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INDIA'S ECONOMIC RESURGENCE: HARNESSING LOW INFLATION AND POLICY REFORMS FOR SUSTAINABLE GROWTH

India is entering a phase of strong economic optimism, characterised by a confluence of historically low inflation, promising GDP growth projections, and a proactive approach towards policy reforms and monetary easing. The recent dip in consumer price inflation to a record low has been driven by favourable base effects and significant reductions in GST rates, especially impacting food prices and contributing to increased disposable income.

India's GDP growth prospects remain bright as various agencies peg real GDP growth around 6.3-6.5% for financial Year 2025-26, with infrastructure investment, private consumption, and export growth acting as prime catalysts. India is expected to outperform most major economies, with resilience supported by strong domestic fundamentals, policy reforms, and government spending, especially on infrastructure and digital initiatives. This positive outlook is further bolstered by the government's continued emphasis on structural reforms ranging from tax rationalisation, digital innovation and green technology incentives which is aimed at sustaining the country's momentum and ensuring long-term resilience.

Apart from this, India's consumer price inflation (CPI) fell to 0.25% in October 2025 which is a record low, driven primarily by base effects and significant reductions in GST rates, with substantial impact on food prices. RBI revised the projection for CPI inflation to average around 2.6% for Financial Year 2025-26. While low inflation has benefited consumers, there are concerns that such a sharp drop could signal underlying demand weakness, particularly if it persists for long.

Building on this wave of optimism, a series of ongoing and upcoming economic reforms are set to further strengthen India's growth trajectory. The recent GST rate rationalisation has not only simplified the tax structure but also lowered prices, effectively increasing disposable incomes for consumers. In addition, the Union Budget 2024-25 has delivered tax relief, incentivised advancements in green and digital technologies, and enhanced incentives for capital formation under Production-Linked Incentive (PLI) schemes. These multifaceted policy measures are aligned with the government's broader structural reform agenda, ensuring the economy remains resilient and well-positioned for sustainable and inclusive growth.

The RBI has maintained a neutral policy stance with the repo rate unchanged at 5.5% since August 2025, after a 100-bps cumulative rate cut earlier this calendar year. This stance reflects a balance between supporting growth and maintaining financial stability. The persistently low inflation has

opened policy space for further rate cuts, with expectations of additional monetary easing in the coming months should inflation remain subdued and growth risks emerge. CRR reduction announced by Reserve Bank of India has already provided additional liquidity in the system.

The banking sector in India is well positioned and resilient to support the economic growth process overall. Surplus liquidity in the system has ensured eased credit availability to support the credit offtake and facilitate investment activities. Furthermore, strategic government and RBI measures have improved credit flow to MSMEs, the services sector, and industries, with increased resilience and more competitive funding costs. With enhanced financial stability, advanced governance, and prudent risk management are expected to underpin sustained sectoral expansion.

Furthermore, technological innovation via enhanced usage of Artificial Intelligence and digital lending platforms are also playing a crucial role in accelerating the pace of growth through extending the reach, promoting inclusion, and strengthening supervisory effectiveness, creating new growth avenues for the banking sector as a whole.

Amidst positive scenario, there are several challenges to sustain this growth which include managing global inflationary pressures linked to commodity prices, addressing the rising trade deficit which hit a record high in October 2025, and mitigating external risks from global economic uncertainties and geopolitical tensions. Additionally, the challenges can also be perceived through Rupee Depreciation which has been hovering around Rs. 88 per USD and Unemployment remaining steady at 5.2 percent for the month of October 2025.

Further we also see persisting structural issues which includes sluggish private investment growth, labour market rigidities, and infrastructure bottlenecks. Balancing fiscal discipline with needed support for growth and reforms in taxation and labour laws remain necessary. Additionally, ensuring inclusive growth by addressing unemployment and income disparities is critical.

India's economy is currently navigating a significant inflection point, marked by a combination of prudent monetary policy, robust policy reforms, and a strategic focus on infrastructure-driven growth. These elements are collectively fostering an environment characterised by optimism and resilience, as reflected in prevailing economic indicators and policy measures. Hopefully they will persist for the long term to usher in the potential of Amrit Kaal for Viksit Bharat.

Ajay Kumar Singh
General Manager



2. COP 30

What is COP30 and what does it stand for?

COP30 is the United Nations Climate Change Conference that took place in Belém, Brazil from 10 to 21 November 2025. UN Climate Change Conferences (or COPs) take place every year, and are the world's only multilateral decision-making forum on climate change that brings together almost every country on Earth to agree on the actions to address the climate crisis, such as limiting the global temperature rise to 1.5 degrees Celsius, helping vulnerable communities adapt to the effects of climate change, and achieving net-zero emissions by 2050. COP30 stands for the 30th meeting of the Conference of the Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC), a landmark international treaty agreed in 1992, and parent treaty to the 2015 Paris Agreement.

Why was COP30 important?

COP30 took place at a time when global climate targets were under significant strain. In Paris in 2015, nearly 200 countries agreed to try to limit global temperature rises to 1.5C above "pre-industrial" levels and to keep them "well below" 2C. There is very strong scientific evidence that the impacts of climate change - from extreme heat to sea-level rise - would be far greater at 2C than at 1.5C. Ahead of COP30, countries were supposed to have submitted updated plans detailing how they would cut their emissions of planet-warming gases. The conference aimed to ensure that global temperature rise stays within 1.5°C above pre-industrial levels, a central goal of the Paris Agreement.

Purpose of COP30

Hosting COP30 in Belém highlighted the Amazon's role as a global climate regulator and the importance of protecting biodiversity and indigenous communities. This year's conference, which the Presidency had framed as the "implementation COP"—was meant to focus less on what the world must do, rather on how to make it all happen. Following the principle of "common but differentiated responsibilities," the regime recognizes the obligation of developed countries to lead efforts to reduce greenhouse gas emissions and to provide financial, technological, and capacity-building resources for mitigation and adaptation actions in developing countries. The regime is built on five pillars: mitigation, adaptation, finance, technology, and capacity building.

Outcomes of the annual climate conference

- **Tropical Forest Forever Facility (TFFF):** - It is a Brazil-led proposal that seeks to compensate countries for preserving tropical forests, with a fifth of the funds reserved for indigenous people. The plan has secured funding of \$5.5 billion and the backing of 53 nations. It is expected that investor nations will bring \$25 billion of funding, with more capital coming from private sector. Also, over 35 global philanthropies committed to investing \$300 million to counter the growing public health crises driven by climate change.
- **Scaled-up Climate finance** - COP30 marked a major step forward in reshaping the international financial architecture to align with the urgency and scale of the climate crisis. Countries agreed

to mobilize \$1.3 trillion annually by 2035 to support climate action. COP30 also launched the Global Climate Finance Accountability Framework to strengthen transparency, credibility, and trust in climate finance delivery, reflecting a broader shift from fragmented pledges to coherent, measurable, and equitable financial support.

- **Adaptation finance tripled:** A decision was made to increase adaptation finance from \$40 billion to \$120 billion annually by 2035, ensuring vulnerable nations can better prepare for climate impacts. It sends an important political signal on the need to address the widening adaptation finance gap and helps maintain pressure on developed countries to scale up their support.
- **No fossil fuel phase-out:** Some developing countries have not backed the deal on fossil fuels because they want richer nations to first deliver on promises to give climate finance to help them cope with or adapt to the effects of climate change. Some major oil-producing nations also threatened to collapse negotiations if fossil fuels were mentioned in the deal.
- **Global Implementation Accelerator:** Launched to accelerate implementation, enhance international cooperation across all actors to keep 1.5 °C within reach, and support countries in implementing their nationally determined contributions and national adaptation plans.
- **Equity principle reaffirmed:** Developing countries emphasized that mitigation burdens should not fall disproportionately on those least responsible for emissions, reinforcing climate justice.

Conclusion

COP30 in Belém marked a pivotal moment in global climate negotiations, shifting the focus from promises to delivery. By securing historic commitments on climate finance and adaptation, and advancing a roadmap to halt deforestation, the summit demonstrated that collective action is possible even amid deep divisions. Yet, the absence of a binding fossil fuel phase-out underscores the challenges that remain in aligning ambition with reality. As the Amazon provided a symbolic backdrop, COP30 reminded the world that protecting ecosystems and vulnerable communities is inseparable from the fight against climate change. The outcomes may not have resolved every debate, but they set the stage for future COPs to build on this fragile consensus and push the world closer to meeting the 1.5°C goal.

Ayesha Bhati
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3. REINVENTING CREDITWORTHINESS: ALTERNATIVE DATA OPENS DOORS FOR MILLIONS

The conventional approach to credit scoring in India has long depended on past loan and credit-card performance, captured in credit-bureau records. However, a significant portion of India's adult population remains outside this framework — having either no or limited formal credit history. The emergence of alternative data — encompassing digital payments, utility & mobile-bill records, smartphone behaviour, e-commerce transactions, social footprints and more — is now transforming how lenders assess creditworthiness for these borrowers with limited or no credit history.

The rationale for this shift is compelling. As of December 2024, only about 27% of India's credit-eligible population (roughly 1,036 million adults) had used a formal credit facility, leaving approximately 451 million individuals with limited or no access to credit (CIBIL). Traditional credit scoring models are inherently biased toward those with a credit history, thereby excluding gig workers, micro-entrepreneurs, rural borrowers and first-time users. By incorporating alternative data, lenders gain a much richer, multidimensional view of repayment capacity and behaviour. For example, settlement of utility bills, consistent digital wallet usage, steady bank-balance behaviour or even app usage patterns can serve as proxies for responsible financial behaviour in absence of prior loans.

The regulatory environment in India is evolving to support this shift. In January 2025, the RBI issued the Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025, consolidating and updating reporting obligations for credit institutions and credit-information companies. Among the key provisions are: mandatory submission of consumer, commercial and microfinance credit information in a standardized Uniform Credit Reporting Format (UCRF); bi-monthly (fortnightly) or more frequent data submission to credit-information companies; and a Data Quality Index (DQI) regime for monitoring data accuracy and completeness. These measures improve the timeliness, comparability and granularity of data available for credit decisions.

This strengthened reporting regime clears the path for richer alternative data to augment the traditional credit-bureau model. Lenders can now combine standard bureau data with non-traditional signals with greater confidence in the integrity of the credit-information framework. Alternative data helps banks and fintechs underwrite customers having poor or no credit history by leveraging non-traditional sources such as telecom records, social-network footprints and transaction behaviour. Meanwhile, global research by the World Bank finds that alternative data can considerably improve credit access for micro, small and medium enterprises (MSMEs) and financially-excluded individuals, without increasing default risk.

For households and micro-businesses with little formal credit history, the implications are profound. First-time borrowers, contract workers, gig-economy participants and small merchants often face high rejection rates under traditional credit models. Using alternative data, lenders can detect repayment intent and cash-flow dynamics far earlier and more precisely. For example, steady UPI inflows, regular utility payments and digital wallet usage signal both liquidity and discipline — enabling approval of

smaller-ticket loans, tailored credit lines and shorter-tenor products. At the same time, better risk assessment through broader data sets helps lenders expand responsibly, improving inclusion while maintaining portfolio quality.

Secondly, improved data access and model flexibility can reduce cost and turnaround time. Traditional manual underwriting is expensive and slow; digital models using alternative data can automate underwriting, lower cost per loan and extend credit at scale to underserved segments. Thirdly, businesses without formal credit history — such as micro-enterprises and self-employed professionals — gain new onboarding pathways. Their bank-statement flows, GST filings, vendor-transaction records and digital payments become credit signals in their own right rather than disqualifications. Global evidence shows that for MSMEs lacking collateral or documented income, alternative data can significantly bridge the credit gap.

