov-23	86.8	10.3	2.9	83.9	88.2	9.2	2.6	85.6
Jan-24	85.8	11.7	2.5	83.3	87.4	9.5	3.1	84.3
Mar-24	85.1	12.1	2.8	82.3	88.0	9.4	2.6	85.4
May-24	87.2	10.4	2.4	84.8	88.8	8.6	2.5	86.3
Jul-24	88.1	9.6	2.3	85.8	89.2	8.4	2.5	86.7
Sep-24	89.1	8.5	2.4	86.7	89.9	8.0	2.1	87.8
Nov-24	89.1	8.9	2.1	87.0	90.0	7.9	2.1	87.9
Jan-25	87.9	9.5	2.6	85.4	89.5	8.2	2.3	87.2
Mar-25	89.8	8.0	2.2	87.6	91.2	6.9	2.0	89.2

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Table B8: Perceptions and Expectations on Spending- Non-Essential Items

(Percentage responses)

Survey Round	Current Perceptions				One year ahead Expectations			
	Increased	Remained Same	Decreased	Net Response	Will Increase	Will Remain Same	Will Decrease	Net Response
Sep-22	34.8	27.7	37.6	-2.8	43.7	29.2	27.0	16.7
Nov-22	37.2	30.9	31.9	5.3	46.4	30.5	23.1	23.4
Jan-23	39.1	30.0	30.9	8.2	47.7	29.2	23.1	24.6
Mar-23	40.1	27.5	32.4	7.8	48.3	26.6	25.1	23.2
May-23	41.8	29.9	28.3	13.5	47.8	28.7	23.5	24.2
Jul-23	43.7	29.8	26.5	17.2	50.0	28.0	22.1	27.9
Sep-23	44.4	31.9	23.7	20.7	53.6	28.1	18.3	35.4
Nov-23	47.2	30.5	22.3	24.9	56.1	27.5	16.4	39.6
Jan-24	46.5	30.9	22.6	23.9	56.4	26.5	17.1	39.3
Mar-24	51.8	25.5	22.8	29.0	63.8	23.2	13.0	50.8
May-24	53.6	22.3	24.1	29.5	66.3	21.3	12.5	53.9
Jul-24	53.9	21.0	25.2	28.7	67.5	19.6	12.9	54.5
Sep-24	55.6	18.3	26.1	29.4	68.2	18.7	13.0	55.2
Nov-24	57.3	18.5	24.2	33.2	68.1	19.1	12.8	55.4
Jan-25	57.3	19.7	23.1	34.2	68.1	19.6	12.4	55.7
Mar-25	58.4	19.1	22.5	35.9	69.6	18.2	12.3	57.3

Notes: Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

Sources: RBI's RCCS; and Authors' calculations.

Annex- 6**Table C1: Average Monthly Income Wise Inflation Perceptions and Expectations**

Survey Round	Average Monthly Income of households	Current		One year ahead	
		Median IE	SE	Median IE	SE
Sep-22	Less than ₹5 thousand	9.0	0.68	10.4	0.28
	₹5 thousand - Less than ₹10 thousand	8.6	0.39	10.4	0.15
	₹10 thousand - Less than ₹25 thousand	9.2	0.44	10.7	0.20
	₹25 thousand - Less than ₹50 thousand	9.0	0.58	10.8	0.50
	₹50 thousand - Less than ₹1 lakh	9.7	0.92	11.5	1.36
	₹1 lakh and above	8.9	0.53	7.2	1.39
Nov-22	Less than ₹5 thousand	9.0	0.65	10.5	0.31
	₹5 thousand - Less than ₹10 thousand	8.0	0.30	10.3	0.20
	₹10 thousand - Less than ₹25 thousand	8.3	0.37	10.4	0.17
	₹25 thousand - Less than ₹50 thousand	8.4	0.56	10.0	0.51
	₹50 thousand - Less than ₹1 lakh	9.0	0.86	9.7	1.20
	₹1 lakh and above	7.2	0.98	10.3	0.50
Jan-23	Less than ₹5 thousand	8.0	0.85	9.9	0.68
	₹5 thousand - Less than ₹10 thousand	8.2	0.52	10.4	0.19
	₹10 thousand - Less than ₹25 thousand	8.3	0.41	10.6	0.15
	₹25 thousand - Less than ₹50 thousand	7.9	0.94	10.3	0.40
	₹50 thousand - Less than ₹1 lakh	7.8	0.93	10.0	0.57
	₹1 lakh and above	7.0	0.97	9.5	0.78
Mar-23	Less than ₹5 thousand	8.9	1.03	10.2	0.69
	₹5 thousand - Less than ₹10 thousand	7.2	0.49	10.1	0.40
	₹10 thousand - Less than ₹25 thousand	7.6	0.56	9.8	0.44
	₹25 thousand - Less than ₹50 thousand	7.5	0.88	9.9	0.67
	₹50 thousand - Less than ₹1 lakh	8.4	0.73	11.2	1.07
	₹1 lakh and above	9.4	0.82	11.3	0.74
May-23	Less than ₹5 thousand	6.7	0.80	9.5	0.59
	₹5 thousand - Less than ₹10 thousand	7.1	0.55	9.1	0.58
	₹10 thousand - Less than ₹25 thousand	7.7	0.63	10.0	0.42
	₹25 thousand - Less than ₹50 thousand	8.0	0.71	10.4	0.28
	₹50 thousand - Less than ₹1 lakh	9.1	0.94	10.2	0.95
	₹1 lakh and above	6.6	0.45	9.0	1.00

Survey Round	Average Monthly Income of households	Current		One year ahead	
		Median IE	SE	Median IE	SE
Jul-23	Less than ₹5 thousand	6.4	0.51	8.3	0.51
	₹5 thousand - Less than ₹10 thousand	7.8	0.38	9.6	0.48
	₹10 thousand - Less than ₹25 thousand	7.7	0.39	9.7	0.57
	₹25 thousand - Less than ₹50 thousand	7.5	0.53	9.7	0.51
	₹50 thousand - Less than ₹1 lakh	5.9	0.23	9.5	1.08
	₹1 lakh and above	9.1	1.44	9.7	1.20
Sep-23	Less than ₹5 thousand	6.3	0.36	8.6	0.32
	₹5 thousand - Less than ₹10 thousand	7.5	0.38	9.5	0.44
	₹10 thousand - Less than ₹25 thousand	6.8	0.48	8.9	0.33
	₹25 thousand - Less than ₹50 thousand	7.7	0.60	9.2	0.49
	₹50 thousand - Less than ₹1 lakh	8.2	0.92	9.0	0.66
	₹1 lakh and above	6.0	0.58	5.7	0.65
Nov-23	Less than ₹5 thousand	6.3	0.55	10.2	0.52
	₹5 thousand - Less than ₹10 thousand	6.9	0.37	10.0	0.33
	₹10 thousand - Less than ₹25 thousand	7.3	0.29	10.0	0.28
	₹25 thousand - Less than ₹50 thousand	7.6	0.94	10.1	0.50
	₹50 thousand - Less than ₹1 lakh	6.8	0.69	8.5	0.64
	₹1 lakh and above	9.2	0.24	10.5	0.54
Jan-24	Less than ₹5 thousand	6.7	0.35	8.8	0.39
	₹5 thousand - Less than ₹10 thousand	6.5	0.28	9.2	0.37
	₹10 thousand - Less than ₹25 thousand	6.9	0.34	9.8	0.41
	₹25 thousand - Less than ₹50 thousand	7.6	0.56	10.3	0.32
	₹50 thousand - Less than ₹1 lakh	7.7	0.60	10.4	0.21
	₹1 lakh and above	5.9	0.41	8.8	0.76
Mar-24	Less than ₹5 thousand	6.7	0.50	9.7	0.42
	₹5 thousand - Less than ₹10 thousand	6.3	0.26	9.4	0.28
	₹10 thousand - Less than ₹25 thousand	6.4	0.26	9.7	0.26
	₹25 thousand - Less than ₹50 thousand	6.9	0.52	9.6	0.41
	₹50 thousand - Less than ₹1 lakh	6.5	0.62	8.9	0.78
	₹1 lakh and above	8.8	0.19	11.5	1.02

Survey Round	Average Monthly Income of households	Current		One year ahead	
		Median IE	SE	Median IE	SE
May-24	Less than ₹5 thousand	6.4	0.51	10.1	0.30
	₹5 thousand - Less than ₹10 thousand	6.7	0.39	9.8	0.26
	₹10 thousand - Less than ₹25 thousand	6.4	0.21	9.6	0.38
	₹25 thousand - Less than ₹50 thousand	6.2	0.44	9.4	0.65
	₹50 thousand - Less than ₹1 lakh	6.4	0.34	9.0	0.40
	₹1 lakh and above	5.4	0.30	9.3	1.59
Jul-24	Less than ₹5 thousand	6.2	0.28	9.4	0.43
	₹5 thousand - Less than ₹10 thousand	7.1	0.30	9.9	0.28
	₹10 thousand - Less than ₹25 thousand	7.2	0.30	9.8	0.24
	₹25 thousand - Less than ₹50 thousand	6.7	0.57	9.1	0.54
	₹50 thousand - Less than ₹1 lakh	7.9	0.66	10.1	0.51
	₹1 lakh and above	7.3	0.56	10.1	0.65
Sep-24	Less than ₹5 thousand	6.7	0.48	9.5	0.57
	₹5 thousand - Less than ₹10 thousand	6.7	0.29	9.3	0.31
	₹10 thousand - Less than ₹25 thousand	7.0	0.28	9.6	0.31
	₹25 thousand - Less than ₹50 thousand	7.0	0.34	9.3	0.37
	₹50 thousand - Less than ₹1 lakh	7.0	0.34	9.9	0.37
	₹1 lakh and above	6.6	0.42	9.0	0.78
Nov-24	Less than ₹5 thousand	7.0	0.58	9.6	0.45
	₹5 thousand - Less than ₹10 thousand	7.3	0.26	9.8	0.31
	₹10 thousand - Less than ₹25 thousand	7.2	0.27	9.8	0.28
	₹25 thousand - Less than ₹50 thousand	7.0	0.39	9.4	0.39
	₹50 thousand - Less than ₹1 lakh	6.0	0.35	7.8	0.55
	₹1 lakh and above	6.8	0.70	9.2	0.58
Jan-25	Less than ₹5 thousand	6.9	0.35	9.5	0.52
	₹5 thousand - Less than ₹10 thousand	7.0	0.25	9.4	0.30
	₹10 thousand - Less than ₹25 thousand	7.1	0.21	9.6	0.27
	₹25 thousand - Less than ₹50 thousand	7.6	0.35	10.0	0.28
	₹50 thousand - Less than ₹1 lakh	6.9	0.54	8.9	0.34
	₹1 lakh and above	6.6	0.52	8.7	0.64

Survey Round	Average Monthly Income of households	Current		One year ahead	
		Median IE	SE	Median IE	SE
Mar-25	Less than ₹5 thousand	6.2	0.38	9.9	0.34
	₹5 thousand - Less than ₹10 thousand	6.6	0.28	8.9	0.22
	₹10 thousand - Less than ₹25 thousand	6.3	0.27	9.2	0.29
	₹25 thousand - Less than ₹50 thousand	7.0	0.46	9.3	0.43
	₹50 thousand - Less than ₹1 lakh	6.0	0.26	8.8	0.57
	₹1 lakh and above	6.3	0.45	8.0	0.47

Notes: 1. Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

2. The table provides estimates and standard errors for quantitative responses.

Sources: RBI's RCCS; and Authors' calculations.

Table C2: Occupation Wise Inflation Perceptions and Expectations

Survey Round	Occupation Categories of respondents	Current		One year ahead	
		Median IE	SE	Median IE	SE
Sep-22	Land Owning Farmers ^	10.0	0.63	11.4	1.06
	Daily Worker	10.1	0.34	11.5	0.61
	Self Employed	9.7	0.53	10.8	0.50
	Salaried Employee	10.0	0.33	11.3	0.71
	Homemaker	8.2	0.57	10.1	0.42
	Retired Person	9.2	0.69	12.3	1.36
	Others	9.2	0.66	10.8	0.43
Nov-22	Land Owning Farmers ^	9.5	0.75	11.1	0.89
	Daily Worker	8.4	0.63	10.3	0.36
	Self Employed	9.0	0.78	11.4	0.77
	Salaried Employee	8.7	0.56	10.6	0.54
	Homemaker	8.3	0.30	10.3	0.26
	Retired Person	7.2	0.38	9.1	0.48
	Others	7.9	0.54	10.2	0.47
Jan-23	Land Owning Farmers ^	8.9	0.84	10.8	0.41
	Daily Worker	9.4	0.80	11.2	0.81
	Self Employed	8.0	0.77	9.9	0.59
	Salaried Employee	7.7	0.49	10.4	0.20
	Homemaker	7.6	0.50	10.2	0.17
	Retired Person	8.4	0.83	10.5	0.58
	Others	8.3	0.72	10.4	0.24
Mar-23	Land Owning Farmers ^	9.6	0.85	10.6	1.14
	Daily Worker	7.5	0.87	10.0	0.55
	Self Employed	8.7	1.02	10.0	0.73
	Salaried Employee	6.6	0.51	9.3	0.58
	Homemaker	7.4	0.72	9.9	0.57
	Retired Person	8.5	0.96	10.0	0.95
	Others	7.2	0.52	9.9	0.44
May-23	Daily Worker	7.5	0.81	9.8	0.65
	Self Employed	7.3	0.64	9.6	0.52
	Salaried Employee	8.3	0.60	10.4	0.24
	Homemaker	7.0	0.76	9.5	0.70
	Retired Person	6.9	0.65	9.3	0.75
	Others	7.2	0.40	9.6	0.60

Survey Round	Occupation Categories of respondents	Current		One year ahead	
		Median IE	SE	Median IE	SE
Jul-23	Daily Worker	7.0	0.53	9.3	0.53
	Self Employed	7.4	0.45	9.3	0.65
	Salaried Employee	8.2	0.54	10.5	0.46
	Homemaker	6.9	0.47	9.0	0.60
	Retired Person	6.9	0.93	9.3	1.01
	Others	7.8	0.41	9.8	0.43
Sep-23	Daily Worker	6.9	0.51	9.3	0.54
	Self Employed	6.9	0.41	8.6	0.34
	Salaried Employee	7.5	0.41	9.0	0.34
	Homemaker	7.3	0.48	9.3	0.47
	Retired Person	5.9	0.17	8.2	0.25
	Others	6.7	0.35	8.8	0.32
Nov-23	Daily Worker	7.2	0.54	10.5	0.35
	Self Employed	6.9	0.52	10.1	0.25
	Salaried Employee	7.0	0.36	9.4	0.44
	Homemaker	7.0	0.61	9.6	0.53
	Retired Person	6.8	0.55	10.1	0.33
	Others	6.5	0.43	9.8	0.49
Jan-24	Daily Worker	6.7	0.32	9.3	0.54
	Self Employed	7.5	0.41	9.9	0.38
	Salaried Employee	6.7	0.43	9.3	0.60
	Homemaker	6.2	0.24	8.8	0.34
	Retired Person	7.6	0.55	10.2	0.54
	Others	6.6	0.40	9.5	0.48
Mar-24	Daily Worker	6.4	0.34	9.8	0.29
	Self Employed	6.3	0.27	9.5	0.33
	Salaried Employee	6.8	0.39	9.9	0.26
	Homemaker	6.8	0.34	9.7	0.32
	Retired Person	6.5	0.53	9.6	0.48
	Others	6.4	0.35	9.0	0.44

Survey Round	Occupation Categories of respondents	Current		One year ahead	
		Median IE	SE	Median IE	SE
May-24	Daily Worker	6.4	0.31	9.5	0.39
	Self Employed	6.4	0.38	9.5	0.41
	Salaried Employee	6.4	0.41	9.8	0.45
	Homemaker	6.2	0.24	9.8	0.30
	Retired Person	6.7	0.68	9.1	1.01
	Others	6.2	0.37	9.9	0.31
Jul-24	Daily Worker	6.8	0.33	9.7	0.36
	Self Employed	7.5	0.34	9.8	0.29
	Salaried Employee	6.9	0.49	9.6	0.41
	Homemaker	6.5	0.31	9.9	0.25
	Retired Person	6.8	0.65	9.4	0.64
	Others	7.1	0.36	10.0	0.28
Sep-24	Daily Worker	6.6	0.36	9.5	0.47
	Self Employed	7.1	0.39	9.3	0.30
	Salaried Employee	6.9	0.39	9.8	0.35
	Homemaker	6.3	0.30	9.4	0.34
	Retired Person	7.6	0.60	10.0	0.63
	Others	7.0	0.33	9.7	0.38
Nov-24	Daily Worker	7.4	0.34	9.9	0.37
	Self Employed	7.3	0.29	9.7	0.41
	Salaried Employee	7.6	0.33	9.3	0.33
	Homemaker	6.8	0.27	9.5	0.31
	Retired Person	8.7	0.97	10.5	1.39
	Others	7.1	0.36	9.4	0.47
Jan-25	Daily Worker	7.0	0.43	9.4	0.45
	Self Employed	7.1	0.37	9.3	0.32
	Salaried Employee	7.6	0.35	10.0	0.30
	Homemaker	6.7	0.24	9.6	0.31
	Retired Person	9.3	0.61	9.9	0.66
	Others	7.2	0.25	9.1	0.33

Survey Round	Occupation Categories of respondents	Current		One year ahead	
		Median IE	SE	Median IE	SE
Mar-25	Daily Worker	6.6	0.39	9.3	0.36
	Self Employed	6.9	0.38	9.0	0.34
	Salaried Employee	6.5	0.35	9.1	0.32
	Homemaker	6.4	0.29	9.5	0.31
	Retired Person	7.6	0.83	9.5	0.79
	Others	6.1	0.25	8.8	0.29

Notes: 1. Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

2. ^ : Discontinued since May 2023

3. The table provides estimates and standard errors for quantitative responses.

Sources: RBI's RCCS; and Authors' calculations.

Annex- 7**Table D1: Income Group Wise Consumer Confidence Indices**

Round	Monthly Average Household Income Bracket	Current Situation Index (CSI)	Future Expectations Index (FEI)
Sep-22	Less than ₹10 thousand	76.3	110.1
	₹10 thousand - Less than ₹25 thousand	86.4	116.4
	₹25 thousand - Less than ₹50 thousand	93.2	120.4
	₹50 thousand and above	102.1	124.8
	Aggregate	82.9	114.2
Nov-22	Less than ₹10 thousand	80.7	109.6
	₹10 thousand - Less than ₹25 thousand	87.7	117.5
	₹25 thousand - Less than ₹50 thousand	94.6	121.6
	₹50 thousand and above	103.7	128.0
	Aggregate	86.2	115.1
Jan-23	Less than ₹10 thousand	82.4	113.7
	₹10 thousand - Less than ₹25 thousand	92.2	121.6
	₹25 thousand - Less than ₹50 thousand	97.0	125.7
	₹50 thousand and above	104.2	129.3
	Aggregate	88.8	118.9
Mar-23	Less than ₹10 thousand	83.5	111.5
	₹10 thousand - Less than ₹25 thousand	91.7	119.4
	₹25 thousand - Less than ₹50 thousand	102.9	127.7
	₹50 thousand and above	109.9	127.1
	Aggregate	89.8	117.0
May-23	Less than ₹10 thousand	85.3	114.0
	₹10 thousand - Less than ₹25 thousand	92.6	120.4
	₹25 thousand - Less than ₹50 thousand	99.1	124.8
	₹50 thousand and above	108.6	124.9
	Aggregate	90.5	118.1
Jul-23	Less than ₹10 thousand	86.4	114.1
	₹10 thousand - Less than ₹25 thousand	94.8	120.3
	₹25 thousand - Less than ₹50 thousand	101.0	123.8
	₹50 thousand and above	107.8	124.4
	Aggregate	91.8	117.8

Round	Monthly Average Household Income Bracket	Current Situation Index (CSI)	Future Expectations Index (FEI)
Sep-23	Less than ₹10 thousand	91.0	118.5
	₹10 thousand - Less than ₹25 thousand	97.3	123.5
	₹25 thousand - Less than ₹50 thousand	105.0	128.0
	₹50 thousand and above	107.9	132.1
	Aggregate	95.1	121.6
Nov-23	Less than ₹10 thousand	88.9	117.7
	₹10 thousand - Less than ₹25 thousand	98.1	125.4
	₹25 thousand - Less than ₹50 thousand	105.1	126.0
	₹50 thousand and above	111.4	129.3
	Aggregate	94.6	121.7
Jan-24	Less than ₹10 thousand	92.1	120.8
	₹10 thousand - Less than ₹25 thousand	94.3	122.8
	₹25 thousand - Less than ₹50 thousand	98.2	126.7
	₹50 thousand and above	112.9	131.6
	Aggregate	96.5	124.3
Mar-24	Less than ₹10 thousand	96.4	122.7
	₹10 thousand - Less than ₹25 thousand	98.5	124.6
	₹25 thousand - Less than ₹50 thousand	102.1	127.7
	₹50 thousand and above	113.6	133.0
	Aggregate	100.4	125.9
May-24	Less than ₹10 thousand	94.8	120.4
	₹10 thousand - Less than ₹25 thousand	96.3	122.6
	₹25 thousand - Less than ₹50 thousand	100.2	127.6
	₹50 thousand and above	108.7	127.5
	Aggregate	98.8	124.7
Jul-24	Less than ₹10 thousand	90.3	117.7
	₹10 thousand - Less than ₹25 thousand	91.5	119.9
	₹25 thousand - Less than ₹50 thousand	98.4	124.6
	₹50 thousand and above	111.5	130.7
	Aggregate	96.1	122.4

Round	Monthly Average Household Income Bracket	Current Situation Index (CSI)	Future Expectations Index (FEI)
Sep-24	Less than ₹10 thousand	91.3	120.3
	₹10 thousand - Less than ₹25 thousand	93.0	123.0
	₹25 thousand - Less than ₹50 thousand	99.0	125.1
	₹50 thousand and above	108.3	127.4
	Aggregate	96.9	123.4
Nov-24	Less than ₹10 thousand	90.2	119.7
	₹10 thousand - Less than ₹25 thousand	92.2	121.9
	₹25 thousand - Less than ₹50 thousand	98.8	126.5
	₹50 thousand and above	110.8	130.3
	Aggregate	96.4	123.9
Jan-25	Less than ₹10 thousand	92.1	119.6
	₹10 thousand - Less than ₹25 thousand	94.3	121.8
	₹25 thousand - Less than ₹50 thousand	100.1	127.3
	₹50 thousand and above	113.6	131.1
	Aggregate	98.0	124.1
Mar-25	Less than ₹10 thousand	94.3	121.7
	₹10 thousand - Less than ₹25 thousand	96.1	123.4
	₹25 thousand - Less than ₹50 thousand	101.6	127.7
	₹50 thousand and above	114.3	133.0
	Aggregate	100.1	125.9

Notes: 1. Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

2. Less than ₹5 thousand and ₹5 thousand - Less than ₹10 thousand monthly income groups are merged. Similarly, ₹50 thousand - Less than ₹1 lakh and ₹1 lakh and above monthly income groups are merged.

