

# **PNB** **ECOLENS**

**MONTHLY BULLETIN**  
पीएनबी इकोलेन्स मासिक बुलेटिन

**December 2025**  
दिसंबर 2025



**Published by:**

*Punjab National Bank*

*Strategic Management & Economic Advisory Division (SMEAD)*

*Corporate Office, Plot No. 4, Sector 10,*

*Dwarka, New Delhi-110075*

**निम्न द्वारा प्रकाशित:**

पंजाब नेशनल बैंक

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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# CONTENTS

<u>SL. No.</u>	<u>Subject</u>	<u>Page Nos.</u>
1	<b>EDITORIAL : FROM MILESTONES TO MOMENTUM: INDIA'S ECONOMIC JOURNEY—2025 REFLECTIONS AND 2026 ASPIRATIONS</b>	<b>4-5</b>
2	<b>SILVER'S SURGE: KEY DRIVERS OF THE PRICE BOOM</b>	<b>6-7</b>
3	<b>MORE THAN A NUMBER: INTERPRETING THE RUPEE'S DEPRECIATION</b>	<b>8-9</b>
4	<b>CLASSROOM : BOND YIELD MOVEMENTS</b>	<b>10</b>
5	<b>GIST OF RBI CIRCULARS</b>	<b>11-12</b>
6	<b>ESG UPDATE</b>	<b>13-15</b>
7	<b>CLIMATE NEWS</b>	<b>16-17</b>
8	<b>ANALYSIS OF INDIA'S GDP FOR Q2 FY26 &amp; H1 FY26 AND ITS IMPACT ON BANKING SECTOR</b>	<b>18-22</b>
9	<b>DAILY ECONOMIC INDICATORS</b>	<b>23</b>
10	<b>MONTHLY &amp; FORTNIGHTLY ECONOMIC INDICATORS</b>	<b>24</b>
10.a	Consumer Price Index (CPI)	24
10.b	Wholesale Price Index (WPI)	25
10.c	Index of Industrial Production (IIP) & Core Sectors	26
10.d	Purchasing Managers' Index (PMI) & Other Leading Indicators	27
10.e	Foreign Exchange Reserves & Fiscal Deficit	28
10.f	Foreign Trade	29
10.g	Foreign Investments	30
10.h	Deposits and Credit of SCBs & Sectoral Deployment of Credit	31
11	<b>QUARTERLY ECONOMIC INDICATORS</b>	<b>32</b>
12	<b>GLOBAL INTEREST RATES</b>	<b>32</b>
13	<b>INDUSTRY OUTLOOK: REAL ESTATE</b>	<b>33-34</b>
14	<b>DATA SOURCES &amp; QUOTE OF THE MONTH</b>	<b>35</b>

# **FROM MILESTONES TO MOMENTUM: INDIA'S ECONOMIC JOURNEY—2025 REFLECTIONS AND 2026 ASPIRATIONS**

The year 2025 signalled a transformative era in the global economy, shaped by sweeping changes in trade dynamics. Amidst a backdrop of heightened US tariffs that disrupted established supply chains and moderated worldwide growth, India stood out as a beacon of resilience. Fuelled by robust domestic consumption, innovative banking digitisation, and the Reserve Bank of India's prudent oversight, India's economy exhibited the strength and adaptability of emerging markets.

The global economy in 2025 is likely to achieve the growth of 3.2 percent, stabilizing amid US tariffs and trade tensions. Unemployment remained low across most regions and inflation eased toward central bank targets. During 2025, the USA maintained the top spot with a GDP of \$30.51 trillion and a growth rate of 1.8%, despite US debt reaching 98% of GDP. Meanwhile, China's economy is expected to reach a GDP of \$19.23 in 2025, with growth of 4-5%.

During the year 2025, India has been able to accomplish a major landmark and surged to fourth largest economy at \$4.19 trillion in November 2025, overtaking Japan with projected growth of 6.2% by IMF, driven by infrastructure and domestic demand.

India's economy in 2025 marked a pivotal year of resilience and acceleration, achieving FY2025 GDP growth of 6.5% amid global moderation to 3.0-3.2%<sup>1</sup>, driven by robust domestic consumption, policy agility, and sectoral recoveries. This performance outpaced advanced economies at 1.5% and even China at 4.6%, with quarterly highlights including Q4 FY25 at 7.4%, Q1 FY26 at 7.8%, Q2 FY26 surging to 8.2%, reflecting festive demand, rural revival, and manufacturing rebound. IMF's November Article IV consultation commended low NPAs below 3%, fiscal deficit narrowing to 4.9% of GDP, and current account stability which has consolidated India's position on global economic landscape.

Throughout the year, the Central Banks executed coordinated easing, with global inflation expected to fall to 4.3% in 2025, enabling rate cuts while supporting employment. Organisation for Economic Co-operation and Development (OECD) noted resilient global GDP easing from 3.2% in 2025 to 2.9% in 2026, underscoring policy adaptability.

In India, policy rate softened by 125 bps to 5.25% in response to tamed inflation, injecting liquidity that spurred private capex by 12-15% and MSME credit growth to 18%, while maintaining financial stability through forward guidance. The RBI's October policy extended beyond mere accounting standards and capital requirements, introducing several measures to strengthen the financial system's robustness and empower banks to more effectively drive economic growth.

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<sup>1</sup> IMF World Economic Outlook October 2025

Union Budget 2025-26 announced the Direct Tax exemption up to Rs.12.0 Lakh along with GST rationalization on essentials, boosted the disposable incomes and added 0.6-0.7% to GDP via consumption growth. Apart from this, PLI schemes scaled manufacturing output by 16 % across electronics and autos. The change in the definition of MSMEs in the Union Budget is expected to improve efficiency, technological adoption, and employment generation.

In 2025, the National Industrial Corridor Development Programme, with an allocation of Rs.28,602 Crore across ten states, facilitated key mega-corridors such as Delhi-Mumbai. This combined with urbanization reaching 36%, contributed to the acceleration of the capital expenditure cycle. The integration of logistics through Gati Shakti resulted in efficiency. Services exports held at \$340 billion, cushioning trade deficits despite global tariffs, while forex reserves crossed \$700 billion adding to India's strong position.

PSBs also reflected the performance on the economic front as the profitability of banks enhanced significantly. Between FY2017-18 and FY2024-25, Return on Assets (RoA) increased from -0.22% to 1.37%, and Return on Equity (RoE) jumped from -2.74% to 14.09%. Digital lending via UPI and fintech disbursing Rs. 5 Lakh Crore to MSMEs, evolving supply chain finance. Reforms aligned with global trends thereby enhancing inclusion, NPAs falling to 2.5% and credit-deposit ratio stabilized at 78%.

Looking ahead to the year 2026, India is ambitiously targeting GDP growth in the range of 6.7-6.8%, with a multi-pronged strategy designed to reinforce its economic momentum and global positioning. Key priorities include forging comprehensive US-India trade agreements to mitigate the impact of ongoing international tariffs, accelerating green capital expenditure through sovereign wealth funds to boost sustainable infrastructure, and implementing progressive labour reforms aimed at generating 8-10 million new jobs annually. The blueprint for sustained growth focuses on ramping up private sector investments to constitute 35% of GDP, further formalising the MSME sector via enhanced credit guarantees, and promoting the export of digital public infrastructure solutions—areas where India has already demonstrated global leadership.

Although the Government has not laid down a specific target to raise Research and Development (R&D) expenditure but targeting at least 1.5% of GDP by 2029<sup>2</sup> towards the ambitious roadmap aiming to transform India into a \$7 trillion economy by 2030 and to achieve the vision of VIKSIT BHARAT with a \$30 trillion economy by 2047.

This comprehensive trajectory underscores India's pursuit of inclusive, technology-driven growth, ensuring its emergence as a global leader grounded in resilience, adaptability, and shared prosperity. The banking sector will play a pivotal role in enabling India to realise its aspiration of becoming a developed nation.

In the end, I would like to extend my greetings to all my readers a very happy and prosperous New Year 2026.

**Ajay Kumar Singh**  
**General Manager**

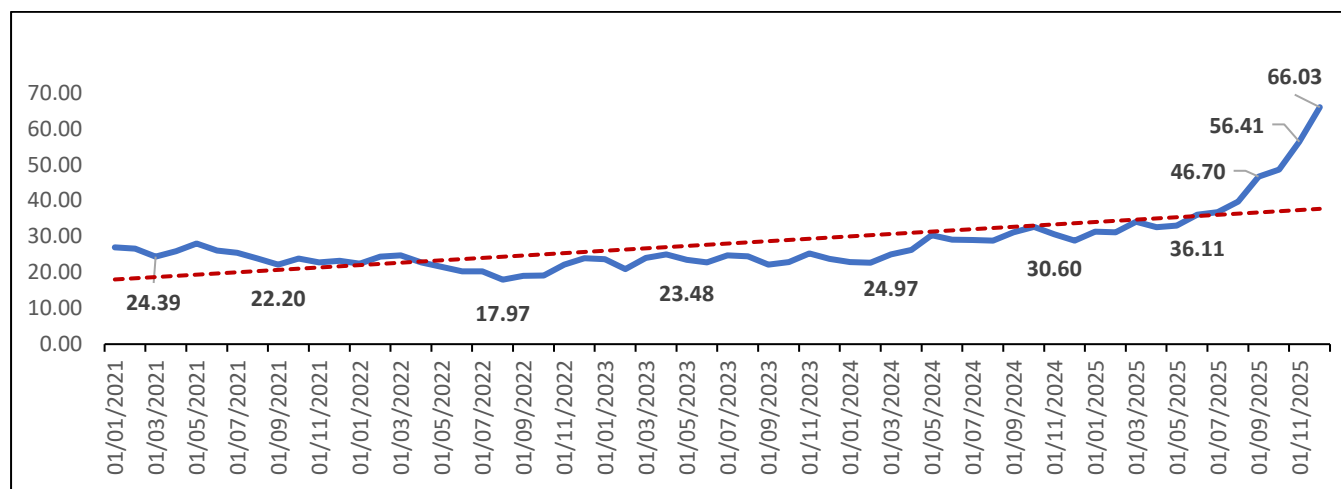
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<sup>2</sup> Press Information Bureau

## 2. SILVER'S SURGE: KEY DRIVERS OF THE PRICE BOOM

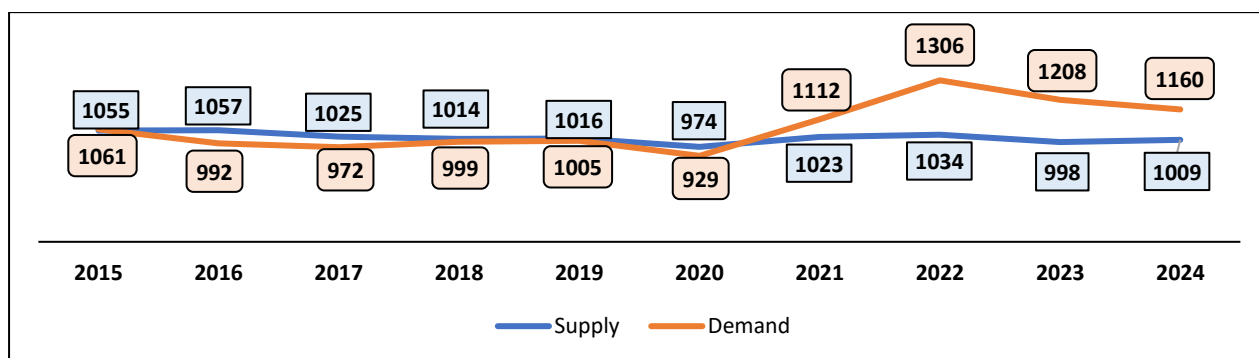
Silver is undergoing a fundamental transformation in global commodity markets, with 2025 emerging as a landmark year marked by prices surging to a record high of over US\$60 per ounce in December, significantly outperforming gold and major equity indices. This outperformance reflects a decisive shift in investor perception, as silver moves beyond its traditional status as a secondary precious metal to assume a dual role as both an industrial input and a monetary asset. Elevated geopolitical risks, trade policy uncertainty, and concerns over fiscal sustainability have prompted investors to increase their allocations to precious metals, with silver emerging as a preferred beneficiary in addition to its strong industrial demand.

**Fig 1: Silver Spot US Dollar (XAG/USD)**



In the near term, industrial demand for silver has moderated, primarily because manufacturers are increasingly reducing silver content per unit (“thrifting”) in response to higher prices. Despite this adjustment, the overall silver market continues to experience structural tightness. However, global supply has increased only marginally, constrained by limited new mine development and silver’s predominance as a by-product of base metal mining. Consequently, 2025 marks the fifth consecutive year of market deficits making prices increasingly sensitive to investment flows and macroeconomic shocks.