Using alternative data also requires caution and proper safeguards. Data privacy, informed consent, algorithmic transparency and fairness are essential for responsible adoption. Indian regulatory updates emphasise consumer remedies — for instance, the Master Direction mandates that credit information companies provide disclosure when a borrower’s report is accessed and compulsory compensation for delayed rectification of credit information. Furthermore, despite regulatory alignment, standardisation of alternative-data sources and integration into mainstream credit models remains a work in progress. As adoption broadens, industry bodies and lenders will also need to invest in stronger model-governance frameworks to ensure that the use of alternative signals remains ethical, explainable and free of unintended bias.

Looking ahead, the combination of digital-payments proliferation, smartphone penetration, open-banking frameworks (such as the Account Aggregator ecosystem) and regulatory impetus gives India a compelling runway. Fintech innovation, underpinned by alternative data, is enabling the transition from “credit invisible” to “credit eligible”. When thoughtfully governed, this evolution offers a win-win: broader inclusion for individuals and small businesses, better risk management for lenders, and ultimately a more resilient and inclusive credit ecosystem in India.

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4. INDIA'S CLIMATE LEADERSHIP AND THE BANKING SECTOR'S GREEN REVOLUTION

Barack Obama once remarked, *“We are the first generation to feel the effect of climate change and the last generation that can do something about it.”* This powerful statement, delivered during his address at the 2015 UN COP21 Climate Change Conference, underscores the unprecedented responsibility humanity faces today. COP stands for Conference of Parties, and to understand its significance, we must trace the history of international climate agreements—from Kyoto to Paris.

The Evolution of Global Climate Summit: The first international effort to address climate change began in 1979 with the World Climate Summit organized by the World Meteorological Organization (WMO), which positioned climate change as a global political issue. The WMO later co-founded the Intergovernmental Panel on Climate Change (IPCC) in 1988, providing scientific guidance for policy decisions. Formal political action took shape during the 1992 Earth Summit in Rio de Janeiro, which established the United Nations Framework Convention on Climate Change (UNFCCC). Annual meetings under this framework, known as Conferences of the Parties (COP), started in 1995, marking the beginning of structured global negotiations.

Kyoto and Copenhagen -Lessons from Failure: COP3 in Kyoto (1997) produced the Kyoto Protocol, the first legally binding treaty requiring developed nations to reduce emissions by 5% below 1990 levels by 2008–2012. Initially celebrated, Kyoto ultimately failed due to structural flaws, lack of U.S. ratification, and loopholes in its mechanisms. COP15 in Copenhagen (2009) also fell short of expectations, though it introduced key ideas like the 2°C warming limit. COP21 in Paris (2015) marked a turning point by adopting a flexible, inclusive framework based on voluntary Nationally Determined Contributions (NDCs) and a “ratchet” mechanism for periodic review. While challenges remain, the **Paris Agreement** represents a shift toward cooperative global climate governance, emphasizing transparency, incremental progress, and shared responsibility.

As the world gathers for COP30 in Belém, Brazil—the first COP held in the Amazon—the focus is on turning pledges into action, scaling up climate finance, and addressing the overshoot of the 1.5°C target, amid growing concerns over fossil fuel influence and the urgency of a just transition

India's Climate Commitments and Policy Innovations

India has emerged as a critical player in global climate action, balancing development needs with sustainability goals. At COP26 in Glasgow, India announced the Panchamrit strategy five ambitious targets that include achieving 500 GW of non-fossil fuel energy capacity by 2030, meeting 50% of energy requirements from renewables, reducing carbon intensity by 45%, cutting 1 billion tonnes of projected emissions, and achieving net-zero by 2070. These commitments are reflected in India's updated Nationally Determined Contributions (NDCs) submitted to the UNFCCC.

To achieve the ambitious Panchamrit targets announced at COP26, the Government of India has launched a series of transformative initiatives. These include the National Hydrogen Mission to promote green hydrogen as a clean fuel, the International Solar Alliance (ISA) to accelerate solar adoption globally, and the Green Energy Corridors project to strengthen transmission infrastructure for renewable power. Policies like the FAME scheme encourage electric vehicle adoption, while the National Bio-Energy Mission supports biomass and waste-to-energy projects. India has also introduced a Green Finance Taxonomy and issued sovereign green bonds to mobilize capital for climate-aligned investments, alongside sector-specific frameworks such as the Green Steel Taxonomy. Behavioral campaigns like LiFE (Lifestyle for Environment) aim to drive sustainable consumption patterns. These efforts have already delivered significant results: India's installed power capacity has reached 500.89 GW, with 256 GW (51%) from non-fossil sources, surpassing the 50% renewable share target five years ahead of schedule. Solar capacity stands at 127 GW, and wind at 53 GW, while emission intensity has fallen by 36% from 2005 levels, putting India firmly on track to meet its 2030 goals. Additionally, large-scale afforestation programs have planted over 2 billion trees, and green finance instruments are gaining momentum, signaling India's commitment to a low-carbon future.

Banking Sector and Climate Finance

Banks are emerging as key enablers of India's green transition by financing sustainable projects and managing climate-related financial risks. The Reserve Bank of India (RBI) has taken significant steps through three landmark initiatives:

1. Discussion Paper on Climate Risk and Sustainable Finance (2022) – outlined sources of climate risk and the need for governance and risk management frameworks.
2. Framework for Acceptance of Green Deposits (2023) – enabled banks to mobilize funds for green projects.
3. Draft Disclosure Framework on Climate-related Financial Risks (2024) – mandates reporting under four pillars: governance, strategy, risk management, and metrics & targets, with phased implementation from FY 2025–26.

SEBI has strengthened ESG reporting through the Business Responsibility and Sustainability Report (BRSR) and BRSR Core, requiring India's top listed companies to disclose GHG emissions, renewable energy share, and climate risk narratives aligned with TCFD.

Indian banks are actively integrating climate considerations into their operations and financing strategies to support India's transition to a low-carbon economy. Many banks have adopted Environmental, Social, and Governance (ESG) frameworks and made BRSR/CDP disclosure to enhance transparency on climate risks. They are issuing green bonds, sustainability-linked loans, and green deposits to mobilize capital for renewable energy, electric mobility, and other climate-aligned projects. Several banks have joined global alliances like the PCAF/Net-Zero Banking Alliance, committing to decarbonize their lending portfolios. Advanced climate risk analytics and stress testing tools are being deployed to assess exposure to carbon-intensive sectors, while lending policies

increasingly favour green projects and exclude high-emission activities. Additionally, banks are financing energy efficiency programs, solar rooftop installations, and EV infrastructure, and some have set internal targets for financed emissions reduction. These measures reflect a strategic shift from traditional banking to climate-conscious financing, positioning banks as key drivers of India's green transition.

The Road Ahead: Banking as a Catalyst for Change

The world is at an inflection point. Climate risks are no longer distant threats; they are unfolding before our eyes. A study by the World Bank (2018) estimated that the cost of climate change could reach \$20 trillion by 2100. The cost of climate change will be felt disproportionately by the poorest and most vulnerable people in the world. It will also have a significant impact on the global economy, it is estimated that climate change could reduce global GDP by up to 20% by 2100. Responding to climate change is usually presented in terms of two main approaches: reducing and stabilizing the levels of heat-trapping GHGs in the atmosphere (**climate change mitigation**) or adapting to the climate change already taking place (**climate change adaptation**) and increasing climate change resilience. Banks are uniquely positioned to lead this transformation. By funding sustainability, embedding ESG into decision-making, and supporting climate resilience, they can shape an economy that is both prosperous and equitable. the choices we make today will define our future. In banking, as in life, true success is not measured in short-term gains but in long-term resilience.

5. GIST OF RBI SPEECH: THE CASE OF EMERGING MARKETS AND INDIA

Keynote Address by Dr. Poonam Gupta, Deputy Governor, Reserve Bank of India at the Business Standard BFSI Insight Summit, October 29, 2025, Mumbai

Global Economy

- The global economy has shown remarkable resilience to the shifting trade policies and geopolitical tensions.
- Low inflation has provided the headroom for monetary policies to be eased across jurisdictions. Banking sectors across countries are mostly resilient.
- Reasons for this resilience - Improved policy frameworks in Emerging Markets (EMs); tariff outcomes being milder than what were anticipated earlier; and very limited retaliation by the partner countries.

Economic and Financial Resilience in EMs

- Since early-mid 2000s, EMs have become more cautious in their approach towards the external sector.
- They have maintained a flexible exchange rate policy (mostly managed floats rather than free floats). They have reduced their liability dollarization.
- They have slowed and recalibrated the pace and sequencing of capital account liberalization.
- They have built up large foreign exchange reserves to act as a cushion against the adverse impact of external shocks to their balance of payments.
- They have strengthened their domestic macroeconomic policy frameworks by implementing credible fiscal rules and have adopted a rule-based framework for monetary policy with inflation targeting or other close alternatives.
- They have strengthened their banking and financial sectors. They have significantly enhanced the independence of their central banks.
- As a result of these policy efforts, the world for the most part has not witnessed any country-specific or even regional Balance of Payments crises (barring a handful of exceptions) during the last two and a half decades.
- This is not to say that the EMs do not face policy challenges anymore. But instead of macroeconomic stability issues, EMs face greater risks to sustained growth, and meaningful employment generation.

Indian Economy

- India's policy frameworks have continued to evolve and are currently among the global best.
- Its exchange rate, that was pegged until 1991, is increasingly market driven. Its external account has been managed well. There are inherent strengths in its diversified balance of payments.

- On the current account, the merchandise trade deficit has been balanced by strong services exports and remittances receipts.
- India has slowly but surely liberalised its capital account, but the external debt as a proportion to GDP has been low and stable.
- Besides keeping the liability dollarisation in check, India's short-term debt level too has remained low. The ratio of Short-term Debt (original maturity) to total debt was 18.1 per cent as of end-June 2025.
- India has largely adhered to the path of fiscal consolidation, barring periods of significant shocks such as the pandemic. Most of the public debt is long term, is denominated in local currency, and is held domestically.
- Flexible Inflation Targeting framework for monetary policy, introduced in 2016, was a major structural reform in India. Inflation has become lower and less volatile; inflationary expectations are better anchored; and the transmission of monetary policy has become more effective.
- As a result of the full matrix of policy reforms, India's GDP and per capita income growth rates have accelerated over time; growth has been among the highest globally; and its variability has declined.
- India's near-term growth outlook is promising too. After growing at a stronger than anticipated rate of 7.8 per cent during Q1:2025-26, various high frequency indicators point towards a robust expansion in Q2:2025-26 as well.
- In the latest monetary policy statement, growth forecast for FY2025-26 has been revised upwards to 6.8 per cent. Inflation currently is at an eight-year low of 1.5 per cent. As per the latest assessment of the RBI, CPI inflation is projected to be 2.6 per cent for the full year 2025-26, much below the target.

Conclusion

- Having learnt from the crisis of the 1990s, EMs have put in place policy frameworks that have made them less vulnerable to macroeconomic and financial instability.
- India has been a frontrunner in implementing these reforms. As a result, while the intensity of external shocks may not have declined, the variability of the macroeconomic outcomes has moderated considerably. This economic resilience has enabled policy makers to focus on reforms to enhance productivity, facilitate ease of doing business, and improve the quality of financial intermediation.

6. CLASSROOM : RARE EARTHS - NEW STRATEGIC RESOURCES

In the intricate world of global economics and national security, some resources hold power far beyond their physical volume. These are not traditional commodities like crude oil, iron ore or copper, but a group of 17 speciality metals known as rare earth elements (REEs) used in high-tech applications like electronics and green energy. Despite their name, they are not geologically scarce but are rarely found in economically concentrated deposits and are difficult to extract and process. These unique properties, from exceptional magnetism to high electrical conductivity, make them the invisible backbone of modern high-tech and clean energy technologies.