Sources: RBI's RCCS; and Authors' calculations.

Table D2: Occupation Group Wise Consumer Confidence Indices

Round	Occupation Category	Current Situation Index (CSI)	Future Expectations Index (FEI)
Sep-22	Daily Workers	80.2	111.5
	Self Employed	81.7	110.8
	Salaried Employees	89.0	118.5
	Homemakers	83.1	118.2
	Retired Persons	81.4	105.4
	Others	81.2	114.5
	Aggregate	82.9	114.2
Nov-22	Daily Workers	81.8	109.6
	Self Employed	83.7	111.2
	Salaried Employees	91.4	116.9
	Homemakers	87.9	119.7
	Retired Persons	85.0	110.6
	Others	85.1	117.2
	Aggregate	86.2	115.1
Jan-23	Daily Workers	82.8	112.1
	Self Employed	88.4	116.0
	Salaried Employees	93.7	122.4
	Homemakers	90.5	124.1
	Retired Persons	85.9	111.8
	Others	87.0	117.5
	Aggregate	88.8	118.9
Mar-23	Daily Workers	86.2	112.9
	Self Employed	89.8	113.8
	Salaried Employees	95.7	119.5
	Homemakers	88.8	121.0
	Retired Persons	97.6	113.9
	Others	86.2	117.4
	Aggregate	89.8	117.0
May-23	Daily Workers	83.2	111.5
	Self Employed	90.7	117.1
	Salaried Employees	98.6	120.9
	Homemakers	90.0	122.1
	Retired Persons	90.5	111.9
	Others	90.5	118.1
	Aggregate	90.5	118.1

Round	Occupation Category	Current Situation Index (CSI)	Future Expectations Index (FEI)
Jul-23	Daily Workers	86.4	114.7
	Self Employed	92.2	117.2
	Salaried Employees	98.9	121.4
	Homemakers	91.1	119.1
	Retired Persons	88.1	108.3
	Others	93.0	118.9
	Aggregate	91.8	117.8
Sep-23	Daily Workers	91.7	118.0
	Self Employed	95.1	120.5
	Salaried Employees	101.2	124.0
	Homemakers	93.5	123.4
	Retired Persons	98.3	119.4
	Others	95.7	124.3
	Aggregate	95.1	121.6
Nov-23	Daily Workers	89.3	117.8
	Self Employed	94.8	120.6
	Salaried Employees	102.1	124.1
	Homemakers	94.0	124.7
	Retired Persons	96.5	116.2
	Others	94.7	121.5
	Aggregate	94.6	121.7
Jan-24	Daily Workers	89.4	118.1
	Self Employed	98.1	123.8
	Salaried Employees	103.5	126.9
	Homemakers	95.6	128.7
	Retired Persons	98.4	115.3
	Others	96.9	123.2
	Aggregate	96.5	124.3
Mar-24	Daily Workers	95.7	122.4
	Self Employed	101.2	123.8
	Salaried Employees	107.0	127.7
	Homemakers	100.2	129.1
	Retired Persons	99.5	119.3
	Others	98.8	127.8
	Aggregate	100.4	125.9

Round	Occupation Category	Current Situation Index (CSI)	Future Expectations Index (FEI)
May-24	Daily Workers	93.6	122.1
	Self Employed	101.2	123.9
	Salaried Employees	103.9	126.7
	Homemakers	98.8	128.3
	Retired Persons	105.4	123.1
	Others	94.4	120.7
	Aggregate	98.8	124.7
Jul-24	Daily Workers	90.7	118.7
	Self Employed	98.7	122.6
	Salaried Employees	103.1	124.5
	Homemakers	95.3	124.7
	Retired Persons	96.3	119.9
	Others	93.2	121.1
	Aggregate	96.1	122.4
Sep-24	Daily Workers	92.0	121.2
	Self Employed	97.0	123.1
	Salaried Employees	104.4	125.3
	Homemakers	96.6	125.4
	Retired Persons	98.8	116.3
	Others	95.3	123.0
	Aggregate	96.9	123.4
Nov-24	Daily Workers	90.2	122.3
	Self Employed	97.3	122.5
	Salaried Employees	105.4	128.4
	Homemakers	94.6	125.0
	Retired Persons	96.9	116.2
	Others	96.1	123.4
	Aggregate	96.4	123.9
Jan-25	Daily Workers	91.9	121.6
	Self Employed	99.1	121.5
	Salaried Employees	105.1	125.6
	Homemakers	97.5	128.2
	Retired Persons	96.5	117.9
	Others	98.1	123.5
	Aggregate	98.0	124.1

Round	Occupation Category	Current Situation Index (CSI)	Future Expectations Index (FEI)
Mar-25	Daily Workers	95.5	124.4
	Self Employed	100.2	123.0
	Salaried Employees	107.8	127.5
	Homemakers	97.8	129.1
	Retired Persons	101.7	122.2
	Others	101.8	127.2
	Aggregate	100.1	125.9

Notes: 1. Up to Jul-23, figures are based on 19 states/ UTs; from September 2023, figures are based on 26 states/ UTs; from July 2024, figures are compiled based on 31 states/ UTs;

2. Land owning farmers and the self-employed categories are merged up to March 2023. Land owning farmers category is discontinued since May 2023.

Sources: RBI's RCCS; and Authors' calculations.

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

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Notes: .. = Not available.

– = Nil/Negligible.

P = Preliminary/Provisional. PR = Partially Revised.

No. 1: Select Economic Indicators

Item	2023-24	2023-24		2024-25	
		Q2	Q3	Q2	Q3
		1	2	3	4
1 Real Sector (% Change)					
1.1 GVA at Basic Prices		8.6	9.2	8.0	5.8
1.1.1 Agriculture		2.7	3.7	1.5	4.1
1.1.2 Industry		11.0	15.3	12.6	2.0
1.1.3 Services		9.2	8.3	8.5	7.4
1.1a Final Consumption Expenditure		5.9	5.1	5.3	5.6
1.1b Gross Fixed Capital Formation		8.8	11.7	9.3	5.8
	2023-24	2024		2025	
		Jan.	Feb.	Jan.	Feb.
	1	2	3	4	5
1.2 Index of Industrial Production	5.9	4.2	5.6	5.2	2.9
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	12.9	12.5	12.5	11.7	11.1
2.1.2 Credit #	(13.5)	(13.2)	(13.1)	(11.4)	(10.8)
2.1.2.1 Non-food Credit #	16.3	16.1	16.6	12.9	12.6
2.1.2.2 Food Credit #	(20.2)	(20.3)	(20.5)	(11.8)	(11.6)
2.1.3 Investment in Govt. Securities	16.3	16.2	16.6	12.9	12.6
2.2 Money Stock Measures	(20.2)	(20.4)	(20.6)	(11.8)	(11.5)
2.2.1 Reserve Money (M0)	11.1	13.2	11.6	10.4	10.2
2.2.2 Broad Money (M3)	(12.8)	(15.0)	(13.3)	(9.6)	(9.4)
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.50	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	5.0	5.1	4.9	4.5	4.5
3.4 Credit-Deposit Ratio	(5.0)	(5.1)	(4.9)	(4.5)	(4.5)
3.5 Incremental Credit-Deposit Ratio #	78.1	77.7	78.0	78.5	78.7
3.6 Investment-Deposit Ratio	(80.3)	(80.0)	(80.2)	(80.3)	(80.4)
3.7 Incremental Investment-Deposit Ratio	95.8	95.6	97.8	83.2	85.0
	(113.4)	(117.5)	(117.5)	(80.5)	(82.1)
4 Interest Rates (%)					
4.1 Policy Repo Rate	29.5	29.5	29.6	29.4	29.4
4.2 Fixed Reverse Repo Rate	(29.8)	(29.8)	(29.9)	(29.5)	(29.5)
4.3 Standing Deposit Facility (SDF) Rate *	25.8	24.5	26.5	27.6	27.8
4.4 Marginal Standing Facility (MSF) Rate	(28.4)	(27.7)	(29.3)	(26.2)	(26.5)
4.5 Bank Rate	6.75	6.75	6.75	6.75	6.50
4.6 Base Rate	6.50	6.50	6.50	6.50	6.25
4.7 MCLR (Overnight)	3.35	3.35	3.35	3.35	3.35
4.8 Term Deposit Rate >1 Year	8.00/8.60	8.00/8.60	8.00/8.60	8.15/8.45	8.15/8.45
4.9 Savings Deposit Rate	6.25	6.25	6.25	6.25	6.00
4.10 Call Money Rate (Weighted Average)	6.75	6.75	6.75	6.75	6.50
4.11 91-Day Treasury Bill (Primary) Yield	6.75	6.75	6.75	6.75	6.50
4.12 182-Day Treasury Bill (Primary) Yield	6.75	6.75	6.75	6.75	6.50
4.13 364-Day Treasury Bill (Primary) Yield	6.75	6.75	6.75	6.75	6.50
4.14 10-Year G-Sec Par Yield (FBIL)	-	-	-	-	-
5 Reference Rate and Forward Premium					
5.1 INR-US\$ Spot Rate (Rs. Per Foreign Currency)	83.37	83.12	82.89	86.64	87.40
5.2 INR-Euro Spot Rate (Rs. Per Foreign Currency)	90.22	90.42	89.71	90.01	90.78
5.3 Forward Premium of US\$ 1-month (%)	1.00	1.30	1.19	2.80	3.21
3-month (%)	1.11	1.59	1.51	2.69	2.46
6-month (%)	1.31	1.60	1.50	2.30	2.20
6 Inflation (%)					
6.1 All India Consumer Price Index	5.4	5.1	5.1	4.3	3.6
6.2 Consumer Price Index for Industrial Workers	5.19	4.6	4.9	3.1	2.6
6.3 Wholesale Price Index	-0.7	0.3	0.2	2.5	2.4
6.3.1 Primary Articles	3.5	4.1	4.6	4.6	2.8
6.3.2 Fuel and Power	-4.7	-0.4	-1.7	-1.9	-0.7
6.3.3 Manufactured Products	-1.7	-1.2	-1.3	2.6	2.9
7 Foreign Trade (% Change)					
7.1 Imports	-5.3	2.0	13.7	10.3	-16.3
7.2 Exports	-3.1	4.3	11.9	-2.5	-10.9

Note : Financial Benchmark India Pvt. Ltd. (FBIL) has commenced publication of the G-Sec benchmarks with effect from March 31, 2018 as per RBI circular FMRD.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).

Figures in parentheses include the impact of merger of a non-bank with a bank.

*: 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						
	2023-24	2024	2025				
		Mar.	Feb. 28	Mar. 07	Mar. 14	Mar. 21	Mar. 28
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	3482333	3482333	3615574	3647904	3664012	3678235	3683836
1.1.2 Notes held in Banking Department	11	11	14	11	14	10	11
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	3482344	3482344	3615588	3647915	3664026	3678245	3683847
1.2 Assets							
1.2.1 Gold	162996	162996	226730	228343	228871	234862	235379
1.2.2 Foreign Securities	3318885	3318885	3388603	3419210	3434861	3442976	3448129
1.2.3 Rupee Coin	463	463	255	362	293	407	340
1.2.4 Government of India Rupee Securities	-	-	-	-	-	-	-
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	1782333	1782333	1445017	1451336	1547433	1650887	1709285
2.1.1.1 Central Government	101	101	101	100	100	101	100
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	1008618	1008618	927189	887267	920156	882415	943060
2.1.1.5 Scheduled State Co-operative Banks	10092	10092	7452	7710	7872	7527	7776
2.1.1.6 Non-Scheduled State Co-operative Banks	6412	6412	4814	5191	5473	5189	5963
2.1.1.7 Other Banks	48725	48725	46630	46007	46144	46820	46963
2.1.1.8 Others	545400	545400	363484	405365	471847	601877	593085
2.1.1.9 Financial Institution Outside India	162944	162944	95305	99655	95799	106916	112296
2.1.2 Other Liabilities	1804747	1804747	2173208	2196579	2201871	2178906	2150508
2.1/2.2 Total Liabilities or Assets	3587080	3587080	3618225	3647915	3749304	3829793	3859793
2.2 Assets							
2.2.1 Notes and Coins	11	11	14	11	14	10	11
2.2.2 Balances Held Abroad	1480408	1480408	1402695	1457309	1447300	1393592	1413591
2.2.3 Loans and Advances							
2.2.3.1 Central Government	-	-	-	-	-	-	-
2.2.3.2 State Governments	2300	2300	22937	39684	23828	19192	26284
2.2.3.3 Scheduled Commercial Banks	266021	266021	229480	183436	256883	311466	251984
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	12398	12398	28827	25071	29527	33761	36426
2.2.3.9 Financial Institution Outside India	162650	162650	94847	99405	95285	106639	111768
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	-	-	-	-	-	-	-
2.2.4.2 Government Treasury Bills	-	-	-	-	-	-	-
2.2.5 Investments	1365425	1365425	1401615	1402259	1454050	1510787	1560630
2.2.6 Other Assets	297868	297868	437810	440740	442418	454345	459101
2.2.6.1 Gold	272028	272028	414488	417437	418402	429357	429510

* 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
Feb. 1, 2025	-	-	-	-	517	119511	-	-	-	-	-	-118994
Feb. 2, 2025	-	-	-	-	202	99712	-	-	-	-	-	-99510
Feb. 3, 2025	-	-	48785	-	1170	113121	-	-	-	-	-	-63166
Feb. 4, 2025	-	-	25001	-	378	158816	-	-	-	-	-	-133437
Feb. 5, 2025	-	-	21180	-	408	147577	-658	-	-	-	-	-126647
Feb. 6, 2025	-	-	21674	-	163	122506	-570	-	-	-	-	-101239
Feb. 7, 2025	-	-	183023	-	13020	96591	-	-	-	-	-	99452
Feb. 8, 2025	-	-	-	-	5172	43861	-	-	-	-	-	-38689
Feb. 9, 2025	-	-	-	-	5686	47110	-	-	-	-	-	-41424
Feb. 10, 2025	-	-	201310	-	4125	67439	-	-	-	-	-	137996
Feb. 11, 2025	-	-	200036	-	3498	71434	428	-	-	-	-	132528
Feb. 12, 2025	-	-	193865	-	2561	48110	-	-	-	-	-	148316
Feb. 13, 2025	-	-	235619	-	1988	54539	-	-	-	-	-	183068
Feb. 14, 2025	-	-	225019	-	641	71090	798	-	40000	-	-	195368
Feb. 15, 2025	-	-	-	-	422	101167	-	-	-	-	-	-100745
Feb. 16, 2025	-	-	-	-	91	84644	-	-	-	-	-	-84553
Feb. 17, 2025	-	-	157427	-	1471	112137	-	-	-	-	-	46761
Feb. 18, 2025	-	-	71773	-	1359	97359	-460	-	-	-	-	-24687
Feb. 19, 2025	-	-	-	-	6529	85144	-	-	-	-	-	-78615
Feb. 20, 2025	-	-	132938	-	760	137648	-	-	-	-	-	-3950
Feb. 21, 2025	-	-	193924	-	500	135990	-	-	40000	-	-	98434
Feb. 22, 2025	-	-	-	-	285	64888	-	-	-	-	-	-64603
Feb. 23, 2025	-	-	-	-	286	64977	-	-	-	-	-	-64691
Feb. 24, 2025	-	-	36775	-	2400	78791	-	-	-	-	-	-39616
Feb. 25, 2025	-	-	75012	-	895	112841	-	-	-	-	-	-36934
Feb. 26, 2025	-	-	-	-	443	101569	-	-	-	-	-	-101126
Feb. 27, 2025	-	-	49955	-	1334	103098	-	-	-	-	-	-51809
Feb. 28, 2025	-	-	16258	-	8943	97238	-	-	-	-	-	-72037

No. 4: Sale/ Purchase of U.S. Dollar by the RBI

i) Operations in onshore / offshore OTC segment

ii) Operations in currency futures segment

Item	2023-24	2024		2025	
		Feb.	Jan.	Feb.	
		1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US \$ Million) (1.1-1.2)	0	0	0	0	0
1.1 Purchase (+)	7930	0	3703	4071	
1.2 Sale (-)	7930	0	3703	4071	
2 Outstanding Net Currency Futures Sales (-)/ Purchase (+) at the end of month (US \$ Million)	-1080	0	-2683	-1002	

**No. 4 A : Maturity Breakdown (by Residual Maturity) of
Outstanding Forwards of RBI (US \$ Million)**

Item	As on February 28 , 2025		
	Long (+)	Short (-)	Net (1-2)
	1	2	3
1. Upto 1 month	10062	24808	-14746
2. More than 1 month and upto 3 months	0	18830	-18830
3. More than 3 months and upto 1 year	0	45115	-45115
4. More than 1 year	0	10062	-10062
Total (1+2+3+4)	10062	98815	-88753

No. 5: RBI's Standing Facilities

(₹ Crore)

Item	As on the Last Reporting Friday							
	2023-24	2024				2025		
		Mar. 22	Oct. 18	Nov. 29	Dec. 27	Jan. 24	Feb. 21	Mar. 21
		1	2	3	4	5	6	7
1 MSF	49906	49906	4216	18513	31127	3232	500	9961
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	-	-	-	-	-	-	-	-
2.2 Outstanding	-	-	-	-	-	-	-	-
3 Liquidity Facility for PDs								
3.1 Limit	9900	9900	9900	9900	9900	9900	9900	9900
3.2 Outstanding	9810	9810	7223	8428	8459	9556	9096	9517
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)	59716	59716	11439	26941	39586	12788	9596	19478

Money and Banking

No. 6: Money Stock Measures

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/ reporting Fridays				
	2023-24	2024	2025		
		Feb. 23	Jan. 24	Feb. 07	Feb. 21
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	3410276	3361633	3503602	3537301	3558434
1.1 Notes in Circulation	3477795	3423064	3563413	3595771	3614508
1.2 Circulation of Rupee Coin	32689	32455	34940	35274	35274
1.3 Circulation of Small Coins	743	743	743	743	743
1.4 Cash on Hand with Banks	101185	94830	96376	95355	92995
2 Deposit Money of the Public	2681424	2594337	2756006	2745975	2778287
2.1 Demand Deposits with Banks	2586888	2510518	2651712	2634048	2664975
2.2 'Other' Deposits with Reserve Bank	94536	83819	104294	111927	113312
3 M1 (1 + 2)	6091700	5955970	6259608	6283276	6336721
4 Post Office Saving Bank Deposits	195777	191692	200889	200889	200889
5 M2 (3 + 4)	6287477	6147662	6460497	6484165	6537610
6 Time Deposits with Banks	18739918	18538143	20369151	20588910	20515359
	(18848160)	(18650930)	(20433390)	(20651913)	(20577221)
7 M3 (3 + 6)	24831618	24494113	26628759	26872185	26852080
	(24939860)	(24606900)	(26692999)	(26935188)	(26913942)
8 Total Post Office Deposits	1313366	1298796	1379283	1379283	1379283
9 M4 (7 + 8)	26144984	25792909	28008042	28251468	28231363
	(26253226)	(25905696)	(28072282)	(28314471)	(28293225)

Figures in parentheses include the impact of merger of a non-bank with a bank.

No. 7 : Sources of Money Stock (M₃)

(₹ Crore)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2023-24	2024	2025		
		Feb. 23	Jan. 24	Feb. 07	Feb. 21
	1	2	3	4	5
1 Net Bank Credit to Government	7512016	7223794	7937526	8156863	8099668
1 Net Bank Credit to Government (Including Merger)	(7603571)	(7315467)	(7988402)	(8207744)	(8150550)
1.1 RBI's net credit to Government (1.1.1–1.1.2)	1193213	964996	1047893	1220379	1193390
1.1.1 Claims on Government	1370428	1377351	1309316	1353481	1421675
1.1.1.1 Central Government	1363828	1362541	1288822	1318026	1399564
1.1.1.2 State Governments	6600	14809	20495	35454	22112
1.1.2 Government deposits with RBI	177215	412355	261423	133102	228285
1.1.2.1 Central Government	177172	412313	261381	133059	228243
1.1.2.2 State Governments	42	42	42	42	42
1.2 Other Banks' Credit to Government	6318803	6258798	6889633	6936484	6906278
1.2 Other Banks Credit to Government (Including Merger)	(6410358)	(6350471)	(6940509)	(6987365)	(6957160)
2 Bank Credit to Commercial Sector	16672145	16434572	18230417	18330843	18368384
2 Bank Credit to Commercial Sector (Including Merger)	(17202832)	(16970977)	(18672006)	(18766485)	(18801586)
2.1 RBI's credit to commercial sector	14406	11121	22760	20792	28593
2.2 Other banks' credit to commercial sector	16657739	16423451	18207657	18310051	18339790
2.2.1 Other banks credit to commercial sector (Including Merger)	(17188426)	(16959856)	(18649246)	(18745693)	(18772993)
2.2.1.1 Bank credit by commercial banks	15901477	15677730	17426890	17527786	17556777
2.2.1.2 Bank credit by co-operative banks	(16432164)	(16214135)	(17868479)	(17963429)	(17989979)
2.2.2.1 Bank credit by co-operative banks	738194	728279	761677	763241	764165
2.2.2.2 Investments by commercial and co-operative banks in other securities	18068	17443	19091	19024	18849
2.2.2.3 Investments by commercial and co-operative banks in other securities (Including Merger)	(18068)	(17443)	(19091)	(19024)	(18849)
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	5567504	5284622	5634421	5786688	5759028
3.1 RBIs net foreign exchange assets (3.1.1 - 3.1.2)	5241083	4985065	5272023	5424290	5396630
3.1.1 Gross foreign assets	5241083	4985066	5272019	5424286	5396628
3.1.2 Foreign liabilities	0	0	-4	-4	-2
3.2 Other banks' net foreign exchange assets	326421	299557	362398	362398	362398
4 Government's Currency Liabilities to the Public	33432	33198	35683	36017	36017
5 Banking Sector's Net Non-monetary Liabilities	4953478	4482073	5209288	5438225	5411018
5 Banking Sectors Net Non-monetary Liabilities (Including Merger)	(5467477)	(4997364)	(5637513)	(5861747)	(5833239)
5.1 Net non-monetary liabilities of RBI	1790134	1699563	1986997	2108359	2108450
5.2 Net non-monetary liabilities of other banks (residual)	3163344	2782510	3222291	3329867	3302567
5.2 Net non-monetary liabilities of other banks (residual) (Including Merger)	(3677343)	(3297801)	(3650516)	(3753388)	(3724789)
M₃(1+2+3+4-5)	24831618	24494113	26628759	26872185	26852080
M ₃ (1+2+3+4-5) (Including Merger)	(24939860)	(24606900)	(26692999)	(26935188)	(26913942)

Figures in parentheses include the impact of merger of a non-bank with bank.