**Fig 2: Silver Supply vs Demand (in million ounces)**



### Drivers of Silver Demand

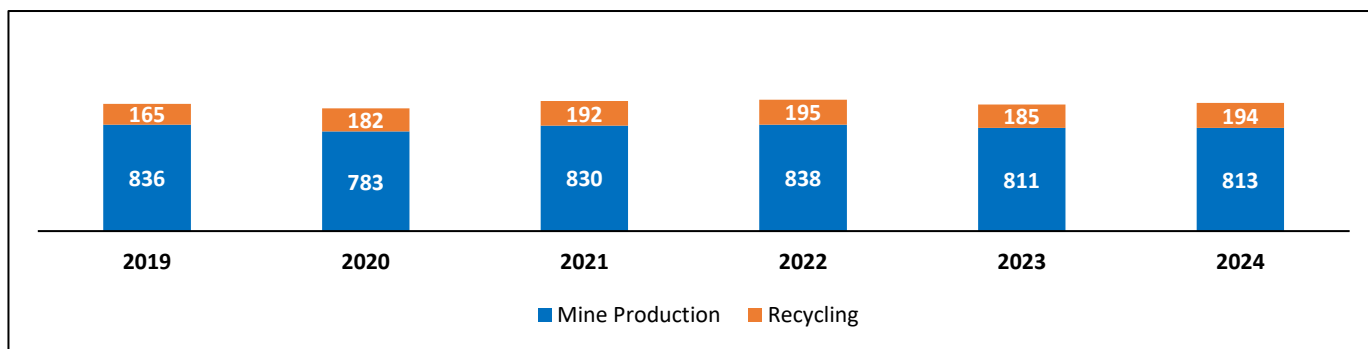
- Solar Photovoltaics** - Solar energy remains one of the most important long-term drivers of silver demand. Over the past decade, global installed solar PV capacity has expanded more than tenfold,



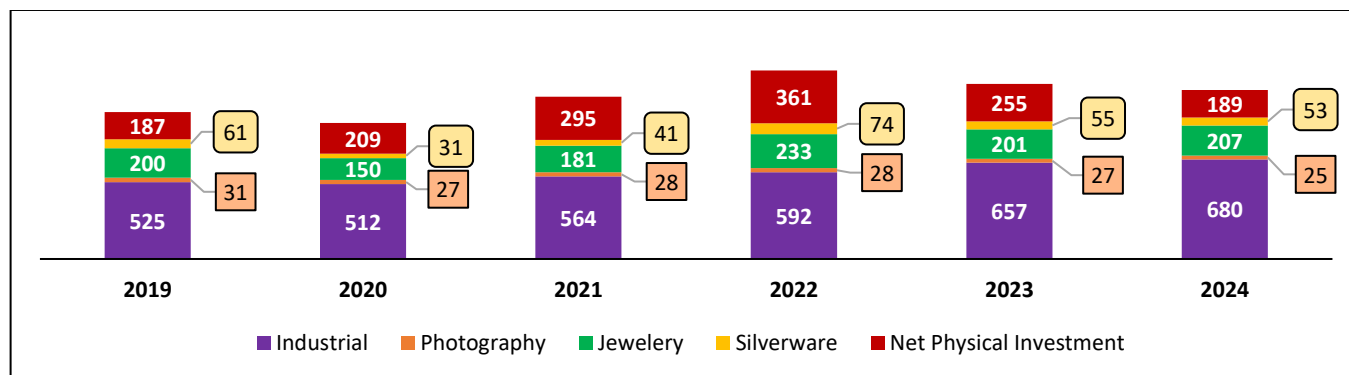
led by China, Europe, and the United States. Although silver demand from photovoltaics has grown only threefold—due to technological thrifiting that reduces silver usage per cell—the underlying demand base remains robust.

2. **Automotive Electrification and Charging Infrastructure** - Electric vehicles (EVs) require 67–79% more silver than traditional cars, mainly for advanced electronics and batteries. The parallel expansion of EV charging infrastructure—where silver is indispensable for high-conductivity, corrosion-resistant electrical contacts—adds another durable layer of demand.
3. **Data Centres and Artificial Intelligence** - The rapid rise of data centres and AI technologies is creating a new, robust demand for silver, valued for its superior conductivity in servers and semiconductors. As governments support digital infrastructure, silver use in this segment is set to grow steadily.

**Fig 3: Supply of Silver (in million ounces)**



**Fig 4: Demand of Silver (in million ounces)**



Investment demand has emerged as the decisive marginal driver shaping silver markets in 2025, with strong inflows into silver-backed exchange traded products (ETP), rising institutional participation, and regionally divergent but structurally significant retail investment. Strong investment flows into silver-backed exchange traded products, vigorous buying from India and several European regions, and ongoing investor enthusiasm in the face of global instability have further solidified silver’s position as both a vital industrial material and a store of monetary value. Coupled with structurally constrained supply and long-term demand from renewable energy, electric mobility, and digital infrastructure, these dynamics point to silver’s growing strategic importance in the coming years.

*Data Source: The Silver Institute*

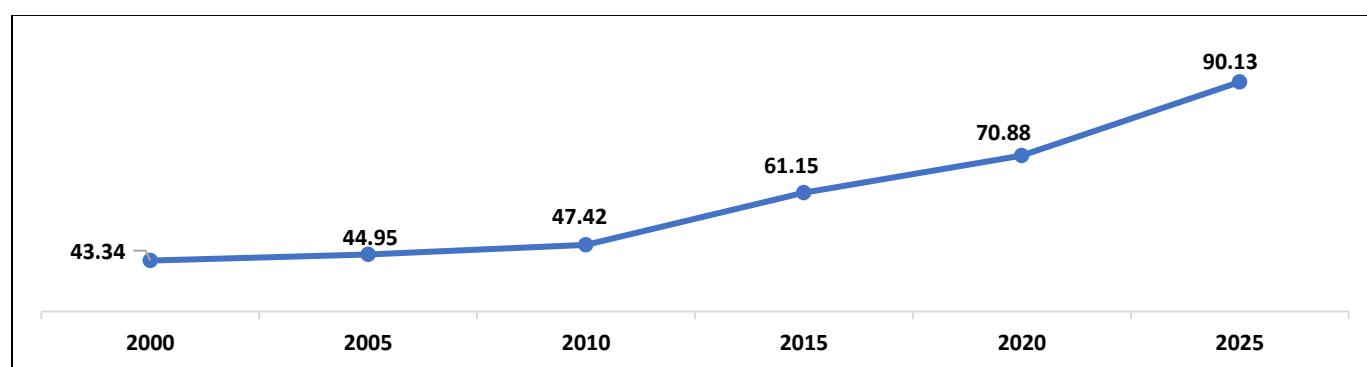
**Manse Wahi**  
**Manager (Economics)**  
**Head Office, SMEAD**

### 3. MORE THAN A NUMBER: INTERPRETING THE RUPEE'S DEPRECIATION

#### The Rupee's Long Arc: A Gradual, Uneven Adjustment

The Indian rupee's depreciation against the US dollar is not a sudden break but part of a long and uneven adjustment shaped by global monetary cycles, capital flows and the evolution of India's external balance. Over the past two decades, USD/INR has moved from the low-40s in the early 2000s to the mid-80s by the early 2020s. The rupee's slide below ₹90 per USD reflects more than a psychological threshold; it signals deeper global and domestic shifts. While the overall trend has been downward on account of interest rate differential, the pace of depreciation has been uneven, marked by long periods of stability punctuated by sharp corrections during episodes such as the Global Financial Crisis, the taper tantrum, the pandemic, and more recent capital outflow shocks.

Chart: Historical INR/USD Exchange rate



\*For 2025 RBI reference rate of 18<sup>th</sup> Dec has been used  
Source: CMIE

#### What Triggered the Recent Bout of Depreciation

The recent bout of rupee weakness has been driven primarily by foreign portfolio outflows, reflecting relatively stretched valuations in Indian markets, more attractive returns in other emerging markets, and uncertainty surrounding a prospective US trade deal expected in 2025. Depreciation by itself is not necessarily problematic. Concerns arise when movements are sharp or volatile, as such episodes tend to undermine confidence, raise hedging costs and dampen investment sentiment, offsetting any competitiveness gains.

#### Reading the Rupee Beyond Short-Term Dollar Movements

Unlike earlier episodes, the current pressure on the rupee has not coincided with a uniformly strong US dollar. Through much of 2025, the dollar weakened against major currencies such as the euro and the yen, while several Asian currencies strengthened. Against this backdrop, the rupee's underperformance appears more pronounced. However, a medium-term perspective tempers this view. Viewed over a three-year horizon, the rupee's depreciation against the dollar has tracked closely with trends in some of the major global currencies with Rupee being among the most stable Asian currencies, particularly in 2023 and 2024.



## **Fundamentals Versus Financial Flows**

What stands out in the current phase is not just the level of the exchange rate but the persistence of pressure. This has occurred despite relatively strong macro fundamentals — robust growth (~8.2% in Q2 FY26), comfortable foreign exchange reserves (~11 months of import cover), and a manageable current account deficit (~0.8% of GDP in H1 FY26). This divergence highlights a key feature of today's financialised global economy: exchange rates are often driven as much by global capital movements and portfolio decisions as by domestic fundamentals.

## **Trade Structure and the Dollar Demand Channel**

Trade dynamics have added to the pressure. India's merchandise trade deficit remains structurally large (USD 24.53 billion in Nov'25), reflecting dependence on imported energy, electronics and capital goods. Elevated crude oil prices directly increase dollar demand due to India's high import intensity. While services exports and remittances provide a steady offset and help prevent a disorderly widening of the current account, they have not fully countered short-term pressures from capital outflows and import demand.

## **Costs and Offsets of a Weaker Rupee**

The effects of a weaker rupee are mixed. On the downside, depreciation raises imported inflation risks, particularly for fuel and fertilisers, and increases the rupee cost of servicing external commercial borrowings for unhedged corporates, complicating monetary policy trade-offs. At the same time, India has experienced relatively low inflation over the past year — even lower than many advanced economies — limiting immediate pass-through effects. A weaker rupee can also partially cushion the impact of higher US tariffs by improving export competitiveness, as reflected in the 22.61% year-on-year rise in exports to the US in Nov'25.

## **Policy Response: Managing Volatility, Not the Level**

Policy has focused less on defending a specific exchange rate level and more on containing disorderly movements. The RBI has used its foreign exchange reserves to smooth volatility, even as the share of foreign currency assets declined from 93.1% in June 2021 to 81.0% in December 2025, alongside a rise in the share of gold. Rather than relying heavily on spot market intervention, which can strain liquidity, the RBI has increasingly used the forward market to manage near-term pressures. Net forward dollar sales stood at USD 59.41 billion as of September 2025. Swap auctions and liquidity operations have helped prevent currency pressures from spilling over into domestic financial conditions. On the fiscal and structural side, the government's emphasis on boosting exports, diversifying supply chains, and reducing logistics costs addresses the deeper, medium-term determinants of currency stability.

## **Conclusion: From Resistance to Resilience**

The rupee's depreciation should be viewed neither as a sign of imminent crisis nor as an outcome policy can — or should — fully prevent. Exchange rates are prices that reflect underlying economic forces. The appropriate policy goal is resilience rather than resistance: orderly movements, anchored inflation expectations and contained external vulnerabilities. Over the medium term, gains in productivity, export competitiveness and domestic capital depth will matter far more for the rupee's trajectory than any single episode of intervention.

**Shubham Kumar Singh**

**Officer (Economics)**

**Head Office, SMEAD**

## 4. CLASSROOM : BOND YIELD MOVEMENTS

A common assumption in financial markets is that when central banks cut policy interest rates, bond yields should also fall. However, recent market behaviour has challenged this notion, with long-term bond yields remaining elevated or even rising despite rate cuts. This apparent contradiction can be resolved by understanding how bond yields are determined and what factors influence them beyond policy rates.

**More than just the Policy Rate**, Central bank policy rates directly influence short-term interest rates in the economy. Bond yields, particularly on medium and long-term government securities (G-Secs), reflect expectations over the entire maturity period of the bond. These expectations include prospective changes in monetary policy, upcoming interest rate cycle, future inflation, growth prospects, fiscal conditions, and perceived risks (both domestic and global). As a result, bond yields may not always move in tandem with policy rate changes.

**Inflation expectations and term premium**, even when current inflation moderates (like in case of India right now), investors focus on future inflation risks. Persistent concerns around food prices, energy costs, or supply-side disruptions can keep inflation expectations elevated. Additionally, investors demand a term premium as extra compensation for holding long-duration bonds under uncertainty. A rise in inflation uncertainty or policy (monetary or fiscal) ambiguity increases this premium, pushing yields higher despite rate cuts.

**Government borrowing and market supply** play a crucial role in bond markets. Large fiscal deficits translate into higher issuance of government securities. When supply increases significantly, yields tend to rise unless demand expands proportionately. In such scenarios, bond markets may react more to fiscal sustainability concerns than to monetary easing, especially when public debt levels remain elevated.

**Global interest rates and capital flows**, the domestic bond yields are also influenced by global financial conditions. If yields in advanced economies remain high due to delayed monetary easing (unlike currently where major central banks are cutting interest rates except Japan) or sticky inflation, emerging market bonds face pressure. Narrowing interest rate differentials can reduce foreign portfolio inflows, forcing domestic yields to adjust upwards to remain attractive to investors.

**Stronger growth expectations** can also lead to higher yields or vice versa. If rate cuts are perceived as supportive of growth rather than a response to economic weakness, markets may anticipate higher future borrowing and inflation, resulting in upward pressure on yields.

Therefore, the bond yields are **shaped by a combination** of inflation expectations, fiscal dynamics, global spillovers, and investor sentiment not policy rates alone. Therefore, rising yields amid rate cuts do not signal policy failure, but rather reflect the bond market's forward-looking assessment of broader macroeconomic conditions.

In the **Indian context**, these dynamics are particularly relevant given large government borrowing requirements to finance fiscal consolidation or capital expenditure that increases supply side pressure. At the same time, global yield movements especially US Treasury influence foreign portfolio flows, affecting demand for Indian bonds. Inflation expectations, while largely anchored, remain sensitive to food prices and global commodity volatility, contributing to a higher term premium. Together, these factors explain why bond yields in India may not always mirror changes in the policy rate.

**Kartik Khandelwal**  
**Officer (Economics)**  
**SMEAD, Head Office**

## **5. GIST OF RBI CIRCULARS**

<b>Date of the circular</b>	<b>Dec 04, 2025</b>
<b>Ref No.</b>	<b>RBI/DOR/2025-26/110 DOR.FIN.REC.No.317/20.16.056/2025-26</b>
<b>Subject</b>	<b>Reserve Bank of India (Commercial Banks – Credit Information Reporting) Amendment Directions, 2025</b>

The RBI has amended its Credit Information Reporting Directions, 2025 to strengthen the credit reporting system. With effect from July 1, 2026, banks must update credit information more frequently—on the 9th, 16th, 23rd, and last day of each month. Full data files covering all active and closed accounts must be submitted monthly, while interim submissions will include only new, closed, or updated accounts, as well as overdue loans. Banks are also required to report borrowers' Central KYC (CKYC) numbers wherever available. Any data rejected by Credit Information Companies (CICs) must be corrected and resubmitted promptly. CICs will monitor compliance and report delays to RBI through the DAKSH portal on a half-yearly basis.