Diverse Applications Across Key Industries - (i) Renewable energy & Electric vehicles as the high-strength permanent magnets, which are essential for efficient wind turbines and electric vehicle motors, are made using neodymium (Nd), praseodymium (Pr), and dysprosium (Dy). (ii) Electronics sector, lanthanum (La) is a key ingredient in camera lenses, while europium (Eu) and terbium (Tb) are responsible for creating the vibrant colors seen in LED displays and screens. (iii) Defence & Aerospace industries rely on rare earth elements for a variety of critical applications, including radar, guidance systems, precision-guided munitions, and heat-resistant alloys for aircraft engines. (iv) In the Medical Field, these elements also play a vital role, with gadolinium (Gd) being used as a contrast agent in MRIs and lutetium (Lu) being utilized in certain cancer treatments.

Geopolitical Concentration and Supply Chain Vulnerability - The real story of rare earths lies in their supply chain, which is heavily concentrated both geographically and politically. This creates significant vulnerabilities and has transformed these minerals into strategic assets. China holds the largest reserves globally (~44 Mn metric tons, ~40% of global reserves) and, more importantly, dominates the refining and processing stages, accounting for nearly 90% of global rare earth processing capacity. This vertical integration gives China immense leverage in the global market. Other nations, including the US, EU, and Japan, are heavily reliant on China for these materials. Geopolitical tensions and trade disputes have led China to impose export restrictions (especially in the past year), creating urgency for diversification and resource security elsewhere.

India's Position and Drive for Self-Reliance - India holds the world's 5th largest rare earth reserves (~6.9 Mn metric tons). However, domestic extraction and processing capacity has been limited, leading to high import dependency, with most REEs sourced from China. The Indian government has recognized this vulnerability and launched the National Critical Mineral Mission in Jan'25 to achieve self-reliance. It aims to create a sustainable supply chain from exploration to processing and recycling.

Strategic Initiatives and Global Partnerships - Public Sector Undertakings like IREL (India) Limited are tasked with enhancing domestic production of high-purity rare earth oxides. India is also exploring international partnerships with resource-rich regions like Latin America and is part of alliances like the Quad (with the US, Japan, and Australia) to ensure secure supply through combined efforts in technology and resource development.

In a world driven by technology and the push for a green energy transition, the silent, invisible power of rare earth elements has put them at the center of a new economic and geopolitical front. The race to secure a stable, sustainable supply chain is more than economics, it is about technological supremacy, clean energy and shaping the future global order.

Kartik Khandelwal
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7. GIST OF RBI CIRCULARS

Date of the circular	Oct 28, 2025
Ref No.	RBI/2025-26/95 DOR.MCS.REC.59/01.01.003/2025-26
Subject	Reserve Bank of India (Nomination Facility in Deposit Accounts, Safe Deposit Lockers and Articles kept in Safe Custody with the Banks) Directions, 2025

The Reserve Bank of India has issued the Nomination Facility in Deposit Accounts, Safe Deposit Lockers and Articles kept in Safe Custody with Banks Directions, 2025, effective from November 1, 2025. These Directions mandate that all banks provide nomination facilities to depositors, locker hirers, and custodians of articles. Customers retain the option to decline nomination, but banks must record such refusal without denying account opening. Banks are required to establish systems for registration, cancellation, and variation of nominations, with acknowledgements issued within three working days. Nominee details must be reflected in passbooks, statements, and deposit receipts. In cases where a nominee predeceases the depositor, claims will be settled under rules applicable to accounts without nomination. Banks must also publicize the benefits of nomination through awareness drives and customer-facing materials.

Date of the circular	Oct 03, 2025
Ref No.	RBI/2025-26/90 A.P. (DIR Series) Circular No. 13
Subject	Investment in Corporate Debt Securities by Persons Resident Outside India through Special Rupee Vostro A/C

The Reserve Bank of India has allowed persons resident outside India holding Special Rupee Vostro Accounts (SRVA) to invest surplus rupee balances not only in Government securities but also in non-convertible debentures, bonds, and commercial papers issued by Indian companies. These investments will count toward the corporate debt limit under the General Route, though certain restrictions like minimum maturity and issue-wise caps will not apply. AD Category-I banks must facilitate separate demat accounts, ensure compliance with limits, and report such transactions to SEBI-registered depositories. The Master Direction on non-resident investment in debt instruments has been updated accordingly, with immediate effect under FEMA, 1999.

Date of the circular	Nov 14, 2025
Ref No.	RBI/2025-26/96 DOR.STR.REC.60/21.04.048/2025-26
Subject	Reserve Bank of India (Trade Relief Measures) Directions, 2025

The Reserve Bank of India has issued the Trade Relief Measures Directions, 2025 to mitigate debt servicing burdens faced by exporters due to global trade disruptions and to ensure continuity of viable businesses. Applicable to banks, NBFCs, financial institutions, and credit information companies, the Directions provide relief to borrowers engaged in specified export sectors with standard accounts as of August 31, 2025. Eligible borrowers may be granted moratoriums on loan instalments and deferment of interest on working capital facilities between September and December 2025, with accrued interest repayable by September 2026. Export credit tenors may be extended up to 450 days, and packing credit may be liquidated through alternate legitimate sources. Such reliefs will not trigger asset classification downgrades, and CICs must ensure borrowers' credit histories remain unaffected. Regulated Entities must also make a general provision of at least 5% on outstanding accounts availing relief, adjustable against future provisioning needs. Finally, REs are required to maintain detailed MIS records of reliefs granted and submit fortnightly reports to RBI through its DAKSH platform.

Date of the circular	Oct 01, 2025
Ref No.	RBI/2025-26/89 A.P. (DIR Series) Circular No.12
Subject	Export Data Processing and Monitoring System (EDPMS) & Import Data Processing and Monitoring System (IDPMS) – reconciliation of export /import entries – Review of Guidelines

The Reserve Bank of India has directed AD Category–I banks to simplify compliance for small exporters and importers under EDPMS and IDPMS. Transactions up to ₹10 lakh per bill can now be closed on the basis of simple declarations, including quarterly consolidated submissions. Invoice value reductions will also be accepted through such declarations. Banks must rationalise charges for these small-value transactions and cannot levy penalties for delays. The instructions take immediate effect, with Master Directions updated accordingly, and have been issued under FEMA, 1999.

8. ESG UPDATE



(Banking for People, Planet & Prosperity)

1. **India's clean-energy leap: Solar Energy Corporation of India (SECI) & Andhra Pradesh finalise 1200 MWh battery storage + 50 MW hybrid solar**
 - SECI signed government orders with Andhra Pradesh for a 1200 MWh Battery Energy Storage System (BESS) and a 50 MW hybrid solar project under CAPEX mode.
 - The project is a major boost for India's grid-flexibility and renewable integration ambitions, especially in the southern region.
 - The Ministry of Power had earlier designated SECI as the implementing agency under market-based operations, signalling central commitment.
2. **COP30 Shifts Focus from Pledges to Climate Action – Key for India**
 - COP30 in Brazil emphasized **moving from promises to real climate action**, with updated national commitments (Nationally Determined Contributions -NDC 3.0)
 - **India called for predictable, grant-based climate finance** and highlighted the need for equity and adaptation for developing nations.
 - India joined Brazil's **Global Fund for Tropical Forests** as an observer, reinforcing its role in global climate leadership.
3. **Global ESG regulatory shift: European Union backs 90 % emissions cut by 2040 with limited carbon credits**
 - The EU backed a target of 90 % emissions reduction by 2040, signalling tougher climate ambition.
 - The framework includes limited reliance on carbon credits, emphasising actual emission cuts rather than offsets.
 - This positions the EU's green-governance shift as a regulatory trend that could impact global capital flows and corporate ESG compliance.
4. **Ørsted Achieves 99% Renewable Energy Milestone**
 - Ørsted became the **first energy company worldwide** to generate **99% of its power from renewables**.
 - It achieved a **98% cut in emissions intensity** compared to 2006, meeting its 2025 decarbonisation target.
 - The company transformed from a **fossil-fuel-heavy utility into a global leader in offshore wind**.

5. **International Energy Agency: Clean energy transition cost for emerging economies falls to just US\$121 billion by 2030**

- Emerging economies, including India, need US\$121 billion for the power-sector transition between 2024-30.
- India alone is estimated to require US\$57 billion to boost its renewables share to ~63% by 2030.
- Sharp cost declines: Solar, wind and battery costs down respectively ~83%, ~42% and ~90% since 2010, making the transition more viable. (Source: International Energy Agency-IEA's World Energy Outlook 2025)

6. **India explores ESG reforms via smart proteins**

- India is advancing the development of smart proteins as part of its sustainability agenda.
- The goal is to **lower greenhouse gas emissions from livestock**, which currently account for more than half of agriculture's climate impact
- By promoting alternatives such as **plant-based, cultivated, and fermentation-derived proteins**, India aims to create a food system that is both climate-friendly and resource-efficient.

7. **Harbinger Secures \$160M to Accelerate Electric Truck Expansion**

- **Harbinger closed a \$160 million Series funding round**, strengthening its position in the electric vehicle trucking market. (Source: ESG Source)
- The company announced a **major fleet order from FedEx**, signalling growing demand for sustainable logistics solutions.
- This investment will **accelerate the transition to low-carbon freight transport**, supporting global decarbonisation goals.

8. **India's Electric Bus Share Projected to Reach 10–12% by FY27**

- **Electric bus shares in India** projected to rise to **10–12% by FY27**, up from 5% in FY25
- Growth supported by **PM E-DRIVE scheme**, subsidies, and better economics versus diesel/CNG buses
- **Challenges remain** with supply chains, charging infrastructure, and lack of subsidies for private operators. (Source: Autocar Professional)

9. **Green Revolution 2.0: India's Path to Sustainable Food Sovereignty**

- India's original Green Revolution (1960s–70s) transformed the country from food scarcity to food security through mechanisation, chemical inputs, and high-yield seeds. However, it left behind **environmental costs** such as soil degradation, falling groundwater levels, and reduced biodiversity.
- **This vision** emphasizes **ecosystem-based farming, sustainable practices, and nutritional diversity**.
- Green Revolution 2.0 is designed to ensure **farmer autonomy, ecological balance, and community control over food systems**.

10. **UN: Developing nations face \$284 billion climate funding gap**

- The **UN Adaptation Gap Report 2025** warns that developing countries face a **\$284 billion annual shortfall** in climate adaptation funding
- Current international public adaptation finance flows were only **\$26 billion in 2023**, far below the estimated needs of **\$310 billion per year by 2035**. (Source: The Economic Times)

- This gap leaves vulnerable nations exposed to worsening climate impacts such as **extreme storms, floods, and rising temperatures**, highlighting urgent need for scaled-up global support.

ESG Brain Teaser- Emissions from employee commuting and business travel fall under which scope?

Smart Green Tip - Replace one branch bulb with an LED and note the power saving in a month.



India's EV charging infrastructure has grown rapidly, rising from 1,800 chargers in FY22 to 30,000 chargers in FY25. This sharp increase reflects strong government support, rising EV adoption, and private sector participation. However, of the total installed chargers, only 14,450 are operational, while 15,550 remain non-operational, highlighting the need for better maintenance and grid upgrades. Overall, India is moving quickly toward a stronger EV ecosystem. (Source: Financial Express Newspaper 26 Oct 2025)

Ask Yourself - How often do I pause to appreciate clean air, trees, or sunlight?

Ans. to ESG Brain Teaser: Scope 3.

ESG Cell
SMEAD, Head Office

For any ideas or suggestions related to ESG "*Green Ideas Section*" of the Lead Parivartan Portal(LTP) or mail to esgcell@pnb.bank.in.