No. 8: Monetary Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2023-24	2024	2025		
		Feb. 23	Jan. 24	Feb. 07	Feb. 21
	1	2	3	4	5
Monetary Aggregates					
NM ₁ (1.1+1.2.1+1.3)	6091700	5955970	6259608	6283276	6336721
NM ₂ (NM ₁ + 1.2.2.1)	14424855	14201318	15296176	15412810	15437569
NM ₂ (NM ₁ + 1.2.2.1) (Including Merger)	(14473564)	(14252072)	(15325083)	(15441161)	(15465407)
NM ₃ (NM ₂ +1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 - 2.4 - 2.5)	25387764	25057984	27294849	27511689	27461802
NM ₃ (NM ₂ + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 - 2.4 - 2.5) (Including Merger)	(25496006)	(25170771)	(27359088)	(27574692)	(27523665)
1 Components					
1.1 Currency with the Public	3410276	3361633	3503602	3537301	3558434
1.2 Aggregate Deposits of Residents	21105009	20833514	22732973	22921903	22889082
1.2 Aggregate Deposits of Residents (Including Merger)	(21213252)	(20946301)	(22797212)	(22984906)	(22950944)
1.2.1 Demand Deposits	2586888	2510518	2651712	2634048	2664975
1.2.2 Time Deposits of Residents	18518121	18322995	20081261	20287855	20224106
1.2.2.1 Time Deposits of Residents (Including Merger)	(18626364)	(18435782)	(20145500)	(20350858)	(20285969)
1.2.2.1.1 Short-term Time Deposits	8333155	8245348	9036567	9129535	9100848
1.2.2.1.2 Short-term Time Deposits (Including Merger)	(8381864)	(8296102)	(9065475)	(9157886)	(9128686)
1.2.2.1.2.1 Certificates of Deposits (CDs)	369399	368278	503843	525557	513746
1.2.2.1.2.2 Long-term Time Deposits	10184967	10077647	11044693	11158320	11123259
1.2.2.2 Long-term Time Deposits (Including Merger)	(10244500)	(10139680)	(11080025)	(11192972)	(11157283)
1.3 'Other' Deposits with RBI	94536	83819	104294	111927	113312
1.4 Call/Term Funding from Financial Institutions	777942	779019	953980	940558	900975
2 Sources					
2.1 Domestic Credit	25295986	24781264	27384392	27710331	27688336
2.1 Domestic Credit (Including Merger)	(25918227)	(25409342)	(27876856)	(28196855)	(28172420)
2.1.1 Net Bank Credit to the Government	7512016	7223794	7937526	8156863	8099668
2.1.1 Net Bank Credit to the Government (Including Merger)	(7603571)	(7315467)	(7988402)	(8207744)	(8150550)
2.1.1.1 Net RBI credit to the Government	1193213	964996	1047893	1220379	1193390
2.1.1.2 Credit to the Government by the Banking System	6318803	6258798	6889633	6936484	6906278
2.1.1.2 Credit to the Government by the Banking System (Including Merger)	(6410358)	(6350471)	(6940509)	(6987365)	(6957160)
2.1.2 Bank Credit to the Commercial Sector	17783970	17557470	19446866	19553468	19588668
2.1.2 Bank Credit to the Commercial Sector (Including Merger)	(18314656)	(18093875)	(19888454)	(19989111)	(20021871)
2.1.2.1 RBI Credit to the Commercial Sector	14406	11121	22760	20792	28593
2.1.2.2 Credit to the Commercial Sector by the Banking System	17769564	17546349	19424106	19532676	19560075
2.1.2.2 Credit to the Commercial Sector by the Banking System (Including Merger)	(18300250)	(18082754)	(19865694)	(19968319)	(19993278)
2.1.2.2.1 Other Investments (Non-SLR Securities)	1089184	1101595	1201967	1198287	1206485
2.2 Government's Currency Liabilities to the Public	33432	33198	35683	36017	36017
2.3 Net Foreign Exchange Assets of the Banking Sector	5111079	4907388	5321759	5475205	5428386
2.3.1 Net Foreign Exchange Assets of the RBI	5241083	4985065	5272023	5424290	5396630
2.3.2 Net Foreign Currency Assets of the Banking System	-130004	-77678	49737	50915	31756
2.4 Capital Account	3912897	3961198	4467201	4559639	4551061
2.5 Other items (net)	1653834	1217958	1408009	1573746	1562098

Figures in parentheses include the impact of merger of a non-bank with a bank.

No. 9: Liquidity Aggregates

(₹ Crore)

Aggregates	2023-24	2024		2025	
		Feb.	Dec.	Jan.	Feb.
	1	2	3	4	5
1 NM₃	25387764	25057984	27183290	27294849	27461802
	(25496006)	(25170771)	(27249981)	(27359088)	(27523665)
2 Postal Deposits	729246	717215	732774	732774	732774
3 L₁ (1 + 2)	26117010	25775199	27916064	28027623	28194576
	(26225252)	(25887986)	(27982755)	(28091862)	(28256439)
4 Liabilities of Financial Institutions	85150	62974	73559	75298	80416
4.1 Term Money Borrowings	2375	678	16	16	16
4.2 Certificates of Deposit	70245	50143	59920	61430	66365
4.3 Term Deposits	12531	12152	13622	13852	14035
5 L₂ (3 + 4)	26202160	25838173	27989623	28102921	28274993
	(26310403)	(25950960)	(28056313)	(28167160)	(28336855)
6 Public Deposits with Non-Banking Financial Companies	102994	..	116921
7 L₃ (5 + 6)	26305155	..	28106544

Note : 1. Figures in the columns might not add up to the total due to rounding off of numbers.

2. Figures in parentheses include the impact of merger of a non-bank with a bank.

No. 10: Reserve Bank of India Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2023-24	2024	2025		
		Feb. 23	Jan. 24	Feb. 7	Feb. 21
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	3511461	3456463	3599978	3632655	3651428
1.2 Bankers' Deposits with the RBI	1025449	971038	948414	937590	947488
1.2.1 Scheduled Commercial Banks	956011	909400	889895	878388	888462
1.3 'Other' Deposits with the RBI	94536	83819	104294	111927	113312
Reserve Money ($1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 - 2.4 - 2.5$)	4631446	4511319	4652687	4682172	4712229
2 Sources					
2.1 RBI's Domestic Credit	1147066	1192619	1331978	1330223	1388031
2.1.1 Net RBI credit to the Government	1193213	964996	1047893	1220379	1193390
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1 + 2.1.1.2 + 2.1.1.3 + 2.1.1.4 - 2.1.1.5)	1186655	950229	1027441	1184967	1171321
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	1363369	1362249	1288414	1317755	1399251
2.1.1.1.3.1 Central Government Securities	1363369	1362249	1288414	1317755	1399251
2.1.1.1.4 Rupee Coins	459	293	408	271	313
2.1.1.1.5 Deposits of the Central Government	177172	412313	261381	133059	228243
2.1.1.2 Net RBI credit to State Governments	6557	14767	20452	35412	22069
2.1.2 RBI's Claims on Banks	-60553	216502	261325	89052	166048
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	-60553	216502	261325	89052	166048
2.1.3 RBI's Credit to Commercial Sector	14406	11121	22760	20792	28593
2.1.3.1 Loans and Advances to Primary Dealers	9358	9066	9556	8328	9096
2.1.3.2 Loans and Advances to NABARD	-	-	-	-	-
2.2 Government's Currency Liabilities to the Public	33432	33198	35683	36017	36017
2.3 Net Foreign Exchange Assets of the RBI	5241083	4985065	5272023	5424290	5396630
2.3.1 Gold	439319	396913	600379	631357	646668
2.3.2 Foreign Currency Assets	4801764	4588153	4671640	4792929	4749960
2.4 Capital Account	1589134	1646592	1870465	1959117	1950057
2.5 Other Items (net)	201000	52971	116532	149241	158394

No. 11: Reserve Money - Components and Sources

(₹ Crore)

Item	2023-24	Outstanding as on March 31/last Fridays of the month/Fridays					
		2024	2025				
			Feb. 23	Jan. 31	Feb. 7	Feb. 14	Feb. 21
		1	2	3	4	5	6
Reserve Money ($1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 + 2.4 + 2.5 - 2.6$)	4631446	4511319	4689418	4682172	4763405	4712229	4750684
1 Components							
1.1 Currency in Circulation	3511461	3456463	3600982	3632655	3642063	3651428	3651880
1.2 Bankers' Deposits with RBI	1025449	971038	982697	937590	1011925	947488	986086
1.3 'Other' Deposits with RBI	94536	83819	105739	111927	109417	113312	112718
2 Sources							
2.1 Net Reserve Bank Credit to Government	1193213	964996	1189067	1220379	1242028	1193390	1274102
2.2 Reserve Bank Credit to Banks	-60553	216502	154192	89052	190264	166048	132244
2.3 Reserve Bank Credit to Commercial Sector	14406	11121	22953	20792	25935	28593	30888
2.4 Net Foreign Exchange Assets of RBI	5241083	4985065	5305327	5424290	5363066	5396630	5432063
2.5 Government's Currency Liabilities to the Public	33432	33198	36017	36017	36017	36017	36306
2.6 Net Non-Monetary Liabilities of RBI	1790134	1699563	2018138	2108359	2093905	2108450	2154920

No. 12: Commercial Bank Survey

(₹ Crore)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2023-24	2024	2025		
		Feb. 23	Jan. 24	Feb. 7	Feb. 21
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	20145188 (20253430)	19876895 (19989682)	21774443 (21838682)	21961350 (22024353)	21931190 (21993052)
1.1.1 Demand Deposits	2443853	2368307	2510913	2492532	2524095
1.1.2 Time Deposits of Residents	17701334 (17809577)	17508587 (17621374)	19263530 (19327769)	19468818 (19531821)	19407095 (19468957)
1.1.2.1 Short-term Time Deposits	7965600	7878864	8668588	8760968	8733193
1.1.2.1.1 Certificates of Deposits (CDs)	369399	368278	503843	525557	513746
1.1.2.2 Long-term Time Deposits	9735734	9629723	10594941	10707850	10673902
1.2 Call/Term Funding from Financial Institutions	777942	779019	953980	940558	900975
2 Sources					
2.1 Domestic Credit	23019606 (23641847)	22748921 (23376999)	25219289 (25711754)	25373200 (25859724)	25368511 (25852596)
2.1.1 Credit to the Government	6014054 (6105610)	5956167 (6047841)	6584147 (6635022)	6630994 (6681876)	6599626 (6650507)
2.1.2 Credit to the Commercial Sector	17005551 (17536238)	16792754 (17329159)	18635143 (19076731)	18742205 (19177848)	18768886 (19202088)
2.1.2.1 Bank Credit	15901477 (16432164)	15677730 (16214135)	17426890 (17868479)	17527786 (17963429)	17556777 (17989979)
2.1.2.1.1 Non-food Credit	15878397 (16409083)	15637228 (16173633)	17370711 (17812300)	17473841 (17909484)	17509329 (17942532)
2.1.2.2 Net Credit to Primary Dealers	22904	21566	14744	24601	14063
2.1.2.3 Investments in Other Approved Securities	949	825	504	494	524
2.1.2.4 Other Investments (in non-SLR Securities)	1080222	1092632	1193005	1189325	1197522
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1+2.2.2+2.2.3)	-130004	-77678	49737	50915	31756
2.2.1 Foreign Currency Assets	241661	269656	520849	529865	501065
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	221796	215148	287890	301055	291252
2.2.3 Overseas Foreign Currency Borrowings	149868	132186	183222	177895	178057
2.3 Net Bank Reserves (2.3.1+2.3.2+2.3.3)	893350	775943	713399	873183	803573
2.3.1 Balances with the RBI	931483	909400	889895	878388	888462
2.3.2 Cash in Hand	89433	83045	84829	83847	81159
2.3.3 Loans and Advances from the RBI	127566	216502	261325	89052	166048
2.4 Capital Account	2299592	2290436	2572565	2576351	2576834
2.5 Other items (net) (2.1+2.2+2.3-2.4-1.1-1.2)	560230	500838	681437	819038	794842
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	787560	789201	807699	863841	843551
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	197781	180617	153034	124618	116845

Figures in parentheses include the impact of merger of a non-bank with a bank.

No. 13: Scheduled Commercial Banks' Investments

(₹ Crore)

Item	As on March 22, 2024	2024		2025	
		Feb. 23	Jan. 24	Feb. 07	Feb. 21
	1	2	3	4	5
1 SLR Securities	6106558 (6015003)	6048666 (5956993)	6635526 (6584651)	6682369 (6631488)	6651031 (6600149)
2 Other Government Securities (Non-SLR)	177136	177882	164435	162963	163938
3 Commercial Paper	61175	53516	58059	60605	56570
4 Shares issued by					
4.1 PSUs	8475	8636	13079	13174	12782
4.2 Private Corporate Sector	77722	79935	96841	96613	96188
4.3 Others	5624	5620	7505	7520	7518
5 Bonds/Debentures issued by					
5.1 PSUs	103070	96898	125694	122613	125644
5.2 Private Corporate Sector	287596	288205	234947	233488	237406
5.3 Others	124690	114923	154889	156727	156229
6 Instruments issued by					
6.1 Mutual funds	62499	89916	141035	146709	145589
6.2 Financial institutions	172340	176856	194810	188912	195657

Note: Data against column Nos. (1), (2) & (3) are Final and for column Nos. (4) & (5) data are Provisional.

Data since July 14, 2023 include the impact of the merger of a non-bank with a bank.

Figures in parentheses exclude the impact of the merger.

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				
	2023-24	2024	2025	2023-24	2024	2025		
		Feb.	Jan.		Feb.	Jan.		Feb.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	210	210	208	208	137	137	135	135
1 Liabilities to the Banking System	554117	520348	454438	443848	549351	516165	448851	438922
1.1 Demand and Time Deposits from Banks	298452	269766	283393	287294	294471	266228	278365	282773
1.2 Borrowings from Banks	182566	178124	140182	118234	182429	178119	139965	118149
1.3 Other Demand and Time Liabilities	73100	72458	30863	38320	72452	71818	30521	38000
2 Liabilities to Others	22664868	22367660	24925459	25091193	22190597	21905235	24441212	24603927
2.1 Aggregate Deposits	20932067	20650054	22955228	23098180	20475226	20204830	22489507	22630598
(20823825)	(20537267)	(22891563)	(23037055)	(20366984)	(20092042)	(22425841)	(22569473)	
2.1.1 Demand	2492916	2416163	2720203	2753855	2443853	2368307	2672172	2705279
2.1.2 Time	18439151	18233891	20235026	20344326	18031373	17836522	19817335	19925320
2.2 Borrowings	782260	783905	898159	889316	777942	779019	893564	884179
2.3 Other Demand and Time Liabilities	950541	933701	1072072	1103696	937428	921387	1058140	1089150
3 Borrowings from Reserve Bank	222716	256409	256989	229480	222716	256374	256989	229480
3.1 Against Usance Bills /Promissory Notes	-	-	-	-	-	-	-	-
3.2 Others	222716	256409	256989	229480	222716	256374	256989	229480
4 Cash in Hand and Balances with Reserve Bank	1043272	1014767	1040685	1031337	1020916	992445	1019995	1010913
4.1 Cash in Hand	91886	85534	98194	86176	89433	83045	95912	83724
4.2 Balances with Reserve Bank	951386	929232	942491	945160	931483	909400	924083	927189
5 Assets with the Banking System	455057	428737	394269	414392	374474	357114	321056	335331
5.1 Balances with Other Banks	246384	238384	251177	260695	198327	191943	198663	206428
5.1.1 In Current Account	12010	11228	12679	12981	8971	8458	10105	10370
5.1.2 In Other Accounts	234373	227156	238498	247714	189357	183484	188558	196058
5.2 Money at Call and Short Notice	39614	33371	34389	42526	12355	13834	20195	25496
5.3 Advances to Banks	51325	49373	42801	44597	48368	46054	39363	39833
5.4 Other Assets	117734	107609	65903	66574	115424	105284	62835	63574
6 Investment	6256962	6196793	6785965	6830178	6106558	6048666	6633890	6676664
	(6165407)	(6105120)	(6735083)	(6779497)	(6015003)	(5956993)	(6583008)	(6625984)
6.1 Government Securities	6249319	6190053	6777698	6821889	6105610	6047841	6633347	6676060
6.2 Other Approved Securities	7643	6740	8267	8289	949	825	544	604
7 Bank Credit	16866336	16646357	18512453	18667299	16432164	16214135	18053607	18202174
	(16335650)	(16109952)	(18074198)	(18238110)	(15901477)	(15677730)	(17615353)	(17772985)
7a Food Credit	72282	89704	105577	96468	23081	40502	54961	45854
7.1 Loans, Cash-credits and Overdrafts	16565348	16365960	18180682	18334125	16134303	15936696	17725261	17872448
7.2 Inland Bills-Purchased	60471	52922	76574	75858	60467	52912	74880	74221
7.3 Inland Bills-Discounted	199761	188407	216630	218916	197358	186108	215511	217743
7.4 Foreign Bills-Purchased	16662	16657	16870	15279	16412	16405	16645	15032
7.5 Foreign Bills-Discounted	24094	22411	21696	23120	23624	22014	21310	22730

Note: Data in column Nos. (4) & (8) are Provisional
Data since July 2023 include the impact of the merger of a non-bank with a bank.
Figures in parentheses exclude the impact of the merger.

No. 15: Deployment of Gross Bank Credit by Major Sectors

(₹ Crore)

Sector	Outstanding as on				Growth(%)	
	Mar. 22, 2024	2024	2025		Financial year so far	Y-o-Y
		Feb. 23	Jan. 24	Feb. 21	2024-25	2025
	1	2	3	4	%	%
I. Bank Credit (II + III)	16432164	16214135	17874756	17989988	9.5	11.0
	(15901477)	(15677730)	(17433167)	(17556785)	(10.4)	(12.0)
II. Food Credit	23081	40502	56179	47448	105.6	17.2
III. Non-food Credit	16409083	16173633	17818577	17942540	9.3	10.9
	(15878397)	(15637228)	(17376988)	(17509338)	(10.3)	(12.0)
1. Agriculture & Allied Activities	2071251	2032170	2253510	2264312	9.3	11.4
2. Industry (Micro and Small, Medium and Large)	3652804	3616918	3874601	3875386	6.1	7.1
	(3635810)	(3599906)	(3862535)	(3863437)	(6.3)	(7.3)
2.1 Micro and Small	726315	715104	778391	784802	8.1	9.7
2.2 Medium	303998	298923	345986	352907	16.1	18.1
2.3 Large	2622490	2602890	2750224	2737676	4.4	5.2
3. Services	4592227	4515479	5013597	5056929	10.1	12.0
	(4490467)	(4412072)	(4941743)	(4987504)	(11.1)	(13.0)
3.1 Transport Operators	230175	227697	253917	257630	11.9	13.1
3.2 Computer Software	25917	27023	33729	33062	27.6	22.3
3.3 Tourism, Hotels & Restaurants	77513	76132	81478	82022	5.8	7.7
3.4 Shipping	7067	6856	7180	7411	4.9	8.1
3.5 Aviation	43248	43720	44788	45928	6.2	5.0
3.6 Professional Services	167234	161758	190859	192799	15.3	19.2
3.7 Trade	1025752	1009471	1131031	1157875	12.9	14.7
3.7.1. Wholesale Trade ¹	538744	531859	612701	632612	17.4	18.9
3.7.2 Retail Trade	487008	477612	518330	525263	7.9	10.0
3.8 Commercial Real Estate	469013	463452	523535	526161	12.2	13.5
	(400470)	(393894)	(476106)	(481011)	(20.1)	(22.1)
3.9 Non-Banking Financial Companies (NBFCs) ² of which,	1548027	1514950	1618650	1612322	4.2	6.4
3.9.1 Housing Finance Companies (HFCs)	325626	337759	325646	324575	-0.3	-3.9
3.9.2 Public Financial Institutions (PFIs)	226963	213661	219865	217593	-4.1	1.8
3.10 Other Services ³	998281	984420	1128430	1141708	14.4	16.0
	(978198)	(963850)	(1112253)	(1125683)	(15.1)	(16.8)
4. Personal Loans	5331290	5263896	5831547	5878918	10.3	11.7
	(4919468)	(4847945)	(5473924)	(5527053)	(12.4)	(14.0)
4.1 Consumer Durables	23713	23969	23508	24506	3.3	2.2
4.2 Housing	2718715	2680411	2950974	2978759	9.6	11.1
	(2331935)	(2289957)	(2614403)	(2647643)	(13.5)	(15.6)
4.3 Advances against Fixed Deposits	125239	120192	135900	134519	7.4	11.9
4.4 Advances to Individuals against share & bonds	8492	8401	9765	9808	15.5	16.7
4.5 Credit Card Outstanding	257016	258107	292084	287047	11.7	11.2
4.6 Education	119380	118708	135864	136821	14.6	15.3
4.7 Vehicle Loans	573398	565741	615236	619783	8.1	9.6
4.8 Loan against gold jewellery ⁴	102562	102008	178861	191198	86.4	87.4
4.9 Other Personal Loans	1402775	1386360	1489354	1496477	6.7	7.9
	(1377966)	(1361145)	(1468357)	(1475779)	(7.1)	(8.4)
5. Priority Sector (Memo)	-	-	-	-	-	-
(i) Agriculture & Allied Activities ⁵	2081856	2049198	2248829	2256770	8.4	10.1
(ii) Micro & Small Enterprises ⁶	1974191	1958526	2191766	2223843	12.6	13.5
(iii) Medium Enterprises ⁷	490703	480987	574228	584585	19.1	21.5
(iv) Housing	755222	754645	747261	747435	-1.0	-1.0
	(660572)	(658400)	(664181)	(664855)	(0.6)	(1.0)
(v) Education Loans	62235	62106	63056	62831	1.0	1.2
(vi) Renewable Energy	5991	5868	7559	8491	41.7	44.7
(vii) Social Infrastructure	2613	2592	983	1233	-52.8	-52.4
(viii) Export Credit	11256	11075	12739	11827	5.1	6.8
(ix) Others	61336	62553	53143	50007	-18.5	-20.1
(x) Weaker Sections including net PSLC- SF/MF	1647778	1624823	1793997	1789945	8.6	10.2

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. Figures in parentheses exclude the impact of the merger.
- 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. 22, 2024	2024		2025		Financial year so far
		Feb. 23	Jan. 24	Feb. 21	2025-26	2025
	1	2	3	4	%	%
2 Industries (2.1 to 2.19)	3652804	3616918	3874601	3875386	6.1	7.1
	(3635810)	(3599906)	(3862535)	(3863437)	(6.3)	(7.3)
2.1 Mining & Quarrying (incl. Coal)	54166	54487	53191	53021	-2.1	-2.7
2.2 Food Processing	208864	200451	217363	219092	4.9	9.3
2.2.1 Sugar	26383	23837	23147	26872	1.9	12.7
2.2.2 Edible Oils & Vanaspati	19700	18759	21313	21082	7.0	12.4
2.2.3 Tea	5692	5661	6116	6069	6.6	7.2
2.2.4 Others	157089	152194	166786	165068	5.1	8.5
2.3 Beverage & Tobacco	31136	29929	30468	31296	0.5	4.6
2.4 Textiles	256048	255689	267676	273728	6.9	7.1
2.4.1 Cotton Textiles	99199	98931	101271	106116	7.0	7.3
2.4.2 Jute Textiles	4280	4275	4328	4329	1.2	1.3
2.4.3 Man-Made Textiles	45111	45974	49071	48906	8.4	6.4
2.4.4 Other Textiles	107458	106509	113005	114377	6.4	7.4
2.5 Leather & Leather Products	12588	12327	12711	12982	3.1	5.3
2.6 Wood & Wood Products	23839	23669	26895	27292	14.5	15.3
2.7 Paper & Paper Products	46426	46405	51885	51942	11.9	11.9
2.8 Petroleum, Coal Products & Nuclear Fuels	132356	135817	154402	154419	16.7	13.7
2.9 Chemicals & Chemical Products	249347	246408	265385	263166	5.5	6.8
2.9.1 Fertiliser	37569	36366	31244	30527	-18.7	-16.1
2.9.2 Drugs & Pharmaceuticals	81036	80768	88010	88941	9.8	10.1
2.9.3 Petro Chemicals	23157	23008	27832	25742	11.2	11.9
2.9.4 Others	107584	106266	118299	117956	9.6	11.0
2.10 Rubber, Plastic & their Products	90420	90019	100175	101706	12.5	13.0
2.11 Glass & Glassware	12090	11666	12611	13198	9.2	13.1
2.12 Cement & Cement Products	59757	60574	60576	60313	0.9	-0.4
2.13 Basic Metal & Metal Product	384447	381371	434354	431320	12.2	13.1
2.13.1 Iron & Steel	273803	270540	308145	301743	10.2	11.5
2.13.2 Other Metal & Metal Product	110645	110831	126210	129576	17.1	16.9
2.14 All Engineering	196643	195280	229142	232448	18.2	19.0
2.14.1 Electronics	43175	44134	51243	49647	15.0	12.5
2.14.2 Others	153468	151146	177899	182801	19.1	20.9
2.15 Vehicles, Vehicle Parts & Transport Equipment	113185	110497	117775	117109	3.5	6.0
2.16 Gems & Jewellery	84860	81651	86364	83040	-2.1	1.7
2.17 Construction	133520	133235	145199	149730	12.1	12.4
2.18 Infrastructure	1304096	1292329	1309202	1302686	-0.1	0.8
2.18.1 Power	644042	645097	664682	660874	2.6	2.4
2.18.2 Telecommunications	138192	127825	124061	116448	-15.7	-8.9
2.18.3 Roads	318072	317768	314494	315924	-0.7	-0.6
2.18.4 Airports	7280	7384	8682	8799	20.9	19.2
2.18.5 Ports	6681	7838	5465	5879	-12.0	-25.0
2.18.6 Railways	13062	12144	13306	13293	1.8	9.5
2.18.7 Other Infrastructure	176767	174274	178513	181469	2.7	4.1
2.19 Other Industries	259016	255113	299228	296900	14.6	16.4

Note: (1) Data since July 28, 2023 include the impact of the merger of a non-bank with a bank. Figures in parentheses exclude the impact of the merger.