<b>Date of the circular</b>	<b>Dec 04, 2025</b>
<b>Ref No.</b>	<b>RBI/2025-26/124 DOR.CRE.REC.334/07-01-001/2025-26</b>
<b>Subject</b>	<b>Reserve Bank of India (Commercial Banks - Credit Facilities) Amendment Directions, 2025</b>

The RBI has revised its Credit Facilities Directions, 2025 to update rules on Gold Metal Loans (GML). Effective April 1, 2026, banks can extend GML either through imported gold (repayable in cash) or under the Gold Monetization Scheme (repayable in cash or gold). Eligible borrowers include jewellers and MMTC Ltd. for minting India Gold Coins. Banks must frame clear lending and risk policies, set exposure limits, and value loans daily based on international gold prices. Repayment terms will align with the jeweller's working capital cycle, capped at 270 days, with exporters governed by Foreign Trade Policy. Interest rates will be decided by banks, and repayment in physical gold under GMS-linked loans will be allowed under strict conditions. Banks must also report GML data quarterly to RBI.

<b>Date of the circular</b>	<b>Dec 11, 2025</b>
<b>Ref No.</b>	<b>RBI/2025-26/148 DOR.RET.REC.354/12.01.001/2025-26</b>
<b>Subject</b>	<b>Reserve Bank of India (Commercial Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Amendment Directions, 2025</b>

The Banking Laws (Amendment) Act, 2025 has revised the definition of ‘Fortnight’ for CRR and SLR maintenance to two periods per month, effective December 15, 2025. All references to ‘Friday’ in reporting are replaced with ‘day’ or ‘last day of the fortnight’. Banks must submit single electronic Form A (fortnightly) and Form VIII (monthly) returns on the CIMS portal, using digital signatures. During the transition (Dec 13–15, 2025), CRR/SLR maintenance is based on NDTL as of Nov 28, 2025, with 100% CRR required. Maintenance for Dec 16–31, 2025 and Jan 1–15, 2026 is based on NDTL as of Nov 28 and Dec 15, respectively; from Jan 16, 2026, as per the new schedule. Other reporting and terminology changes are specified for compliance. Banks must ensure IT law compliance and no paper returns are accepted.

<b>Date of the circular</b>	<b>Dec 11, 2025</b>
<b>Ref No.</b>	<b>RBI/2025-26/147 DOR.CRE.REC.353/07-02-006/2025-26</b>
<b>Subject</b>	<b>Reserve Bank of India (Commercial Banks – Credit Risk Management) – Amendment Directions, 2025</b>

The RBI has amended its Credit Risk Management Directions, effective April 1, 2026. Banks may open current/OD accounts freely for borrowers with less than ₹10 crore exposure. For exposures of ₹10 crore or more, only banks with at least 10% share in total or fund-based exposure may open such accounts; others may maintain only collection accounts. Special rules apply if no bank meets the criteria, or only one bank has exposure. Exemptions exist for accounts under FEMA, regulator/government mandates, or regulated entities. Funds in collection accounts must be transferred to designated accounts within two working days. Banks must monitor compliance at least half-yearly and flag accounts in their systems. Accounts must only be used for authorized business, with robust monitoring to prevent misuse. Term loans should be credited directly to beneficiaries. Banks may implement these changes earlier if desired.

## 6. ESG UPDATE



*(Banking for People, Planet & Prosperity)*

### 1. COP30 Climate Conference held in Belem, Brazil-November 2025

- The COP30 Global Climate Action Agenda (GCAA) builds on a decade of work under the Marrakech Partnership. It coordinates voluntary climate action in response to the Global Stocktake and is organized around six thematic axes:
  - Transitioning energy, industry and transport;
  - Stewarding forests, oceans and biodiversity;
  - Transforming agriculture and food systems;
  - Building resilience for cities, infrastructure and water;
  - Fostering human and social development; and
  - Unleashing enablers and accelerators, including finance, technology and capacity-building.

### 2. GEO-7 Report: Planetary Health Investments Could Unlock \$20 Trillion by 2070

- The UN's GEO-7 report finds that investing in climate stability, biodiversity, clean land use, and pollution reduction could generate at least \$20 trillion in annual economic gains by 2070.
- Transforming five key systems — energy, food, materials, urban infrastructure, and chemicals — can boost global GDP, prevent millions of deaths, and lift hundreds of millions out of poverty.

### 3. India Launches Sujalam Bharat App to Transform Rural Water Governance

- The app creates a single digital platform that maps and monitors all rural drinking water schemes with real-time data on sources, pipelines, storage, and water quality.
- It improves transparency and community participation by giving villages open access to scheme performance through unique Sujalam Bharat–Sujal Gaon IDs.
- Developed with BISAG-N, it supports data-driven water governance and strengthens India's long-term Jal Jeevan Mission goals for reliable, sustainable rural water supply.

### 4. India Highlights Mission LiFE at UN Environment Assembly (UNEA-7)

- India emphasized Mission LiFE (Lifestyle for Environment) as a global movement promoting mindful consumption and people-centric climate action.
- India showcased major progress in clean energy, afforestation, river rejuvenation, and circular-economy reforms, aligning with the UNEA-7 theme of “Advancing Sustainable Solutions for a Resilient Planet”.

## **5. Clean Simhashta 2028 Plan to Earn Carbon Credits**

- Madhya Pradesh is designing India's first sustainability plan for a Kumbh-scale event, aiming to make Simhashta 2028 eligible for carbon credits through cleaner ghats, full plastic recycling, and improved river quality.
- Authorities are evaluating proposals from national and international firms for carbon accounting, waste management, and river purification, positioning Simhashta 2028 as a potential carbon-neutral mega religious gathering.

## **6. Malaysia Announces Major Renewable Energy Corridor in Johor**

- The World Bank Group's IFC, Johor's state investment arm PDT, and Ditrolic Energy are jointly developing the Southern Johor Renewable Energy Corridor (SJREC) — a US\$6 billion (RM25 billion) clean-energy zone.
- The corridor will host one of the world's largest solar-plus-storage complexes, including a 4 GW solar and 5.12 GWh battery system, designed to power Southeast Asia's growing energy needs.
- The project aims to position Johor as a regional renewable-energy hub, attract global investment, and accelerate Malaysia's transition toward large-scale clean-energy infrastructure.

## **7. India's Textile Industry Reaches High ZLD Water Stewardship**

- Nearly 74% of India's textile companies have adopted Zero Liquid Discharge (ZLD) systems by FY2025, marking a major shift toward stronger water stewardship in one of the country's most water-intensive sector. *(Source: ESG times)*
- The industry is improving resource efficiency and circularity, with wider adoption of water-recycling systems across yarn, fabric, and integrated textile units
- Despite progress in ZLD, the sector still faces challenges as waste-generation intensity has **increased**, highlighting the need for deeper sustainability reforms.

## **8. Machu Picchu Earns 3rd Carbon Neutral Certification**

- Machu Picchu renewed its Carbon Neutral Certification for the third consecutive year, achieving a 7.26% reduction in carbon footprint per tourist. *(Source: esgimes.in)*
- The destination increased carbon capture through ecological restoration and reforestation, strengthening its climate-positive tourism model
- This milestone reinforces Machu Picchu's position as a global benchmark for sustainable, science-based climate governance in tourism.

## **9. AI adoption accelerates in ESG & climate-risk analysis**

- The global AI in ESG and sustainability market is projected to grow from an estimated \$1.24 billion in 2024 to over \$14 billion by 2034, at a compound annual growth rate (CAGR) of over 28%. *(Source: Scoop.market.us)*
- Around 63% of companies are already using or planning to use AI for ESG-related data collection, analysis, and reporting.

## **10. Google Launches Energy Assessment Platform for Industrial Efficiency**

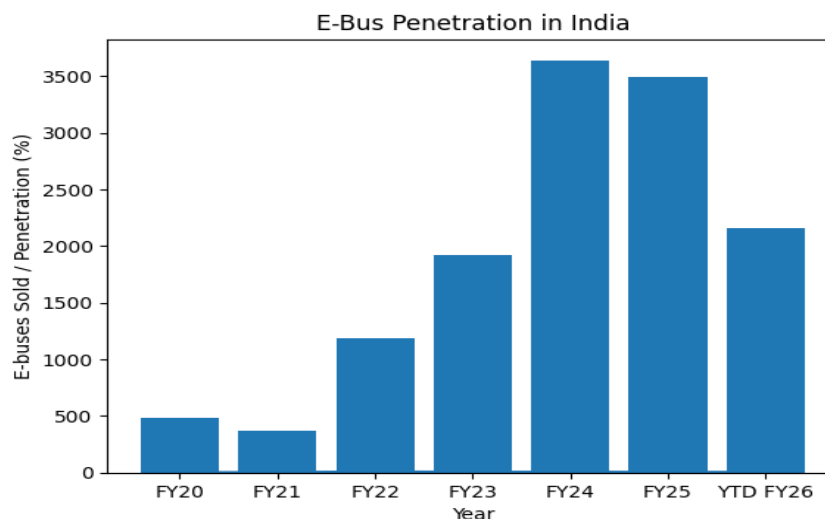
- Google introduced a free energy-assessment tool that gives manufacturers quick, audit-grade insights to cut energy use.
- It identifies high-impact efficiency opportunities across systems like motors, HVAC (Heating, Ventilation, and Air Conditioning) and compressed air.



- The platform helps companies' lower costs and emissions by making expert-level energy analysis accessible without consultants.

**ESG Brain Teaser-** Carbon removal via planting mangroves is called what broad type of solution?

**Smart Green Tip** - Turn food waste into compost for plants at home.



*Source: Autocar Professional*

The graph shows the trend of electric bus (e-bus) sales and their penetration in India from FY20 to FY26. E-bus sales have increased significantly over the years, reflecting growing adoption of electric mobility. Penetration rose sharply till FY22 and thereafter remained around 5–7 percent. Government policy support and incentives have played a key role in promoting electric buses. Lower operating and maintenance costs compared to diesel buses have further supported adoption. Electric buses help reduce fuel consumption and urban air pollution. The share of e-buses is expected to increase further in the coming years.

**Ask Yourself** - Have I reduced one plastic use this week?

**Ans. to ESG Brain Teaser:** Nature-based solution (Blue Carbon)

**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](mailto:esgcell@pnb.bank.in).

## 7. CLIMATE NEWS

### First of its kind R&D Roadmap to Enable Net Zero Targets through CCUS launched

The Department of Science & Technology (DST) has unveiled a comprehensive roadmap for Carbon Capture, Usage, and Storage (CCUS), aimed at accelerating India's transition to a low-carbon economy. This roadmap outlines a Three-Phased Research & Development Program to integrate CCUS technologies across industrial sectors. The first phase focuses on deploying current state-of-the-art CCUS solutions or their improved versions as End-of-Pipe (EP) solutions in existing emission-intensive industries. The second phase emphasizes embedding advanced CCUS technologies into new industrial plants through CCUS Compliant Design (CCD) principles. Finally, the third phase envisions futuristic approaches like photo-bioelectro-catalytic conversions, implementing CCUS in a One Pot (COP) strategy for next-generation low-emission manufacturing systems.

CCUS technologies are designed to mitigate carbon dioxide (CO<sub>2</sub>) emissions from large point sources such as power plants and heavy industries, while also enabling the removal of existing CO<sub>2</sub> from the atmosphere. Captured carbon can be stored in geological formations, deep-sea sediments, or seawater, ensuring long-term sequestration. These technologies are critical for decarbonizing hard-to-abate sectors like steel, cement, and chemicals, which pose significant challenges for emission reduction. Additionally, CCUS supports the production of low-carbon electricity and hydrogen, making it a cornerstone for sustainable energy systems.

Beyond emission reduction, CCUS offers innovative pathways for negative emissions through Bioenergy with Carbon Capture and Storage (BECCS) and Direct Air Carbon Capture and Storage (DACCS). BECCS leverages sustainably sourced biomass to achieve net CO<sub>2</sub> removal, while DACCS captures CO<sub>2</sub> directly from the atmosphere, complementing global efforts to reverse climate change. By integrating these technologies into India's industrial and energy landscape, the DST roadmap positions CCUS as a pivotal enabler for achieving carbon neutrality targets and fostering a resilient, low-emission economy. ([www.pib.gov.in](http://www.pib.gov.in))

### Korean Researchers Boost Back-Contact Perovskite Solar Cell Performance

South Korean scientists have unveiled a breakthrough in back-contact perovskite solar cell design, a next-generation technology that positions electrical contacts at the rear of the device to maximize light absorption. This architecture eliminates shading from front-side electrodes, improving energy conversion compared to conventional solar cells. However, longer charge-transport pathways in back-contact designs often lead to interfacial defects and efficiency losses, posing a challenge for commercialization.

To overcome these limitations, a research team led by Associate Professor Min Kim of the University of Seoul and doctoral researcher Dohun Baek of Jeonbuk National University developed a novel bilayer tin oxide (SnO<sub>2</sub>) electron transport layer using a simple spin-coating process. The bilayer combines a nanoparticle-based SnO<sub>2</sub> layer with a sol-gel SnO<sub>2</sub> layer, enhancing interfacial contact and energy alignment while suppressing charge recombination. This innovation significantly improves charge extraction and reduces losses at the interface, resulting in superior device performance.