9. CLIMATE NEWS

India Slips 13 Places In Global Climate Change Index

India has fallen 13 places to rank 23rd in the Climate Change Performance Index (CCPI) 2026, its steepest decline in recent years. The report cites continued reliance on coal, rising greenhouse gas (GHG) emissions, and weak carbon pricing signals as key concerns, despite notable progress in renewable energy capacity. This drop underscores the tension between India's development priorities and global climate goals.

Released during COP30 in Belém, Brazil, the CCPI evaluates 63 countries and the EU on four parameters—GHG emissions, renewable energy, energy use, and climate policy—covering over 90% of global emissions. India now holds a “medium” performance rating with an overall score of 61.31, slipping from the “high” category. While India has achieved 50% non-fossil installed power capacity ahead of its 2030 target, it scores low on renewable energy and remains one of the world's largest coal producers.

The index acknowledges India's rapid expansion of solar and wind power, yet coal remains central to its energy mix with no clear phase-out date and continued auctioning of new blocks. Experts call for a time-bound coal exit plan, stronger carbon pricing, and safeguards for renewable projects to avoid social and environmental conflicts. Recommendations include binding sectoral decarbonization milestones for 2035 and 2040 and a just transition strategy to protect workers and vulnerable communities. ([Indianexpress.com](https://www.indianexpress.com))

Uttarakhand to Impose Green Tax on Vehicles from Outside States from December 2025

Starting December 2025, Uttarakhand will levy a green tax on all vehicles entering the state as part of its environmental conservation and pollution control strategy. The initiative, led by the state transport department, aims to protect the fragile Himalayan ecosystem and maintain cleanliness in popular tourist destinations such as Mussoorie, Nainital, and Rishikesh.

The green tax will vary by vehicle type: ₹80 for small vehicles, ₹250 for small cargo vehicles, ₹140 for buses, and ₹120–₹700 for trucks depending on weight. Collection will be fully automated through Automatic Number Plate Recognition (ANPR) cameras installed at 37 entry points. These cameras will capture vehicle details, and the tax will be deducted automatically via the National Payments Corporation of India (NPCI) system, ensuring seamless compliance.

The tax aims to curb unnecessary vehicular movement into eco-sensitive zones, reduce emissions, and generate funds for environmental protection under the Clean Uttarakhand Mission. Similar green tax frameworks exist in states like Himachal Pradesh, Maharashtra, and Karnataka, signaling a broader national shift toward sustainable mobility. Uttarakhand's model—combining real-time surveillance with automated payment—could become a template for other environmentally sensitive regions across India. ([Economictimes.com](https://economictimes.com))

17 nations join Blue NDC Challenge as ocean breakthroughs unveil global plan for accelerating marine climate action

At COP30 in Belém, 17 nations, including France and Brazil, joined the Blue NDC Challenge and backed the creation of a new Ocean Taskforce to integrate ocean-based climate solutions into national

plans. This move aims to convert commitments into actionable policies and accelerate marine climate action globally.

Countries unveiled the “Blue Package,” a coordinated plan under five Ocean Breakthroughs—marine conservation, aquatic food, ocean renewable energy, shipping, and coastal tourism. The initiative seeks to address biodiversity loss, food and energy security, and provide pathways for non-state actors to support Blue NDC implementation, fostering synergy across global climate agreements.

Despite growing momentum, major gaps persist. Adaptation dominates ocean measures, while mitigation accounts for only 12% of commitments, even though ocean-based solutions could deliver up to 35% of required emissions cuts. Key sectors like offshore renewables and shipping remain underfunded, and ocean-related climate finance is less than 1% of global flows. Equity considerations are minimal, appearing in just 13% of actions.

The proposed Blue NDC Implementation Taskforce aims to mobilize political leadership, unlock finance, and provide technical support to embed ocean solutions in climate strategies. Officials emphasized that ocean-based actions—from blue carbon ecosystems to decarbonized shipping—can drive low-carbon growth and create jobs while protecting biodiversity. If successful, this initiative could transform ocean action into a cornerstone of sustainable development and climate resilience. ([Downtoearth.org](https://downtoearth.org).)

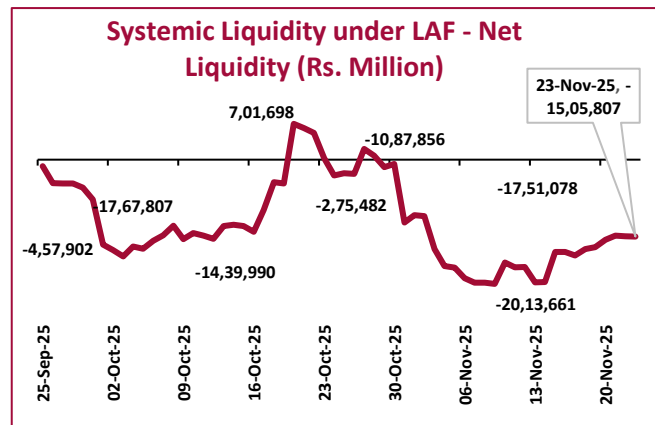
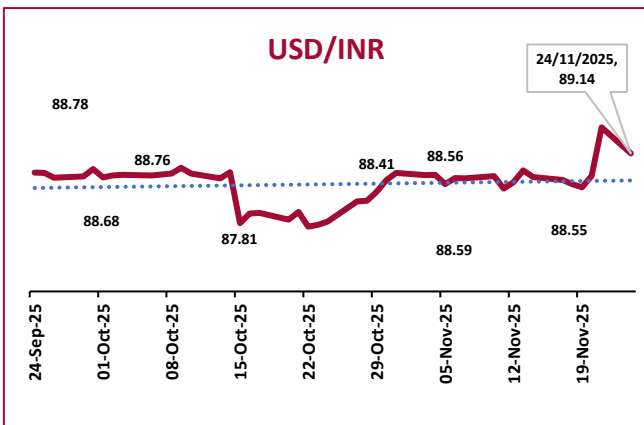
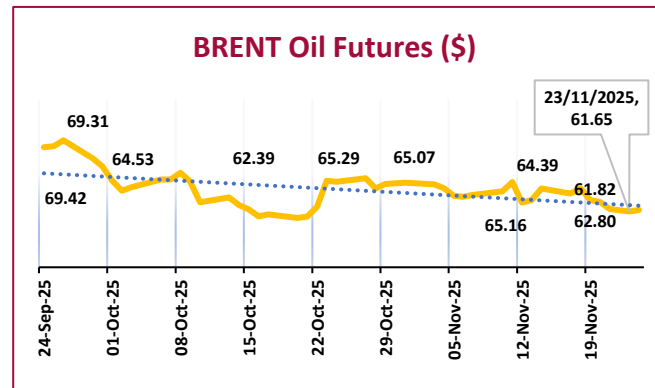
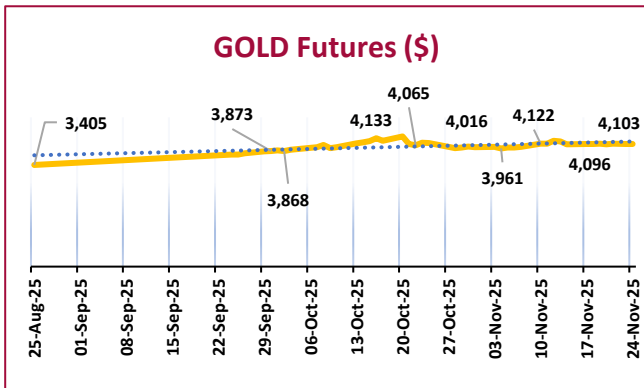
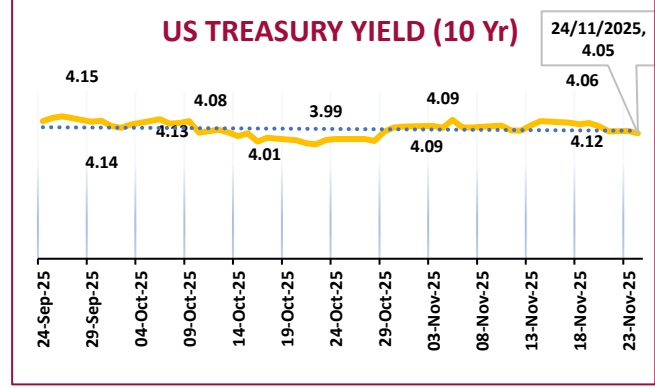
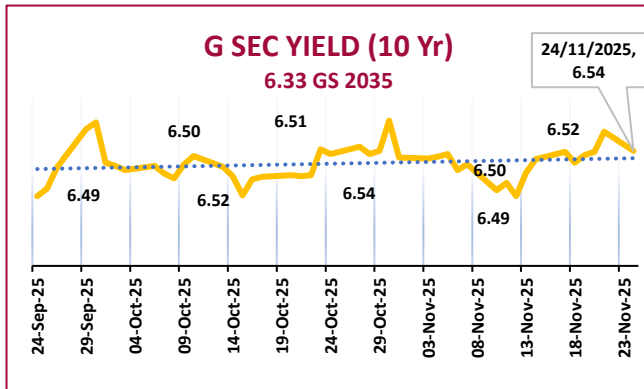
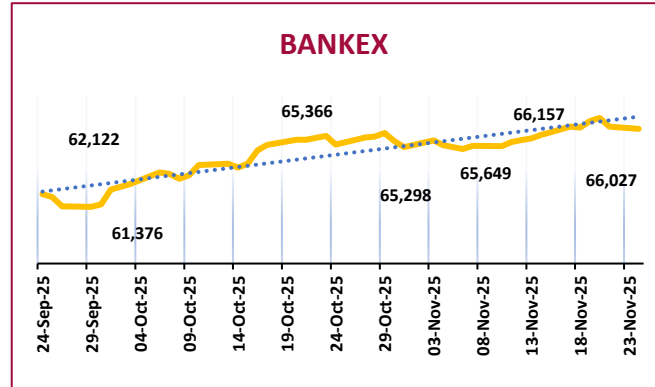
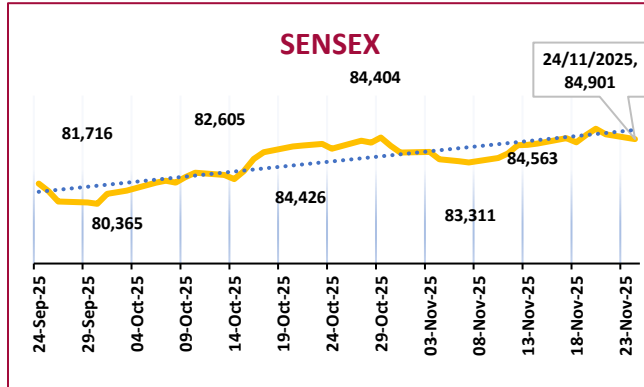
Global GHG Emissions Poised for Record High in 2025

The latest Global Carbon Budget report warns that greenhouse gas emissions will reach unprecedented levels in 2025, despite a decade of commitments under the Paris Agreement. Released during COP30 in Belém, Brazil, the findings reveal that fossil fuel-linked emissions continue to rise, widening the gap between climate pledges and actual progress. At the current trajectory, the remaining carbon budget for limiting warming to 1.5°C could be exhausted within four years.

Global fossil fuel emissions are projected to hit 38.1 billion tonnes in 2025, an increase of 1.1% from 2024 and nearly 10% higher than 2015 levels. China remains the largest emitter at 12.3 billion tonnes, followed by the United States at five billion tonnes, which recorded the sharpest annual rise among major economies. India ranks third with 3.23 billion tonnes, though its growth has slowed to 1.4%, thanks to expanded solar generation and reduced cooling demand.

Experts caution that achieving the 1.5°C target is increasingly unlikely without immediate and drastic cuts in fossil fuel use. While over 35 countries have demonstrated that economic growth can coexist with emission reductions, global oil and gas dependence remains a critical barrier. The report urges accelerated adoption of clean energy, binding sectoral targets, and policies to phase down fossil fuels to avert escalating climate risks. ([Downtoearth.org](https://downtoearth.org).)