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								
	2023-24	2024					2025		
		Jan. 26	Nov. 15	Nov. 29	Dec. 13	Dec. 27	Jan. 10	Jan. 24	Jan. 31
	1	2	3	4	5	6	7	8	9
Number of Reporting Banks	33	33	34	34	34	34	34	34	34
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	138788.9	135053.7	138073.1	138154.1	131867.2	140702.2	141951.5	140580.6	137422.7
2 Demand and Time Liabilities									
2.1 Demand Liabilities	30226.7	28067.3	26021.8	26562.1	26329.5	25817.1	25505.2	24519.2	25128.9
2.1.1 Deposits									
2.1.1.1 Inter-Bank	9101.3	7628.0	7239.1	6670.1	6850.3	6676.5	6951.0	6903.9	6389.8
2.1.1.2 Others	15000.4	14877.1	13293.6	13187.7	12967.4	13201.0	12879.1	12582.5	12576.7
2.1.2 Borrowings from Banks	130.0	99.9	449.8	1454.3	1576.4	997.9	791.7	12.0	789.3
2.1.3 Other Demand Liabilities	5995.0	5462.2	5039.2	5249.9	4935.4	4941.7	4883.3	5020.9	5373.1
2.2 Time Liabilities	198141.8	181797.1	178177.3	176625.0	168281.8	179599.5	182473.8	182418.4	178875.8
2.2.1 Deposits									
2.2.1.1 Inter-Bank	72308.4	58233.2	51788.5	50047.3	47748.7	50440.5	51697.4	52718.8	52326.4
2.2.1.2 Others	123788.5	120176.6	124779.5	124966.4	118899.8	127501.2	129072.3	127998.0	124846.0
2.2.2 Borrowings from Banks	673.6	2181.3	651.9	651.9	651.9	651.9	650.8	650.8	650.8
2.2.3 Other Time Liabilities	1371.3	1206.0	957.3	959.5	981.4	1005.9	1053.3	1050.8	1052.6
3 Borrowing from Reserve Bank	0.0	100.0							
4 Borrowings from a notified bank / Government	95914.5	90881.7	173712.9	112111.7	114646.7	112137.9	112172.3	114464.9	111993.8
4.1 Demand	27317.7	23859.7	102827.6	45109.3	44426.4	44100.3	43778.8	44280.0	44397.3
4.2 Time	68596.8	67022.0	70885.3	67002.4	70220.3	68037.6	68393.5	70184.9	67596.4
5 Cash in Hand and Balances with Reserve Bank	16263.7	11043.1	12004.2	11145.5	12024.9	11868.9	10869.4	10837.2	11244.6
5.1 Cash in Hand	960.0	742.4	772.6	821.1	773.9	845.0	763.4	699.7	777.4
5.2 Balance with Reserve Bank	15303.7	10300.8	11231.6	10324.4	11251.0	11023.9	10106.0	10137.5	10467.2
6 Balances with Other Banks in Current Account	2088.1	1446.5	1035.0	1118.1	1287.5	1010.4	1217.9	1262.1	1204.8
7 Investments in Government Securities	77700.5	73701.6	75275.2	75074.9	74143.9	74779.2	75371.7	75514.9	75052.7
8 Money at Call and Short Notice	34355.3	27662.3	15588.7	12457.8	13852.0	12854.5	17090.8	15819.4	12239.3
9 Bank Credit (10.1+11)	135141.9	132726.7	167629.4	166666.0	141596.3	168136.4	169458.4	170580.3	170245.1
10 Advances									
10.1 Loans, Cash-Credits and Overdrafts	134936.8	132569.3	167432.0	166480.4	141403.7	167935.8	169247.9	170385.3	170045.3
10.2 Due from Banks	142185.2	136927.3	113950.8	111546.4	110681.2	110877.6	110955.4	112689.7	112047.0
11 Bills Purchased and Discounted	205.1	157.5	197.4	185.6	192.6	200.6	210.4	195.0	199.8

Prices and Production

No. 18: Consumer Price Index (Base: 2012=100)

Group/Sub group	2023-24			Rural			Urban			Combined		
	Rural	Urban	Combined	Mar.24	Feb.25	Mar.25 (P)	Mar.24	Feb.25	Mar.25 (P)	Mar.24	Feb.25	Mar.25 (P)
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food and beverages	185.9	192.7	188.4	188.5	195.4	194.0	194.4	201.3	200.1	190.7	197.6	196.2
1.1 Cereals and products	181.4	181.7	181.5	189.3	200.6	200.8	188.5	198.6	198.9	189.0	200.0	200.2
1.2 Meat and fish	213.0	221.3	215.9	217.9	219.1	218.1	226.7	229.0	228.3	221.0	222.6	221.7
1.3 Egg	185.4	189.5	187.0	192.7	194.9	185.3	194.3	200.0	190.3	193.3	196.9	187.2
1.4 Milk and products	181.4	181.5	181.4	183.2	187.6	187.9	183.6	188.4	188.3	183.3	187.9	188.0
1.5 Oils and fats	165.3	158.7	162.9	160.2	188.9	189.7	154.7	176.0	177.4	158.2	184.2	185.2
1.6 Fruits	172.1	179.9	175.7	172.8	195.1	201.6	176.7	198.7	204.7	174.6	196.8	203.0
1.7 Vegetables	183.9	229.9	199.5	182.5	181.2	171.0	222.6	216.8	204.3	196.1	193.3	182.3
1.8 Pulses and products	192.2	196.5	193.7	199.7	200.2	194.3	205.0	205.1	199.3	201.5	201.9	196.0
1.9 Sugar and confectionery	126.2	128.1	126.9	128.0	131.4	133.1	130.1	133.8	135.0	128.7	132.2	133.7
1.10 Spices	238.0	228.4	234.8	236.3	224.8	222.9	228.2	222.1	220.5	233.6	223.9	222.1
1.11 Non-alcoholic beverages	180.7	168.2	175.5	182.1	188.3	188.9	170.3	177.3	178.0	177.2	183.7	184.3
1.12 Prepared meals, snacks, sweets	193.3	200.9	196.8	195.9	202.4	202.9	204.6	214.0	214.9	199.9	207.8	208.5
2 Pan, tobacco and intoxicants	202.0	207.1	203.3	204.0	209.0	209.7	210.2	213.4	213.8	205.7	210.2	210.8
3 Clothing and footwear	192.9	181.5	188.4	195.1	199.8	200.0	183.8	188.6	189.0	190.6	195.4	195.6
3.1 Clothing	193.5	183.5	189.6	195.8	200.7	201.0	185.8	190.8	191.2	191.9	196.8	197.1
3.2 Footwear	189.4	170.2	181.4	191.1	194.1	194.3	172.3	176.2	176.7	183.3	186.7	187.0
4 Housing	--	176.7	176.7	--	--	--	178.2	183.7	183.6	178.2	183.7	183.6
5 Fuel and light	183.0	178.9	181.4	181.0	182.8	182.7	167.4	171.0	171.3	175.8	178.3	178.4
6 Miscellaneous	181.7	173.7	177.8	184.2	192.9	193.5	176.0	183.8	184.6	180.2	188.5	189.2
6.1 Household goods and services	181.5	171.8	176.9	183.3	187.7	187.3	174.0	179.1	179.6	178.9	183.6	183.7
6.2 Health	190.8	185.2	188.7	194.3	201.6	202.4	189.1	196.3	197.4	192.3	199.6	200.5
6.3 Transport and communication	171.1	161.4	166.0	172.0	177.7	178.1	161.9	166.6	166.9	166.7	171.9	172.2
6.4 Recreation and amusement	175.8	171.1	173.2	177.8	181.9	181.1	172.8	177.3	177.7	175.0	179.3	179.2
6.5 Education	184.0	179.1	181.1	186.1	192.6	193.1	181.2	188.2	188.6	183.2	190.0	190.5
6.6 Personal care and effects	186.3	187.4	186.8	191.3	214.2	216.8	192.8	216.3	219.2	191.9	215.1	217.8
General Index (All Groups)	185.6	182.4	184.1	187.8	194.5	193.9	183.6	190.1	189.9	185.8	192.5	192.0

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	2023-24		2024		2025	
			Feb.	Jan.	Feb.	Jan.	Feb.	Feb.
	1	2	3	4	5	6		
1 Consumer Price Index for Industrial Workers	2016	2.88	137.9	139.2	143.2	142.8		
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	1229	1258	1316	1309		
3 Consumer Price Index for Rural Labourers	1986-87	-	1240	1269	1328	1321		

Source: Labour Bureau, Ministry of Labour and Employment, Government of India.

No. 20: Monthly Average Price of Gold and Silver in Mumbai

Item	2023-24	2024		2025	
		Feb.	Jan.	Feb.	Feb.
	1	2	3	4	
1 Standard Gold (₹ per 10 grams)	60624	62017	79079	84995	
2 Silver (₹ per kilogram)	72243	70328	90020	95524	

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	2023-24	2024		2025		
			Mar.	Jan.	Feb.(P)	Mar.(P)	
			1	2	3	4	5
1 ALL COMMODITIES	100.000	151.4	151.4	155.0	154.8	154.5	
1.1 PRIMARY ARTICLES	22.618	183.0	183.2	189.7	186.6	184.6	
1.1.1 FOOD ARTICLES	15.256	191.3	191.4	199.8	195.8	194.4	
1.1.1.1 Food Grains (Cereals+Pulses)	3.462	193.8	202.3	213.2	212.1	210.1	
1.1.1.2 Fruits & Vegetables	3.475	210.2	197.2	210.7	198.1	196.4	
1.1.1.3 Milk	4.440	180.3	184.2	187.0	186.4	186.8	
1.1.1.4 Eggs, Meat & Fish	2.402	172.1	168.9	174.7	171.5	170.1	
1.1.1.5 Condiments & Spices	0.529	235.4	233.5	231.6	213.1	201.1	
1.1.1.6 Other Food Articles	0.948	189.5	198.8	217.1	223.0	223.1	
1.1.2 NON-FOOD ARTICLES	4.119	162.4	160.0	167.5	166.8	162.8	
1.1.2.1 Fibres	0.839	168.0	165.0	161.5	161.8	162.4	
1.1.2.2 Oil Seeds	1.115	185.0	178.7	183.4	178.9	179.3	
1.1.2.3 Other non-food Articles	1.960	134.9	133.7	142.7	143.1	142.0	
1.1.2.4 Floriculture	0.204	279.7	291.0	343.7	349.2	274.6	
1.1.3 MINERALS	0.833	217.7	221.6	227.2	227.2	227.9	
1.1.3.1 Metallic Minerals	0.648	204.2	212.6	216.3	216.3	214.6	
1.1.3.2 Other Minerals	0.185	265.0	253.2	265.7	265.5	274.7	
1.1.4 CRUDE PETROLEUM & NATURAL GAS	2.410	153.6	157.1	150.9	148.7	145.1	
1.2 FUEL & POWER	13.152	152.0	152.1	152.0	153.8	152.4	
1.2.1 COAL	2.138	136.4	135.8	135.6	135.6	135.6	
1.2.1.1 Coking Coal	0.647	143.4	143.4	143.4	143.4	143.4	
1.2.1.2 Non-Coking Coal	1.401	124.8	125.8	125.8	125.8	125.8	
1.2.1.3 Lignite	0.090	267.6	236.0	231.0	231.0	231.2	
1.2.2 MINERAL OILS	7.950	159.0	159.4	155.0	157.9	156.8	
1.2.3 ELECTRICITY	3.064	145.0	144.6	155.8	156.1	152.5	
1.3 MANUFACTURED PRODUCTS	64.231	140.2	140.1	143.4	143.8	144.4	
1.3.1 MANUFACTURE OF FOOD PRODUCTS	9.122	160.5	162.1	177.5	177.8	179.4	
1.3.1.1 Processing and Preserving of meat	0.134	145.3	151.3	157.3	158.1	160.0	
1.3.1.2 Processing and Preserving of fish, Crustaceans, Molluscs and products thereof	0.204	142.9	149.6	145.4	146.0	146.6	
1.3.1.3 Processing and Preserving of fruit and Vegetables	0.138	130.4	130.2	132.8	132.3	133.8	
1.3.1.4 Vegetable and Animal oils and Fats	2.643	145.0	145.7	187.5	188.5	190.8	
1.3.1.5 Dairy products	1.165	179.1	178.8	181.9	182.8	182.9	
1.3.1.6 Grain mill products	2.010	175.6	182.7	190.4	189.8	188.8	
1.3.1.7 Starches and Starch products	0.110	157.1	166.2	164.1	162.8	161.1	
1.3.1.8 Bakery products	0.215	165.4	165.8	174.9	174.9	176.1	
1.3.1.9 Sugar, Molasses & honey	1.163	134.6	136.7	138.6	141.4	143.4	
1.3.1.10 Cocoa, Chocolate and Sugar confectionery	0.175	139.8	142.4	171.7	172.2	174.5	
1.3.1.11 Macaroni, Noodles, Couscous and Similar farinaceous products	0.026	149.9	148.8	161.0	159.2	171.5	
1.3.1.12 Tea & Coffee products	0.371	176.2	161.9	161.8	156.1	178.9	
1.3.1.13 Processed condiments & salt	0.163	192.1	195.5	194.1	192.1	188.8	
1.3.1.14 Processed ready to eat food	0.024	146.3	146.9	155.4	154.7	155.5	
1.3.1.15 Health supplements	0.225	179.1	174.9	189.5	188.1	186.5	
1.3.1.16 Prepared animal feeds	0.356	208.3	203.9	199.0	197.4	195.5	
1.3.2 MANUFACTURE OF BEVERAGES	0.909	131.5	132.5	134.4	134.5	134.6	
1.3.2.1 Wines & spirits	0.408	133.3	134.1	136.9	137.4	137.6	
1.3.2.2 Malt liquors and Malt	0.225	135.6	136.6	138.9	138.9	139.1	
1.3.2.3 Soft drinks; Production of mineral waters and Other bottled waters	0.275	125.5	126.7	126.8	126.5	126.4	
1.3.3 MANUFACTURE OF TOBACCO PRODUCTS	0.514	173.5	176.3	181.2	180.0	180.2	
1.3.3.1 Tobacco products	0.514	173.5	176.3	181.2	180.0	180.2	

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2023-24	2024		2025	
			Mar.	Jan.	Feb.(P)	Mar.(P)
			1	2	3	4
1.3.4 MANUFACTURE OF TEXTILES	4.881	134.6	134.3	137.0	137.0	136.6
1.3.4.1 Preparation and Spinning of textile fibres	2.582	120.1	119.8	120.8	120.8	120.6
1.3.4.2 Weaving & Finishing of textiles	1.509	157.5	156.3	160.9	161.1	159.5
1.3.4.3 Knitted and Crocheted fabrics	0.193	120.0	120.6	124.1	124.8	124.4
1.3.4.4 Made-up textile articles, Except apparel	0.299	156.6	158.7	162.0	160.4	161.9
1.3.4.5 Cordage, Rope, Twine and Netting	0.098	139.2	137.6	146.1	147.8	147.6
1.3.4.6 Other textiles	0.201	129.6	131.6	136.6	136.5	137.2
1.3.5 MANUFACTURE OF WEARING APPAREL	0.814	150.8	151.5	154.2	154.3	154.5
1.3.5.1 Manufacture of Wearing Apparel (woven), Except fur Apparel	0.593	148.7	148.7	151.4	151.8	152.2
1.3.5.2 Knitted and Crocheted apparel	0.221	156.6	159.0	161.6	161.2	160.6
1.3.6 MANUFACTURE OF LEATHER AND RELATED PRODUCTS	0.535	124.1	123.7	127.5	125.8	126.2
1.3.6.1 Tanning and Dressing of leather; Dressing and Dyeing of fur	0.142	107.3	104.8	112.2	107.7	107.0
1.3.6.2 Luggage, Handbags, Saddlery and Harness	0.075	140.9	140.7	142.3	143.0	143.0
1.3.6.3 Footwear	0.318	127.7	128.1	130.9	129.9	130.8
1.3.7 MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK	0.772	146.6	149.1	149.6	148.8	150.0
1.3.7.1 Saw milling and Planing of wood	0.124	137.8	139.4	141.7	141.6	141.3
1.3.7.2 Veneer sheets; Manufacture of plywood, Laminboard, Particle board and Other panels and Boards	0.493	146.1	149.0	149.0	147.5	149.7
1.3.7.3 Builder's carpentry and Joinery	0.036	206.4	214.1	214.5	215.1	215.1
1.3.7.4 Wooden containers	0.119	139.8	140.0	140.6	141.7	140.7
1.3.8 MANUFACTURE OF PAPER AND PAPER PRODUCTS	1.113	140.3	138.0	139.5	140.8	141.3
1.3.8.1 Pulp, Paper and Paperboard	0.493	147.6	144.5	144.5	145.2	145.8
1.3.8.2 Corrugated paper and Paperboard and Containers of paper and Paperboard	0.314	140.9	143.4	149.0	150.8	150.6
1.3.8.3 Other articles of paper and Paperboard	0.306	128.0	121.8	121.6	123.7	124.4
1.3.9 PRINTING AND REPRODUCTION OF RECORDED MEDIA	0.676	182.3	184.6	190.0	190.7	189.9
1.3.9.1 Printing	0.676	182.3	184.6	190.0	190.7	189.9
1.3.10 MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS	6.465	136.9	135.6	136.8	137.1	136.9
1.3.10.1 Basic chemicals	1.433	139.9	136.5	139.7	140.7	141.2
1.3.10.2 Fertilizers and Nitrogen compounds	1.485	142.8	142.6	142.9	143.6	142.4
1.3.10.3 Plastic and Synthetic rubber in primary form	1.001	132.3	132.4	133.8	134.1	133.9
1.3.10.4 Pesticides and Other agrochemical products	0.454	132.8	130.5	129.2	129.2	129.9
1.3.10.5 Paints, Varnishes and Similar coatings, Printing ink and Mastics	0.491	143.7	141.0	139.1	138.5	138.4
1.3.10.6 Soap and Detergents, Cleaning and Polishing preparations, Perfumes and Toilet preparations	0.612	139.7	138.0	140.6	140.8	141.2
1.3.10.7 Other chemical products	0.692	134.4	134.5	135.5	135.1	134.1
1.3.10.8 Man-made fibres	0.296	103.6	103.6	104.7	104.1	104.9
1.3.11 MANUFACTURE OF PHARMACEUTICALS, MEDICINAL CHEMICAL AND BOTANICAL PRODUCTS	1.993	142.9	143.4	145.0	145.0	145.2
1.3.11.1 Pharmaceuticals, Medicinal chemical and Botanical products	1.993	142.9	143.4	145.0	145.0	145.2
1.3.12 MANUFACTURE OF RUBBER AND PLASTICS PRODUCTS	2.299	127.5	128.2	129.3	129.7	129.7
1.3.12.1 Rubber Tyres and Tubes; Retreading and Rebuilding of Rubber Tyres	0.609	113.7	113.8	117.1	117.2	117.0
1.3.12.2 Other Rubber Products	0.272	107.3	108.6	112.6	113.0	112.6
1.3.12.3 Plastics products	1.418	137.3	138.2	137.8	138.3	138.4
1.3.13 MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS	3.202	134.7	133.1	132.2	132.6	132.7
1.3.13.1 Glass and Glass products	0.295	163.8	163.9	163.7	163.8	163.4
1.3.13.2 Refractory products	0.223	119.7	119.7	125.2	126.2	126.0
1.3.13.3 Clay Building Materials	0.121	123.9	119.9	134.5	132.4	133.5
1.3.13.4 Other Porcelain and Ceramic Products	0.222	122.3	124.4	125.1	125.1	124.7
1.3.13.5 Cement, Lime and Plaster	1.645	137.3	134.3	130.2	131.2	131.6