In comparative tests, the bilayer SnO<sub>2</sub> design achieved the highest power conversion efficiency at 4.52% and delivered an average photocurrent of 33.67 picoampere, outperforming devices using single-layer

SnO<sub>2</sub> structures. The improved stability and efficiency mark a major step toward practical deployment of back-contact perovskite solar cells, particularly for flexible and large-area applications. The findings, published in the Journal of Power Sources, could accelerate the commercialization of this promising solar technology. ([Saurenergy.com](http://Saurenergy.com))

### **Esyasoft e-Mobility and Park+ to Deploy 10,000 EV Chargers Across India**

Esyasoft e-Mobility and Park+ have announced a strategic partnership to install 10,000 electric vehicle (EV) chargers across India over the next three years, backed by a ₹100 crore investment. The initiative aims to bridge India's growing EV infrastructure gap by integrating charging solutions into everyday environments such as residential societies, corporate campuses, and commercial properties. The rollout will begin in Bengaluru and expand to major metropolitan areas including Delhi NCR, Mumbai, Pune, Hyderabad, Chennai, and Kolkata.

The collaboration leverages Park+'s extensive presence across 7,500+ housing societies and 600+ corporate campuses, combined with Esyasoft's AI-driven charging technology platform. The system supports both AC and DC charging and offers advanced features like real-time charger visibility, cashless payments, predictive maintenance, and carbon savings analytics. This integration ensures a seamless, app-based charging experience for EV users while promoting smart energy management.

India currently faces a significant shortfall in EV charging infrastructure, with only about 29,000 chargers installed in the last five years against a projected need of 3.9 million by 2030. By deploying 10,000 chargers in high-footfall locations, Esyasoft and Park+ aim to accelerate EV adoption and support the country's clean mobility goals. The partnership represents a major step toward creating a reliable, accessible, and tech-enabled charging ecosystem for India's rapidly growing EV market. ([Saurenergy.com](http://Saurenergy.com))

### **Small Farms, Big Climate Gains: ICAR Study Highlights Agroforestry's Potential**

A nine-year study by the Indian Council of Agricultural Research (ICAR) has shown that agroforestry on small farms can deliver major climate benefits while improving rural livelihoods. Conducted in Odisha's Eastern Ghats, the research found that one-acre farms under agroforestry sequestered up to **154.5 megagrams (Mg) of CO<sub>2</sub> equivalent** over nine years, while farmers earned over ₹1.1 lakh annually from diversified income streams. Importantly, food crop yields remained stable, proving that climate action and food security can advance together.

The study, published in *Frontiers in Agronomy*, involved planting 12 locally suited tree species alongside crops and livestock across three villages. Fruit trees like mango and cashew emerged as top performers, combining strong carbon sequestration with economic returns. Farms on lower slopes recorded the highest carbon gains due to better moisture retention, while upper slopes showed lower sequestration because of erosion and runoff losses. Researchers also estimated potential carbon credit revenue of ₹2.56 lakh per acre over nine years, adding a new income opportunity for farmers.

With India targeting 2.5–3 billion tonnes of carbon sequestration under the Paris Agreement, scaling such agroforestry models could play a pivotal role in meeting national climate goals. The ICAR study demonstrates that even one-acre interventions can create powerful carbon sinks, improve soil health, and strengthen resilience against climate variability—offering a practical blueprint for sustainable rural development. ([downtoearth.org.in](http://downtoearth.org.in))

## **8. ANALYSIS OF INDIA'S GDP FOR Q2 FY26 & H1 FY26**

### **AND ITS IMPACT ON BANKING SECTOR**

The India's GDP and GVA growth numbers for Q2 FY26 & H1 FY26 were released by Ministry Of Statistics & Programme Implementation (MoSPI) on 28.11.2025.

The analysis is divided into following two sections: -

- Section A – Analysis of India's GDP for Q2 FY26 and H1 FY26
- Section B – Opportunities for the Banks

#### **Section A – Analysis of India's GDP for Q2 FY26 and H1 FY26**

##### **❖ Highlights**

- India's **Real Gross Domestic Product (GDP)** for Q2 FY26 grew by 8.2%, against the growth rate of 5.6% recorded in Q2 FY25. In Q1FY'26, Real GDP grew at 7.8%. Nominal GDP growth stood at 8.7%.
- **Real Gross Value Added (GVA)** grew by 8.1% while Nominal GVA grew at 8.7% in Q2 FY'26.
- **Agriculture Sector** grew 3.5% in Q2FY'26 as against 4.1% in Q2 FY25.
- Further, the **secondary sector** consisting of manufacturing and electricity industries recorded a growth of 8.1% against 4.0% in Q2 FY'25. Manufacturing Sector recorded the growth of 9.1% in Q2FY'26 as against growth 2.2% in Q2FY'25.
- The **tertiary sector** has shown the highest growth of 9.2% in Q2FY'26 against the growth of 4.0% in Q2FY'25.
- In tertiary sector highest growth was observed in Financial, Real Estate and Professional Services with 10.2% in Q2FY'26 against 6.1% in Corresponding period last year.

##### **❖ Components of GDP**

- **Growth in Private Final Consumption Expenditure**, which constitutes the highest share at 55.9% in GDP, grew by 7.9 per cent in Q2 FY26, higher than 6.4 per cent in Q2 FY25.
- **Government Final Consumption Expenditure** decreased by 2.7 per cent on YoY basis in Q2 FY26, marking a significant decline from 4.3 per cent in the same quarter of the previous year.
- **The growth in Gross Fixed Capital Formation**, which denotes investment in the economy, remained resilient at 7.3 per cent in Q2 FY26 higher than Q2 FY25 at 6.7 percent.
- **Exports growth** moderated to 5.6 per cent in Q2 FY26 from 6.3 per cent in Q1 FY26. It was expected due to the imposition of a 50 per cent US tariff on certain Indian goods, effective August

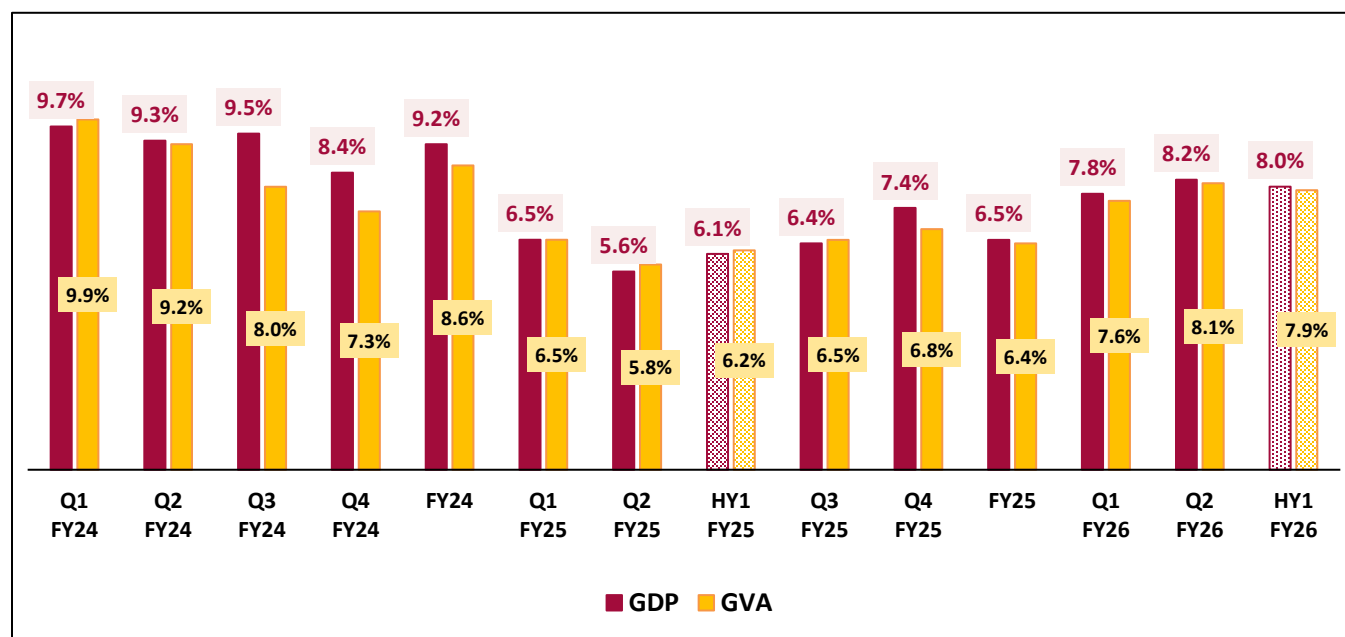
27, 2025. However, strong services exports helped sustain India's overall export growth, preventing a more significant downturn.

- **Discrepancies** rose to 3.3% of GDP in Q2 FY26 from 2.3% in Q1 FY26, as against -0.5% of GDP in Q2 FY25. This indicates that the Q2 GDP data might undergo significant revisions in the upcoming periods.

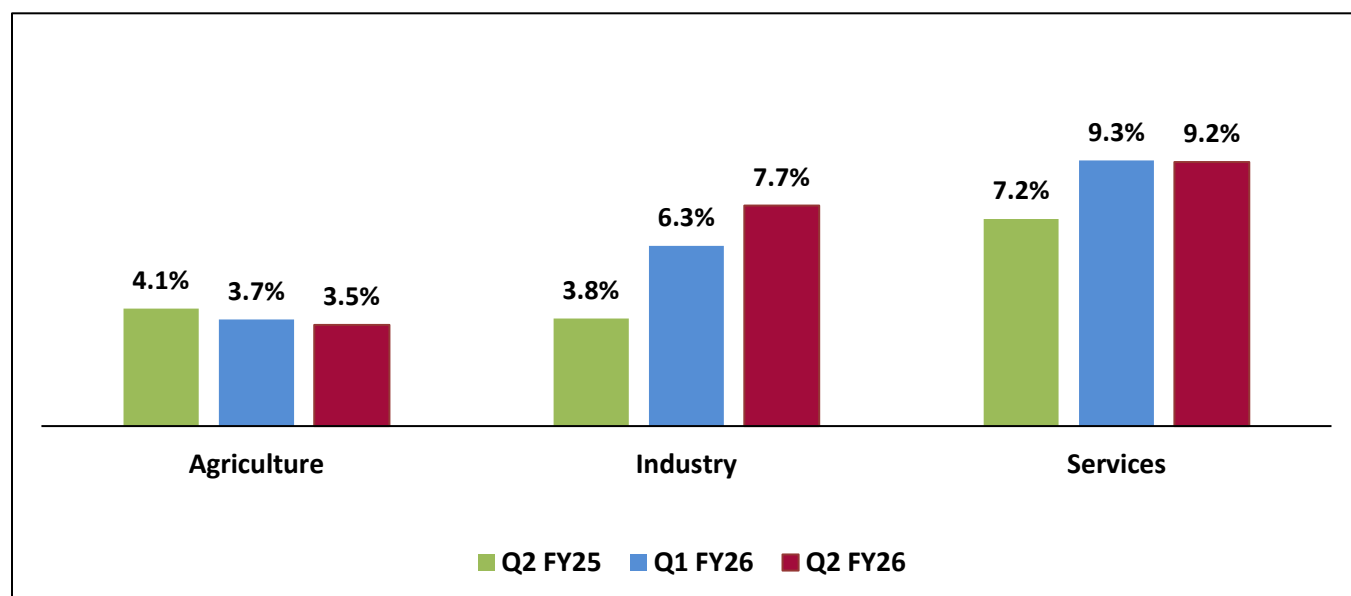
#### ❖ Components of GVA

- **India's agricultural GVA growth** moderated to 3.5 per cent in Q2 FY26, down from 3.7 per cent in Q1 FY26 and 4.1 per cent in Q2 FY25, following a consistent downward trend since Q4 FY25. The erratic and unevenly distributed monsoons during the crucial Kharif crop season impacted the growth.
- **The growth in the Industry Sector** doubled to 7.7 per cent in Q2 FY26, from 3.8 per cent in Q2 FY25.
- **The growth rate of Services sector** was broadly in line with the previous quarter as it grew by 9.2 per cent in Q2 FY26 compared to 9.3 per cent in the previous quarter. However, the growth was higher than the 7.2 per cent recorded in the same period last fiscal.

**Graph 1 – Real GDP and GVA growth YoY %**



**Graph 2 - Quarter-wise - GVA : Component-wise YoY Growth %**



### **Section B - Opportunities for Banking Sector**

#### **❖ Industry**

- GVA for industry rose to 7.7% on YoY basis in Q2 FY26 from 6.3% in Q1 FY26 and 3.8% during Q2 FY25.
- Incremental Credit to industry in Sep'25 on monthly basis stood at Rs.78,450 Cr., compared to average Rs.25,035 Cr. in the last 22 months. This indicates an increasing trend of lending opportunities to this sector.
- Within this segment, growth to micro and small enterprises has been robust at 22% YoY in Sep'25.

#### **➤ Opportunity for the Bank in MSME lending –**

- Scale up tailored MSME working-capital products (Over Draft, digital invoice financing, supply-chain finance) with automated underwriting using GST & e-invoice data.
- Expand outreach, partnerships with NBFCs / fintechs (co-lending opportunities) to capture last-mile MSMEs and facilitate working capital finance.

#### **❖ Private Consumption**

- Private consumption growth accelerated to a 3-quarter high of 7.9% in Q2 FY2026 from 7.0% in Q1, partly aided by a favorable base, GST rationalization, early festive onset and sustained rural demand.
- Retail volumes of domestic tractor and 2-wheeler sales have shown 13.7% and 52.0% YoY growth respectively.



- Total Kharif foodgrain output is estimated to rise by 2.3% YoY to a record-high of 173 MT as per the 1st AE for 2025-26.
- Further, Rabi sowing has shown a growth of 10% YoY aided by healthy reservoir levels and timely onset of monsoon.

#### ➤ **Opportunity for the Banks**

- For Banks all these conditions point towards rising rural incomes enabling strong rural demand. This opens opportunities in KCC limit enhancements (for input financing), short term crop loans, farm mechanization loans, tractor loans, loans under e-NWR etc.
- Rate cuts, GST rate rationalization and benign inflation have together led to an increase in disposable income of the urban consumer, thereby supporting urban demand.
- Average daily UPI transactions rose to Rs.880 billion/day in October 2025 from Rs.830 bn/day in Sep'25 and Rs.802 bn/day in Aug'25.
- Passenger car sales have been on an uptrend, registering an 8.5% YoY growth in Oct'25 compared to 6.8% in Sep'25.
- This presents an opportunity for Banks to scale retail lending portfolio.
- Banks can look at expanding small ticket personal loans to capitalize on consumption momentum. Scale auto-loans, boost credit card portfolio and BNPL (Buy Now Pay Later) products as digital transaction intensity increases and focus on extending housing loans.