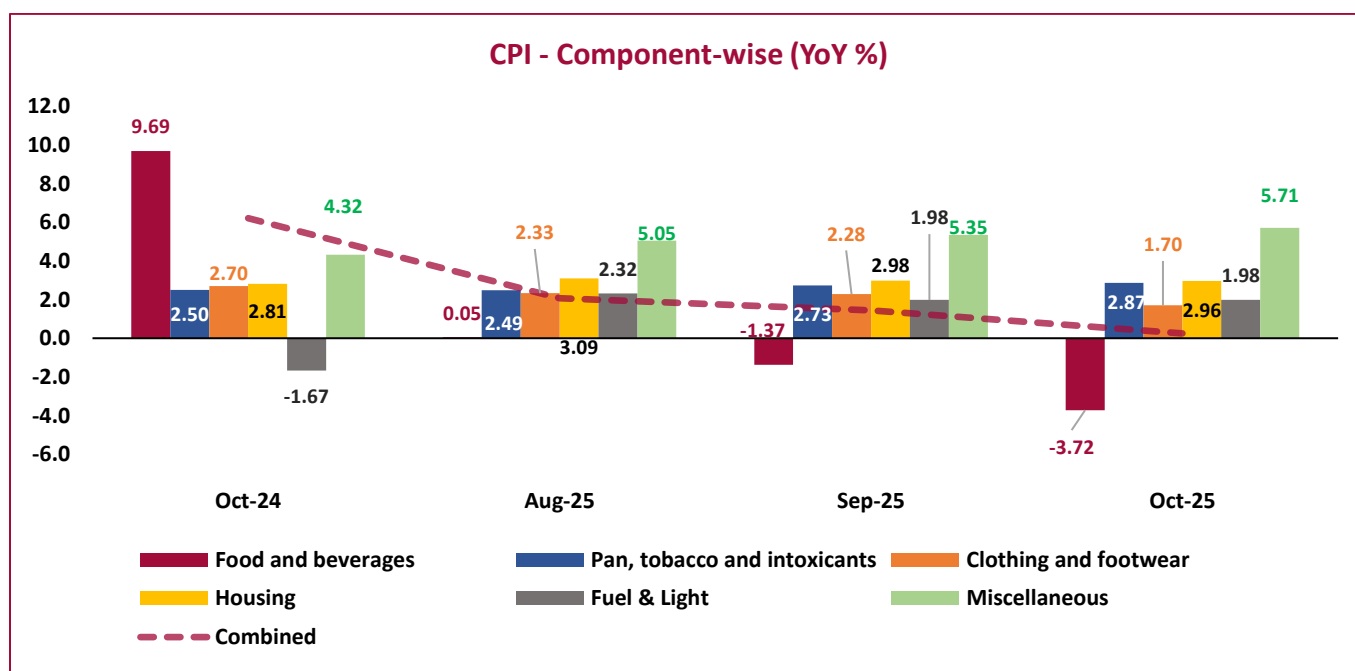
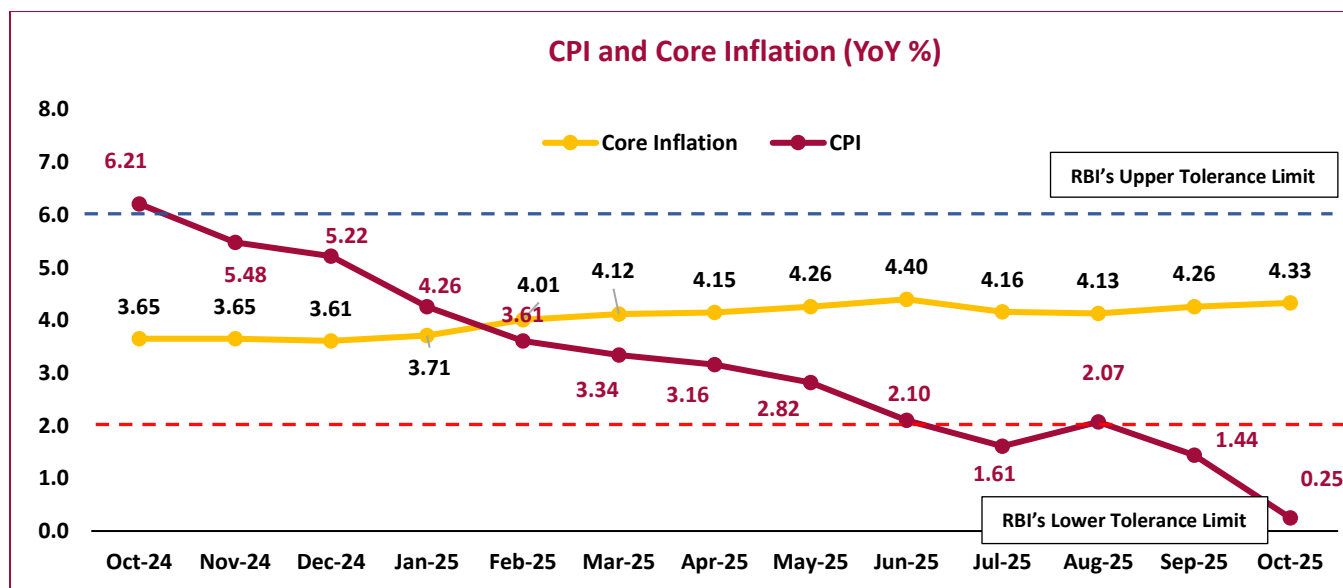
10. DAILY ECONOMIC INDICATORS



11. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

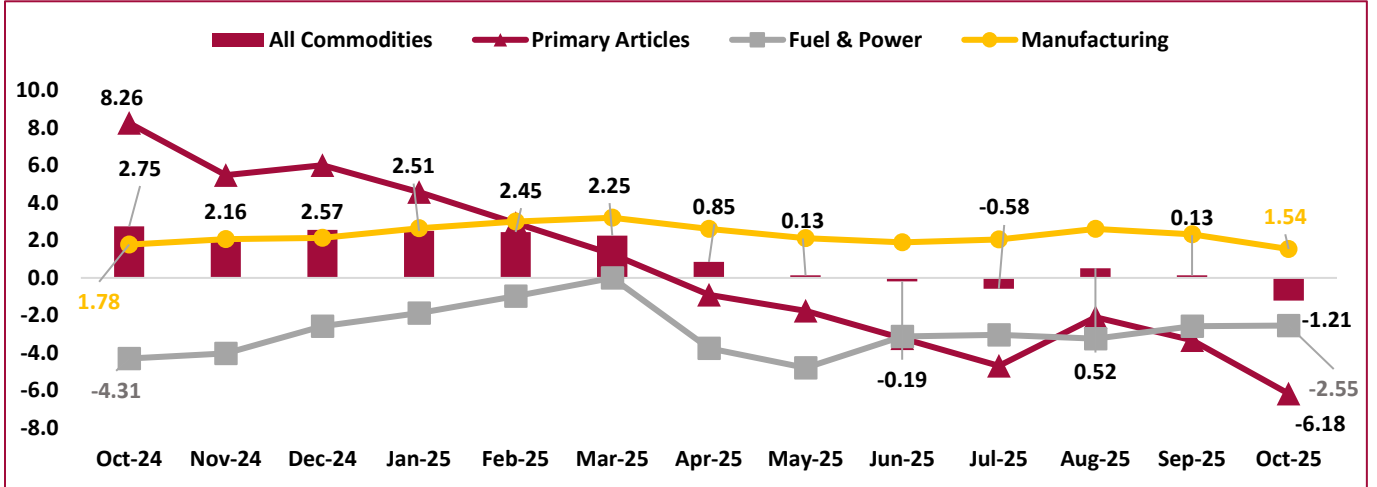
CPI decreased to 0.25% in October 2025



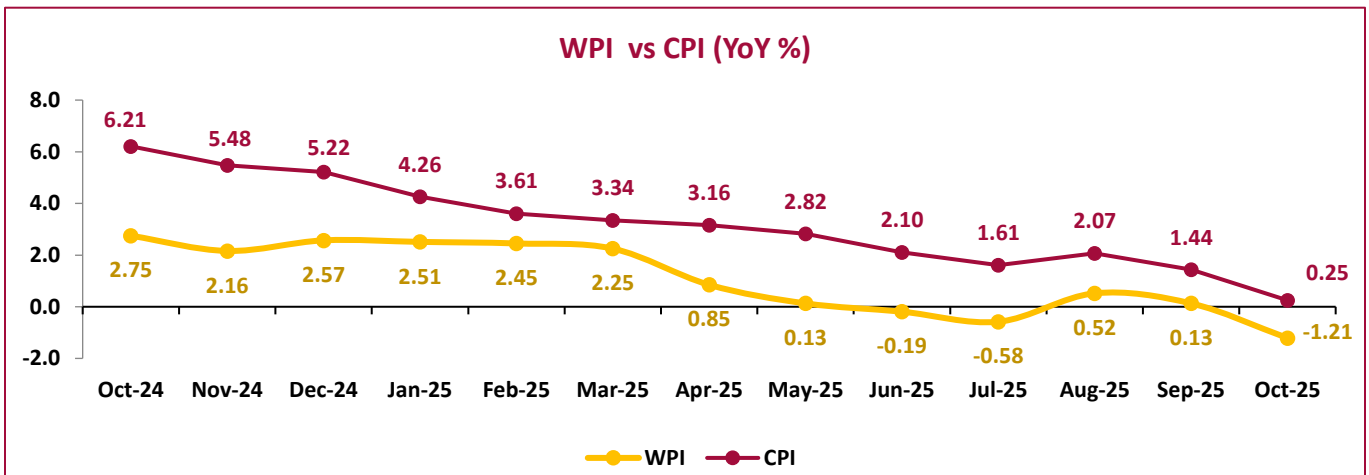
Retail inflation, as measured by the CPI, declined to 0.25% in October 2025, a 119-basis point drop from the September inflation rate of 1.44%. It is the lowest year-on-year inflation of the current CPI series. Urban inflation stood at 0.88%, while rural area recorded disinflation at -0.25% in October'2025, both reflecting decline from the previous month.

WHOLESALE PRICE INDEX (WPI)

WPI inflation decreases to -6.18% in October 2025



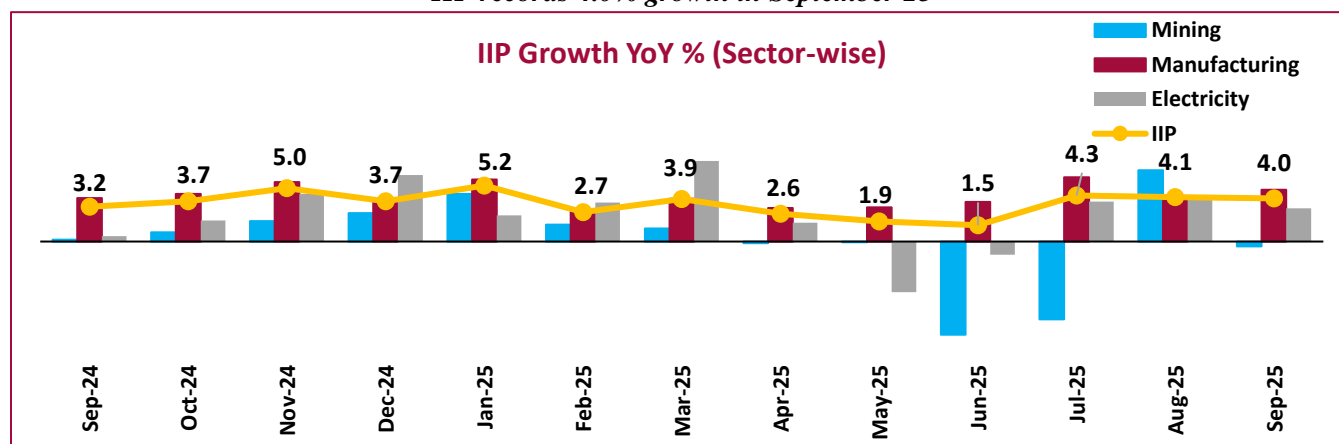
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Group (Part of Primary Articles & Manufactured Products)		All Commodities	
Weights	22.62%		13.15%		64.23%		24.38%		100%	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
August	2.52	-2.10	-0.54	-3.24	1.00	2.62	3.21	0.21	1.25	0.52
September	6.48	-3.32	-3.85	-2.58	1.07	2.33	9.81	-1.99	1.91	0.13
October	8.26	-6.18	-4.31	-2.55	1.78	1.54	12.15	-5.04	2.75	-1.21



The wholesale inflation measured by WPI declined and falls into negative zone (-1.21 percent) in October 2025, marking a drop from 0.13 percent in September 2025 while it stood at 2.75 percent in October 2024. Food inflation, a key driver of the index, turned negative at -5.04% in October, from -1.99% in September, 0.21% in August, -2.10% in July, and -0.26% in June.