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2023-24	2024		2025	
			Mar.	Jan.	Feb.(P)	Mar.(P)
	1	2	3	4	5	6
1.3.13.6 Articles of Concrete, Cement and Plaster	0.292	137.7	137.2	140.4	140.4	138.8
1.3.13.7 Cutting, Shaping and Finishing of Stone	0.234	130.3	131.7	135.4	136.0	136.8
1.3.13.8 Other Non-Metallic Mineral Products	0.169	102.4	100.9	94.1	92.2	92.3
1.3.14 MANUFACTURE OF BASIC METALS	9.646	141.0	138.7	137.2	137.6	139.1
1.3.14.1 Inputs into steel making	1.411	140.3	134.6	129.4	129.2	131.1
1.3.14.2 Metallic Iron	0.653	153.6	147.4	131.5	131.6	136.3
1.3.14.3 Mild Steel - Semi Finished Steel	1.274	119.9	117.0	117.3	117.3	118.2
1.3.14.4 Mild Steel - Long Products	1.081	141.3	138.9	138.5	138.4	140.1
1.3.14.5 Mild Steel - Flat products	1.144	143.4	138.7	128.9	129.6	129.5
1.3.14.6 Alloy steel other than Stainless Steel- Shapes	0.067	137.6	134.3	132.7	132.1	133.6
1.3.14.7 Stainless Steel - Semi Finished	0.924	136.4	131.1	127.5	127.4	131.0
1.3.14.8 Pipes & tubes	0.205	169.7	169.8	163.7	164.1	164.5
1.3.14.9 Non-ferrous metals incl. precious metals	1.693	144.8	146.4	158.6	160.8	161.4
1.3.14.10 Castings	0.925	141.0	146.1	144.2	144.6	144.7
1.3.14.11 Forgings of steel	0.271	173.3	170.8	172.4	169.7	174.2
1.3.15 MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT	3.155	138.6	136.2	135.3	136.2	136.4
1.3.15.1 Structural Metal Products	1.031	132.3	130.6	130.2	132.0	131.2
1.3.15.2 Tanks, Reservoirs and Containers of Metal	0.660	157.6	155.3	147.2	147.0	148.5
1.3.15.3 Steam generators, Except Central Heating Hot Water Boilers	0.145	106.3	106.0	108.1	108.0	110.9
1.3.15.4 Forging, Pressing, Stamping and Roll-Forming of Metal; Powder Metallurgy	0.383	141.4	136.8	137.9	139.6	139.7
1.3.15.5 Cutlery, Hand Tools and General Hardware	0.208	108.4	101.5	102.3	102.5	102.4
1.3.15.6 Other Fabricated Metal Products	0.728	143.8	142.3	145.3	145.6	145.7
1.3.16 MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS	2.009	119.3	120.4	121.5	121.5	121.1
1.3.16.1 Electronic Components	0.402	115.0	115.5	118.6	119.0	119.5
1.3.16.2 Computers and Peripheral Equipment	0.336	135.3	135.3	132.7	131.0	131.8
1.3.16.3 Communication Equipment	0.310	136.1	139.5	146.3	146.2	146.5
1.3.16.4 Consumer Electronics	0.641	103.6	103.7	99.9	100.6	99.1
1.3.16.5 Measuring, Testing, Navigating and Control equipment	0.181	113.8	118.2	121.9	121.9	121.9
1.3.16.6 Watches and Clocks	0.076	157.2	159.9	172.7	172.2	172.0
1.3.16.7 Irradiation, Electromedical and Electrotherapeutic equipment	0.055	108.3	108.4	116.1	117.0	110.3
1.3.16.8 Optical instruments and Photographic equipment	0.008	103.8	105.2	107.9	108.3	108.3
1.3.17 MANUFACTURE OF ELECTRICAL EQUIPMENT	2.930	131.4	131.9	134.0	134.1	134.4
1.3.17.1 Electric motors, Generators, Transformers and Electricity distribution and Control apparatus	1.298	130.1	130.6	133.1	133.0	133.5
1.3.17.2 Batteries and Accumulators	0.236	137.8	140.4	140.9	141.5	141.8
1.3.17.3 Fibre optic cables for data transmission or live transmission of images	0.133	123.4	121.2	114.3	115.9	116.0
1.3.17.4 Other electronic and Electric wires and Cables	0.428	146.1	146.9	155.0	155.2	156.6
1.3.17.5 Wiring devices, Electric lighting & display equipment	0.263	116.8	117.6	118.1	117.8	117.5
1.3.17.6 Domestic appliances	0.366	133.8	133.3	131.8	132.0	131.3
1.3.17.7 Other electrical equipment	0.206	120.9	121.8	124.7	124.8	123.8
1.3.18 MANUFACTURE OF MACHINERY AND EQUIPMENT	4.789	129.0	129.9	131.1	131.2	131.5
1.3.18.1 Engines and Turbines, Except aircraft, Vehicle and Two wheeler engines	0.638	128.9	130.6	132.6	134.5	134.3
1.3.18.2 Fluid power equipment	0.162	131.9	132.3	135.6	135.7	135.7
1.3.18.3 Other pumps, Compressors, Taps and Valves	0.552	117.4	117.7	118.9	119.0	119.0
1.3.18.4 Bearings, Gears, Gearing and Driving elements	0.340	127.7	129.6	129.7	128.6	129.1
1.3.18.5 Ovens, Furnaces and Furnace burners	0.008	83.7	85.3	88.3	87.3	88.4
1.3.18.6 Lifting and Handling equipment	0.285	128.6	129.9	130.1	130.0	130.7

No. 21: Wholesale Price Index (Concl.)
 (Base: 2011-12 = 100)

Commodities	Weight	2023-24	2024		2025		
			Mar.	Jan.	Feb.(P)	Mar.(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	130.2
1.3.18.8 Other general-purpose machinery	0.437	145.2	144.6	141.9	140.3	142.7	
1.3.18.9 Agricultural and Forestry machinery	0.833	142.5	143.9	146.6	147.0	146.5	
1.3.18.10 Metal-forming machinery and Machine tools	0.224	122.5	122.4	124.1	123.3	123.5	
1.3.18.11 Machinery for mining, Quarrying and Construction	0.371	88.6	89.3	91.0	91.3	91.5	
1.3.18.12 Machinery for food, Beverage and Tobacco processing	0.228	124.4	124.4	126.9	127.1	126.8	
1.3.18.13 Machinery for textile, Apparel and Leather production	0.192	137.2	137.7	145.1	145.1	147.1	
1.3.18.14 Other special-purpose machinery	0.468	144.7	146.4	144.0	144.2	144.4	
1.3.18.15 Renewable electricity generating equipment	0.046	70.8	69.7	69.0	69.3	69.3	
1.3.19 MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS	4.969	128.4	129.9	130.1	130.2	130.3	
1.3.19.1 Motor vehicles	2.600	128.5	130.6	131.0	131.0	131.2	
1.3.19.2 Parts and Accessories for motor vehicles	2.368	128.2	129.0	129.0	129.3	129.3	
1.3.20 MANUFACTURE OF OTHER TRANSPORT EQUIPMENT	1.648	143.1	143.6	145.7	145.9	148.5	
1.3.20.1 Building of ships and Floating structures	0.117	163.7	163.7	188.4	188.4	188.4	
1.3.20.2 Railway locomotives and Rolling stock	0.110	107.4	108.5	109.2	109.3	109.6	
1.3.20.3 Motor cycles	1.302	144.7	145.3	146.0	146.2	149.4	
1.3.20.4 Bicycles and Invalid carriages	0.117	137.9	137.6	134.4	134.5	135.4	
1.3.20.5 Other transport equipment	0.002	159.2	158.5	165.7	164.9	165.5	
1.3.21 MANUFACTURE OF FURNITURE	0.727	159.6	158.4	161.8	162.0	161.9	
1.3.21.1 Furniture	0.727	159.6	158.4	161.8	162.0	161.9	
1.3.22 OTHER MANUFACTURING	1.064	158.2	164.1	187.8	197.0	201.7	
1.3.22.1 Jewellery and Related articles	0.996	157.9	164.3	189.7	199.5	204.4	
1.3.22.2 Musical instruments	0.001	187.0	192.0	197.2	199.9	201.4	
1.3.22.3 Sports goods	0.012	155.2	154.5	167.7	168.2	168.1	
1.3.22.4 Games and Toys	0.005	159.6	160.0	164.8	164.9	164.5	
1.3.22.5 Medical and Dental instruments and Supplies	0.049	163.1	161.2	156.5	156.5	158.6	
2 FOOD INDEX	24.378	179.8	180.4	191.5	189.0	188.8	

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	2022-23	2023-24	April-February		February	
				2023-24	2024-25	2024	2025
				1	2	3	4
General Index	100.00	138.5	146.7	145.5	151.4	147.1	151.3
1 Sectoral Classification							
1.1 Mining	14.37	119.9	128.9	126.4	130.5	139.7	141.9
1.2 Manufacturing	77.63	137.1	144.7	143.6	149.5	144.4	148.6
1.3 Electricity	7.99	185.2	198.3	197.8	207.6	187.2	194.0
2 Use-Based Classification							
2.1 Primary Goods	34.05	139.2	147.7	146.3	152.0	148.2	152.3
2.2 Capital Goods	8.22	100.3	106.6	104.3	110.5	106.7	115.5
2.3 Intermediate Goods	17.22	149.4	157.3	156.2	163.0	157.6	159.9
2.4 Infrastructure/ Construction Goods	12.34	160.7	176.3	174.6	185.7	179.5	191.3
2.5 Consumer Durables	12.84	114.5	118.6	117.5	127.1	121.9	126.5
2.6 Consumer Non-Durables	15.33	147.7	153.7	153.6	151.5	149.9	146.7

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 – February			
		2024-25 (Revised Estimates)	2024-25 (Actuals)	2023-24 (Actuals)	Percentage to Revised Estimates
					2024-25
		1	2	3	4
1 Revenue Receipts		3087960	2508953	2209782	81.2
1.1 Tax Revenue (Net)		2556960	2015634	1849452	78.8
1.2 Non-Tax Revenue		531000	493319	360330	92.9
2 Non Debt Capital Receipt		59000	37364	36140	63.3
2.1 Recovery of Loans		26000	21655	23480	83.3
2.2 Other Receipts		33000	15709	12660	47.6
3 Total Receipts (excluding borrowings) (1+2)		3146960	2546317	2245922	80.9
4 Revenue Expenditure of which :		3698058	3081282	2941674	83.3
4.1 Interest Payments		1137940	952844	880788	83.7
5 Capital Expenditure		1018429	811887	805613	79.7
6 Total Expenditure (4+5)		4716487	3893169	3747287	82.5
7 Revenue Deficit (4-1)		610098	572329	731892	93.8
8 Fiscal Deficit (6-3)		1569527	1346852	1501365	85.8
9 Gross Primary Deficit (8-4.1)		431587	394008	620577	91.3

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	2023-24	2024		2025				
		Mar. 1	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	1	2	3	4	5	6	7	8
1 91-day								
1.1 Banks	18054	9315	6520	7728	5632	7326	7071	7786
1.2 Primary Dealers	22676	18037	14311	13506	17806	15967	14883	14025
1.3 State Governments	5701	16384	78012	78400	82800	82315	78315	73415
1.4 Others	88670	90048	100968	107166	110763	115907	108845	116990
2 182-day								
2.1 Banks	84913	74430	39047	36704	35399	38165	35549	37126
2.2 Primary Dealers	87779	76367	46104	51382	50792	53182	52538	54510
2.3 State Governments	4070	5037	8268	8243	8243	7422	7422	7528
2.4 Others	102311	96207	86549	85014	88109	84953	81213	85164
3 364-day								
3.1 Banks	91819	86887	72359	73685	74285	73520	69687	66240
3.2 Primary Dealers	159085	172500	108412	109263	106534	112772	110441	112173
3.3 State Governments	41487	44491	34014	36794	36365	36583	36494	36713
3.4 Others	165095	176613	156229	153053	154181	147709	151871	151587
4 14-day Intermediate								
4.1 Banks								
4.2 Primary Dealers								
4.3 State Governments	318736	317650	298216	271755	191566	266338	290903	291002
4.4 Others	442	296	838	694	410	485	2591	38
Total Treasury Bills (Excluding 14 day Intermediate T Bills) #	871662	866316	750794	760937	770908	775820	754331	763256

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		Competitive	Non-Competitive								
		1	2	3	4	5	6	7	8	9	10				
91-day Treasury Bills															
2024-25															
Jan. 29	12000	138	39833	2879	44	11959	2879	14838	98.39		6.5625				
Feb. 5	12000	149	41861	6534	42	11966	6534	18500	98.41		6.4681				
Feb. 12	12000	117	32652	1424	63	11964	1424	13389	98.42		6.4445				
Feb. 20	14000	131	27118	5452	0	0	0	0	-		-				
Feb. 27	14000	136	34624	6168	74	13932	6168	20100	98.42		6.4490				
182-day Treasury Bills															
2024-25															
Jan. 29	8000	84	25022	1019	41	7981	1019	9000	96.78		6.6691				
Feb. 5	8000	96	22886	715	55	7985	715	8700	96.82		6.5801				
Feb. 12	8000	70	16516	194	42	7984	194	8179	96.83		6.5700				
Feb. 20	12000	74	20772	1016	0	0	0	0	-		-				
Feb. 27	12000	96	23642	1775	66	11976	1775	13751	96.81		6.5989				
364-day Treasury Bills															
2024-25															
Jan. 29	8000	138	41006	2931	27	7990	2931	10921	93.79		6.6345				
Feb. 5	8000	124	32756	174	31	7987	174	8160	93.87		6.5440				
Feb. 12	8000	88	26315	318	44	7968	318	8287	93.87		6.5500				
Feb. 20	7000	72	19287	46	32	6990	46	7036	93.86		6.5638				
Feb. 27	7000	104	27673	239	33	6988	239	7228	93.88		6.5409				

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
February 01 ,2025	5.50-6.65	6.23
February 03 ,2025	5.10-6.65	6.55
February 04 ,2025	5.10-6.65	6.49
February 05 ,2025	5.15-6.60	6.46
February 06 ,2025	5.15-6.60	6.45
February 07 ,2025	5.15-6.55	6.25
February 10 ,2025	5.15-6.45	6.29
February 11 ,2025	5.15-6.42	6.32
February 12 ,2025	5.15-6.40	6.29
February 13 ,2025	5.15-6.50	6.34
February 14 ,2025	5.15-6.50	6.35
February 15 ,2025	5.25-6.50	5.89
February 17 ,2025	5.15-6.65	6.34
February 18 ,2025	5.25-6.50	6.35
February 20 ,2025	5.15-6.45	6.35
February 21 ,2025	5.15-6.60	6.29
February 24 ,2025	5.15-6.45	6.32
February 25 ,2025	5.15-6.65	6.31
February 27 ,2025	5.15-6.45	6.31
February 28 ,2025	5.15-6.65	6.36
March 01 ,2025	5.70-6.45	5.91
March 03 ,2025	5.15-6.45	6.32
March 04 ,2025	5.15-6.40	6.27
March 05 ,2025	5.25-6.40	6.23
March 06 ,2025	5.15-6.35	6.21
March 07 ,2025	5.15-6.40	6.25
March 10 ,2025	5.15-6.40	6.26
March 11 ,2025	5.15-6.45	6.30
March 12 ,2025	5.15-6.40	6.27
March 13 ,2025	5.15-6.45	6.33
March 15 ,2025	5.25-6.40	6.05

Note: Includes Notice Money.

No. 27: Certificates of Deposit

Item	2024		2025				2025	
	Feb. 23	Jan. 10	Jan. 24	Feb. 7	Feb. 21	Mar. 7	Mar. 21	
	1	2	3	4	5	6	7	
1 Amount Outstanding (₹ Crore)	381444.86	493930.59	499396.94	519276.82	513816.40	511207.89	532971.66	
1.1 Issued during the fortnight (₹ Crore)	63348.26	33890.42	30080.60	71093.96	30077.77	70936.37	117053.02	
2 Rate of Interest (per cent)	7.17-8.22	7.05-7.48	7.07-7.88	7.03-7.83	7.02-7.93	7.02-8.02	6.98-8.05	

No. 28: Commercial Paper

Item	2024		2025				2025	
	Feb. 29	Jan. 15	Jan. 31	Feb. 15	Feb. 28	Mar. 15	Mar. 31	
	1	2	3	4	5	6	7	
1 Amount Outstanding (₹ Crore)	408048.25	450242.05	456483.15	479257.25	465926.95	457051.30	442892.70	
1.1 Reported during the fortnight (₹ Crore)	82067.80	39647.30	69001.15	80693.35	64880.85	107624.20	77133.85	
2 Rate of Interest (per cent)	7.05-11.91	7.06-12.12	7.12-13.77	6.97-12.40	6.78-12.24	6.67-11.78	7.00-14.46	

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Crore)

Item	2023-24	2024		2025				
		Mar. 1	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	1	2	3	4	5	6	7	8
1 Call Money	17761	18315	20631	23225	23493	22880	23232	25329
2 Notice Money	2550	4361	598	4419	269	5854	472	8886
3 Term Money	871	1311	798	976	699	1109	532	1425
4 Triparty Repo	601363	712802	649147	744181	645390	788692	648196	802167
5 Market Repo	574534	652752	525850	606457	568944	658189	521248	627685
6 Repo in Corporate Bond	1817	2620	6711	7411	8450	7343	7841	7237
7 Forex (US \$ million)	95115	122015	133491	137918	143060	147352	129410	155172
8 Govt. of India Dated Securities	90992	59429	127533	126216	124531	99396	77969	86173
9 State Govt. Securities	6102	10427	7675	10831	9153	6885	10974	16088
10 Treasury Bills								
10.1 91-Day	5378	3740	6107	5708	5072	5368	3585	5438
10.2 182-Day	6079	5309	2691	2525	3052	3390	2016	4596
10.3 364-Day	4307	3685	1893	3326	3273	5458	3548	4148
10.4 Cash Management Bills		0	0	0	0	0	0	0
11 Total Govt. Securities (8+9+10)	112858	82589	145899	148605	145081	120496	98091	116444
11.1 RBI	492	760	4307	5572	249	8342	10385	704

No. 30: New Capital Issues by Non-Government Public Limited Companies

(Amount in ₹ Crore)

Security & Type of Issue	2023-24		2023-24 (Apr.-Feb.)		2024-25 (Apr.-Feb.) *		Feb. 2024		Feb. 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	339	80942	303	76666	443	208151	35	15643	31	15513
1.1 Public	272	65832	246	61976	310	189947	29	7684	21	14745
1.2 Rights	67	15110	57	14690	133	18204	6	7959	10	768
2 Public Issue of Bonds/ Debentures	44	16342	41	15639	52	7694	4	517	14	297
3 Total (1+2)	383	97284	344	92305	495	215845	39	16160	45	15810
3.1 Public	316	82174	287	77615	362	197641	33	8201	35	15042
3.2 Rights	67	15110	57	14690	133	18204	6	7959	10	768

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	2023-24		2024			2025	
		1	2	Feb.	Oct.	Nov.	Dec.	Jan.
				3	4	5	6	Feb.
1 Exports	₹ Crore	3618952	343516	327466	269603	321264	313936	321343
	US \$ Million	437072	41406	38970	31957	37802	36392	36913
1.1 Oil	₹ Crore	696850	68163	37000	29821	39998	30311	50620
	US \$ Million	84157	8216	4403	3535	4706	3514	5815
1.2 Non-oil	₹ Crore	2922102	275353	290466	239782	281265	283625	270724
	US \$ Million	352915	33190	34567	28422	33095	32878	31098
2 Imports	₹ Crore	5616042	505408	546768	539310	496988	512696	443664
	US \$ Million	678215	60919	65069	63926	58479	59432	50964
2.1 Oil	₹ Crore	1480232	140134	158683	134206	115546	115942	103530
	US \$ Million	178733	16891	18884	15908	13596	13440	11893
2.2 Non-oil	₹ Crore	4135810	365274	388085	405103	381442	396754	340133
	US \$ Million	499482	44028	46184	48018	44883	45992	39071
3 Trade Balance	₹ Crore	-1997090	-161892	-219301	-269707	-175724	-198760	-122321
	US \$ Million	-241143	-19514	-26098	-31969	-20677	-23040	-14051
3.1 Oil	₹ Crore	-783382	-71972	-121683	-104386	-75547	-85631	-52911
	US \$ Million	-94576	-8675	-14481	-12373	-8889	-9926	-6078
3.2 Non-oil	₹ Crore	-1213708	-89921	-97619	-165321	-100177	-113129	-69410
	US \$ Million	-146567	-10839	-11617	-19596	-11787	-13114	-7973

Note: Data in the table are provisional.

Source: Directorate General of Commercial Intelligence and Statistics.

No. 32: Foreign Exchange Reserves

Item	Unit	2024		2025				
		Apr. 05	Feb. 21	Feb. 28	Mar. 07	Mar. 14	Mar. 21	Mar. 28
				1	2	3	4	5
1 Total Reserves		₹ Crore	5401575	5553750	5589313	5682099	5692791	5662867
		US \$ Million	648562	640479	638698	653966	654271	658800
1.1 Foreign Currency Assets		₹ Crore	4756930	4715811	4754944	4841987	4848035	4803678
		US \$ Million	571166	543843	543350	557282	557186	558856
1.2 Gold		₹ Crore	454381	646668	641218	645780	647273	664219
		US \$ Million	54558	74576	73272	74325	74391	77793
1.3 SDRs	Volume (Metric Tonnes)	822.09	879.01	879.01	879.01	879.01	879.01	879.58
	SDRs Million	13694	13706	13706	13706	13706	13706	13706
	₹ Crore	151325	155830	157504	158222	158894	156784	155344
	US \$ Million	18170	17971	17998	18210	18262	18240	18176
1.4 Reserve Tranche Position in IMF	₹ Crore	38939	35441	35646	36110	38588	38186	37768
	US \$ Million	4669	4090	4078	4148	4431	4429	4413

* 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 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.

No. 33: Non-Resident Deposits

(US \$ Million)

Scheme	Outstanding				Flows	
	2023-24	2024		2025		2023-24
		Feb.	Jan.	Feb. (P)		Apr.-Feb.
		1	2	3	4	5
1 NRI Deposits	151879	149724	161212	160339	11808	14558
1.1 FCNR(B)	25733	24902	32754	32492	5538	6759
1.2 NR(E)RA	98624	97682	98495	97938	2636	4010
1.3 NRO	27522	27140	29963	29908	3633	3790

P: Provisional.

