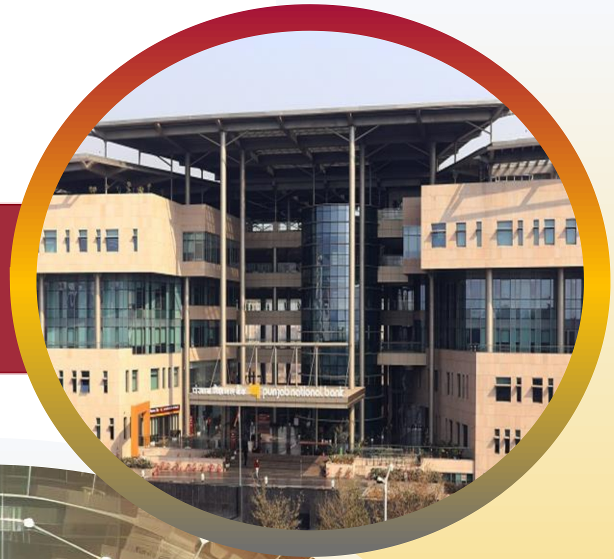
पंजाब नैशनल बैंक
punjab national bank



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MONTHLY BULLETIN

पीएनबी इकोलेंस मासिक बुलेटिन

DECEMBER
2024
दिसंबर 2024

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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निम्न द्वारा प्रकाशित:
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1. EDITORIAL

2024 - THE YEAR OF OPPORTUNITIES AND CHALLENGES

The end of a calendar year is a time for reflection - a moment to take stock of the achievements, challenges, and lessons that have defined the past twelve months. As 2024 draws to a close, it is fitting to reflect on the economic and banking journey of the past year. For India, it was a year marked by resilience, innovation, and progress despite global challenges. The Indian economy has not only navigated through a turbulent global environment but also emerged as a beacon of growth and stability.

The global economic environment in 2024 was fraught with challenges. Persisting inflationary pressures, supply chain disruptions, & geopolitical conflicts created turbulence in global markets. Advanced economies grappled with stagnant growth, while emerging economies faced currency volatility & trade disruptions. The IMF in its World Economic Outlook (Oct'24) has forecast global growth to remain stable but modest at 3.2 per cent for 2024 & 2025 compared to 3.3 per cent in 2023.

World trade growth improved and is projected to rebound from 0.8 per cent in 2023 to 3.1 per cent in 2024 and further to 3.4 per cent in 2025. India strengthened its engagement in global trade through new Free Trade Agreements (FTAs). Strategic trade agreements with key partners, including the UAE, Australia, and the EFTA, opened up new markets for Indian goods and services. These agreements not only enhanced market access but also positioned India as a vital player in global supply chains. Trade with FTA partner countries has witnessed an increase of 100 per cent in exports compared to 84.7 per cent in imports from the year of implementation of the FTA to 2023-24.

Amongst global economic volatility, India remained a standout performer. While GDP growth slowed to a seven quarter low of 5.4 per cent in July-September of FY25, India continued to remain the fastest growing major economy in the world. Despite sluggish growth observed in Manufacturing and Mining & Quarrying sectors in Q2 of FY25, real Gross Value Added (GVA) in H1 (Apr-Sept) has recorded a growth rate of 6.2 per cent. The agriculture & allied sector has bounced back by registering a growth rate of 3.5 per cent in Q2 of FY25. Another positive aspect has been the pick-up in Private Consumption, which has witnessed a growth rate of 6 per cent in Q2 FY25 on a YoY basis. It accounts for 60 per cent of the country's GDP and the acceleration in the growth rate augurs well for the future.

On the inflation front, the RBI has remained steadfast on the path of price stability, holding interest rates steady, while switching the stance of the monetary policy to "neutral" in the October meeting. Consumer Price Inflation (CPI) moderated to 5.48 per cent in November, as against 6.21 per cent in October 2024. With food inflation expected to cool down further in the upcoming months on the back of healthy Rabi sowing and easing vegetable prices, the headline inflation in expected to stay within the RBI's tolerance band of 2-6 per cent.

To address the liquidity concerns off late, in the December meeting of the monetary policy committee, Cash Reserve Ratio (CRR) was reduced by 50 bps to 4 per cent in order to smoothen system liquidity in the upcoming months. This will restore the CRR to the rate prevailing before the commencement of the monetary tightening cycle in April 2022 to support growth activities in the economy.

On the currency front, the rupee depreciated by 1.3 per cent (between Apr-Nov'24), primarily driven by a strengthening US dollar and selling pressure from foreign portfolio investors. However, the INR exhibited lower depreciation and volatility compared to its Emerging Market Economy (EME) peers, underscoring India's robust macroeconomic fundamentals and a positive outlook for the external sector.

Now coming to the banking sector, the lifeline of the economy, which demonstrated remarkable resilience and adaptability in 2024. The half-yearly results of Indian banks reflected strong credit growth, fueled by demand across retail, MSMEs, and infrastructure sectors. Non-Performing Assets (NPAs) continued their downward trajectory, reaching a decadal low, thanks to proactive resolution mechanisms and improved credit quality. The year witnessed exponential growth in digital banking. UPI transactions reached unprecedented levels, with the launch of cross-border UPI payments further enhancing India's global Fintech standing.

RBI also launched several new initiatives to further strengthen the digital payments ecosystem in the country. These measures include enhancing the transaction limits via UPI, extending the scope of pre-sanctioned credit lines through UPI, introduction of delegated payments through UPI etc. The Regulator has also proposed to set up a Digital Payments Intelligence Platform to boost consumer confidence while ensuring safety and security in the system.