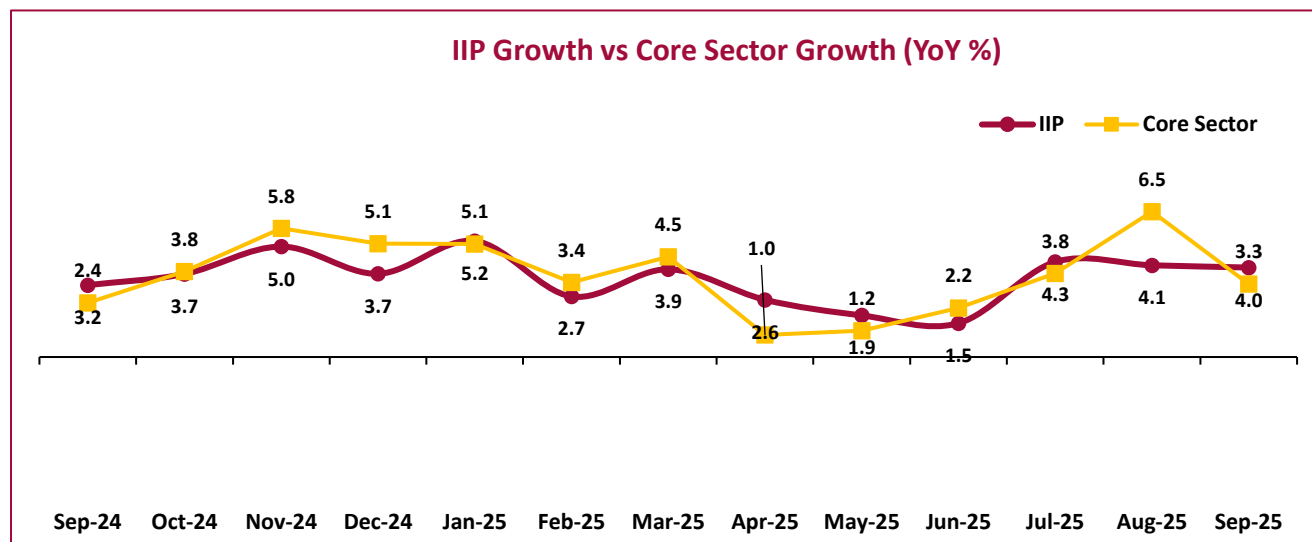
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP records 4.0% growth in September 25



IIP Growth YoY % (Usage-wise)

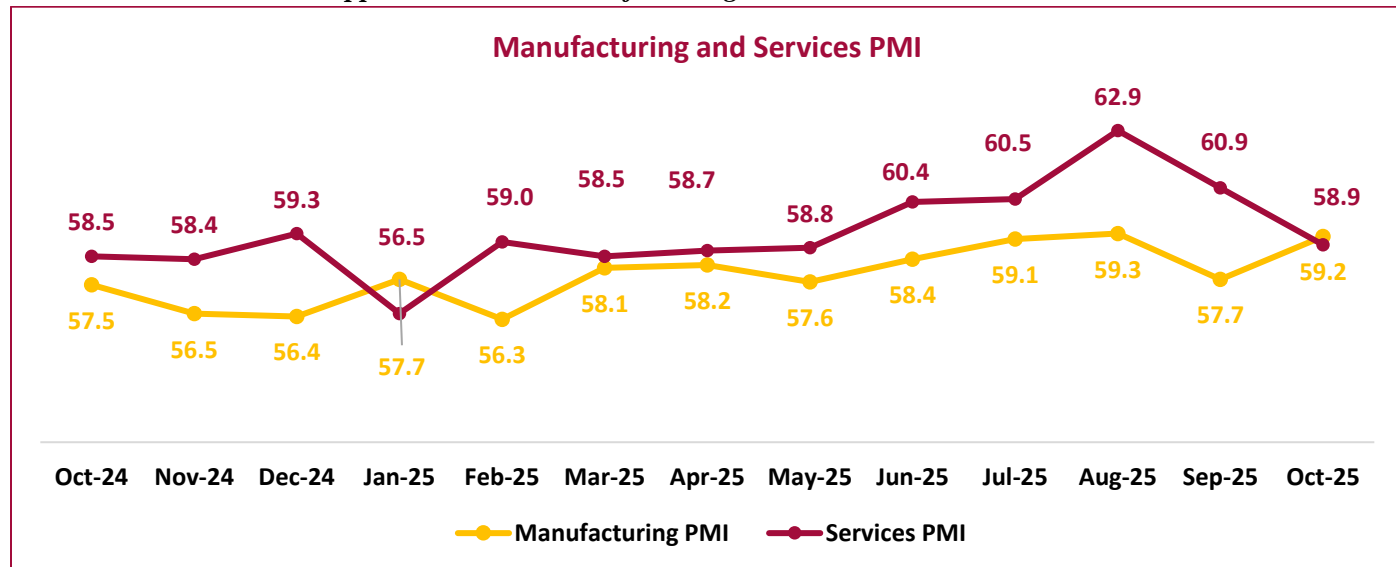
	Weight (%)	Sep'24	Sep'25	Apr-Sep (FY24-25)	Apr-Sep (FY25-26)
Primary Goods	34.05	1.8	1.4	4.3	0.2
Capital Goods	8.22	3.5	4.7	4.0	7.5
Intermediate Goods	17.22	4.3	5.4	4.2	5.3
Infra/Construction Goods	12.34	3.5	10.5	6.0	8.8
Consumer Durables	12.84	6.3	10.2	8.6	4.8
Consumer Non- Durables	15.33	2.2	-2.9	-1.2	-2.2



IIP growth remained steady at 4.0% in Sep'25. Among sectoral classification, IIP growth was supported by manufacturing, which grew robustly at 4.8% in Sep'25 compared to 3.8% in Aug'25, while mining and electricity witnessed a deceleration in their growth. Amongst use-based classification, infrastructure was the fastest growing segment, growing at 10.5% on YoY basis in Sep'25, followed by consumer durables which grew by 10.2% during this period.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI slipped to 58.9 and Manufacturing PMI increased to 59.2 in October 2025

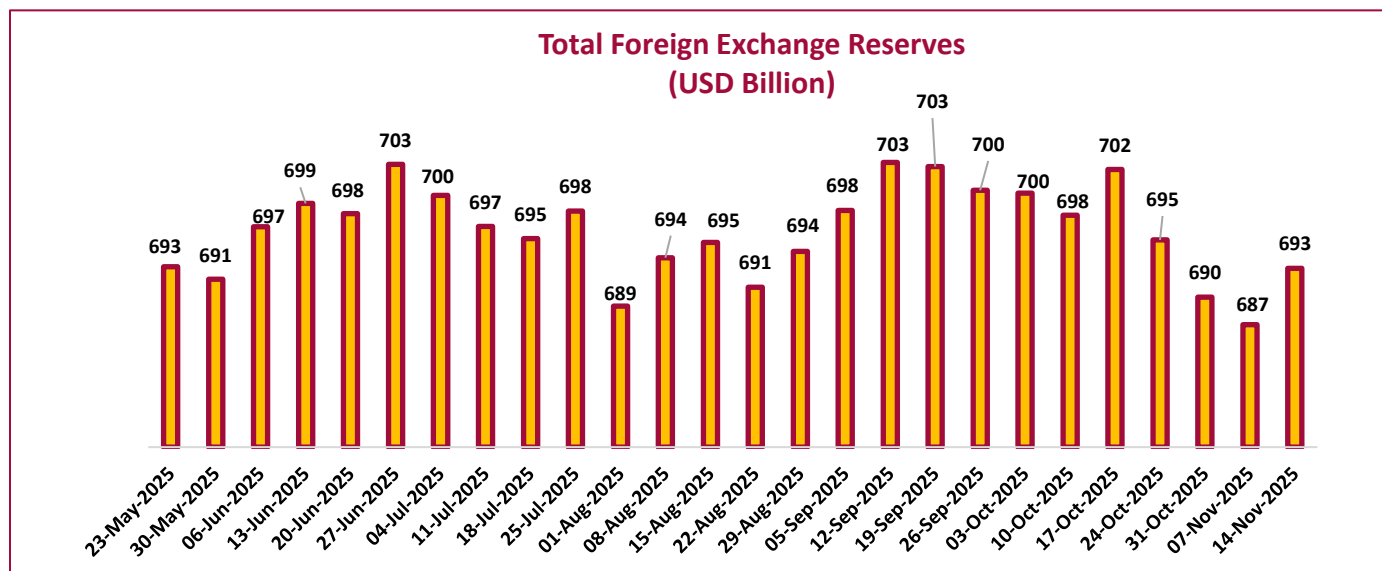


HSBC India Manufacturing PMI rises to 59.2 in Oct'25, higher than the Sept'25 figure of 57.7. The sector showed renewed strength in Oct'25. Strong demand, marketing initiatives, and confidence in GST changes fueled a sharp increase in new orders, while output growth remained on par with Aug'25. India's services PMI fell to 58.9 in Oct'25 (lowest in past 5 months), it came higher than the initial estimate of 58.8, though lower than Sept'25 figure of 60.9. New business increased at the slowest pace in five months, weighed down by stronger competition & natural calamities such as floods and landslides.