#### ❖ **Construction**

- Construction GVA grew 7.2% YoY in Q2 FY26, reflecting rising spending on infrastructure.
- Central capex remained robust, rising 31% in Q2 FY26 following a strong 52% expansion in Q1. Aggregate State capex (top 19) also increased by 3.5% in Q2, after registering 31% growth in Q1. Typically, capex allocations translate into higher construction activity with a lag.
- IIP infrastructure and construction goods rose by 11.5% in Q2, higher than 6% in Q1.

#### ➤ **Opportunity for the Banks**

- This presents significant opportunities for banks to extend project finance and expand infrastructure lending. Finance roads, logistics parks, industrial parks, airport expansions etc.
- Increased opportunity for term loans, Engineering Procurement Construction (EPC) lending, bank guarantees for large-scale infrastructure projects.
- Banks can also focus on extending loans for green construction and renewable energy projects like building solar parks, EV manufacturing hubs etc.

Table1

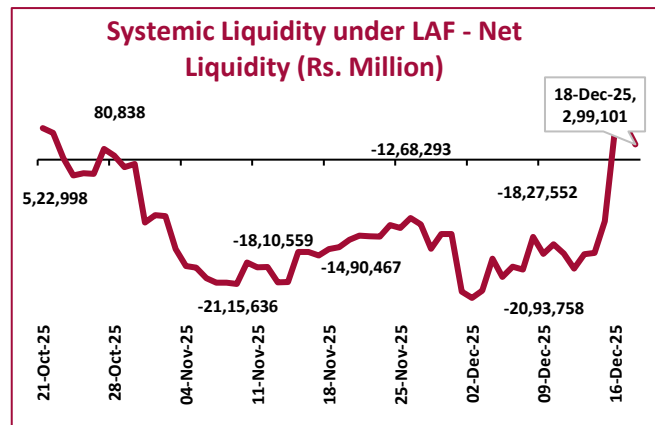
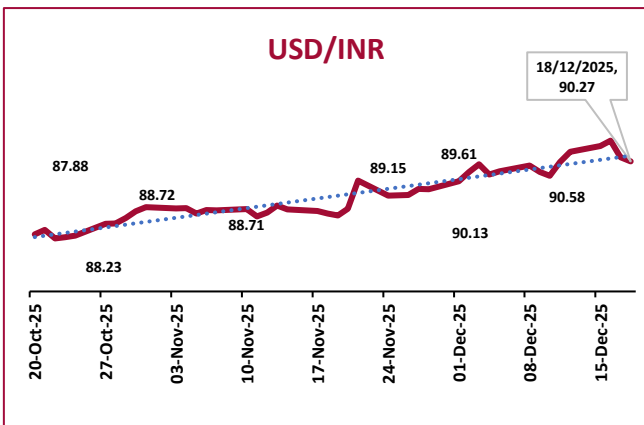
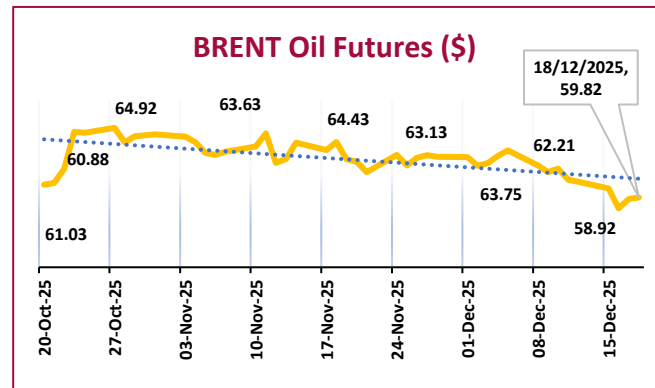
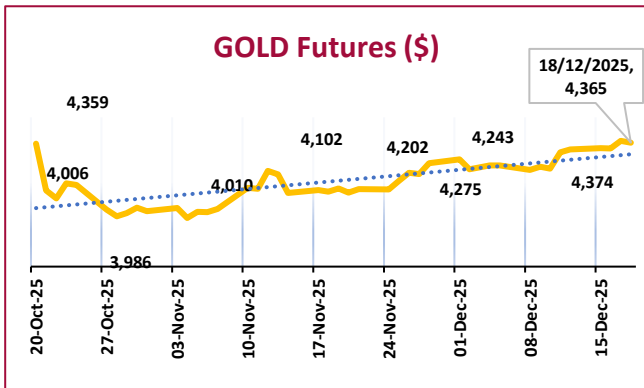
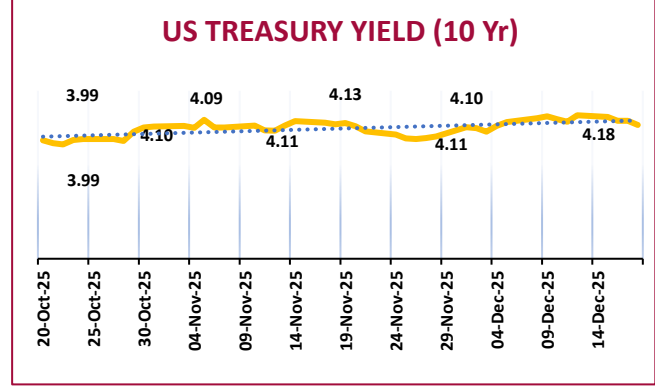
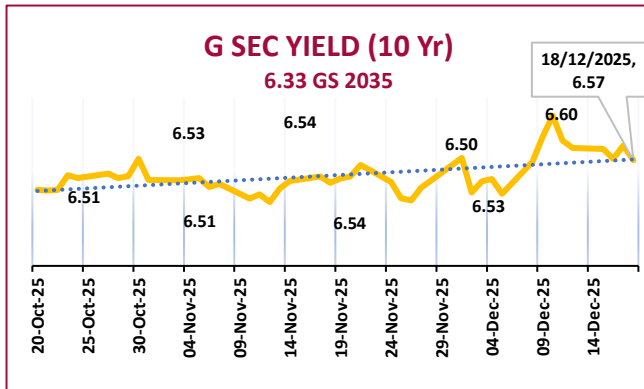
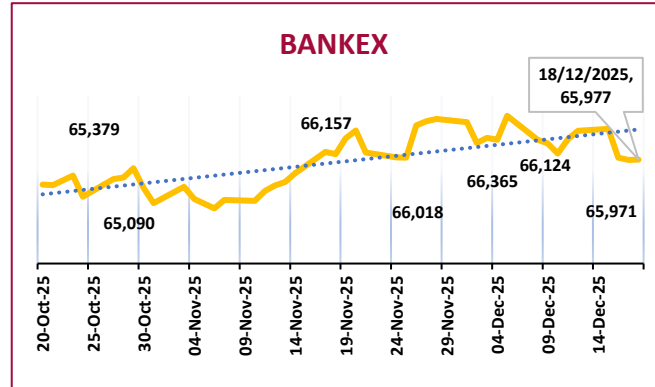
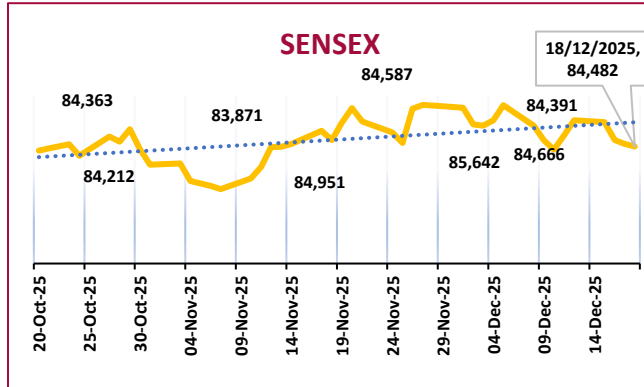
Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	Q2 2024-25	Q1 2025-26	Q2 2025-26
Private Final Consumption Expenditure (PFCE)	6.4%	7.0%	7.9%
Government Final Consumption Expenditure (GFCE)	4.3%	7.4%	-2.7%
Gross Fixed Capital Formation (GFCF)	6.7%	7.8%	7.3%
Change in Stocks	2.1%	5.9%	7.4%
Valuables	25.8%	-22.5%	-22.7%
Exports	3.0%	6.3%	5.6%
(Less) Imports	1.0%	10.9%	12.8%
Discrepancies	-0.5%	2.3%	3.3%
GDP	5.6%	7.8%	8.2%

Table 2

## Change of the Share of Major Components in GDP

Item		Share in GDP (%)		
		Q2 2024-25	Q1 2025-26	Q2 2025-26
A	Private Final Consumption Expenditure (PFCE)	56.0	56.7	55.9
B	Government Final Consumption Expenditure (GFCE)	9.0	9.4	8.1
C	Gross Fixed Capital Formation (GFCF)	34.7	34.6	34.4
D	Change in Stocks	1.7	1.7	1.7
E	Valuables	3.0	0.3	2.1
F	Exports	22.1	20.3	21.5
G	(Less) Imports	26.0	25.4	27.0
H	Discrepancies	-0.5	2.3	3.4
GDP (A+B+C+D+E+F-G+H)		100.0	100.0	100.0

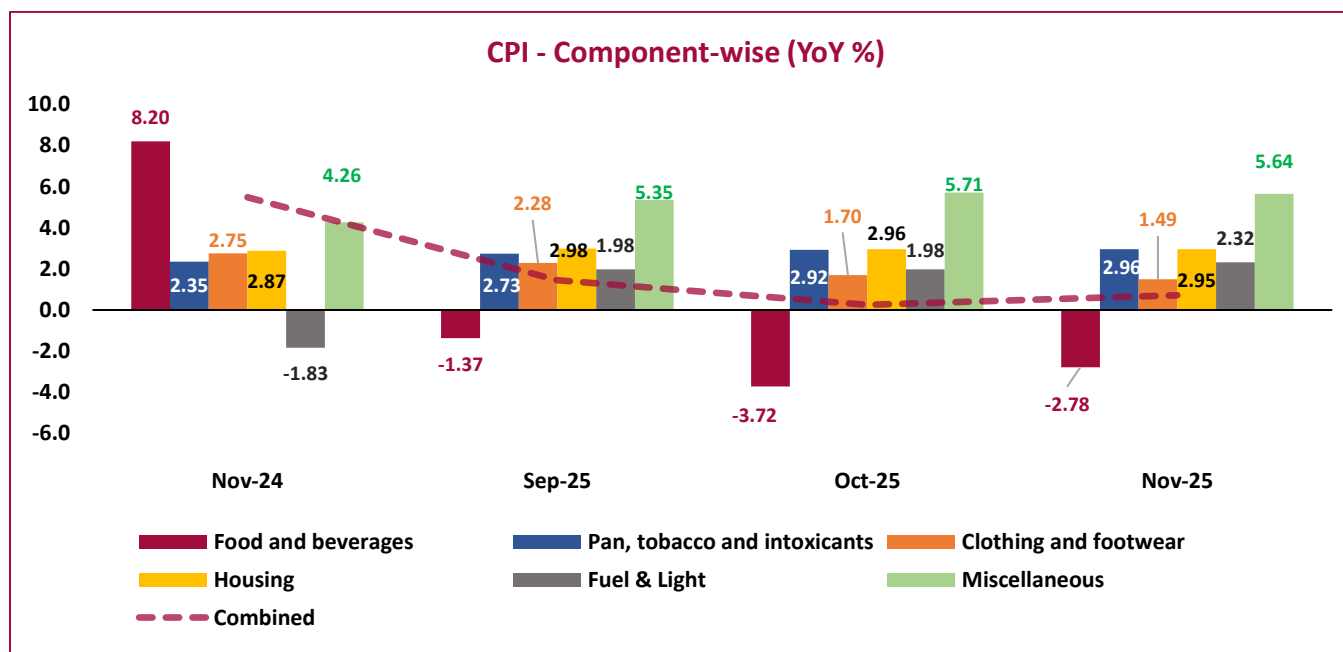
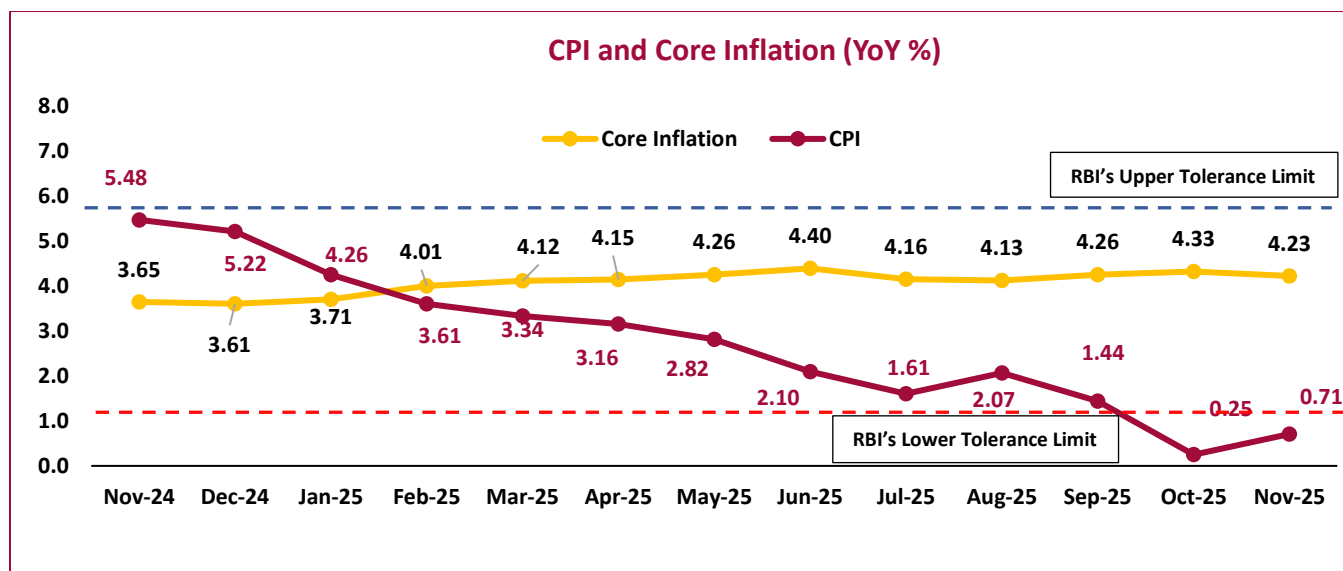
## 9. DAILY ECONOMIC INDICATORS