In another remarkable feat, JanDhan accounts crossed 54 Crore, underscoring the success of government initiatives to bring the unbanked into the formal financial system. Among other such initiatives launched during the year to foster inclusive growth was NPS-Vatsalya, enabling parents and guardians to secure pensions for minors, highlighted the sector's innovative approach to social security.

As we step into 2025, the outlook for the Indian economy and banking sector remains robust. The achievements of going by year have laid a strong foundation for the future, with several emerging trends poised to shape the economic and banking landscape. Artificial Intelligence (AI) and machine learning are set to redefine customer experience, fraud detection, and operational efficiency in banking to yet another level. The shift towards renewable energy and sustainable practices will continue to drive investments and growth. Banks will remain at the forefront, financing green projects and enabling India's transition to a low-carbon economy.

With the world increasingly looking toward India as a reliable trading partner, the country's export base is set to diversify further. Strengthening trade infrastructure and upskilling the workforce will be crucial in sustaining this momentum. With robust reforms, technological innovation, and an unwavering commitment to inclusivity and sustainability, India is poised to lead the way in shaping a prosperous and equitable world. Let us move forward with confidence, ready to seize the opportunities of tomorrow.

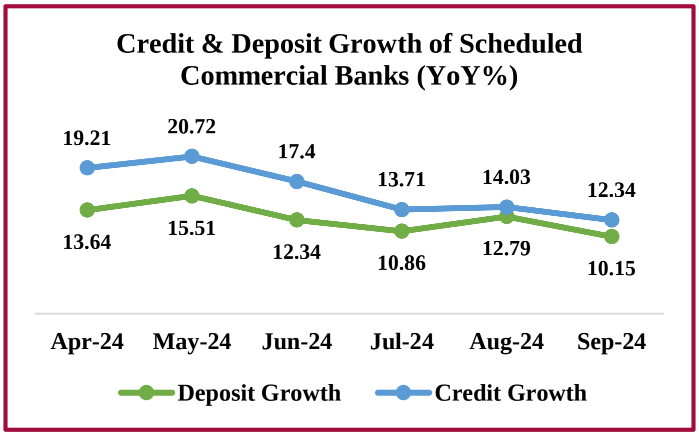
V P Bansal

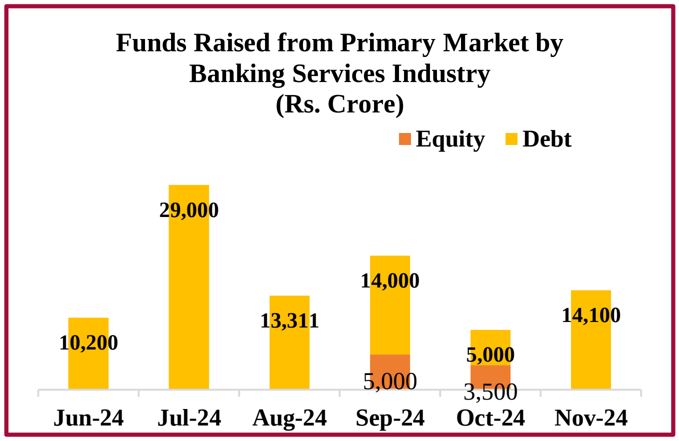
Deputy General Manager

2. INFRASTRUCTURE BOND ISSUANCES SURGE IN 2024

Infrastructure bonds are specialized financial instruments designed to raise capital for large-scale infrastructure projects. By offering investors a relatively stable and potentially tax-saving investment avenue, infrastructure bonds help mobilize long-term capital for projects that are essential for economic development. The bonds usually provide fixed-income returns and are considered relatively low-risk investments, as they are often backed by government guarantees or secured by the revenue streams generated from the infrastructure projects themselves.

Banks are increasingly raising funds through debt in the primary market as credit growth has been outpacing deposit growth although the gap between the two has decreased. In FY25 (till date), state-owned banks have increasingly tapped the domestic capital market to raise funds through infrastructure bonds to fund credit growth as deposit mobilisation has been a challenge.

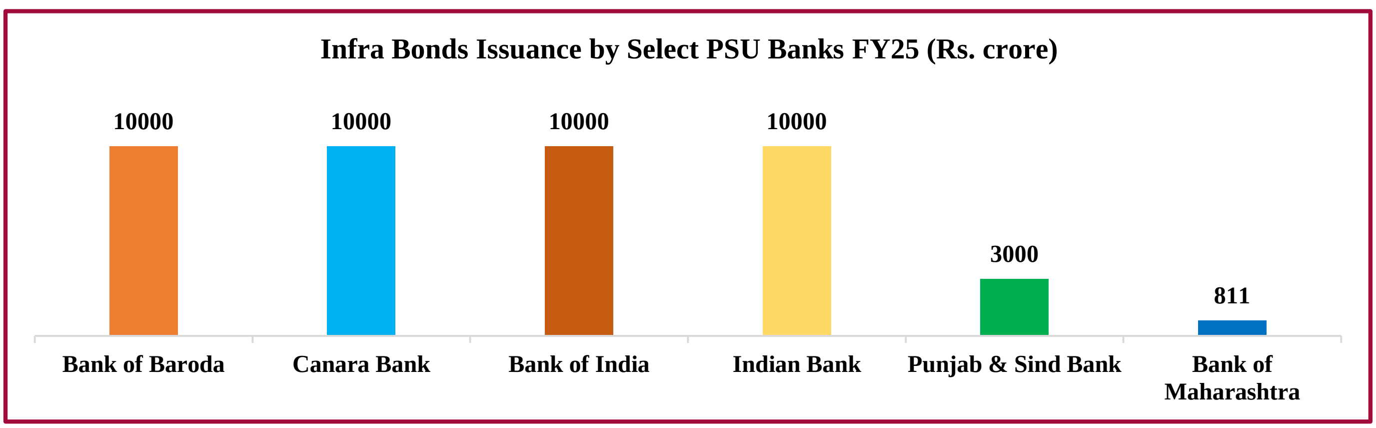




Source: CMIE

The total amount raised in the primary market by the banking services industry stands at approx. Rs. 94000 crores out of which funds raised through infrastructure bonds stands at approximately Rs 85,000 crore.