No. 34: Foreign Investment Inflows

(US \$ Million)

Item	2023-24	2023-24	2024-25 (P)	2024 (P)	2025 (P)	
		Apr.-Feb.	Apr.-Feb.	Feb.	Jan.	Feb.
		1	2	3	4	5
1.1 Net Foreign Direct Investment (1.1.1-1.1.2)	10129	11495	1460	-28	1150	-1247
1.1.1 Direct Investment to India (1.1.1.1-1.1.1.2)	26807	24511	26231	1203	3996	2673
1.1.1.1 Gross Inflows/Gross Investments	71279	65179	75105	5006	6061	5471
1.1.1.1.1 Equity	45817	41949	47753	2774	3451	2919
1.1.1.1.1.1 Government (SIA/FIPB)	585	521	1901	47	16	37
1.1.1.1.1.2 RBI	31826	28718	32246	2136	2588	2291
1.1.1.1.1.3 Acquisition of shares	12013	11442	12719	466	759	502
1.1.1.1.1.4 Equity capital of unincorporated bodies	1394	1269	887	125	88	88
1.1.1.1.2 Reinvested earnings	19768	17990	21414	1777	2130	2130
1.1.1.1.3 Other capital	5694	5239	5938	454	479	421
1.1.1.2 Repatriation/Disinvestment	44472	40668	48873	3804	2065	2797
1.1.1.2.1 Equity	41334	37690	47003	3645	2009	2669
1.1.1.2.2 Other capital	3137	2978	1870	159	56	129
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3-1.1.2.4)	16678	13016	24771	1231	2846	3920
1.1.2.1 Equity capital	9111	7001	14706	684	1929	2698
1.1.2.2 Reinvested Earnings	5786	5303	6009	482	546	546
1.1.2.3 Other Capital	5406	4101	7323	300	561	1143
1.1.2.4 Repatriation/Disinvestment	3624	3389	3267	235	191	467
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3-1.2.4)	44081	36296	-1210	3746	-6591	-4041
1.2.1 GDRs/ADRs	-	-	-	-	-	-
1.2.2 FIIs	44626	36778	-1398	3808	-6683	-3992
1.2.3 Offshore funds and others	-	-	-	-	-	-
1.2.4 Portfolio investment by India	544	482	-188	62	-91	49
1 Foreign Investment Inflows	54210	47791	250	3718	-5441	-5288

P: Provisional

No. 35: Outward Remittances under the Liberalised Remittance Scheme (LRS) for Resident Individuals

(US \$ Million)

Item	2023-24	2024		2025	
		Feb.	Dec.	Jan.	Feb.
		1	2	3	4
1 Outward Remittances under the LRS	31735.74	2013.28	2315.96	2768.89	1964.21
1.1 Deposit	916.45	36.70	48.10	58.20	51.62
1.2 Purchase of immovable property	242.51	15.38	30.14	34.19	28.76
1.3 Investment in equity/debt	1510.89	135.40	179.34	104.98	173.84
1.4 Gift	3580.27	233.91	229.47	232.76	190.82
1.5 Donations	11.31	0.84	0.63	0.63	0.59
1.6 Travel	17006.27	1053.64	1323.64	1646.74	1090.61
1.7 Maintenance of close relatives	4611.53	266.39	279.02	308.76	234.99
1.8 Medical Treatment	79.62	7.25	5.13	4.47	3.43
1.9 Studies Abroad	3478.65	246.82	210.20	368.21	182.17
1.10 Others	298.23	16.96	10.31	9.96	7.38

**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	
			Mar	Feb	Mar
	1	2	3	4	5
40-Currency Basket (Base: 2015-16=100)					
1 Trade-Weighted					
1.1 NEER	90.75	91.06	92.07	89.37	89.07
1.2 REER	103.71	105.28	104.53	102.51	101.49
2 Export-Weighted					
2.1 NEER	93.13	93.54	94.51	91.99	91.74
2.2 REER	101.22	102.35	101.64	99.75	98.72
6-Currency Basket (Trade-weighted)					
1 Base : 2015-16 =100					
1.1 NEER	83.62	82.39	83.57	80.93	80.25
1.2 REER	101.66	102.76	101.52	100.26	99.15
2 Base : 2022-23 =100					
2.1 NEER	97.31	95.89	97.25	94.18	93.39
2.2 REER	99.86	100.93	99.72	98.48	97.39

Note: Data for 2023-24 and 2024-25 so far is provisional.

No. 37: External Commercial Borrowings (ECBs) – Registrations

(Amount in US \$ Million)

Item	2024-25	2024		2025	
		Feb.	Jan.	Feb.	Feb.
	1	2	3	4	
1 Automatic Route					
1.1 Number	1188	104	108	107	
1.2 Amount	29461	2021	1978	2627	
2 Approval Route					
2.1 Number	33	3	5	1	
2.2 Amount	19748	275	2020	197	
3 Total (1+2)					
3.1 Number	1221	107	113	108	
3.2 Amount	49209	2296	3998	2824	
4 Weighted Average Maturity (in years)	5.60	5.80	5.80	5.40	
5 Interest Rate (per cent)					
5.1 Weighted Average Margin over alternative reference rate (ARR) for Floating Rate Loans@	1.66	1.77	1.53	1.87	
5.2 Interest rate range for Fixed Rate Loans	0.00-27.00	0.00-10.00	0.00-11.00	0.00-11.00	

Borrower Category

I. Corporate Manufacturing	15836	591	242	1389
II. Corporate-Infrastructure	15916	341	831	527
a.) Transport	1505	75	0	371
b.) Energy	3513	152	398	49
c.) Water and Sanitation	33	0	0	0
d.) Communication	6309	0	13	0
e.) Social and Commercial Infrastructure	115	0	0	0
f.) Exploration,Mining and Refinery	2480	10	207	100
g.) Other Sub-Sectors	1961	104	213	7
III. Corporate Service-Sector	1526	330	115	211
IV. Other Entities	1728	127	1000	0
a.) units in SEZ	1	0	0	0
b.) SIDBI	0	0	0	0
c.) Exim Bank	1727	127	1000	0
V. Banks	0	0	0	0
VI. Financial Institution (Other than NBFC)	20	0	0	0
VII. NBFCs	13361	902	1792	623
a). NBFC- IFC/AFC	7734	398	1370	472
b). NBFC-MFI	531	11	56	0
c). NBFC-Others	5096	493	366	151
VIII. Non-Government Organization (NGO)	0	0	0	0
IX. Micro Finance Institution (MFI)	0	0	0	0
X. Others	822	5	18	74

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	Oct-Dec 2023			Oct-Dec 2024 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance Of Payments (1+2+3)	452267	446269	5998	544591	582251	-37660
1 Current Account (1.1+ 1.2)	236020	246451	-10431	261653	273133	-11480
1.1 Merchandise	106626	178267	-71641	109817	188970	-79153
1.2 Invisibles (1.2.1+1.2.2+1.2.3)	129394	68184	61210	151837	84164	67673
1.2.1 Services	87785	42778	45007	103487	52277	51210
1.2.1.1 Travel	9850	7487	2363	10068	8371	1698
1.2.1.2 Transportation	6950	6457	493	8278	8847	-569
1.2.1.3 Insurance	811	856	-46	870	894	-24
1.2.1.4 G.n.i.e.	182	280	-98	167	307	-139
1.2.1.5 Miscellaneous	69993	27699	42294	84104	33859	50245
1.2.1.5.1 Software Services	41041	4774	36267	47619	6561	41057
1.2.1.5.2 Business Services	22647	14067	8581	29603	18252	11352
1.2.1.5.3 Financial Services	2491	956	1535	2086	741	1346
1.2.1.5.4 Communication Services	701	397	303	580	616	-37
1.2.2 Transfers	31539	2237	29302	36081	2898	33182
1.2.2.1 Official	94	230	-135	89	334	-244
1.2.2.2 Private	31445	2007	29438	35992	2565	33427
1.2.3 Income	10069	23168	-13099	12268	28988	-16720
1.2.3.1 Investment Income	8058	22292	-14233	10088	27943	-17854
1.2.3.2 Compensation of Employees	2010	876	1134	2180	1046	1135
2 Capital Account (2.1+2.2+2.3+2.4+2.5)	216247	198955	17291	282367	309118	-26751
2.1 Foreign Investment (2.1.1+2.1.2)	144352	128388	15964	192195	206344	-14148
2.1.1 Foreign Direct Investment	18875	14923	3952	20783	23560	-2776
2.1.1.1 In India	18309	9947	8362	19870	16218	3653
2.1.1.1.1 Equity	11912	8773	3140	11135	15637	-4501
2.1.1.1.2 Reinvested Earnings	5155		5155	6131		6131
2.1.1.1.3 Other Capital	1242	1175	67	2604	581	2024
2.1.1.2 Abroad	566	4976	-4410	913	7342	-6429
2.1.1.2.1 Equity	566	2355	-1789	913	3211	-2297
2.1.1.2.2 Reinvested Earnings	0	1446	-1446	0	1639	-1639
2.1.1.2.3 Other Capital	0	1174	-1174	0	2493	-2493
2.1.2 Portfolio Investment	125477	113465	12012	171412	182784	-11372
2.1.2.1 In India	124485	112814	11671	170667	182102	-11435
2.1.2.1.1 FIIs	124485	112814	11671	170667	182102	-11435
2.1.2.1.1.1 Equity	108785	102117	6668	144811	156671	-11860
2.1.2.1.1.2 Debt	15701	10697	5003	25856	25431	425
2.1.2.1.2 ADR/GDRs	0	0	0	0	0	0
2.1.2.2 Abroad	991	651	341	745	682	63
2.2 Loans (2.2.1+2.2.2+2.2.3)	25440	28191	-2751	42894	33992	8901
2.2.1 External Assistance	4605	1401	3204	2955	2289	666
2.2.1.1 By India	9	48	-40	6	26	-20
2.2.1.2 To India	4596	1353	3244	2949	2263	686
2.2.2 Commercial Borrowings	6600	11067	-4466	20838	16462	4375
2.2.2.1 By India	2712	4503	-1791	9621	9593	28
2.2.2.2 To India	3888	6564	-2676	11217	6869	4348
2.2.3 Short Term to India	14235	15723	-1489	19101	15241	3860
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	12535	15723	-3188	14260	15241	-980
2.2.3.2 Suppliers' Credit up to 180 days	1700	0	1700	4840	0	4840
2.3 Banking Capital (2.3.1+2.3.2)	40849	24492	16358	39538	49311	-9774
2.3.1 Commercial Banks	40654	24492	16162	39530	49306	-9776
2.3.1.1 Assets	16550	5276	11274	11853	25923	-14070
2.3.1.2 Liabilities	24103	19215	4888	27677	23383	4294
2.3.1.2.1 Non-Resident Deposits	22381	18461	3921	25912	22771	3141
2.3.2 Others	196	0	196	8	5	2
2.4 Rupee Debt Service			2	-2	0	0
2.5 Other Capital	5606	17884	-12278	7740	19471	-11730
3 Errors & Omissions	0	862	-862	571	0	571
4 Monetary Movements (4.1+ 4.2)	0	5998	-5998	37660	0	37660
4.1 I.M.F.	0	0	0	0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)			5998	-5998	37660	37660

Note: P: Preliminary.

No. 39: India's Overall Balance of Payments

(₹ Crore)

Item	Oct-Dec 2023			Oct-Dec 2024 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance Of Payments (1+2+3)	3766056	3716109	49947	4599615	4917695	-318081
1 Current Account (1.1+ 1.2)	1965353	2052216	-86862	2209923	2306886	-96963
1.1 Merchandise	887883	1484446	-596562	927511	1596038	-668527
1.2 Invisibles (1.2.1+1.2.2+1.2.3)	1077470	567770	509700	1282412	710849	571564
1.2.1 Services	730995	356218	374778	874055	441534	432521
1.2.1.1 Travel	82022	62341	19681	85035	70697	14338
1.2.1.2 Transportation	57875	53767	4108	69915	74723	-4807
1.2.1.3 Insurance	6749	7130	-381	7347	7553	-206
1.2.1.4 G.n.i.e.	1512	2328	-816	1413	2590	-1177
1.2.1.5 Miscellaneous	582837	230650	352187	710344	285971	424373
1.2.1.5.1 Software Services	341751	39756	301995	402186	55417	346769
1.2.1.5.2 Business Services	188585	117135	71450	250030	154153	95877
1.2.1.5.3 Financial Services	20739	7958	12781	17623	6256	11367
1.2.1.5.4 Communication Services	5834	3309	2524	4896	5207	-310
1.2.2 Transfers	262631	18628	244002	304738	24479	280259
1.2.2.1 Official	785	1913	-1127	753	2817	-2064
1.2.2.2 Private	261845	16716	245130	303985	21662	282323
1.2.3 Income	83844	192924	-109080	103619	244836	-141216
1.2.3.1 Investment Income	67103	185626	-118523	85206	236005	-150799
1.2.3.2 Compensation of Employees	16741	7298	9443	18413	8831	9582
2 Capital Account (2.1+2.2+2.3+2.4+2.5)	1800703	1656716	143987	2384871	2610809	-225938
2.1 Foreign Investment (2.1.1+2.1.2)	1202027	1069092	132935	1623281	1742779	-119498
2.1.1 Foreign Direct Investment						
2.1.1.1 In India	157173	124264	32909	175537	198987	-23449
2.1.1.1.1 Equity	152460	82832	69628	167826	136974	30852
2.1.1.1.2 Reinvested Earnings	99194	73050	26144	94049	132068	-38019
2.1.1.1.3 Other Capital	42926	0	42926	51780	0	51780
2.1.1.2 Abroad	10340	9783	557	21996	4905	17091
2.1.1.2.1 Equity	4713	41432	-36718	7712	62013	-54301
2.1.1.2.2 Reinvested Earnings	4713	19610	-14897	7712	27116	-19405
2.1.1.2.3 Other Capital	0	12044	-12044	0	13842	-13842
2.1.2 Portfolio Investment						
2.1.2.1 In India	1044854	944828	100026	1447744	1543792	-96048
2.1.2.1.1 FIIs	1036599	939411	97188	1441453	1538030	-96577
2.1.2.1.2 Equity	1036599	939411	97188	1441453	1538030	-96577
2.1.2.1.3 Debt	905860	850336	55523	1223076	1323243	-100167
2.1.2.1.2 ADR/GDRs	130739	89075	41664	218376	214787	3590
2.1.2.2 Abroad	0	0	0	0	0	0
2.2 Loans (2.2.1+2.2.2+2.2.3)	211839	234747	-22908	362279	287097	75181
2.2.1 External Assistance						
2.2.1.1 By India	38345	11667	26679	24961	19334	5626
2.2.1.2 To India	72	404	-331	52	217	-166
2.2.2 Commercial Borrowings						
2.2.2.1 By India	38273	11263	27010	24909	19117	5792
2.2.2.2 To India	54961	92153	-37192	175994	139042	36953
2.2.3 Short Term to India						
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	118532	130928	-12396	161324	128721	32602
2.2.3.2 Suppliers' Credit up to 180 days	104379	130928	-26549	120442	128721	-8280
2.3 Banking Capital (2.3.1+2.3.2)	340156	203943	136212	333936	416483	-82547
2.3.1 Commercial Banks						
2.3.1.1 Assets	338525	203943	134582	333872	416438	-82566
2.3.1.2 Liabilities	137815	43936	93879	100112	218949	-118837
2.3.1.2.1 Non-Resident Deposits	200710	160008	40702	233760	197489	36271
2.3.2 Others	186372	153723	32648	218851	192322	26530
2.4 Rupee Debt Service	0	13	-13	0	0	0
2.5 Other Capital	46682	148921	-102239	65376	164450	-99074
3 Errors & Omissions	0	7177	-7177	4820	0	4820
4 Monetary Movements (4.1+ 4.2)	0	49947	-49947	318081	0	318081
4.1 I.M.F.	0	0	0	0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	0	49947	-49947	318081	0	318081

Note: P: Preliminary.

No. 40: Standard Presentation of BoP in India as per BPM

(US\$ Million)

Item	Oct-Dec 2023			Oct-Dec 2024 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)						
1.A Goods and Services (1.A.a+1.A.b)						
1.A.a Goods (1.A.a.1 to 1.A.a.3)						
1.A.a.1 General merchandise on a BOP basis	236013	246429	-10416	261647	273103	-11457
1.A.a.2 Net exports of goods under merchanting	194412	221046	-26634	213304	241247	-27943
1.A.a.3 Nonmonetary gold	106626	178267	-71641	109817	188970	-79153
1.A.b Services (1.A.b.1 to 1.A.b.13)	106094	164567	-58473	109391	169503	-60112
1.A.b.1 Manufacturing services on physical inputs owned by others	532	0	532	426	0	426
1.A.b.2 Maintenance and repair services n.i.e.	0	13701	-13701	0	19467	-19467
1.A.b.3 Transport	87785	42778	45007	103487	52277	51210
1.A.b.4 Travel	6950	6457	493	8278	8847	-569
1.A.b.5 Construction	9850	7487	2363	10068	8371	1698
1.A.b.6 Insurance and pension services	1097	624	473	1047	834	213
1.A.b.7 Financial services	811	856	-46	870	894	-24
1.A.b.8 Charges for the use of intellectual property n.i.e.	2491	956	1535	2086	741	1346
1.A.b.9 Telecommunications, computer, and information services	434	4633	-4199	621	4573	-3952
1.A.b.10 Other business services	41837	5400	36437	48296	7416	40880
1.A.b.11 Personal, cultural, and recreational services	22647	14067	8581	29603	18252	11352
1.A.b.12 Government goods and services n.i.e.	1006	1464	-459	1148	1242	-95
1.A.b.13 Others n.i.e.	182	280	-98	167	307	-139
1.B Primary Income (1.B.1 to 1.B.3)	103	239	-136	977	465	513
1.B.1 Compensation of employees	10069	23168	-13099	12268	28988	-16720
1.B.2 Investment income	2010	876	1134	2180	1046	1135
1.B.2.1 Direct investment	6557	21972	-15415	8021	27150	-19128
1.B.2.2 Portfolio investment	2104	13735	-11631	2558	17331	-14772
1.B.2.3 Other investment	51	1911	-1860	95	2596	-2502
1.B.2.4 Reserve assets	557	6102	-5545	690	7019	-6329
1.B.3 Other primary income	3845	224	3621	4678	204	4474
1.C Secondary Income (1.C.1+1.C.2)	1501	320	1181	2067	793	1274
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	31532	2215	29317	36074	2868	33206
1.C.1.1 Personal transfers (Current transfers between resident and/non-resident households)	31445	2007	29438	35992	2565	33427
1.C.1.2 Other current transfers	30589	1430	29160	35063	1871	33192
1.C.2 General government	856	578	278	928	694	234
1.C.2 General government	87	208	-120	83	303	-221
2 Capital Account (2.1+2.2)	191	280	-89	185	322	-137
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	36	86	-50	16	151	-135
2.2 Capital transfers	155	194	-38	169	171	-2
3 Financial Account (3.1 to 3.5)	216063	204696	11367	319849	308826	11023
3.1 Direct Investment (3.1A+3.1B)	18875	14923	3952	20783	23560	-2776
3.1.A Direct Investment in India	18309	9947	8362	19870	16218	3653
3.1.A.1 Equity and investment fund shares	17067	8773	8295	17266	15637	1629
3.1.A.1 Equity other than reinvestment of earnings	11912	8773	3140	11135	15637	-4501
3.1.A.2 Reinvestment of earnings	5155	0	5155	6131	6131	
3.1.A.2 Debt instruments	1242	1175	67	2604	581	2024
3.1.A.2.1 Direct investor in direct investment enterprises	1242	1175	67	2604	581	2024
3.1.B Direct Investment by India	566	4976	-4410	913	7342	-6429
3.1.B.1 Equity and investment fund shares	566	3801	-3235	913	4849	-3936
3.1.B.1.1 Equity other than reinvestment of earnings	566	2355	-1789	913	3211	-2297
3.1.B.1.2 Reinvestment of earnings	0	1446	-1446	1639	1639	-1639
3.1.B.2 Debt instruments	0	1174	-1174	0	2493	-2493
3.1.B.2.1 Direct investor in direct investment enterprises	0	1174	-1174	2493	2493	-2493
3.2 Portfolio Investment	125477	113465	12012	171412	182784	-11372
3.2.A Portfolio Investment in India	124485	112814	11671	170667	182102	-11435
3.2.1 Equity and investment fund shares	108785	102117	6668	144811	156671	-11860
3.2.2 Debt securities	15701	10697	5003	25856	25431	425
3.2.B Portfolio Investment by India	991	651	341	745	682	63
3.3 Financial derivatives (other than reserves) and employee stock options	5776	7904	-2128	6569	12105	-5536
3.4 Other investment	65936	62407	3529	83424	90377	-6953
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	22577	18461	4117	25919	22776	3143
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	196	0	196	8	5	2
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	22381	18461	3921	25912	22771	3141
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)	29477	18499	10979	37411	45287	-7876
3.4.3.A Loans to India	26757	13948	12809	27784	35668	-7883
3.4.3.B Loans by India	2721	4551	-1830	9627	9619	8
3.4.4 Insurance, pension, and standardized guarantee schemes	37	158	-121	52	59	-7
3.4.5 Trade credit and advances	14235	15723	-1489	19101	15241	3860
3.4.6 Other accounts receivable/payable - other	-390	9566	-9957	941	7015	-6074
3.4.7 Special drawing rights	0	0	0	0	0	0
3.5 Reserve assets	0	5998	-5998	37660	0	37660
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	5998	-5998	37660	0	37660
4 Total assets/liabilities	216063	204696	11367	319849	308826	11023
4.1 Equity and investment fund shares	133222	123403	9819	170356	190003	-19647
4.2 Debt instruments	83231	65728	17503	110891	111808	-916
4.3 Other financial assets and liabilities	-390	15565	-15955	38601	7015	31586
5 Net errors and omissions	0	862	-862	571	0	571

Note: P: Preliminary.