## 10. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

### CONSUMER PRICE INDEX (CPI)

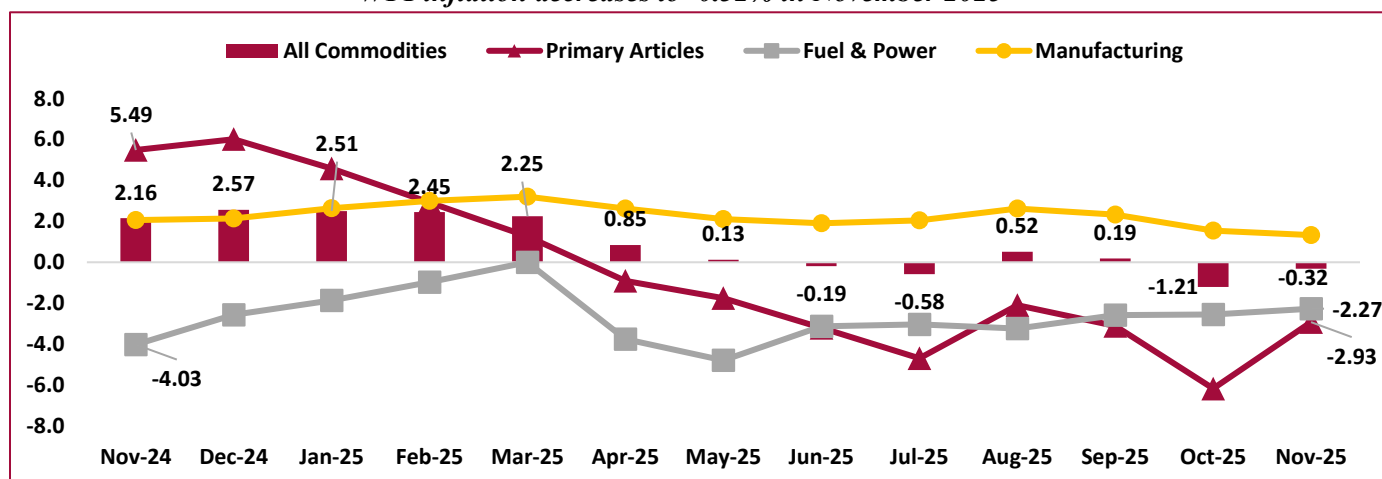
*CPI increased to 0.71% in November 2025*



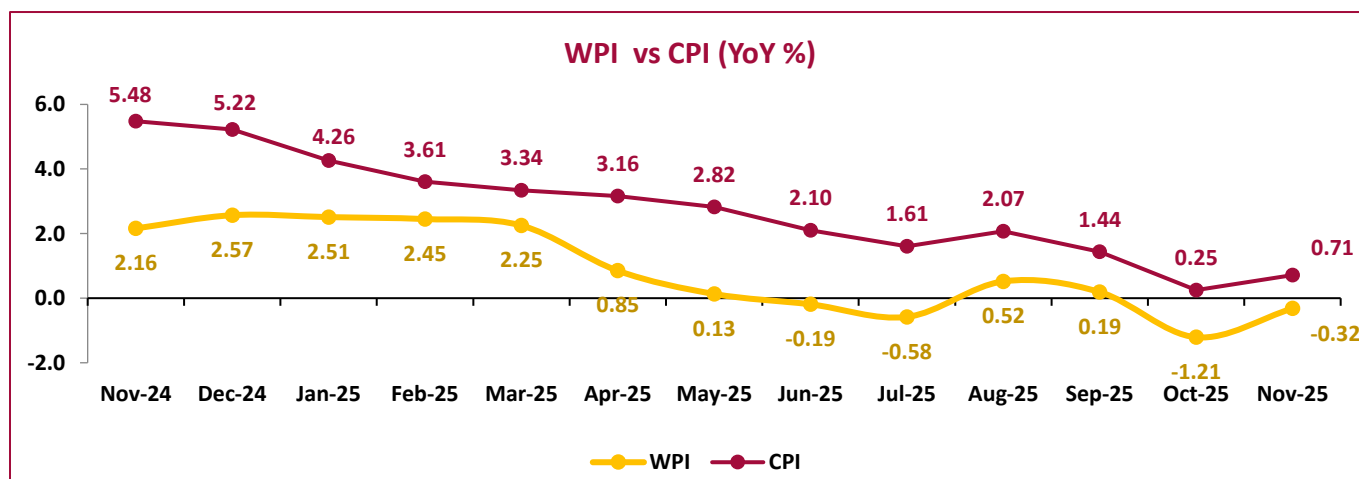
Retail inflation, increased marginally to 0.71% in November 2025, a 46-basis point rise from the decadal low inflation rate of 0.25% in October'2025. The inflation moderated significantly as compared to 5.48% in November 2024. Urban inflation stood at 1.40%, while rural area inflation is at 0.10% in November'2025, both reflecting increase from the previous month. Slight uptick in headline inflation and food inflation during the month of November'2025 is mainly attributed to increase in prices of Vegetables, Egg, Meat and Fish, Spices and Fuel and light.

## WHOLESALE PRICE INDEX (WPI)

WPI inflation decreases to -0.32% in November 2025



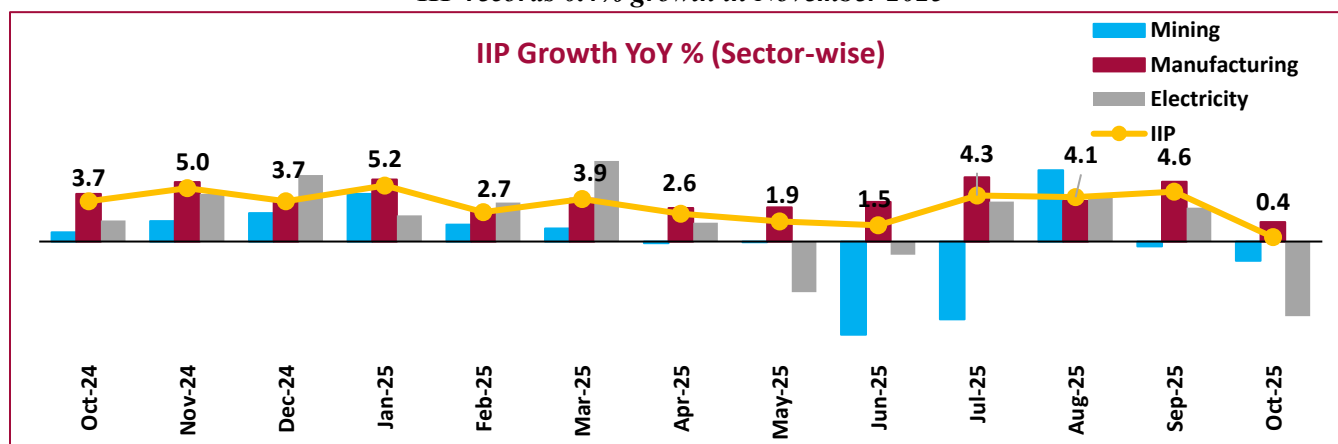
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		24.38%		100%	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
September	6.48	-3.12	-3.85	-2.58	1.07	2.33	11.48	-5.12	1.91	0.19
October	8.26	-6.18	-4.31	-2.55	1.78	1.54	13.49	-8.31	2.75	-1.21
November	5.49	-2.93	-4.03	-2.27	2.07	1.33	8.48	-4.16	2.16	-0.32



The wholesale inflation measured by WPI remains in the negative zone easing to -0.32 per cent (provisional) in November 2025 on a YoY basis, compared to -1.21 per cent in October 2025. It was significantly lower than 2.16 per cent recorded in November 2024. The continued deflation in **Primary Articles** and **Fuel & Power** supported the decline as it contracted by 2.93 per cent and 2.27 per cent YoY in November 2025, led by food articles (vegetables & pulses) and crude petroleum & natural gas.

## INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

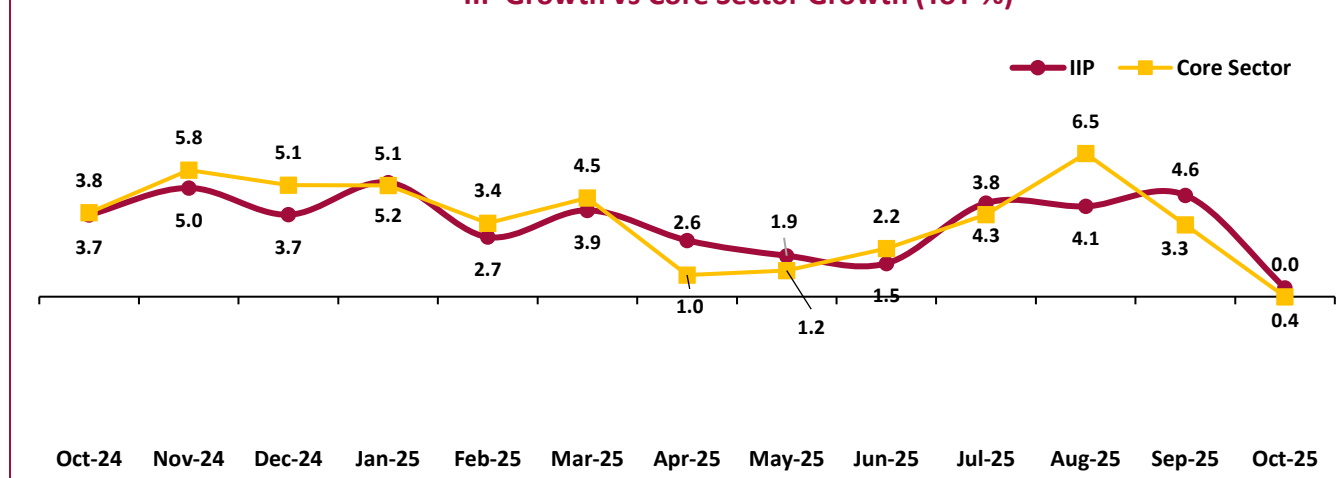
*IIP records 0.4% growth in November 2025*



### IIP Growth YoY % (Usage-wise)

	Weight (%)	Oct'24	Oct'25	Apr-Oct (FY24-25)	Apr-Oct (FY25-26)
Primary Goods	34.05	2.5	-0.6	4.1	0.1
Capital Goods	8.22	2.9	2.4	3.9	6.9
Intermediate Goods	17.22	4.8	0.9	4.2	4.8
Infra/Construction Goods	12.34	4.7	7.1	5.8	8.5
Consumer Durables	12.84	5.5	-0.5	8.1	4.0
Consumer Non- Durables	15.33	2.8	-4.4	-0.7	-2.1

### IIP Growth vs Core Sector Growth (YoY %)

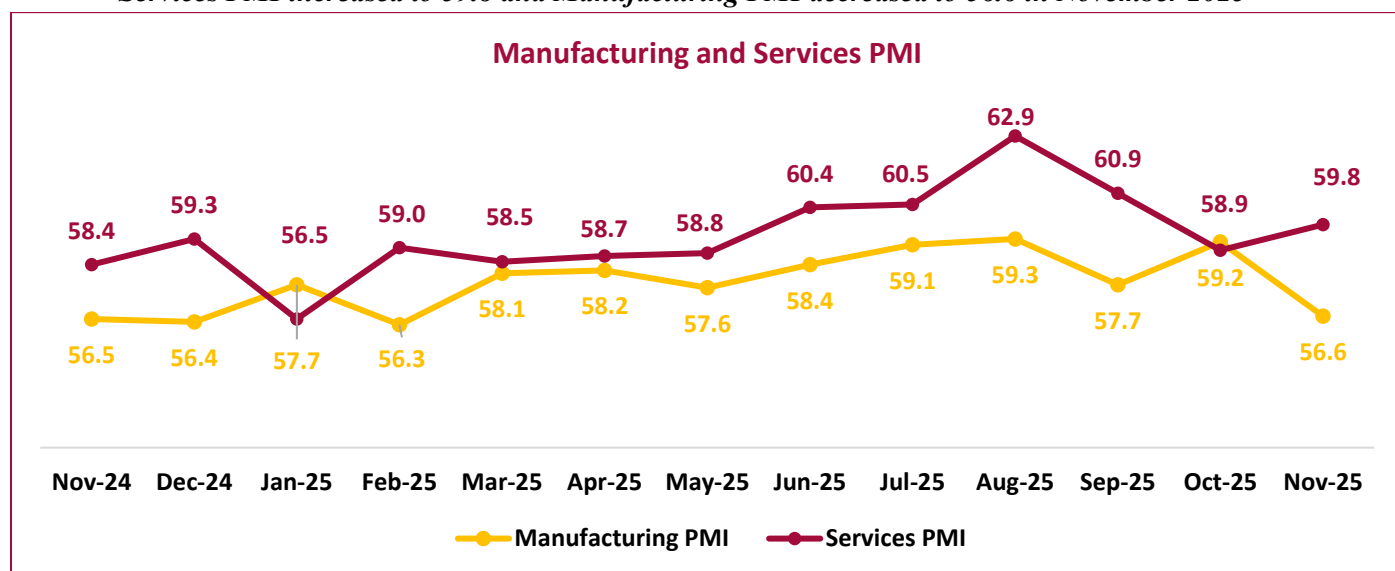


Industrial activity, as indicated by Index of Industrial Production dropped to 14-month low of 0.4% in Oct'25 from 4.6% growth in Sep'25. It stood at 3.7% in Oct'24. On a sequential basis, IIP posted a decline of 1.8% in Oct'25, with the index at 150.9 compared to 153.7 in Sep'25. IIP growth witnessed broad based deceleration across all three production segments – mining, manufacturing and electricity. Manufacturing output slowed from 5.6% in Sep'25, to 1.8% in Oct'25, a 14-month low.