From FY15 to FY22, public sector banks (PSBs) held a minimal stake in the issuance of infrastructure bonds. However, as their capital positions strengthened and funding conditions tightened, along with a larger portfolio of infrastructure loans, PSBs emerged as key players in this market. This trend is anticipated to persist, with projections indicating that PSBs could represent 82-85% of bank bond issuances by FY25, while infrastructure bonds are expected to make up over two-thirds of that total.



Source: BSE

Historically, Tier 1 & 2 instruments dominated the market for bond issuances by banks However, from FY23, there has been a significant shift towards infrastructure bonds, fuelled by enhanced profitability of banks that has lowered the need for capital raising through conventional methods.

Infrastructure bonds are particularly appealing to large institutional investors due to their high credit quality, aligning well with the risk appetite of long-term investors. Consequently, these are preferred over subordinated options such as Tier-2 and Additional Tier-1 (AT1) bonds, which have higher risk.

Funds raised through infrastructure bonds offer significant benefits for banks, as they are not subject to regulatory reserve requirements like the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR). In contrast to funds sourced from deposits, which require banks to set aside 4.0 percent as CRR with the RBI and invest 18.0 percent in securities to satisfy SLR requirement, the proceeds from infra bonds can be entirely channelled into lending purposes. This helps in fuelling capex demand and infrastructure creation in the economy.

Distribution of Institutionally Assisted Projects		
	Total	**New**
2020-21	220	181
2021-22	401	312
2022-23	547	440
2023-24	944	767

Source: RBI, CMIE

Over the years, the number of institutionally assisted projects has grown exponentially- from 181 new projects receiving institutional finance in FY21, the figure jumped to 767 in FY24- a CAGR of 43.5 per cent. Count of new investment projects announced has also jumped 77.3 per cent from Jun'24 quarter to Sep'24 quarter.

New Investment Projects by Ownership			
	FY24	**FY25**	
		Jun'24	**Sep'24**
Government	1,728	150	486
Private	2,757	448	574
Total	4,485	598	1,060

Source: CMIE

The Government's continued thrust on infrastructure development, coupled with a large portfolio of infrastructure loans that can be funded through these bonds and strong demand from insurance companies and provident funds for long-term investment options is expected to bolster the issuance of infrastructure bonds.

Banks' bonds issuances are expected to cross the earlier peak of Rs 1.1 trillion (in FY23) by the end of FY25, as per industry-wide forecasts and PSBs are expected to command a lion's share of it with infrastructure bonds dominating the same as private banks are focusing on reducing their credit-to-deposit ratio. Going ahead, India Inc.'s capex plans are expected to get a significant boost as a result.

Harshita Panda
Officer (Economics)
Head Office, SMEAD

3. TRADING SAFETY FIRST: INSIDE THE NEW DERIVATIVES FRAMEWORK

In a significant move to safeguard investor interests, SEBI has rolled out comprehensive measures to fortify the equity derivatives market. This regulatory intervention comes at a critical time, as retail participation surges and short-tenure index options gain popularity. Of particular concern is the mounting evidence of retail investor vulnerability – SEBI's data reveals a stark reality where 93 percent of retail traders suffered average losses of Rs 2 lakh each over the past three financial years. The new framework specifically addresses the growing challenge of speculative trading volumes in index derivatives during expiry days, marking a decisive step toward ensuring market stability.

Detailed Changes

a) Increased Contract Size for Index Derivatives

SEBI raised the minimum contract value from the current Rs. 5-10 lakh to Rs. 15-20 lakh. This change applied to all new contracts launched after November 20, 2024. To maintain this higher value range, the lot size of contracts will be adjusted accordingly. This increase comes after nearly a decade, reflecting market growth since 2015, and aims to ensure that these complex financial instruments remain suitable for investors who can handle their inherent risks.

b) Rationalization of Weekly Index Derivatives Products

Starting November 20, 2024, stock exchanges are limited to offering weekly derivative contracts on just one main index. This streamlining measure by SEBI aims to curb excessive trading and reduce market volatility that often comes with short-term weekly options trading.

c) Increased Tail Risk Coverage on Options Expiry Day

To manage risks on options expiry days, SEBI introduced an additional safety measure starting November 20, 2024. Traders who short index options need to pay an extra margin of 2 per cent on these positions during expiry day. This rule applies both to existing positions and any new trades made that day. Think of it as an extra security deposit that helps protect against sudden market swings. SEBI has introduced this requirement specifically to reduce risky speculation that often occurs on expiry days, when market movements can be particularly unpredictable.

d) Upfront Collection of Option Premium

Starting February 1, 2025, SEBI is introducing a crucial change in how options trading works. Under the new rule, investors must pay the full option premium upfront before making any trades. Trading and clearing members will be responsible for collecting these payments, and the clearing corporations will keep a close watch to ensure compliance. Those who don't follow these rules will face penalties. The main goal is to prevent traders from taking on more risk than they can afford by using excessive intraday leverage.