PERFORMANCE OF OTHER LEADING INDICATORS

	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct-25
Coal production (YoY%)	7.7	7.4	5.3	4.4	1.7	1.6	4.1	2.8	-6.8	-12.4	11.6	-1.0	-8.5
Electricity generation (YoY%)	0.4	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6
Consumption of petroleum products (YoY%)	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	1.1	0.5	-4.4	4.8	7.6	-0.4
Cargo handled at major ports (YoY%)	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5	-
Cement production (million tonnes)	34.0	32.0	38.9	40.5	39.8	45.7	38.0	38.6	39.5	35.7	34.2	34.5	-
Steel consumption (million tonnes)	13.0	12.3	13.8	13.7	12.4	14.3	12.0	13.1	13.2	13.4	13.7	13.4	13.4
Two-wheelers sales (Nos. in Lakhs)	25.3	19.7	14.8	19.1	17.8	20.2	18.3	20.4	19.5	20.0	22.7	25.9	26.4
Tractors sales (Nos. in Thousand)	151.8	78.3	59.1	69.8	67.8	90.7	90.3	99.4	121.6	72.8	73.2	154.4	173.6

FOREIGN EXCHANGE RESERVES

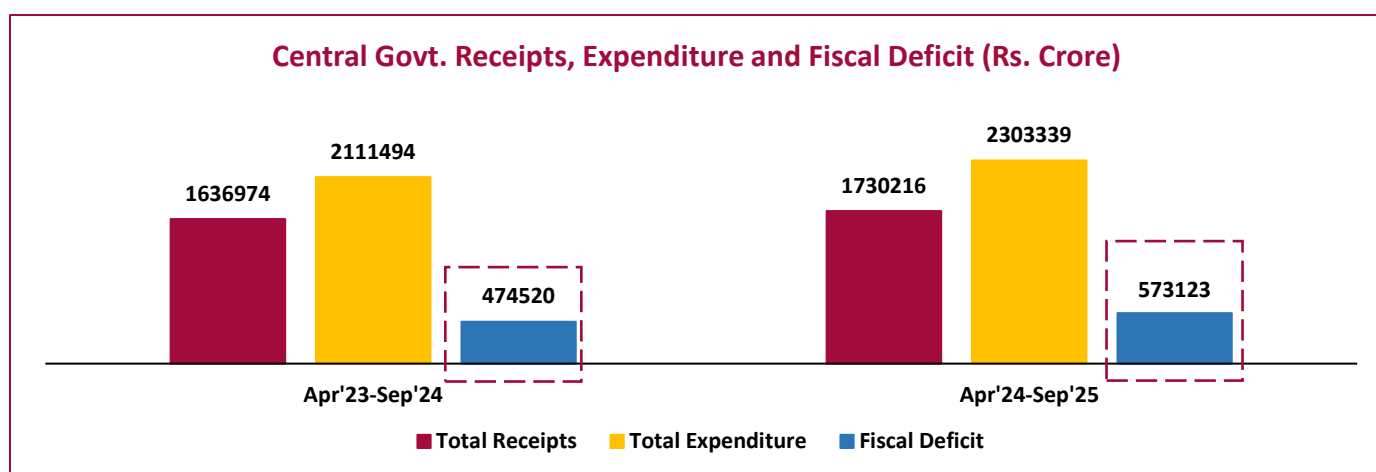


India's foreign exchange reserves reached \$693 billion in the week ending November 14.

E-WAY BILL GENERATION (No. in cr.)

	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct -25
E-way bill Generation	11.7	10.2	11.2	11.8	11.2	12.5	11.9	12.3	11.9	13.2	12.9	13.2	12.7

FISCAL DEFICIT

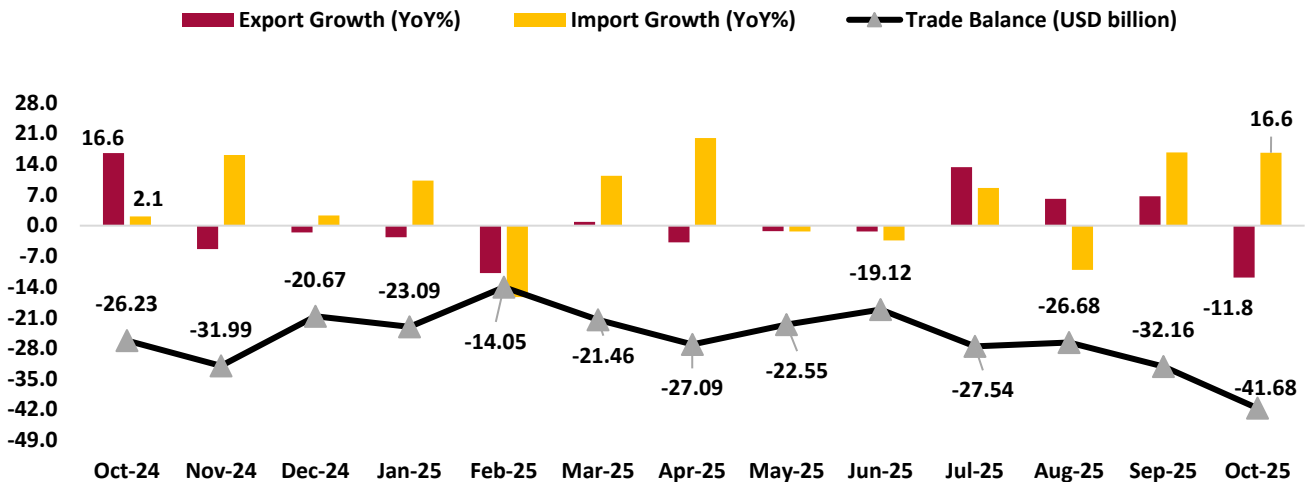


The government's fiscal deficit in September 2025 period came in at ₹5.73 lakh crore amounting to 36.5% of the Budgeted estimates (BE) vis-à-vis ₹4.75 lakh crore i.e. 29.4% of BE during the same period last year. Govt.'s total expenditure stood at ₹23.03 lakh crore reaching 45.5% of the BE during April-September 2025. This compares to ₹21.11 lakh crore recorded in the same period last year i.e. 43.8% of target.

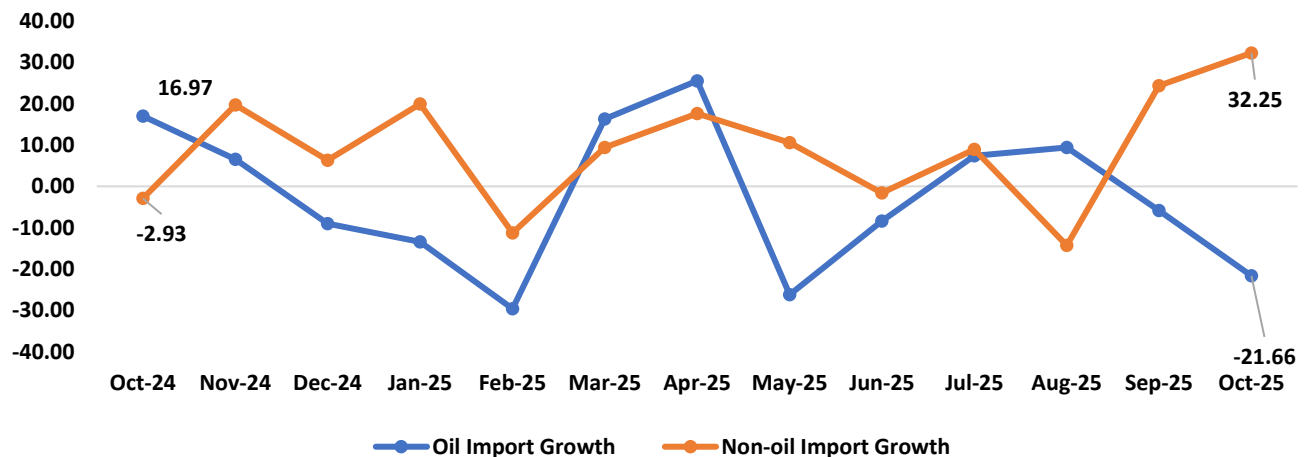
FOREIGN TRADE

Trade Deficit widens to an all-time high of 41.68 USD billion in October 2025

Merchandise Exports, Imports & Trade Balance



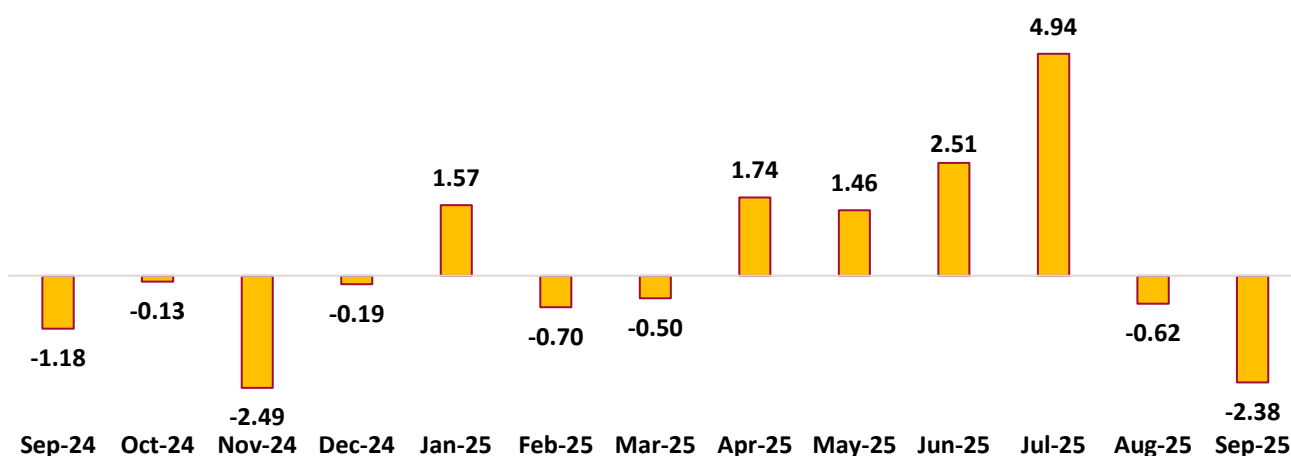
Import Growth %-Oil and Non-oil



The difference between imports and exports of goods stood at \$41.68 billion in October 2025. It widened from \$32.16 billion in September 2025. It was recorded at \$26.23 billion in October 2024. Merchandise exports dropped to \$34.37 billion in October 2025, declining by 11.8% on year-on-year basis, from \$38.98 billion in October 2024. Exports of petroleum and non-petroleum products stood at \$3.95 billion and \$30.42 billion, recording a yearly decline of 10.5% and 12.0% respectively in October 2025. Meanwhile, merchandise imports increased by 16.6% YoY to reach \$76.06 billion in the month of October 2025. Imports of gold and silver spiked sharply to \$17.44 billion in October 2025, recording a YoY growth of 225.8%, the highest in 40 months.

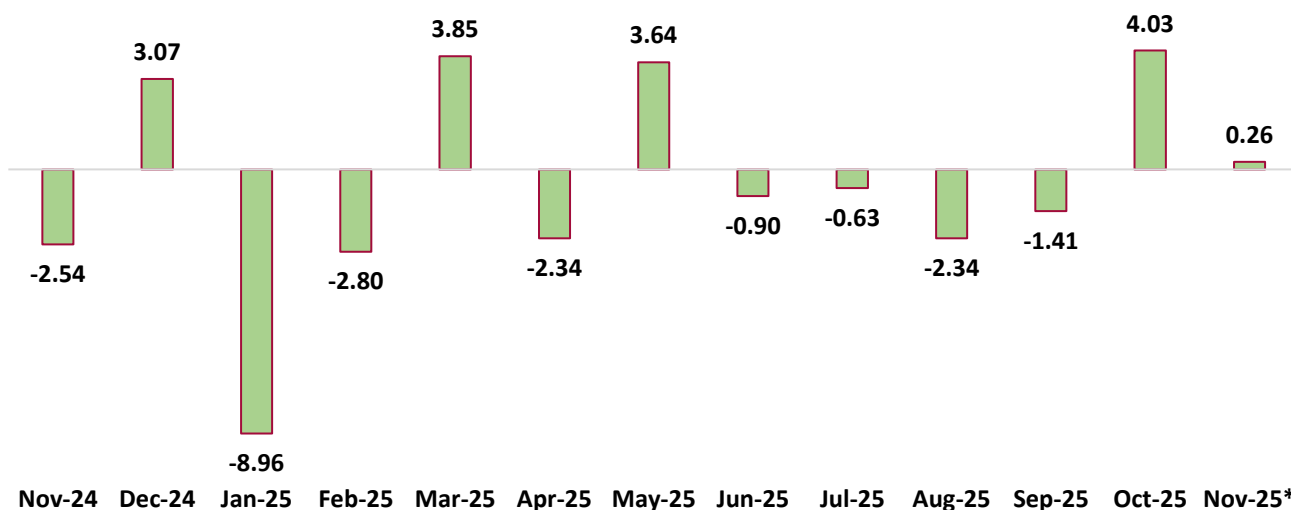
FOREIGN INVESTMENTS

Net Foreign Direct Investment (USD Billion)



In September 2025, \$9 billion of direct investment exited India, while \$6.6 billion entered during the same month. This resulted in a net FDI outflow of \$2.4 billion for September 2025. These figures represent direct investment in assets, not portfolio investments like company shares. The negative net FDI highlights a period of increased repatriation and cautious investor sentiment.