## PURCHASING MANAGERS' INDEX (PMI)

*Services PMI increased to 59.8 and Manufacturing PMI decreased to 56.6 in November 2025*

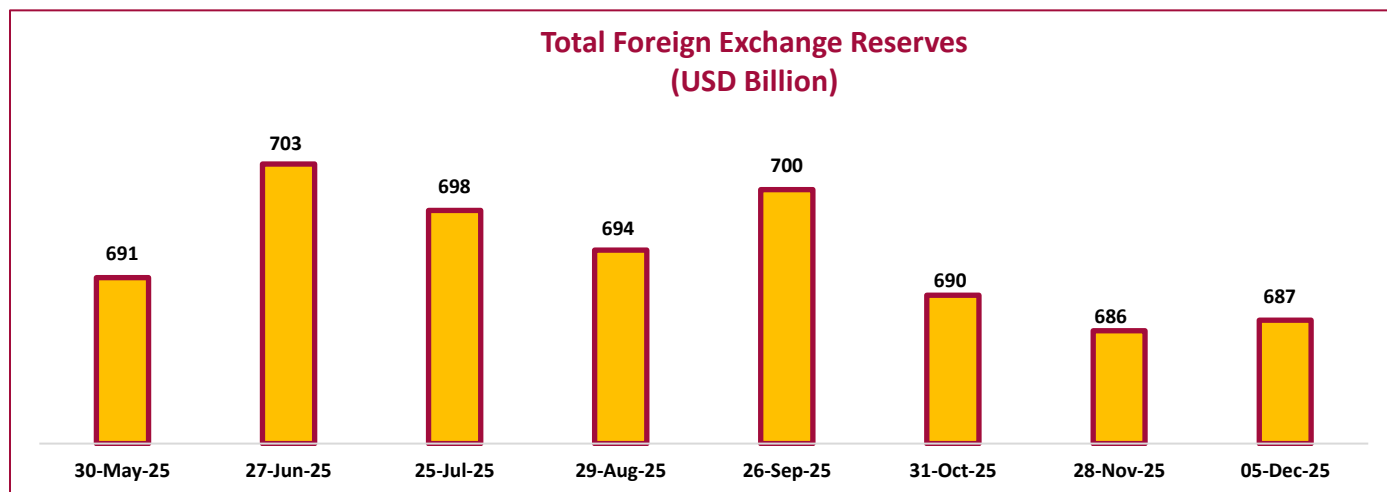


The HSBC India Manufacturing PMI eased to 56.6 in November 2025, revised down from October's 59.2, marking the slowest improvement in operating conditions since February. Factory output continued to expand, but growth was the weakest since February, reflecting softer new order inflows and challenging market conditions. India's services sector regained momentum in November 2025, with the HSBC India Services PMI rising to 59.8 in November 2025 from 58.9 in October 2025. This signals a historically sharp expansion in activity, driven by robust new business intakes that fuelled output growth. International sales continued to improve, though the rate of expansion retreated to an eight-month low due to fierce overseas competition

## PERFORMANCE OF OTHER LEADING INDICATORS

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Coal production (YoY%)	7.4	5.3	4.4	1.7	1.6	4.1	2.8	-6.8	-12.4	11.6	-1.0	-8.5	2.1
Electricity generation (YoY%)	2.6	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.1
Consumption of petroleum products (YoY%)	10.6	2.0	3.0	-5.2	-3.1	0.2	1.1	0.5	-4.4	4.8	7.6	-0.4	3.0
Cargo handled at major ports (YoY%)	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5	11.9	-
Cement production (million tonnes)	32.0	38.9	40.5	39.8	45.7	38.0	38.6	39.5	35.7	34.2	34.4	36.3	-
Steel consumption (million tonnes)	12.1	13.8	13.7	12.4	14.3	12.0	13.1	13.2	13.4	13.7	13.4	13.4	13.0
Two-wheelers sales (Nos. in Lakhs)	19.7	14.8	19.1	17.8	20.2	18.3	20.4	19.5	20.0	22.7	25.9	26.4	24.2
Tractors sales (Nos. in Thousand)	78.3	59.1	69.8	67.8	90.7	90.3	99.4	121.6	72.8	73.2	154.4	173.6	102.0

## FOREIGN EXCHANGE RESERVES

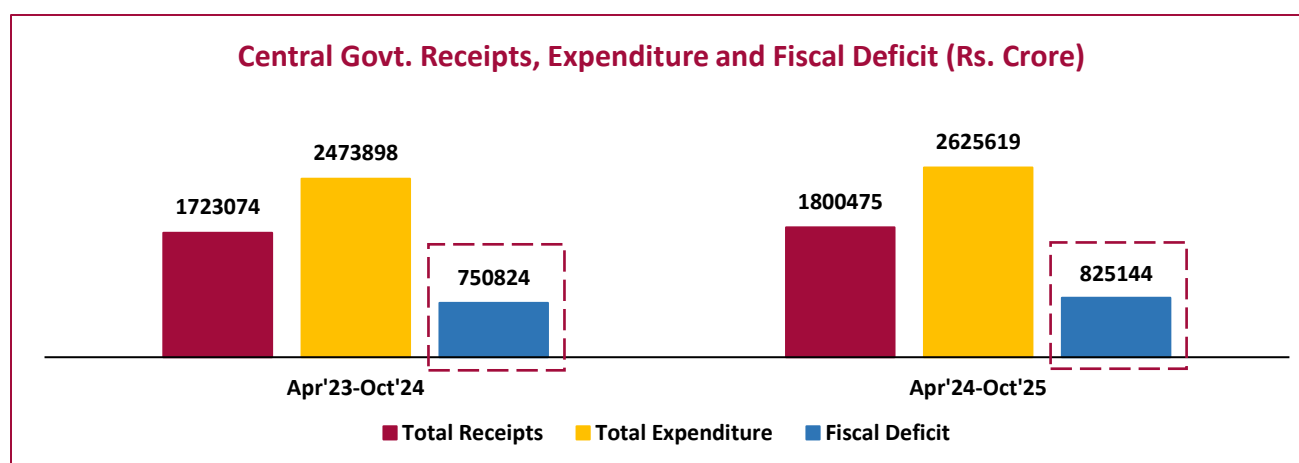


India's foreign exchange reserves reached \$687 billion in the week ending December 05, 2025.

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

	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct -25	Nov -25
E-way bill Generation	10.2	11.2	11.8	11.2	12.5	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0

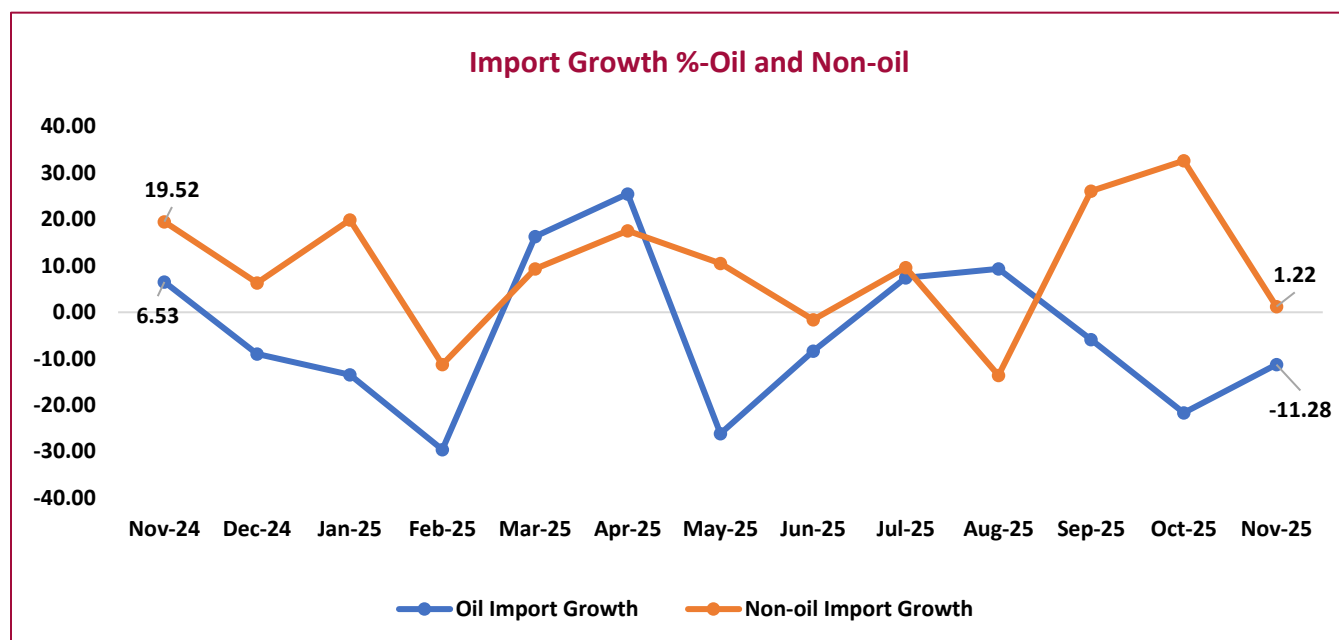
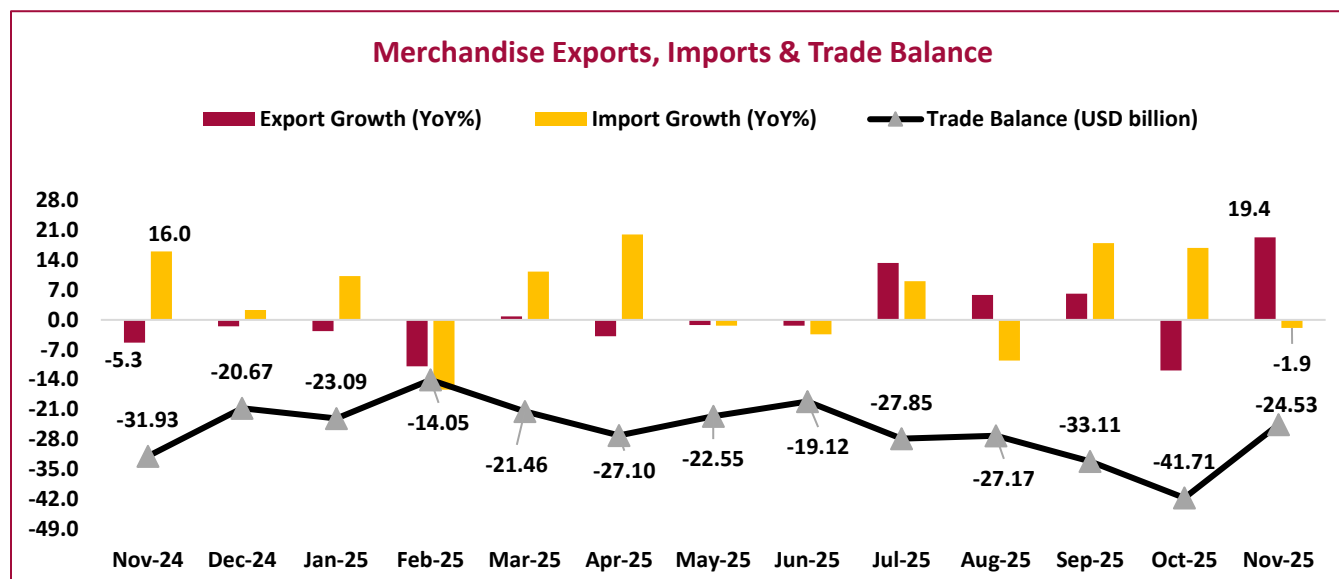
## FISCAL DEFICIT



The government's fiscal deficit till October 2025 period came in at ₹8.25 lakh crore amounting to 52.6% of the Budgeted estimates (BE) vis-à-vis ₹7.50 lakh crore i.e. 46.5% of BE during the same period last year. Govt.'s total expenditure stood at ₹26.26 lakh crore reaching 51.8% of the BE during April-October 2025. This compares to ₹24.74 lakh crore recorded in the same period last year i.e. 51.3% of estimate. Total receipts of ₹18.00 lakh crore accounted for 51.5% of the BE, down from 53.7% last year during the same period, due to lower achievement in net tax revenue (44.9%) compared to (50.5%) last year.