e) Removal of Calendar Spread Treatment on Expiry Day

Starting February 1, 2025, there will be changes to how calendar spreads are treated on expiry day. On that day, positions in contracts with different expiration dates will no longer benefit from offsetting each other. The potential loss for expiring contracts will be calculated separately from other contracts. Additionally, contracts that expire on that day won't be subject to the extra margin typically required for calendar spreads. If one leg of a calendar spread is expiring, the Extreme Loss Margin (ELM) will be calculated differently. These changes aim to reduce the significant risk associated with expiry day fluctuations.

f) Intraday Monitoring of Position Limits

From April 1, 2025, stock exchanges will tighten their monitoring of traders' positions throughout the day, taking at least 4 random checks during trading hours. Anyone exceeding their permitted trading limits, even temporarily during the day, will face penalties - just like they do for end-of-day violations. This new rule helps prevent traders from taking excessive risks by sneaking in larger positions during trading hours

Impact on Various Participants

The new SEBI regulations will impact retail traders, brokers, and banks. For retail traders, higher contract sizes and margin requirements will likely reduce small-scale participation, especially for those with limited capital. While this curbs excessive risk-taking, it could make derivatives less accessible for retail traders.

Brokers, on the other hand, will face additional compliance burdens, particularly around the upfront collection of premiums and tighter monitoring of client positions. They will need to ensure that traders meet these stricter requirements, which could lead to increased operational costs and potential penalties for non-compliance.

For banks, stricter safety measures like higher margins and position limits could reduce overall risk exposure, promoting market stability. However, this may limit speculative trading volumes and profits. Overall, while the regulations aim to protect investors and reduce volatility, they may reshape the market by making derivatives trading more cautious and less prone to wild speculation.

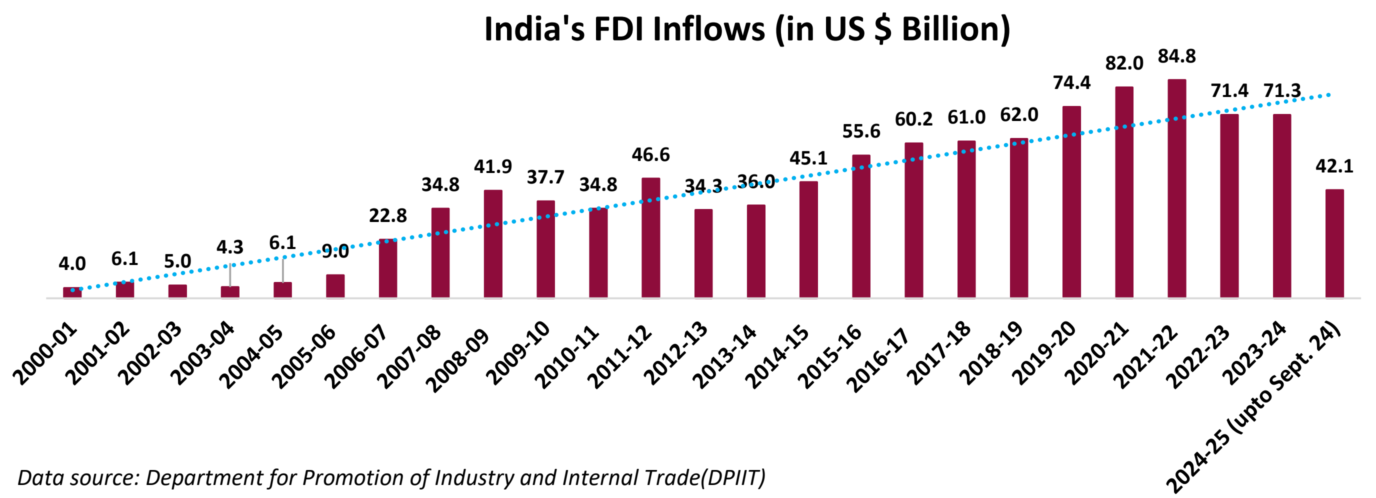
Conclusion

The new SEBI framework aims to bring greater stability and investor protection to the equity derivatives market, especially amid growing retail participation. While these changes introduce more stringent regulations, they seek to reduce excessive speculation and the associated risks, ensuring that only financially capable investors participate in complex trading activities. Though this may impact retail traders' flexibility and brokers' revenues, the long-term effect should foster a more secure and stable market environment, ultimately benefiting both investors and the broader financial ecosystem.

Shubham Kumar Singh
Officer (Economics)
Head Office, SMEAD

4. INDIA'S FDI MILESTONE: $1 TRILLION AND COUNTING

India has reached a landmark milestone in its economic growth, surpassing **$1 trillion in Foreign Direct Investment (FDI) since April 2000.**



Data source: Department for Promotion of Industry and Internal Trade(DPIIT)

A 26 per cent surge in foreign direct investment (FDI) to $42.1 billion in the first half of the current fiscal year has propelled India's growth as a premier investment destination. This upward trend is attributed to India's investor-friendly policies, vibrant business ecosystem, and enhanced global competitiveness.

FDI has been a game-changer for India's development, bringing in significant funding, advanced technology, & job opportunities. Initiatives such as "Make in India", relaxed sectoral policies, and the Goods & Services Tax (GST) have boosted investor trust. Additionally, India's competitive labour costs and strategic incentives continue to draw in multinational companies.

In the past decade (April 2014 to September 2024), India received a staggering $709.84 billion in FDI, accounting for nearly 69 per cent of the country's total FDI inflows over the last 24 years. This significant influx of investments solidifies India's position as a key player in the global economy.