No. 41: Standard Presentation of BoP in India as per BPM6

(₹ Crore)

Item	Oct-Dec 2023			Oct-Dec 2024 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	1965295	2052031	-86736	2209867	2306632	-96765
1.A Goods and Services (1.A.a+1.A.b)	1618879	1840663	-221785	1801566	2037572	-236006
1.A.a Goods (1.A.a.1 to 1.A.a.3)	887883	1484446	-596562	927511	1596038	-668527
1.A.a.1 General merchandise on a BOP basis	883452	1370357	-486905	923914	1431621	-507707
1.A.a.2 Net exports of goods under merchanting	4432	0	4432	3597	0	3597
1.A.a.3 Nonmonetary gold	0	114089	-114089	0	164417	-164417
1.A.b Services (1.A.b.1 to 1.A.b.13)	730995	356218	374778	874055	441534	432521
1.A.b.1 Manufacturing services on physical inputs owned by others	2746	163	2583	2061	262	1798
1.A.b.2 Maintenance and repair services n.i.e.	407	2474	-2067	689	2574	-1886
1.A.b.3 Transport	57875	53767	4108	69915	74723	-4807
1.A.b.4 Travel	82022	62341	19681	85035	70697	14338
1.A.b.5 Construction	9139	5196	3942	8843	7044	1799
1.A.b.6 Insurance and pension services	6749	7130	-381	7347	7553	-206
1.A.b.7 Financial services	20739	7958	12781	17623	6256	11367
1.A.b.8 Charges for the use of intellectual property n.i.e.	3611	38576	-34965	5245	38627	-33383
1.A.b.9 Telecommunications, computer, and information services	348376	44964	303412	407907	62636	345271
1.A.b.10 Other business services	188585	117135	71450	250030	154153	95877
1.A.b.11 Personal, cultural, and recreational services	8373	12194	-3820	9693	10492	-799
1.A.b.12 Government goods and services n.i.e.	1512	2328	-816	1413	2590	-1177
1.A.b.13 Others n.i.e.	861	1991	-1130	8255	3926	4329
1.B Primary Income (1.B.1 to 1.B.3)	83844	192924	-109080	103619	244836	-141216
1.B.1 Compensation of employees	16741	7298	9443	18413	8831	9582
1.B.2 Investment income	54604	182963	-128359	67749	229307	-161558
1.B.2.1 Direct investment	17522	114371	-96848	21607	146374	-124767
1.B.2.2 Portfolio investment	425	15915	-15490	800	21930	-21130
1.B.2.3 Other investment	4636	50812	-46176	5827	59279	-53452
1.B.2.4 Reserve assets	32021	1866	30155	39515	1724	37791
1.B.3 Other primary income	12499	2663	9836	17457	6698	10760
1.C Secondary Income (1.C.1+1.C.2)	262572	18444	244128	304682	24225	280457
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	261845	16716	245130	303985	21662	282323
1.C.1.1 Personal transfers (Current transfers between resident and/non-resident households)	254718	11904	242814	296144	15800	280343
1.C.1.2 Other current transfers	7127	4811	2316	7842	5862	1980
1.C.2 General government	727	1728	-1001	697	2563	-1866
2 Capital Account (2.1+2.2)	1590	2328	-739	1564	2720	-1156
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	296	715	-419	136	1275	-1139
2.2 Capital transfers	1293	1613	-320	1428	1445	-17
3 Financial Account (3.1 to 3.5)	1799172	1704519	94652	2701444	2608343	93101
3.1 Direct Investment (3.1A+3.1B)	157173	124264	32909	175537	198987	-23449
3.1.A Direct Investment in India	152460	82832	69628	167826	136974	30852
3.1.A.1 Equity and investment fund shares	142120	73050	69070	145829	132068	13761
3.1.A.1.1 Equity other than reinvestment of earnings	99194	73050	26144	94049	132068	-38019
3.1.A.1.2 Reinvestment of earnings	42926	0	42926	51780	0	51780
3.1.A.2 Debt instruments	10340	9783	557	21996	4905	17091
3.1.A.2.1 Direct investor in direct investment enterprises	10340	9783	557	21996	4905	17091
3.1.B Direct Investment by India	4713	41432	-36718	7712	62013	-54301
3.1.B.1 Equity and investment fund shares	4713	31654	-26941	7712	40958	-33246
3.1.B.1.1 Equity other than reinvestment of earnings	4713	19610	-14897	7712	27116	-19405
3.1.B.1.2 Reinvestment of earnings	0	12044	-12044	0	13842	-13842
3.1.B.2 Debt instruments	0	9777	-9777	0	21055	-21055
3.1.B.2.1 Direct investor in direct investment enterprises	0	9777	-9777	0	21055	-21055
3.2 Portfolio Investment	1044854	944828	100026	1447744	1543792	-96048
3.2.A Portfolio Investment in India	1036599	939411	97188	1441453	1538030	-96577
3.2.1 Equity and investment fund shares	905860	850336	55523	1223076	1323243	-100167
3.2.2 Debt securities	130739	89075	41664	218376	214787	3590
3.2.B Portfolio Investment by India	8255	5417	2838	6291	5762	529
3.3 Financial derivatives (other than reserves) and employee stock options	48093	65814	-17720	55483	102239	-46756
3.4 Other investment	549051	519667	29385	704599	763325	-58727
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	188002	153723	34279	218915	192367	26549
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	1630	0	1630	64	45	19
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	186372	153723	32648	218851	192322	26530
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)	245460	154040	91420	315976	382492	-66517
3.4.3.A Loans to India	222804	116142	106662	234666	301249	-66583
3.4.3.B Loans by India	22656	37898	-15242	81310	81243	67
3.4.4 Insurance, pension, and standardized guarantee schemes	306	1315	-1009	437	497	-59
3.4.5 Trade credit and advances	118532	130928	-12396	161324	128721	32602
3.4.6 Other accounts receivable/payable - other	-3249	79661	-82910	7947	59249	-51302
3.4.7 Special drawing rights	0	0	0	0	0	0
3.5 Reserve assets	0	49947	-49947	318081	0	318081
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	49947	-49947	318081	0	318081
4 Total assets/liabilities	1799172	1704519	94652	2701444	2608343	93101
4.1 Equity and investment fund shares	1109347	1027586	81762	1438829	1604767	-165939
4.2 Debt instruments	693073	547325	145748	936587	944327	-7740
4.3 Other financial assets and liabilities	-3249	129608	-132857	326028	59249	266779
5 Net errors and omissions	0	7177	-7177	4820	0	4820

Note: P: Preliminary.

No. 42: India's International Investment Position

(US\$ Million)

Item	As on Financial Year/Quarter End							
	2023-24		2023		2024			
			Dec.		Sep.		Dec.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1. Direct investment Abroad/in India	242271	542950	236506	536935	253846	555666	260275	547588
1.1 Equity Capital*	153343	511142	149394	505572	161794	523146	165730	513545
1.2 Other Capital	88927	31808	87112	31363	92053	32520	94545	34043
2. Portfolio investment	12469	276739	11744	268727	12503	293843	12173	276024
2.1 Equity	10942	162061	9523	161206	11241	170934	9356	155573
2.2 Debt	1527	114678	2220	107521	1262	122909	2817	120451
3. Other investment	132654	575284	128316	561466	146714	622795	170554	619611
3.1 Trade credit	33450	123723	31689	123290	32953	130938	33280	135136
3.2 Loan	17547	221894	18510	214954	22147	239779	22523	240977
3.3 Currency and Deposits	53519	154787	44339	149326	56105	164076	68630	165713
3.4 Other Assets/Liabilities	28138	74880	33777	73895	35510	88002	46121	77784
4. Reserves	646419		622452		705782		635701	
5. Total Assets/ Liabilities	1033812	1394973	999018	1367128	1118845	1472304	1078704	1443223
6. Net IIP (Assets - Liabilities)	-361161		-368110		-353459		-364519	

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 2023-24	2024		2025	FY 2023-24	2024		2025
		Feb.	Jan.	Feb.		Feb.	Jan.	Feb.
	1	-2	-1	0	5	2	3	4
A. Settlement Systems								
Financial Market Infrastructures (FMIs)								
1 CCIL Operated Systems (1.1 to 1.3)	43.04	3.60	4.88	3.72	259206893	21907760	30296790	25171733
1.1 Govt. Securities Clearing (1.1.1 to 1.1.3)	16.80	1.46	1.77	1.16	170464587	14722762	17807347	14137926
1.1.1 Outright	9.51	0.87	1.10	0.63	13463848	1273135	1627265	1088598
1.1.2 Repo	4.94	0.39	0.41	0.33	76718788	6575139	7288494	5916603
1.1.3 Tri-party Repo	2.35	0.20	0.25	0.20	80281951	6874488	8891588	7132725
1.2 Forex Clearing	24.92	2.04	2.94	2.45	80984671	6537554	11164125	9957432
1.3 Rupee Derivatives @	1.31	0.09	0.17	0.12	7757636	647444	1325318	1076374
B. Payment Systems								
I Financial Market Infrastructures (FMIs)								
1 Credit Transfers - RTGS (1.1 to 1.2)	2700.16	238.26	268.15	244.20	170886670	14614297	17499363	16099371
1.1 Customer Transactions	2686.04	237.09	266.89	243.05	152406168	13083464	15571748	14226027
1.2 Interbank Transactions	14.12	1.17	1.26	1.16	18480503	1530833	1927615	1873344
II Retail								
2 Credit Transfers - Retail (2.1 to 2.6)	1486106.89	137733.21	186538.41	177394.61	67542859	6039675	7000487	6497660
2.1 AcPS (Fund Transfers) @	3.92	0.32	0.31	0.28	261	21	18	16
2.2 APBS \$	25888.17	2965.77	2263.21	3103.12	390743	48312	52280	57097
2.3 IMPS	60053.35	5346.35	4442.23	4048.29	6495652	568092	606420	563082
2.4 NACH Cr \$	16227.27	1504.81	1304.72	1533.06	1525104	123887	145699	140881
2.5 NEFT	72639.50	6889.23	8567.93	7647.93	39136014	3471495	3848033	3540103
2.6 UPI @	1311294.68	121026.73	169960.01	161061.93	19995086	1827869	2348037	2196482
2.6.1 of which USSD @	26.19	1.66	1.38	1.15	352	19	16	13
3 Debit Transfers and Direct Debits (3.1 to 3.3)	18249.53	1611.25	1878.45	1862.80	1687658	153734	199535	193068
3.1 BHIM Aadhaar Pay @	193.59	15.43	15.79	15.67	6112	376	486	494
3.2 NACH Dr \$	16426.49	1464.78	1715.83	1701.10	1678769	153173	198857	192387
3.3 NETC (linked to bank account) @	1629.45	131.04	146.83	146.03	2777	184	193	186
4 Card Payments (4.1 to 4.2)	58469.79	4634.92	5522.42	5052.09	2423563	190658	223090	201522
4.1 Credit Cards (4.1.1 to 4.1.2)	35610.15	3112.44	4305.72	3969.59	1831134	149206	184126	167208
4.1.1 PoS based \$	18614.08	1618.50	2177.43	1999.96	651911	54431	69429	62125
4.1.2 Others \$	16996.08	1493.94	2128.29	1969.63	1179223	94775	114697	105083
4.2 Debit Cards (4.2.1 to 4.2.1)	22859.64	1522.47	1216.69	1082.50	592429	41452	38963	34314
4.2.1 PoS based \$	16477.95	1108.96	910.91	803.42	393589	27918	25999	23216
4.2.2 Others \$	6381.69	413.51	305.78	279.07	198840	13534	12965	11098
5 Prepaid Payment Instruments (5.1 to 5.2)	78775.40	6470.84	6547.10	6398.44	283048	22674	19496	19236
5.1 Wallets	63256.69	5211.85	4875.14	4850.75	234353	18434	14700	14404
5.2 Cards (5.2.1 to 5.2.2)	15518.71	1259.00	1671.97	1547.69	48695	4240	4796	4833
5.2.1 PoS based \$	8429.87	702.41	701.18	641.84	11247	919	1000	969
5.2.2 Others \$	7088.84	556.58	970.79	905.86	37447	3321	3796	3863
6 Paper-based Instruments (6.1 to 6.2)	6632.10	541.88	516.61	462.02	7212333	602630	606756	540834
6.1 CTS (NPCI Managed)	6632.10	541.88	516.61	462.02	7212333	602630	606756	540834
6.2 Others	0.00	—	—	—	—	—	—	—
Total - Retail Payments (2+3+4+5+6)	1648233.71	150992.11	201003.00	191169.95	79149461	7009371	8049363	7452321
Total Payments (1+2+3+4+5+6)	1650933.88	151230.37	201271.14	191414.16	250036131	21623668	25548726	23551692
Total Digital Payments (1+2+3+4+5)	1644301.78	150688.49	200754.53	190952.14	242823799	21021038	24941970	23010857

CURRENT STATISTICS

PART II - Payment Modes and Channels

System	Volume (Lakh)				Value (₹ Crore)					
	FY 2023-24	2024		2025		FY 2023-24	2024		2025	
		Feb.	Jan.	Feb.	Feb.		Feb.	Jan.	Feb.	
	1	2	3	4	5	6	7	8		
A. Other Payment Channels										
1 Mobile Payments (mobile app based) (1.1 to 1.2)	1252599.21	117275.04	158794.78	150031.46	30687088	2828120	3451865	3215517		
1.1 Intra-bank \$	83000.56	7774.97	9234.72	8703.42	5676805	530845	607541	558355		
1.2 Inter-bank \$	1169598.65	109500.07	149560.06	141328.04	25010283	2297275	2844325	2657162		
2 Internet Payments (Netbanking / Internet Browser Based) @ (2.1 to 2.2)	45034.98	3800.36	4167.05	3648.03	102117736	8867591	11639721	10409819		
2.1 Intra-bank @	12033.28	1008.05	1212.87	1003.88	53247042	4540083	6130804	5354635		
2.2 Inter-bank @	33001.71	2792.31	2954.18	2644.15	48870694	4327508	5508917	5055184		
B. ATMs										
3 Cash Withdrawal at ATMs \$ (3.1 to 3.3)	66440.72	5172.34	4910.07	4497.97	3259388	257238	251938	235618		
3.1 Using Credit Cards \$	95.80	7.91	7.79	6.84	4648	395	412	370		
3.2 Using Debit Cards \$	66001.01	5139.17	4883.53	4473.77	3241538	255809	250646	234408		
3.3 Using Pre-paid Cards \$	343.90	25.26	18.75	17.36	13202	1034	879	840		
4 Cash Withdrawal at PoS \$ (4.1 to 4.2)	15.18	0.55	0.27	0.22	148	5	3	2		
4.1 Using Debit Cards \$	15.06	0.53	0.24	0.19	147	5	3	2		
4.2 Using Pre-paid Cards \$	0.12	0.01	0.03	0.03	1	0	0	0		
5 Cash Withdrawal at Micro ATMs @	11754.95	812.15	915.09	921.64	314003	21543	23246	23605		
5.1 AePS @	11754.95	812.15	915.09	921.64	314003	21543	23246	23605		

PART III - Payment Infrastructures (Lakh)

System	As on March 2024	2024		2025	
		Feb.	Jan.	Feb.	Feb.
	1	2	3	4	
Payment System Infrastructures					
1 Number of Cards (1.1 to 1.2)	10667.22	10612.71	10909.12	10949.92	
1.1 Credit Cards	1018.03	1006.00	1088.73	1093.15	
1.2 Debit Cards	9649.19	9606.71	9820.39	9856.77	
2 Number of PPIs @ (2.1 to 2.2)	16743.63	17118.53	13463.21	13614.38	
2.1 Wallets @	13381.80	13795.76	8954.73	9001.61	
2.2 Cards @	3361.82	3322.78	4508.48	4612.77	
3 Number of ATMs (3.1 to 3.2)	2.58	2.57	2.57	2.58	
3.1 Bank owned ATMs \$	2.23	2.23	2.21	2.22	
3.2 White Label ATMs \$	0.35	0.34	0.36	0.36	
4 Number of Micro ATMs @	17.55	17.01	14.74	14.68	
5 Number of PoS Terminals	89.03	87.73	103.53	107.18	
6 Bharat QR @	62.50	61.50	64.43	65.48	
7 UPI QR *	3434.93	3371.80	6401.65	6496.91	

@: 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.

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 (WLAs). WLAs are included from April 2014 onwards.

Occasional Series

No. 44: Small Savings

(₹ Crore)

Scheme		2023-24	2023		2024	
			Dec.	Oct.	Nov.	Dec.
			1	2	3	4
1 Small Savings			Receipts	232460	16670	10981
			Outstanding	1865029	1789946	1962367
1.1 Total Deposits			Receipts	161344	12386	8792
			Outstanding	1298795	1247555	1379283
1.1.1 Post Office Saving Bank Deposits			Receipts	17229	2279	1062
			Outstanding	191692	213964	200889
1.1.2 Sukanya Samriddhi Yojna			Receipts	35174	2171	1787
			Outstanding	157611	104859	172819
1.1.3 National Saving Scheme, 1987			Receipts	0	0	0
			Outstanding	0	0	0
1.1.4 National Saving Scheme, 1992			Receipts	0	0	0
			Outstanding	0	0	0
1.1.5 Monthly Income Scheme			Receipts	26696	1713	1033
			Outstanding	269007	263383	280416
1.1.6 Senior Citizen Scheme 2004			Receipts	38167	2197	1699
			Outstanding	175472	169033	191465
1.1.7 Post Office Time Deposits			Receipts	25341	2429	2121
			Outstanding	305776	297989	326679
1.1.7.1 1 year Time Deposits			Outstanding	140423	135196	155580
1.1.7.2 2 year Time Deposits			Outstanding	11967	11265	13910
1.1.7.3 3 year Time Deposits			Outstanding	8932	8472	10033
1.1.7.4 5 year Time Deposits			Outstanding	144454	143056	147156
1.1.8 Post Office Recurring Deposits			Receipts	18713	1616	1238
			Outstanding	197134	196491	205221
1.1.9 Post Office Cumulative Time Deposits			Receipts	0	0	0
			Outstanding	0	0	0
1.1.10 Other Deposits			Receipts	8	-19	-149
			Outstanding	1754	1488	1440
1.1.11 PM Care for children			Receipts	16	0	1
			Outstanding	349	348	354
1.2 Saving Certificates			Receipts	56069	3957	2080
			Outstanding	418021	407244	434502
1.2.1 National Savings Certificate VIII issue			Receipts	16853	1213	637
			Outstanding	183905	177154	191667
1.2.2 Indira Vikas Patras			Receipts	0	0	0
			Outstanding	0	0	0
1.2.3 Kisan Vikas Patras			Receipts	0	0	0
			Outstanding	0	0	0
1.2.4 Kisan Vikas Patras - 2014			Receipts	20939	1568	783
			Outstanding	220560	216509	226662
1.2.5 National Saving Certificate VI issue			Receipts	0	0	0
			Outstanding	0	0	0
1.2.6 National Saving Certificate VII issue			Receipts	0	0	0
			Outstanding	0	0	0
1.2.7 M.S. Certificates			Receipts	18277	1176	660
			Outstanding	18277	15064	23891
1.2.8 Other Certificates			Outstanding	-4721	-1483	-7718
1.3 Public Provident Fund			Receipts	15047	327	109
			Outstanding	148213	135147	148582
						148734
						148907

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)

Category	Central Government Dated Securities				
	2023		2024		
	Dec.	Mar.	Jun.	Sep.	Dec.
	1	2	3	4	5
(A) Total (in ₹. Crore)	10538792	10740389	10946860	11271589	11422728
1 Commercial Banks	37.55	37.66	37.52	37.55	37.98
2 Co-operative Banks	1.49	1.47	1.42	1.35	1.36
3 Non-Bank PDs	0.67	0.66	0.70	0.77	0.65
4 Insurance Companies	26.16	25.98	26.11	25.95	26.14
5 Mutual Funds	3.03	2.90	2.87	3.14	3.11
6 Provident Funds	4.57	4.47	4.41	4.25	4.25
7 Pension Funds	4.44	4.52	4.74	4.86	5.05
8 Financial Institutions	0.55	0.55	0.57	0.63	0.64
9 Corporates	1.33	1.35	1.44	1.60	1.45
10 Foreign Portfolio Investors	1.92	2.34	2.34	2.80	2.81
11 RBI	12.54	12.31	11.92	11.16	10.55
12 Others	5.74	5.79	5.97	5.92	6.01
12.1 State Governments	2.07	2.04	2.13	2.19	2.21

Category	State Governments Securities				
	2023		2024		
	Dec.	Mar.	Jun.	Sep.	Dec.
	1	2	3	4	5
(B) Total (in ₹. Crore)	5338587	5646219	5727482	5909490	6055711
1 Commercial Banks	33.90	34.14	33.85	34.39	35.11
2 Co-operative Banks	3.53	3.39	3.38	3.29	3.22
3 Non-Bank PDs	0.63	0.60	0.59	0.60	0.53
4 Insurance Companies	26.64	26.14	25.85	25.56	25.16
5 Mutual Funds	2.00	2.09	2.08	1.93	1.89
6 Provident Funds	22.00	22.35	22.94	23.02	22.90
7 Pension Funds	4.56	4.76	4.87	4.87	4.82
8 Financial Institutions	1.63	1.59	1.58	1.57	1.58
9 Corporates	2.03	2.02	2.03	1.95	1.97
10 Foreign Portfolio Investors	0.03	0.07	0.05	0.04	0.03
11 RBI	0.66	0.63	0.62	0.60	0.58
12 Others	2.37	2.20	2.17	2.18	2.19
12.1 State Governments	0.27	0.25	0.26	0.26	0.26

Category	Treasury Bills				
	2023		2024		
	Dec.	Mar.	Jun.	Sep.	Dec.
	1	2	3	4	5
(C) Total (in ₹. Crore)	849151	871662	858193	747242	760045
1 Commercial Banks	57.18	58.53	47.79	44.74	40.45
2 Co-operative Banks	1.28	1.67	1.49	1.58	1.22
3 Non-Bank PDs	1.70	1.66	2.69	2.28	1.41
4 Insurance Companies	5.50	5.06	5.78	5.26	4.73
5 Mutual Funds	11.21	11.89	14.50	15.06	15.41
6 Provident Funds	0.08	0.15	0.60	0.26	0.04
7 Pension Funds	0.00	0.01	0.00	0.00	0.00
8 Financial Institutions	5.34	7.16	6.56	6.36	6.77
9 Corporates	4.58	4.50	4.79	4.66	4.56
10 Foreign Portfolio Investors	0.07	0.01	0.20	0.15	0.12
11 RBI	0.00	0.00	0.00	0.00	0.00
12 Others	13.06	9.36	15.59	19.65	25.29
12.1 State Governments	9.26	5.88	11.55	14.95	20.11

Note:

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.

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.