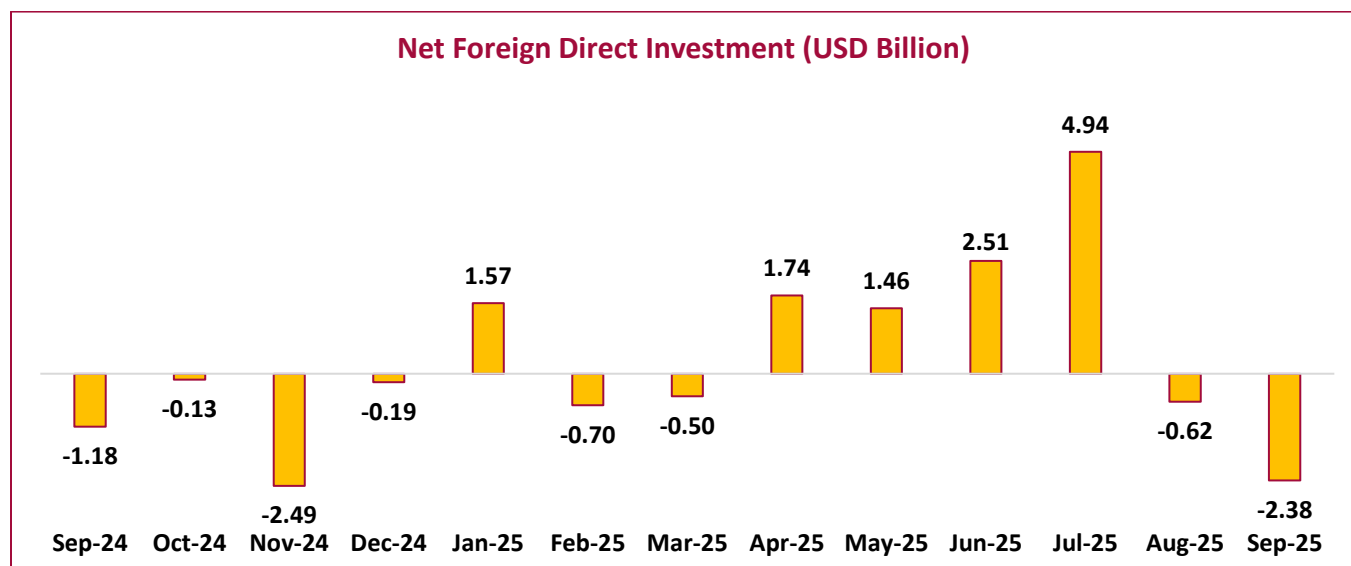
## FOREIGN TRADE

*Trade Deficit narrows to a 5-month low of 24.53 USD billion in November 2025*

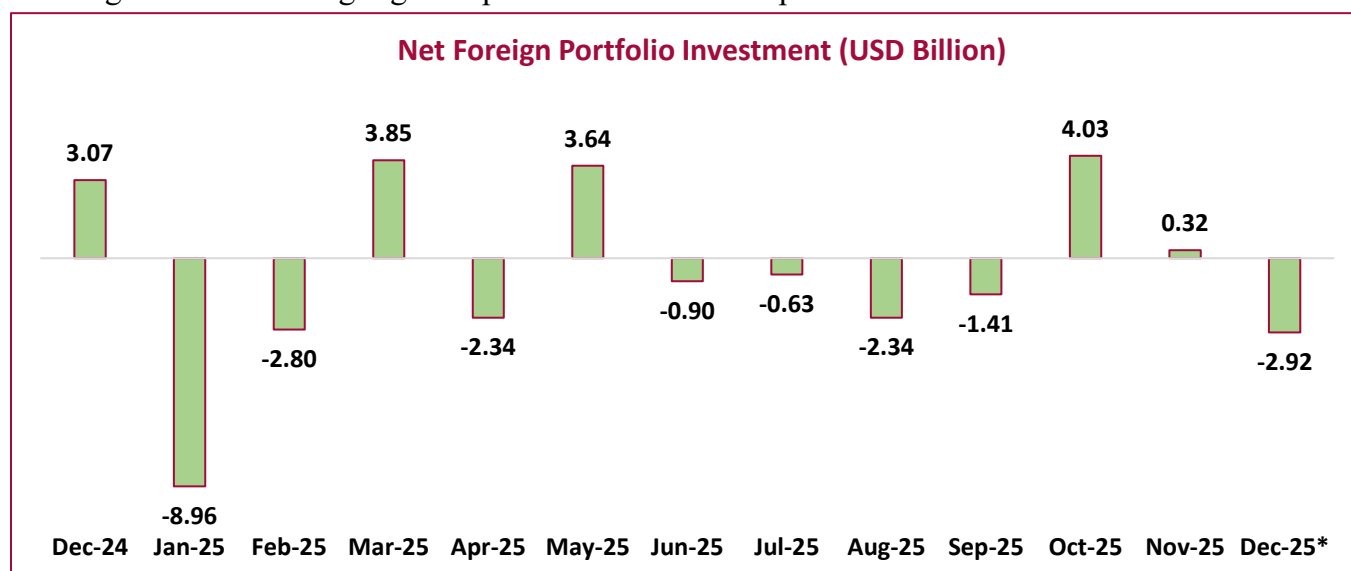


The difference between imports and exports of goods stood at \$24.53 billion in November 2025. It narrowed from \$41.71 billion in October 2025. It was recorded at \$31.93 billion in November 2024. Merchandise exports surged to \$38.13 billion in November 2025, representing a robust year-on-year growth of 19.36% from \$31.94 billion in November 2024. This marks the highest export value recorded for November in last 10 years. Meanwhile, merchandise imports declined by 1.89% YoY to reach \$62.66 billion in the month of November 2025.

## FOREIGN INVESTMENTS



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.



\*upto 17<sup>th</sup> Dec 2025

As of December 2025, India's net foreign portfolio investment (FPI) position continued to exhibit volatility, with monthly net FPI flows fluctuating significantly throughout the year. In October, there was a net inflow of USD 4.03 billion, followed by a smaller net inflow of USD 0.32 billion in November. However, as of December 17, 2025, the position shifted to a net outflow of USD 2.92 billion.

## DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	29.11.24	22.03.24	14.11.25	28.11.25	YoY Growth (%)	YTD Growth (%)	Fortnightly Growth (%)
Deposits	220.17	225.75	240.94	242.60	10.19%	7.46%	0.69%
Advances	175.09	182.44	193.71	195.27	11.53%	7.03%	0.81%
Business	395.26	408.19	434.64	437.87	10.78%	7.27%	0.74%

## SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

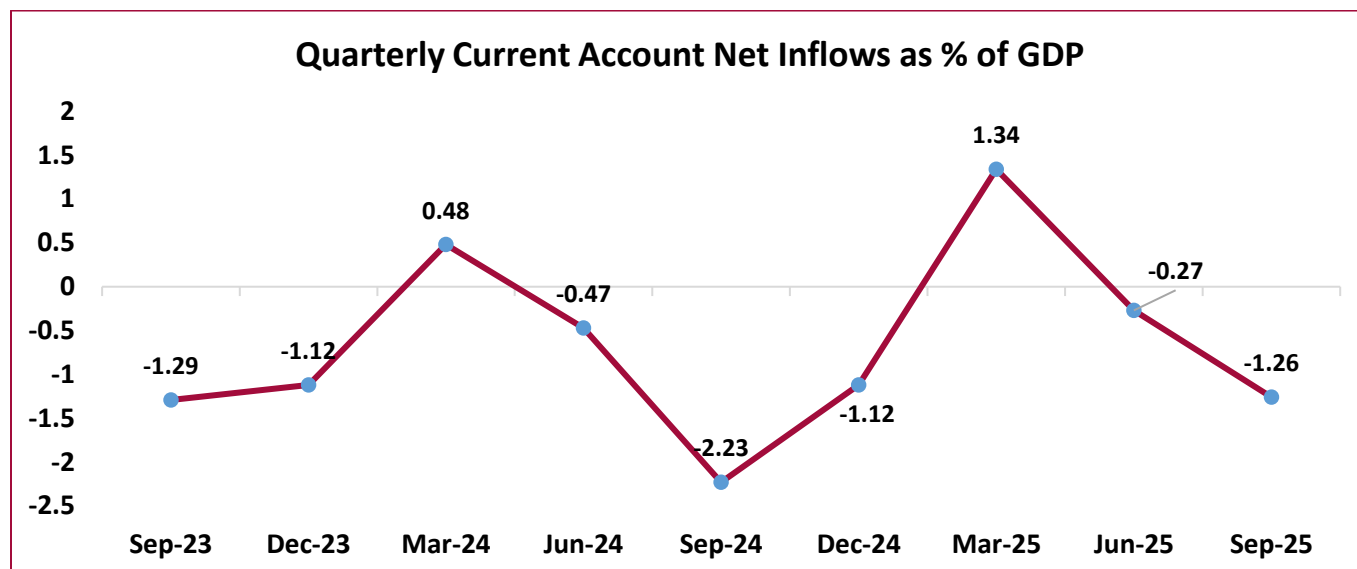
Parameter* (Rs. Lakh Crore)	Oct-24	Mar-25	Sep-25	Oct-25
<b>Total Non-food</b>	<b>173.9</b>	<b>182.1</b>	<b>188.6</b>	<b>193.2</b>
Agriculture and allied activities	22.1	22.9	23.6	24.0
Industry	38.1	39.9	40.8	41.9
<i>Of which</i>				
Micro & small	7.6	8.0	9.2	9.5
Medium	3.4	3.6	3.8	4.0
Large	27.2	28.2	27.8	28.4
Personal loans	56.6	59.7	62.5	64.6
<i>Of which</i>				
Housing (Including priority sector housing)	28.7	30.1	31.3	31.9
Credit card outstanding	2.8	2.8	2.8	3.0
Education	1.3	1.4	1.5	1.5
Vehicle loans	6.0	6.2	6.5	6.8
Services	47.3	50.9	52.2	53.5
<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	0.5	0.5	0.5	0.5
Retail trade	5.1	5.4	5.6	5.7
Commercial real estate	5.0	5.2	5.7	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 11.1 per cent as in October 2025 as compared to 11.7 per cent in October 2024). Credit to agriculture and allied activities registered a y-o-y growth of 8.9 per cent in October 2025 as compared to 15.5 per cent in October 2024. Credit to industry recorded a y-o-y growth of 10.0 per cent in October 2025 as compared to 8.1 per cent in October 2024. Credit to services sector registered a growth rate of 13.0 per cent y-o-y in October 2025 as compared to 12.5 per cent in October 2024. Credit to personal loans segment recorded a y-o-y growth of 14.0 per cent, as compared with 12.9 per cent a year ago.

## 11. QUARTERLY ECONOMIC INDICATORS

### CURRENT ACCOUNT BALANCE



India's current account deficit moderated to US\$ 12.3 billion (1.3 per cent of GDP) in Q2FY2026 from US\$ 20.8 billion (2.2 per cent of GDP) in Q2FY25. 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. India's external sector continues to show resilience, with services exports and remittances providing stability. These factors are expected to keep the CAD manageable, even as merchandise trade deficits remain elevated due to firm non-oil, non-gold imports.

## 12. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.75%	Dec 19, 2025 (25bps)	-
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	-
Federal Reserve	U.S.A	3.75%	Dec 10, 2025 (-25bp)	Jan 26, 2026
Bank of England	U.K	3.75%	Dec 18, 2025 (-25bp)	-
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	5.25%	Dec 05, 2025 (-25bp)	Feb 06, 2026



## 13. INDUSTRY OUTLOOK

### REAL ESTATE

The Indian real estate market is experiencing strong, sustained growth after moving past a phase of consolidation. The decade leading up to the Covid-19 pandemic was defined by stagnation in the real estate sector, characterized by poor project execution, occasional fraudulent activities by developers, and weak buyer sentiment. However, post-pandemic, the sector has undergone a significant transformation. India's real estate market is now booming, with rising urbanisation, shifting lifestyles, and increasing demand for upscale homes driving this positive shift.

#### ❖ Market Size

The India Real Estate Market is estimated at \$0.48 trillion in 2025 and contributes around 11% to India's GDP. Average home prices have seen substantial appreciation, rising by an estimated 13-15% in FY'2025 on yearly basis, demonstrating sustained demand. Luxury home demand in India remained strong in 2025, with sales of Rs. 4 crore and above rising nearly 28% yearly across seven major cities (Mumbai, Delhi, Kolkata, Bangalore, Chennai, Hyderabad, and Pune). The office segment recorded a resilient performance, driven primarily by Global Capability Centres (GCCs). The sector is estimated to reach \$1.26 trillion and contribute around 13-15% of India's GDP by 2030.

#### ❖ Driving Factors

##### 1. Exponential Growth and Urbanization

India's rapid urbanization is a core driver for surge in demand in the real estate sector. The urban population is expected to surge, creating massive demand for housing, commercial space, and supporting infrastructure. This sustained demand is anticipated to maintain an industry growth rate (CAGR) of over 10% through 2030.

##### 2. Investment & Institutionalization

Driven by increasing transparency and returns, there's a surge in private investment in the sector. Investments are expanding from the top six metros to Tier-II and Tier-III cities, such as Lucknow, Kochi, and Ahmedabad, driven by better connectivity and lower operational costs from increased highway and road construction.

##### 3. Shift in Commercial Dynamics

The office segment's future is shaped by Global Capability Centres (GCCs) and Flexible Workspaces. The expansion of GCCs is a major force in the commercial real estate market and job creation, with India becoming the leading global hub due to its vast talent pool and robust infrastructure.

#### 4. Government's Push

The Government of India has launched a series of strategic initiatives aimed at boosting the real estate sector. Some of the key initiatives supporting the sector are: -

1. Pradhan Mantri Awas Yojana (PMAY) 2.0, providing an interest subsidy for EWS, LIG, and Middle-Income Group (MIG) families, making home loans more affordable.
2. Government introduced the Special Window for Completion of Affordable and Mid-Income Housing (SWAMIH) fund that acts as a "lender of last resort" to revive stalled residential projects.
3. Real Estate Regulatory Authorities, or RERAs - in each state to bring transparency, accountability, and efficiency to the real estate sector, protecting homebuyers' interests by regulating projects, agents, and disputes, and ensuring builders disclose project details and use funds properly. It aims to boost investment by standardizing the industry, making it citizen-centric, and ensuring speedy dispute resolution.
4. Government allowed FDI of up to 100% for townships and settlements development projects.
5. Further, Union Budget 2025-26 allocated Rs. 1 lakh crores to the Urban Challenge Fund, aiming to transform cities into growth hubs through redevelopment and infrastructure projects.

In summary, the Indian real estate sector is no longer characterized by cyclical uncertainty but by structural stability and maturity. Supported by strong economic fundamentals, favourable demographics, significant infrastructure investment, and improved regulatory transparency, the sector is poised for a transformative decade.

**Chhavi Sachdeva**  
**Senior Manager (Economics)**  
**SMEAD, Head Office**

## 14. 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

*“Reading is important. If you know how to read, then the whole world opens up to you.”*  
— Barack Obama

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