Rank	Country	%age out of total FDI Equity inflow (in terms of USD)
1	Mauritius	25%
2	Singapore	24%
3	U.S.A.	10%
4	Netherland	7%
5	Japan	6%
6	United Kingdom	5%
7	UAE	3%
8	Cayman Islands	2%
9	Germany	2%
10	Cyprus	2%

Data source: Department for Promotion of Industry and Internal Trade(DPIIT)

Mauritius was the largest source of foreign direct investment (FDI) in India, accounting for 25 per cent of total inflows, closely followed by Singapore at 24 per cent.

The top investors also included the US (10 per cent), Netherlands (7 per cent), Japan (6 per cent), and the UK (5 per cent). Other notable contributors were the UAE, Cayman Islands, Germany, and Cyprus, each contributing 2-3 per cent of total FDI.

Key drivers of FDI Growth: -

1. **Improved Competitiveness and Innovation:** India has seen significant improvements in its global rankings, jumping to 40th place in the World Competitiveness Index 2024 from 43rd in 2021. Additionally, India secured 40th position in the Global Innovation Index 2023, marking a substantial improvement from 81st place in 2015.

2. **Global Investment Standing:** India emerged as a leading destination for global investments, ranking third in greenfield project announcements with 1,008 projects. Additionally, international project finance deals in India surged by 64 per cent, securing the country's position as the second-largest recipient of such deals. These trends highlight India's rising stature as a preferred investment hub globally.

3. **Improved Business Environment:** India significantly improved its business environment, jumping 79 ranks from 142nd in 2014 to 63rd in the World Bank's Doing Business Report 2020. This remarkable progress reflects the government's efforts to simplify regulations and create a business-friendly environment, resulting in increased investor confidence.

4. **Policy Reforms:** The government has introduced an investor-friendly policy to boost foreign direct investment (FDI). Most sectors are now open to 100 per cent FDI through the automatic route, except for certain strategic sectors. Additionally, tax reforms have been introduced in 2024, including the abolition of angel tax and reduced income tax rates for foreign companies and start-ups, making it easier for them to comply with tax regulations.

Conclusion

India's success in attracting foreign investment is clear, with $42.1 billion in the first half of this fiscal year and a total of $1 trillion since 2000. This growth is driven **by India's improved competitiveness, innovative ecosystem, and business-friendly environment**.

Initiatives like "Make in India" and policy reforms have contributed to this success. As India aligns with global economic trends, it is poised for further growth and development, solidifying its position on the global stage.

Akansha Chauhan
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Head Office, SMEAD

5. HIGHLIGHTS OF RBI's BI-MONTHLY MONETARY POLICY

Policy Rate	Existing	Now	Change
Policy Repo Rate	6.50%	6.50%	**No Change**
Standing Deposit Facility (SDF)	6.25%	6.25%	
MSF Rate	6.75%	6.75%	
Bank Rate	6.75%	6.75%	
A. Reserve Ratios			
Cash Reserve Ratio (CRR)	4.50%	4.00%↓	**25 bps – 14th Dec'24** **25 bps – 28th Dec'24**
Statutory Liquidity Ratio (SLR)	18.0%	18.0%	**No Change**

➢ **Economy Outlook**

- **Global economy*:*** The global economy has demonstrated notable resilience in 2024 despite several challenges. Inflation across nations is gradually approaching their target levels from its multi-decade highs, prompting central banks to adjust policies. Global trade remains strong, though increasingly concentrated within geopolitical blocs. Since the last MPC meeting, financial markets have been volatile, with rising US dollar & bond yields leading to capital outflows from emerging markets. The outlook is uncertain, with growing protectionism posing risks to global growth & potentially driving inflation higher.
- **Domestic Economy:** On the domestic front, real Gross Domestic Product (GDP) registered a lower than expected growth of 5.4 per cent in Q2 FY25 as private consumption and investment decelerated even while government spending recovered from a contraction in the previous quarter. On the supply side, the growth in gross value added (GVA) during Q2 was aided by resilient services and improving agriculture sector, but weakness in industrial activity-manufacturing, electricity and mining- tempered overall growth.
- However, the high-frequency indicators suggest that the slowdown in domestic economic activity bottomed out in Q2 FY25 and has since shown signs of recovery, supported by strong festive demand and improved rural activity. Agricultural growth is buoyed by healthy kharif crop production, higher reservoir levels, and better rabi sowing.
- Industrial activity is expected to recover from previous lows, with the end of the monsoon season and anticipated government capital expenditure providing a boost to sectors like cement and iron and steel. Mining and electricity are also expected to normalise following monsoon-related disruptions. On the demand side, rural demand is showing an upward trend, while urban demand is moderating due to a high base. Government consumption is improving, and investment activity is expected to rise.
- Taking all these factors into consideration, GDP projections are as under with risks evenly balanced:

RBI's GDP Projections	Q3 FY'25	Q4 FY'25	FY'25	Q1 FY'26	Q2 FY'26
09.10.2024	7.4%	7.4%	7.2%	7.3%	-
06.12.2024	6.8%↓	7.2%↓	6.6%↓	6.9%↓	7.3%

➢ Inflation Outlook

- Inflation surged in September and October 2024, primarily driven by an unexpected rise in food prices. While core inflation remained subdued, it also saw an uptick in October. The fuel group continued its deflationary trend for the 14th consecutive month in October. In the near term, despite some easing, persistent food price pressures are expected to keep headline inflation elevated in Q3.
- Looking ahead, a strong rabi season will be crucial to easing food inflation pressures. Early signs of adequate soil moisture and good reservoir levels suggest favourable conditions for rabi sowing. A record kharif production is expected to help lower rice and tur dal prices, while vegetable prices are likely to experience a seasonal winter correction.
- However, the trajectory of domestic edible oil prices, impacted by higher import duties and global price increases, should be closely monitored. Surveys of manufacturing and services firms indicate rising input costs and selling prices in Q4 FY25.
- Taking into account these factors, the projections for CPI Inflation are as under:

RBI Inflation Projections	Q3 FY'25	Q4 FY'25	FY'25	Q1 FY'26	Q2 FY'26
09.10.2024	**4.8%**	**4.2%**	**4.5%**	**4.3%**	**-**
06.12.2024	**5.7%↑**	**4.5%↑**	**4.8%↑**	**4.6%↑**	**4.0%**

➢ Liquidity and Financial Market Conditions

- System liquidity remained surplus during Oct-Nov due to higher government spending, despite increased currency circulation and capital outflows. The Reserve Bank managed this surplus through Variable Rate Reverse Repo (VRRR) operations.
- To address temporary liquidity tightness from GST outflows, fine-tuning Variable Rate Repo (VRR) operations were conducted, aligning the inter-bank rate with the policy repo rate and ensuring effective credit market transmission.
- Further, to address potential liquidity tightness from tax outflows, increased currency circulation, and capital flow volatility, RBI has decided to reduce the CRR to 4.0 per cent of Net Demand and Time Liabilities (NDTL).
- Going forward, the Reserve Bank will continue to be nimble and proactive in its liquidity management operations to ensure that money market interest rates evolve in an orderly manner and the productive requirements of the economy are met.
- In Apr-Nov'24, the Indian rupee depreciated by 1.3%, mainly due to a stronger USD & foreign portfolio investor selling. However, INR's depreciation & volatility were lower than its emerging market peers, reflecting India's strong macroeconomic fundamentals & improved external outlook.

➢ Financial Stability

- The financial health of banks and NBFCs remains strong. Incoming data indicates that the gap between credit and deposit growth for Scheduled Commercial Banks (SCBs) has narrowed & the RBI continues to vigilantly supervise the financial sector, addressing any signs of stress proactively and non-disruptively. In extreme cases, business restrictions may be imposed to ensure consumer protection and financial stability.

- To address unclaimed, inoperative, and frozen accounts due to pending KYC updates, banks have been urged to take swift action. Additionally, banks are instructed to segregate accounts of beneficiaries of government schemes via DBT to ensure uninterrupted access to funds. The Reserve Bank will monitor progress in these areas.

➢ Additional Measures

I. Liquidity and Financial Markets

a) Reduction in Cash Reserve Ratio (CRR)

- RBI has been decided to reduce the CRR of all banks by 50 bps in two equal tranches of 25 bps each to 4.0% of NDTL with effect from the fortnight beginning 14th Dec'24 & 28th Dec'24, respectively. This will restore the CRR to 4% of NDTL, which was prevailing before the commencement of the policy tightening cycle in Apr'22. This **reduction in the CRR would release primary liquidity of about ₹1.16 trillion to the banking system**.

b) Interest Rates on FCNR(B) Deposits

- Currently, interest rates on FCNR(B) deposits are capped at ARR plus 250 bps for deposits of 1 to less than 3 years and ARR plus 350 bps for deposits of 3 to 5 years. **To attract more capital inflows, the RBI has increased** these ceilings. Effective December 6, 2024, banks can offer up to **ARR plus 400 bps for 1 to less than 3 years' deposits and up to ARR plus 500 bps for 3 to 5 years' deposits**. This relaxation will remain in effect until March 31, 2025.

c) Expanding reach of FX-Retail Platform through linkages with Bharat Connect

- The **FX-Retail platform**, launched by CCIL in 2019, **will be integrated with Bharat Connect** to enhance accessibility and user experience. This linkage will allow transactions via banking and non-banking apps. A pilot phase will enable individuals and sole proprietors to purchase USD against the Rupee, with plans to expand to other FX transactions. Direct access to FX-Retail will remain available. Operational guidelines for the pilot will follow.

d) Introduction of the Secured Overnight Rupee Rate (SORR) – a benchmark based on the secured money markets

- The Reserve Bank constituted the Committee on the MIBOR Benchmark, chaired by Shri Ramanathan Subramanian, to review Rupee interest rate benchmarks and assess the need for transitioning from MIBOR. Based on its recommendations and public feedback, the RBI proposes developing the Secured Overnight Rupee Rate (SORR), derived from secured money markets (basket repo and TREP). Financial Benchmarks India Limited (FBIL) has been tasked with implementing this proposal, while other recommendations are under consideration.

II. Regulation

a) 'Connect 2 Regulate' – An Initiative for Open Regulation.

- As part of the RBI@90 commemorative events, the Reserve Bank will launch the 'Connect 2 Regulate' programme to enhance stakeholder engagement in regulatory processes. A dedicated section on the RBI website will invite stakeholders to submit ideas, case studies, and concept notes on topics announced by the RBI. Further details will be shared through a press release.

III. Communication

a) Introduction of Podcast facility as an additional medium of communication

- RBI has been leveraging traditional and modern communication methods to enhance transparency, explain policy decisions, and expand public awareness. To further this effort, the **RBI plans to launch podcasts to disseminate information of public interest** to a wider audience.

IV. Financial Inclusion

a) Collateral-free Agriculture Loan — Enhancement of Limit

- The limit for **collateral-free agriculture loans has been increased from ₹1.6 lakh to ₹2 lakh**, considering inflation & rising agricultural input costs. It aims to enhance access to formal credit for small & marginal farmers. A circular detailing the changes will be issued shortly.