Net Foreign Portfolio Investment (USD Billion)



*upto 24th Nov 2025

As of November 2025, India's net foreign portfolio investment (FPI) position reflected continued volatility, with monthly net FPI flows showing significant fluctuations throughout the year. Net inflow falling from USD 4.03 billion in October 2025 to USD 2.09 billion by 24th November 2025.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	01.11.24	21.03.25	17.10.25	31.10.25	YoY Growth (%)	YTD Growth (%)	Fortnightly Growth (%)
Deposits	220.28	225.81	238.83	241.74	9.74%	7.06%	1.22%
Advances	174.20	182.44	192.12	193.90	11.31%	6.28%	0.93%
Business	394.47	408.25	430.96	435.64	10.44%	6.71%	1.09%

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

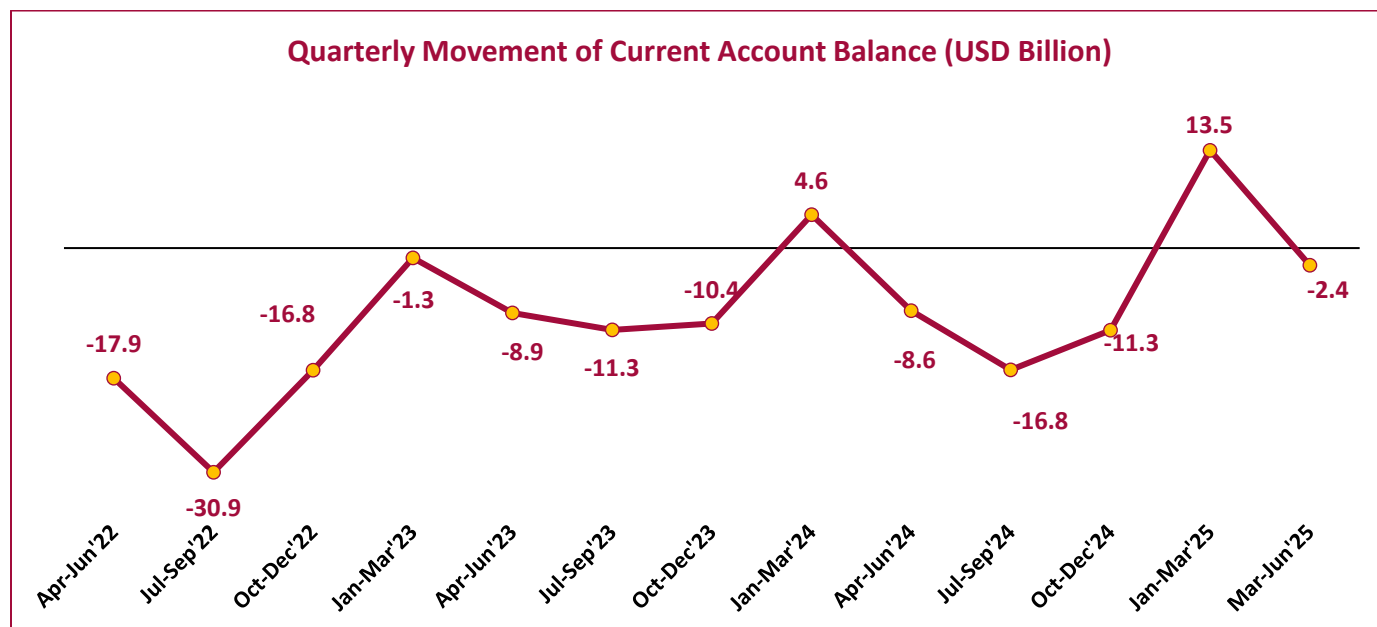
Parameter* (Rs. Lakh Crore)	Sep-24	Mar-25	Aug-25	Sep-25
Total Non-food	171.1	182.1	185.9	188.6
Agriculture and allied activities	21.7	22.9	23.2	23.6
Industry	38.0	39.4	40.0	40.8
<i>Of which</i>				
Micro & small	7.5	7.9	9.0	9.2
Medium	3.3	3.6	3.7	3.8
Large	27.2	27.8	27.4	27.8
Personal loans	56.0	59.5	62.1	62.5
<i>Of which</i>				
Housing (Including priority sector housing)	28.5	30.1	31.1	31.3
Credit card outstanding	2.7	2.8	2.9	2.8
Education	1.3	1.4	1.4	1.5
Vehicle loans	6.0	6.2	6.5	6.5
Services	47.4	51.6	51.4	52.2
<i>Of which</i>				
Computer software	0.3	0.3	0.4	0.4
Tourism, hotels & restaurants	0.8	0.8	0.9	0.9
Shipping	0.1	0.1	0.1	0.1
Aviation	0.4	0.5	0.5	0.5
Retail trade	5.1	5.4	5.5	5.6
Commercial real estate	5.0	5.3	5.6	5.7

*Figures include the impact of HDFC merger; based on LRF data

On a year-on-year (y-o-y) basis, non-food bank credit grew by 10.2% in Sep'25 as compared to 13.0% in Sep'24. Credit to agriculture and allied activities registered a y-o-y growth of 9.0 per cent in Sep'25 as compared to 16.4 per cent in Sep'2024. Credit to industry recorded a y-o-y growth of 7.3 per cent in Sep'25 as compared with 8.9 per cent in Sep'24. Credit to 'Micro and Small' and 'Medium' industries continued to grow in double-digits. The credit-to-service sector registered a growth rate of 10.2 per cent y-o-y in Sep'25 as compared to 13.7 per cent in Sep'24.

12. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



In Q1FY26, India's current account balance recorded a deficit of US\$ 2.4 billion, which is 0.2% of GDP. This is a significant improvement compared to the deficit of US\$ 8.6 billion (0.9% of GDP) in Q1FY25. However, it contrasts with the surplus of US\$ 13.5 billion (1.3% of GDP) recorded in Q4FY25. The current account deficit represents the gap between the value of a country's exports and imports of goods and services. It serves as a crucial indicator of the country's external sector.

13. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.50%	Jan 24, 2025 (25bps)	Dec 19, 2025
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	Dec 18, 2025
Federal Reserve	U.S.A	4.00%	Oct 29, 2025 (-25bp)	Dec 10, 2025
Bank of England	U.K	4.00%	Aug 07, 2025 (-25bp)	Dec 18, 2025
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	5.50%	Jun 06, 2025 (-50bps)	Dec 05, 2025

14. MACRO ECONOMIC INDICATOR OUTLOOK

Liquidity Scenario

- Net banking system liquidity, measured by the average daily net position under the LAF, stayed in surplus in Nov'25 (₹1.88 trillion, Nov 1–24). This follows the RBI's ongoing efforts to manage liquidity, including the 100 bps of phased reductions to the CRR announced in Jun'25 (75 bps completed, 25 bps to come into effect by November end).
- Temporary rises in government cash balances and festival-driven currency demand, however, caused brief liquidity deficits in late October.
- To ease this liquidity tightness, the Reserve Bank held 11 Variable Rate Repo (VRR) auctions (overnight to 7-day maturities) in Nov'25. As conditions improved, a 3-day Variable Rate Reverse Repo (VRRR) was conducted on 14th Nov. Average SDF balances stayed slightly higher, while banks' use of the MSF remained unchanged from last month.
- Thereby the comfortable liquidity scenario, reinforced by the CRR cuts, has aided the transmission of policy rate actions to short-term market rates. However, the RBI remains watchful of market developments and external headwinds.

Interest Rate Scenario

- The yield on the benchmark 10-year G-sec has remained range-bound, trading near the 6.5% mark in Nov'25, slightly higher in mid-November but easing in the last week of the month after recent remarks from the RBI Governor suggesting there is a room for a potential Repo rate cut, based on benign inflation data.
- This move, aimed at stimulating growth, would bring the repo rate to 5.25%. Beyond December, the outlook for 2026 remains data-dependent, with future decisions hinging on the stability of domestic inflation, the government's fiscal stance, and external factors like global trade tensions and the US Fed's actions.

10 Year G-Sec/Treasury/Bond Yield of Major Countries (24.11.2025)

COUNTRY	Yield (%)
United States	4.04
United Kingdom	4.53
Japan	1.67
China	1.78
India	6.52

Source: Investing

- Amidst surplus liquidity, the WACR remained broadly aligned and unchanged (~5.5%) with the policy repo rate in Nov'25, despite some temporary liquidity squeezes in the late Oct'25.
- It reflects RBI's effective liquidity management to ensure smooth transmission of policy actions with recent step of discontinuing 14-day VRR and VRRR operations in favor of more frequent, shorter-term auctions. This shift, seen in recent VRR auctions, aims to fine-tune day-to-day liquidity with greater precision.

15. INDUSTRY OUTLOOK

FOOD PROCESSING SECTOR IN INDIA

Food processing encompasses the transformation of raw ingredients into edible food products through methods like cleaning, cooking, preserving, and packaging. It includes everything from basic operations such as sorting and milling to more complex manufacturing, ultimately making food safer, more convenient, and longer lasting for consumers. The food processing industry in India stands as one of the largest and fastest-growing sectors in the country's economy.

As of 2025, the sector accounts for approximately 32% of the nation's total food market and contributes nearly 8.8% to the Gross Value Added (GVA) in manufacturing and 8.4% to Agriculture. The industry encompasses a diverse array of sub-sectors, including fruits and vegetables, dairy, meat and poultry, fisheries, grain processing, and beverages, reflecting the rich agricultural base and varied consumer preferences across the country.

According to recent government and industry estimates, the Indian food processing industry was valued at around \$600 billion in 2024. The sector has witnessed a robust compound annual growth rate (CAGR) of about 11% over the last five years. This impressive growth is fuelled by rising disposable incomes, urbanization, changing consumption patterns, and increased demand for convenient and packaged foods. Additionally, India's vast agricultural output provides a steady supply of raw materials, making it a favourable destination for both domestic and foreign investments.

The government of India has played a pivotal role in driving the industry's expansion through initiatives such as the Pradhan Mantri Kisan SAMPADA Yojana and the establishment of Mega Food Parks. These policies aim to reduce post-harvest losses, improve infrastructure, and encourage private sector participation. In 2024 alone, the sector attracted foreign direct investment (FDI) inflows exceeding \$1.5 billion, underscoring growing global confidence in India's food processing capabilities. Looking ahead, the food processing industry in India is expected to maintain its upward trajectory. Projections indicate that the sector could reach a value of \$800 billion by 2028, with an anticipated CAGR of 10-12%. Key growth drivers include the expanding organized retail sector, advancements in cold chain logistics, and increasing health consciousness among consumers, which is spurring demand for value-added and fortified food products. The government's continued focus on infrastructure development, ease of doing business, and export promotion is likely to further accelerate growth and position India as a global hub for food processing.

Challenges remain, such as the need for better supply chain management, improved quality standards, and greater technological adoption. However, with sustained policy support and innovation, the sector is poised to play a vital role in ensuring food security, generating employment, and boosting agricultural incomes in the years to come.

Chhavi Sachdeva
Senior Manager (Economics)
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16. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department of Commerce, DGFT*
- *Press Information Bureau*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *Press Articles*
- *CMIE*

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QUOTE OF THE MONTH

*“A book is a garden, an orchard, a storehouse,
a party, a company by the way, a counselor, a
multitude of counselors.”*

— Charles Baudelaire

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