Note: 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 February-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	8
1	Andhra Pradesh	6564.26	28	1905.35	25	2581.48	9
2	Arunachal Pradesh	-	-	-	-	-	-
3	Assam	277.96	2	-	-	-	-
4	Bihar	-	-	-	-	-	-
5	Chhattisgarh	1092.28	6	-	-	-	-
6	Goa	-	-	-	-	-	-
7	Gujarat	-	-	-	-	-	-
8	Haryana	464.42	11	-	-	-	-
9	Himachal Pradesh	-	-	500.58	24	264.77	8
10	Jammu & Kashmir UT	18.56	4	386.34	4	-	-
11	Jharkhand	-	-	-	-	-	-
12	Karnataka	-	-	-	-	-	-
13	Kerala	1551.31	28	961.17	24	759.21	2
14	Madhya Pradesh	-	-	-	-	-	-
15	Maharashtra	-	-	-	-	-	-
16	Manipur	108.25	28	146.18	28	-	-
17	Meghalaya	-	-	-	-	-	-
18	Mizoram	-	-	-	-	-	-
19	Nagaland	100.07	4	-	-	-	-
20	Odisha	-	-	-	-	-	-
21	Puducherry	-	-	-	-	-	-
22	Punjab	4553.66	28	991.24	24	201.58	3
23	Rajasthan	2655.84	25	1435.34	6	-	-
24	Tamil Nadu	-	-	-	-	-	-
25	Telangana	4966.69	28	2028.42	28	874.65	15
26	Tripura	-	-	-	-	-	-
27	Uttar Pradesh	-	-	-	-	-	-
28	Uttarakhand	493.48	4	-	-	-	-
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 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 February 2025			
		Consolidated Sinking Fund (CSF)	Guarantee Redemption Fund (GRF)	Government Securities	Auction Treasury Bills (ATBs)
1	2	3	4	5	
1	Andhra Pradesh	11642	1149	0	0
2	Arunachal Pradesh	2765	7	0	3300
3	Assam	8321	91	0	0
4	Bihar	12574	-	0	20000
5	Chhattisgarh	8281	495	0	8495
6	Goa	1086	460	0	0
7	Gujarat	15424	672	0	2000
8	Haryana	2640	1716	0	0
9	Himachal Pradesh	-	-	0	0
10	Jammu & Kashmir UT	19	18	0	0
11	Jharkhand	2433	-	0	780
12	Karnataka	20400	754	0	29966
13	Kerala	3132	-	0	0
14	Madhya Pradesh	-	1283	0	0
15	Maharashtra	72256	1756	0	0
16	Manipur	70	141	0	0
17	Meghalaya	1283	109	0	0
18	Mizoram	508	81	0	0
19	Nagaland	1901	46	0	0
20	Odisha	18398	2060	20802	13488
21	Puducherry	583	-	0	1500
22	Punjab	9205	0	0	0
23	Rajasthan	1803	-	0	7700
24	Tamil Nadu	3458	-	0	3627
25	Telangana	7957	1746	0	0
26	Tripura	1232	27	0	0
27	Uttarakhand	5328	260	0	0
28	Uttar Pradesh	10818	421	0	25000
29	West Bengal	13920	1039	0	1500
Total		237436	14331	20802	117356

Notes: 1. CSF and GRF are reserve funds maintained by some State Governments with the Reserve Bank of India.

2. ATBs include Treasury bills of 91 days, 182 days and 364 days invested by State Governments in the primary market.

3. - : Not Applicable (not a member of the scheme).

No. 49: Market Borrowings of State Governments

(₹ Crore)

Sr. No.	State	2022-23		2023-24		2024-25						Total amount raised, so far in 2024-25	
						December		January		February			
		Gross Amount Raised	Net Amount Raised	Gross	Net								
1	2	3	4	5	6	7	8	9	10	11	12	13	
1	Andhra Pradesh	57478	45814	68400	55330	4237	3237	5000	4000	6820	5820	70057	49975
2	Arunachal Pradesh	559	389	902	672	395	315	-	-	-	-	795	569
3	Assam	17100	16105	18500	16000	1800	1100	1000	1000	3650	2650	15700	12050
4	Bihar	36800	27467	47612	29910	6000	3500	8000	5000	7546	6946	47546	31368
5	Chhattisgarh	2000	-2287	32000	26213	-	-	-	-700	4000	2000	10500	4300
6	Goa	1350	500	2550	1560	-	-	-	-	-	-	1050	250
7	Gujarat	43000	28300	30500	11947	4500	2000	7000	2700	9700	5580	30200	11280
8	Haryana	45158	28638	47500	28364	2000	1150	6000	3400	4500	2750	37500	26020
9	Himachal Pradesh	14000	11941	8072	5856	1000	900	-	-300	-	-384	6700	4066
10	Jammu & Kashmir UT	8473	5969	16337	13904	1600	1600	920	720	200	200	12870	11330
11	Jharkhand	4000	-155	1000	-2505	-	-750	-	-2700	-	-	-	-3450
12	Karnataka	36000	26000	81000	63003	16000	13500	16025	13025	13000	10000	72025	52525
13	Kerala	30839	15620	42438	26638	2755	2455	4000	2500	4920	3920	40922	26222
14	Madhya Pradesh	40158	26849	38500	26264	5000	4250	5000	4000	6000	5000	41000	31900
15	Maharashtra	72000	42815	110000	79738	-	-3100	18000	15600	14000	9617	99000	66917
16	Manipur	1422	1147	1426	1076	200	200	-	-100	250	147	1250	787
17	Meghalaya	1753	1356	1364	912	635	535	-	-100	-	-125	1882	1069
18	Mizoram	1315	1129	901	641	140	40	119	119	119	119	1049	819
19	Nagaland	1854	1199	2551	2016	250	250	-	-	-	-100	550	100
20	Odisha	0	-7500	0	-4658	-	-	1000	500	7000	7000	9000	7000
21	Puducherry	1200	698	1100	475	350	350	-	-300	400	400	1300	600
22	Punjab	45500	33660	42386	29517	2500	2200	3900	2500	2000	1250	38830	31926
23	Rajasthan	46057	30110	73624	49718	4800	3800	5000	3000	6000	4326	63565	43809
24	Sikkim	1414	1320	1916	1701	-	-	-	-	488	388	1488	1258
25	Tamil Nadu	87000	65722	113001	75970	11000	10000	10000	7000	13000	9500	101025	69675
26	Telangana	40150	30922	49618	39385	3500	2500	6209	4609	3000	2000	49709	38591
27	Tripura	0	-645	0	-550	-	-	-	-	-	-	-	-
28	Uttar Pradesh	55612	41797	97650	85335	12000	8422	5000	3000	9000	5000	35000	15713
29	Uttarakhand	3200	1450	6300	3800	1000	-	1000	350	2000	2000	6400	4750
30	West Bengal	63000	42500	69910	48910	7000	5000	8500	5500	5000	2500	51500	30900
	Grand Total	758392	518829	1007058	717140	88662	63454	111673	74323	122593	88504	848413	572320

- : 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	2021-22				
	Q1	Q2	Q3	Q4	Annual
Net Financial Assets (I-II)	3,42,813	3,30,490	4,85,203	5,54,816	17,13,322
<i>Per cent of GDP</i>	<i>6.6</i>	<i>5.9</i>	<i>7.7</i>	<i>8.5</i>	<i>7.3</i>
I. Financial Assets	3,63,395	5,25,419	8,16,484	9,07,366	26,12,664
<i>Per cent of GDP</i>	<i>7.0</i>	<i>9.3</i>	<i>13.0</i>	<i>13.9</i>	<i>11.1</i>
<i>of which:</i>					
1. Total Deposits (a)+(b)	(81,064)	2,04,486	4,28,035	2,83,634	8,35,091
(a) Bank Deposits	(1,06,429)	1,97,105	4,22,393	2,70,025	7,83,094
i. Commercial Banks	(1,07,941)	1,95,442	4,18,267	2,62,326	7,68,094
ii. Co-operative Banks	1,512	1,663	4,126	7,699	15,000
(b) Non-Bank Deposits	25,365	7,380	5,642	13,610	51,997
<i>of which:</i>					
Other Financial Institutions (i+ii)	17,555	(435)	(2,178)	5,770	20,712
i. Non-Banking Financial Companies	5,578	(1,371)	73	4,021	8,302
ii. Housing Finance Companies	11,977	936	(2,252)	1,748	12,410
2. Life Insurance Funds	1,15,539	1,28,277	1,04,076	1,38,998	4,86,889
3. Provident and Pension Funds (including PPF)	1,24,971	1,12,810	95,493	2,18,719	5,51,993
4. Currency	1,28,660	(68,631)	62,793	1,46,845	2,69,667
5. Investments	24,884	82,260	69,715	50,926	2,27,785
<i>of which:</i>					
(a) Mutual Funds	14,573	63,151	37,912	44,964	1,60,600
(b) Equity	4,502	13,218	27,808	3,084	48,613
6. Small Savings (excluding PPF)	50,405	66,218	56,372	68,243	2,41,238
II. Financial Liabilities	20,583	1,94,929	3,31,281	3,52,550	8,99,343
<i>Per cent of GDP</i>	<i>0.4</i>	<i>3.5</i>	<i>5.3</i>	<i>5.4</i>	<i>3.8</i>
Loans (Borrowings) from					
1. Financial Corporations (a+b)	20,479	1,94,825	3,31,178	3,52,446	8,98,928
(a) Banking Sector	21,428	1,38,720	2,67,955	2,74,181	7,02,284
<i>of which:</i>					
i. Commercial Banks	26,979	1,40,269	2,65,271	3,37,010	7,69,529
(b) Other Financial Institutions	(949)	56,105	63,223	78,266	1,96,644
i. Non-Banking Financial Companies	(8,708)	30,151	32,177	40,003	93,623
ii. Housing Finance Companies	7,132	24,404	29,495	37,436	98,467
iii. Insurance Corporations	627	1,550	1,551	827	4,554
2. Non-Financial Corporations (Private Corporate Business)	34	34	34	34	135
3. General Government	70	70	70	70	279

No. 50 (a): Flow of Financial Assets and Liabilities of Households - Instrument-wise (Contd.)

(Amount in ₹ Crore)

Item	2022-23				
	Q1	Q2	Q3	Q4	Annual
Net Financial Assets (I-II)	2,89,980	2,99,395	2,96,132	4,54,240	13,39,748
<i>Per cent of GDP</i>	<i>4.5</i>	<i>4.6</i>	<i>4.3</i>	<i>6.4</i>	<i>5.0</i>
I. Financial Assets	5,79,958	6,34,471	7,50,245	9,71,526	29,36,200
<i>Per cent of GDP</i>	<i>8.9</i>	<i>9.8</i>	<i>10.9</i>	<i>13.6</i>	<i>10.9</i>
<i>of which:</i>					
1. Total Deposits (a)+(b)	1,85,429	3,17,361	2,80,233	3,25,853	11,08,876
(a) Bank Deposits	1,63,172	2,99,533	2,56,400	3,07,867	10,26,971
i. Commercial Banks	1,58,613	3,00,565	2,48,460	2,84,968	9,92,606
ii. Co-operative Banks	4,559	(1,032)	7,940	22,899	34,365
(b) Non-Bank Deposits	22,257	17,829	23,833	17,986	81,905
<i>of which:</i>					
Other Financial Institutions (i+ii)	6,505	2,077	8,082	2,234	18,897
i. Non-Banking Financial Companies	4,231	3,267	3,247	3,946	14,690
ii. Housing Finance Companies	2,274	(1,191)	4,835	(1,712)	4,207
2. Life Insurance Funds	73,298	1,51,677	1,67,522	1,56,613	5,49,109
3. Provident and Pension Funds (including PPF)	1,48,915	1,20,367	1,38,584	2,18,709	6,26,575
4. Currency	66,439	(54,579)	76,760	1,48,990	2,37,610
5. Investments	51,503	48,530	49,779	64,151	2,13,962
<i>of which:</i>					
(a) Mutual Funds	35,443	44,484	40,206	58,955	1,79,088
(b) Equity	13,561	1,378	6,434	1,665	23,038
6. Small Savings (excluding PPF)	54,375	51,115	37,368	57,211	2,00,068
II. Financial Liabilities	2,89,978	3,35,076	4,54,113	5,17,285	15,96,452
<i>Per cent of GDP</i>	<i>4.5</i>	<i>5.2</i>	<i>6.6</i>	<i>7.3</i>	<i>5.9</i>
Loans (Borrowings) from					
1. Financial Corporations (a+b)	2,89,781	3,34,880	4,53,917	5,17,089	15,95,667
(a) Banking Sector	2,34,235	2,63,450	3,70,783	3,83,845	12,52,313
<i>of which:</i>					
i. Commercial Banks	2,30,284	2,61,265	3,68,305	3,31,293	11,91,146
(b) Other Financial Institutions	55,546	71,429	83,134	1,33,244	3,43,354
i. Non-Banking Financial Companies	30,532	36,650	55,792	94,565	2,17,539
ii. Housing Finance Companies	22,337	33,031	24,903	36,746	1,17,017
iii. Insurance Corporations	2,678	1,748	2,439	1,933	8,798
2. Non-Financial Corporations (Private Corporate Business)	34	34	34	34	135
3. General Government	163	163	163	163	650

No. 50 (a): Flow of Financial Assets and Liabilities of Households - Instrument-wise (Concl.)

(Amount in ₹ Crore)

Item	2023-24				
	Q1	Q2	Q3	Q4	Annual
Net Financial Assets (I-II)	3,53,093	2,89,675	2,98,111	6,11,366	15,52,245
<i>Per cent of GDP</i>	<i>5.0</i>	<i>4.1</i>	<i>3.9</i>	<i>7.8</i>	<i>5.3</i>
I. Financial Assets	6,74,763	8,15,842	8,08,779	11,32,130	34,31,514
<i>Per cent of GDP</i>	<i>9.6</i>	<i>11.5</i>	<i>10.7</i>	<i>14.5</i>	<i>11.6</i>
<i>of which:</i>					
1. Total Deposits (a)+(b)	2,68,925	4,12,388	2,99,372	4,10,559	13,91,244
(a) Bank Deposits	2,55,249	5,06,208	2,79,872	3,94,573	14,35,902
i. Commercial Banks	2,46,079	5,06,700	2,82,537	3,87,313	14,22,629
ii. Co-operative Banks	9,170	(492)	(2,665)	7,260	13,273
(b) Non-Bank Deposits	13,676	(93,820)	19,499	15,986	(44,658)
<i>of which:</i>					
Other Financial Institutions (i+ii)	(485)	(1,07,982)	5,338	1,825	(1,01,305)
i. Non-Banking Financial Companies	6,119	4,782	4,896	1,943	17,740
ii. Housing Finance Companies	(6,605)	(1,12,764)	442	(118)	(1,19,045)
2. Life Insurance Funds	1,58,358	1,41,413	1,61,192	1,30,036	5,90,999
3. Provident and Pension Funds (including PPF)	1,63,508	1,48,178	1,53,255	2,53,719	7,18,661
4. Currency	(48,636)	(36,701)	56,719	1,46,644	1,18,026
5. Investments	41,409	73,060	79,633	1,08,732	3,02,834
<i>of which:</i>					
(a) Mutual Funds	32,086	55,769	60,135	90,973	2,38,962
(b) Equity	3,757	7,146	9,941	8,236	29,080
6. Small Savings (excluding PPF)	91,198	77,504	58,607	82,441	3,09,751
II. Financial Liabilities	3,21,670	5,26,167	5,10,667	5,20,764	18,79,269
<i>Per cent of GDP</i>	<i>4.6</i>	<i>7.4</i>	<i>6.7</i>	<i>6.7</i>	<i>6.4</i>
Loans (Borrowings) from					
1. Financial Corporations (a+b)	3,21,520	5,26,016	5,10,516	5,20,613	18,78,666
(a) Banking Sector	2,13,606	8,68,874	4,02,647	3,92,330	18,77,458
<i>of which:</i>					
i. Commercial Banks	2,08,027	8,75,654	3,89,898	3,82,558	18,56,136
(b) Other Financial Institutions	1,07,914	(3,42,858)	1,07,869	1,28,283	1,208
i. Non-Banking Financial Companies	81,449	59,684	85,032	1,00,836	3,27,001
ii. Housing Finance Companies	23,784	(4,04,294)	21,233	25,853	(3,33,424)
iii. Insurance Corporations	2,681	1,753	1,604	1,594	7,631
2. Non-Financial Corporations (Private Corporate Business)	34	35	35	35	138
3. General Government	116	116	116	116	465

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 2023-24 and revised estimates for 2021-22 and 2022-23.

3. The preliminary estimates for 2023-24 will undergo revision with the release of first revised estimates of national income, consumption expenditure, savings, and capital formation, 2023-24 by the National Statistical Office (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-2021	Sep-2021	Dec-2021	Mar-2022
Financial Assets (a+b+c+d+e+f+g+h)	2,33,27,377	2,39,99,280	2,47,08,474	2,54,40,650
<i>Per cent of GDP</i>	110.4	108.9	108.2	107.8
(a) Bank Deposits (i+ii)	1,07,90,832	1,09,87,937	1,14,10,330	1,16,80,355
i. Commercial Banks	99,53,044	1,01,48,486	1,05,66,753	1,08,29,079
ii. Co-operative Banks	8,37,788	8,39,451	8,43,577	8,51,276
(b) Non-Bank Deposits				
<i>of which:</i>				
Other Financial Institutions	2,06,509	2,06,074	2,03,896	2,09,665
i. Non-Banking Financial Companies	67,840	66,469	66,542	70,564
ii. Housing Finance Companies	1,38,669	1,39,605	1,37,353	1,39,102
(c) Life Insurance Funds	49,29,725	51,42,279	52,13,527	53,57,350
(d) Currency	27,42,897	26,74,266	27,37,059	28,83,904
(e) Mutual funds	18,55,000	20,64,364	21,26,112	21,52,141
(f) Public Provident Fund (PPF)	7,57,398	7,62,264	7,67,287	8,34,148
(g) Pension Funds	6,16,517	6,67,379	6,99,173	7,36,592
(h) Small Savings (excluding PPF)	14,28,499	14,94,717	15,51,089	15,86,496
Financial Liabilities (a+b)	77,43,630	79,38,456	82,69,633	86,22,079
<i>Per cent of GDP</i>	36.6	36.0	36.2	36.5
Loans/Borrowings				
(a) Banking Sector	61,80,377	63,19,097	65,87,052	68,61,233
<i> of which:</i>				
i. Commercial Banks	56,47,239	57,87,508	60,52,779	63,89,789
ii. Co-operative Banks	5,31,728	5,30,164	5,32,833	4,69,989
(b) Other Financial Institutions	15,63,253	16,19,358	16,82,581	17,60,847
<i> of which:</i>				
i. Non-Banking Financial Companies	7,36,312	7,66,463	7,98,641	8,38,643
ii. Housing Finance Companies	7,21,510	7,45,914	7,75,408	8,12,845
iii. Insurance Corporations	1,05,431	1,06,981	1,08,532	1,09,359

No. 50 (b): Stocks of Financial Assets and Liabilities of Households- Select Indicators (Contd.)

(Amount in ₹ Crore)

Item	Jun-2022	Sep-2022	Dec-2022	Mar-2023
Financial Assets (a+b+c+d+e+f+g+h)	2,56,21,348	2,64,23,992	2,71,87,716	2,78,44,981
<i>Per cent of GDP</i>	102.8	102.6	103.2	103.3
(a) Bank Deposits (i+ii)	1,18,43,527	1,21,43,060	1,23,99,459	1,27,07,326
i. Commercial Banks	1,09,87,692	1,12,88,257	1,15,36,717	1,18,21,685
ii. Co-operative Banks	8,55,835	8,54,803	8,62,742	8,85,641
(b) Non-Bank Deposits				
<i>of which:</i>				
Other Financial Institutions	2,16,170	2,18,247	2,26,328	2,28,562
i. Non-Banking Financial Companies	74,794	78,061	81,308	85,254
ii. Housing Finance Companies	1,41,376	1,40,185	1,45,020	1,43,308
(c) Life Insurance Funds	53,25,967	55,59,682	57,86,593	57,95,431
(d) Currency	29,50,343	28,95,764	29,72,524	31,21,514
(e) Mutual funds	20,48,097	22,60,210	23,55,316	23,67,793
(f) Public Provident Fund (PPF)	8,51,913	8,58,591	8,64,731	9,39,449
(g) Pension Funds	7,44,459	7,96,454	8,53,412	8,98,343
(h) Small Savings (excluding PPF)	16,40,871	16,91,985	17,29,353	17,86,563
Financial Liabilities (a+b)	89,11,861	92,46,741	97,00,657	1,02,17,746
<i>Per cent of GDP</i>	35.8	35.9	36.8	37.9
Loans/Borrowings				
(a) Banking Sector	70,95,468	73,58,918	77,29,701	81,13,546
<i>of which:</i>				
i. Commercial Banks	66,20,073	68,81,338	72,49,643	75,80,936
ii. Co-operative Banks	4,73,897	4,76,025	4,78,487	5,30,915
(b) Other Financial Institutions	18,16,393	18,87,823	19,70,956	21,04,201
<i>of which:</i>				
i. Non-Banking Financial Companies	8,69,175	9,05,825	9,61,617	10,56,182
ii. Housing Finance Companies	8,35,181	8,68,213	8,93,116	9,29,862
iii. Insurance Corporations	1,12,037	1,13,785	1,16,223	1,18,157

No. 50 (b): Stocks of Financial Assets and Liabilities of Households- Select Indicators (Concl.)

(Amount in ₹ Crore)

Item	Jun-2023	Sep-2023	Dec-2023	Mar-2024
Financial Assets (a+b+c+d+e+f+g+h)	2,87,56,851	2,96,44,299	3,07,47,010	3,19,86,847
<i>Per cent of GDP</i>	104.6	105.4	106.6	108.3
(a) Bank Deposits (i+ii)	1,29,62,575	1,34,68,783	1,37,48,656	1,41,43,228
i. Commercial Banks	1,20,67,764	1,25,74,464	1,28,57,001	1,32,44,314
ii. Co-operative Banks	8,94,811	8,94,319	8,91,655	8,98,914
(b) Non-Bank Deposits				
<i>of which:</i>				
Other Financial Institutions	2,28,077	1,20,095	1,25,432	1,27,257
i. Non-Banking Financial Companies	91,373	96,156	1,01,051	1,02,994
ii. Housing Finance Companies	1,36,703	23,939	24,381	24,263
(c) Life Insurance Funds	60,64,437	62,55,801	65,53,726	67,69,272
(d) Currency	30,72,878	30,36,177	30,92,896	32,39,540
(e) Mutual funds	26,26,046	28,29,859	31,56,299	33,87,208
(f) Public Provident Fund (PPF)	9,55,061	9,60,344	9,64,852	10,51,376
(g) Pension Funds	9,70,016	10,17,975	10,91,276	11,72,651
(h) Small Savings (excluding PPF)	18,77,761	19,55,265	20,13,873	20,96,314
Financial Liabilities (a+b)	1,05,39,266	1,10,65,282	1,15,75,799	1,20,96,412
<i>Per cent of GDP</i>	38.3	39.3	40.2	41.0
Loans/Borrowings				
(a) Banking Sector	83,27,152	91,96,026	95,98,673	99,91,003
<i> of which:</i>				
i. Commercial Banks	77,88,962	86,64,616	90,54,514	94,37,072
ii. Co-operative Banks	5,36,409	5,29,528	5,42,241	5,51,852
(b) Other Financial Institutions	22,12,114	18,69,256	19,77,126	21,05,409
<i> of which:</i>				
i. Non-Banking Financial Companies	11,37,631	11,97,315	12,82,347	13,83,183
ii. Housing Finance Companies	9,53,646	5,49,352	5,70,585	5,96,438
iii. Insurance Corporations	1,20,837	1,22,590	1,24,194	1,25,788

Note: 1. Data as ratios to GDP have been calculated based on the Provisional Estimates of National Income 2023-24, released by NSO on May 31, 2024.

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.
 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

- NM₂ and NM₃ 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.
 L₁ and L₂ are compiled monthly and L₃ 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 & 1.1.1.1.4: 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 (WLAs). 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)
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