V. Payment Systems

a) Pre-sanctioned Credit Lines through UPI – Extending the scope to SFBs

- In Sept'23, UPI was enhanced to allow pre-sanctioned credit lines from Scheduled Commercial Banks (excluding Payments Banks, SFBs, and RRBs) to be linked as funding accounts.
- To expand credit access, particularly for 'new-to-credit' customers, Small Finance Banks (SFBs**) will now also be permitted to offer pre-sanctioned credit lines through UPI.** Guidelines for implementation will be issued shortly.

VI. Fintech

a) Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector – Setting up of a Committee

- The financial sector is undergoing significant transformation with the adoption of frontier technologies like AI, ML, tokenization, and cloud computing, offering efficiency and enhanced decision-making. However, these advancements bring risks such as algorithmic bias, lack of explainability, and data privacy concerns.
- To address these challenges, the RBI proposes to establish a committee to develop a **Framework for Responsible and Ethical Enablement of AI (FREE-AI)** in the financial sector. This committee, comprising experts from diverse fields, will recommend a robust and adaptable AI framework. Further details will be announced separately.

b) AI solutions to identify mule bank accounts - MuleHunter.AITM

- The RBI, in collaboration with banks, is addressing digital frauds through enhanced cybersecurity measures. It is running a **"Zero Financial Frauds" hackathon focused on mule accounts** and piloting an AI/ML model, MuleHunter.AITM, to detect such accounts. **Encouraging results** from a pilot with two public sector banks **have led to calls for further collaboration** with RBIH to combat mule account-related frauds.

6. GIST OF SPEECH: NEW FRONTIERS IN ECONOMIC RESEARCH

Keynote Address by Michael Debabrata Patra, Deputy Governor, Reserve Bank of India - December 14, 2024 - in the Maldives Monetary Authority (MMA) Research Conference at Male, Maldives

The Deputy Governor focussed on four emerging areas of economic research that will redefine human behaviour and hence economic research:

I. Redefining Technology Shocks in Economic Models

Digitalisation can be regarded as a long-term technology shock impacting economic growth, productivity, labour markets, older technologies and inflation. With AI set to affect 40% of global jobs, the ambit of research needs to expand to examine digitalisation-driven labour reallocation, job-matching efficiency, new vistas of job creation, and digitalisation's role in boosting female workforce participation through remote-friendly jobs. Digitalisation's impact on economic variables relevant to monetary policy also requires close monitoring, particularly its effect on inflation due to differences between online and offline prices, warranting a reassessment of traditional inflation models. Dynamic methods and big data analytics like web-scraping, text mining, large language techniques and machine learning frameworks are becoming vital for macro-financial analysis and monetary policy tech.

II. Climate Change and Macroeconomic Stability

Climate change is affecting growth and price stability through supply shocks such as food and energy shortages and through a decline in productive capacity. Transition risks can operate through multiple channels, exacerbating traditional risks for banks and financial institutions. The range of policy options available to mitigate climate risks require dedicated research, especially in the context of the complex, non-linear ways in which climate, the real economy, financial systems and markets interact and affect each other. Improved inter-disciplinary macroeconomic modelling is becoming crucial for understanding directions of causality and feedbacks.

III. Globalisation and the Natural Rate of Interest

One principle followed by central banks in setting policy rates is the natural rate of interest –known as R-star. It is a theoretical benchmark for monetary policy, reflecting the real interest rate that supports the economy at full employment while keeping inflation low and stable. Global economic conditions add complexity to an accurate assessment of R-star. Advanced economies face sluggish growth amidst changing labour market dynamics, stubborn services inflation, and fiscal policy uncertainties, while EMDEs may be experiencing upward pressure on their R-stars due to stronger economic activity and investment and productivity differentials. Central banks are therefore, reassessing how these global factors could be driving shifts in R-star to ensure that monetary policy remains effective in an interconnected world.

IV. Consumption Patterns and their Economic Impact

The growing usage of digital financial platforms and tools is also shaping the behaviour of households in multifarious ways. E-commerce is growing rapidly, with online sales accounting for a significant portion of retail sales in many countries. The proliferation of digital consumption has also led to a shift in saving and investment decisions such as online brokerage accounts, robo-advisors, investment apps, digital loans, etc. These shifts in consumer behaviour may require central banks and policymakers to transition from traditional macroeconomic models to agent-based modelling, integration of behavioural economics, nowcasting, policy simulations and advanced liquidity stress tests. They also need to equip themselves with cutting-edge computational tools like machine learning and big data analytics to examine the real-time, high-frequency data received from digital platforms.

7. CLASSROOM: CARBON BORDER ADJUSTMENT MECHANISM

Concept

International trade involves more than just the exchange of goods and services across borders. It also entails the transfer of carbon emissions, which are generated throughout the production process. As countries strive to reduce their carbon footprint, they face a dilemma: how to balance their increasing reliance on imports with their efforts to mitigate climate change.

This challenge has led to the development of the Carbon Border Adjustment Mechanism (CBAM), a regulatory tool aimed at accounting for the carbon emissions associated with imported goods. To understand the significance of CBAM, let's start with the fundamentals.

What is CBAM, and how is it going to impact India’s Export market?

CBAM is a policy tool being developed by the European Union (EU) to address the issue of carbon leakage and promote global climate action. The CBAM is meant to ensure that imported products bear a carbon emission cost comparable to the cost imposed on goods produced within the EU.

Exporters will be mandated to provide information on the quantity and emissions of their goods and buy certificates to match those emissions

The definite phase of the CBAM will enter into force on January 1, 2026. This may pose significant risks to India’s international trade. According to the National Council of Applied Economic Research, the EU comprises 20.33% of India’s total merchandise exports, of which 25.7% are affected by CBAM. Of this total, iron and steel alone account for a significant 76.9%, followed by aluminium at 19.4%, cement at 3.7%, and fertilizers at 0.02%, based on data from the past three fiscal years.

Impact of CBAM on Indian Exports

A sizable portion of India’s exports to the EU are likely to be impacted by the CBAM’s implementation. In reality, according to the United Nations Conference on Trade and Development (UNCTAD), India will lose $1-1.7 billion in exports of goods like steel and aluminium that require a lot of energy.

According to the coal ministry, India’s share of coal-fired electricity is close to 75%, which is far greater than the EU’s (15%) and the world average’s (36%). Because increasing emissions would result in higher carbon tariffs to be paid to the EU, direct and indirect emissions from iron, steel, and aluminium are a key worry for India.

As a result of the CBAM’s implementation, Indian exporters are expected to see higher pricing, decreased competitiveness, and decreased demand for their products.

Mitigation Measures

To navigate the challenges posed by the Carbon Border Adjustment Mechanism (CBAM), India must adopt a multi-faceted approach.

- **Developing a Robust Carbon Pricing Mechanism**

India needs to establish a carbon pricing system to encourage companies to reduce emissions. This would help Indian businesses comply with CBAM regulations and decrease the carbon footprint of their products.

- **Fostering Low-Carbon Technologies**

Investing in low-carbon technologies is crucial for India to maintain its competitiveness in the global market. This includes promoting renewable energy sources, such as solar and wind power, and encouraging businesses to adopt sustainable practices.

- **Diversifying Export Markets**

India must reassess its export strategy and explore new markets for its goods to minimize the impact of CBAM on the EU market. This could involve strengthening trade relationships with other countries and regions.

By implementing these measures, India can effectively mitigate the effects of CBAM, promote sustainable development, and maintain its competitiveness in the global market. The Indian economy is highly resilient and can embrace the "challenge" as an opportunity for a smoother, green energy transition.

Conclusion:

India has outlined its ambitious plan to achieve carbon neutrality by 2070, focusing on enhanced energy efficiency and introducing a Carbon Market Trade Scheme. This scheme will initially cover four energy-intensive sectors starting in 2026. The EU's Carbon Border Adjustment Mechanism (CBAM) can complement India's efforts by monitoring and reducing emissions, while generating revenue to support a fair and environmentally friendly transition.

The EU and India are collaborating to ensure a smooth implementation of CBAM. During the transitional period, the EU aims to refine the system, minimizing administrative burdens and simplifying processes before its full implementation in 2026. Both parties have expressed interest in continuing technical discussions on CBAM and maintaining an open dialogue throughout the transitional period, focusing on the impact of CBAM on Indian businesses.

Ayesha Bhati
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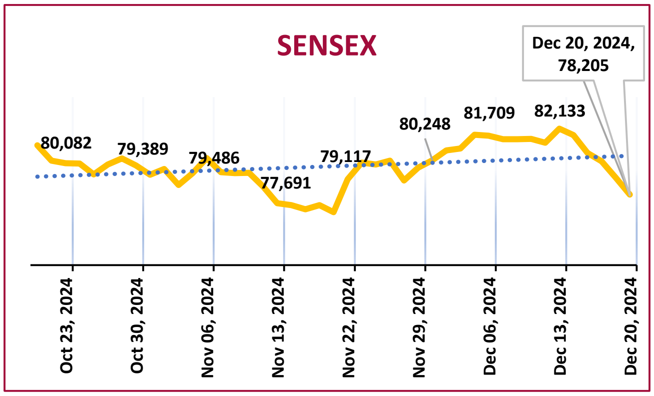
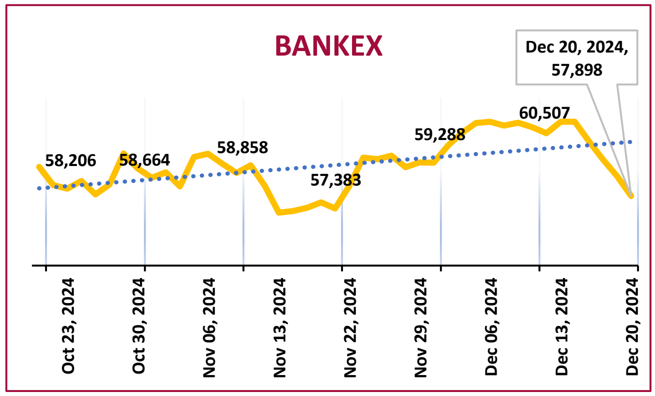
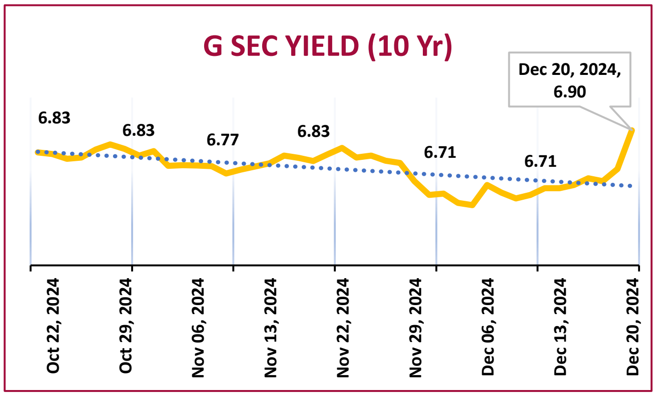
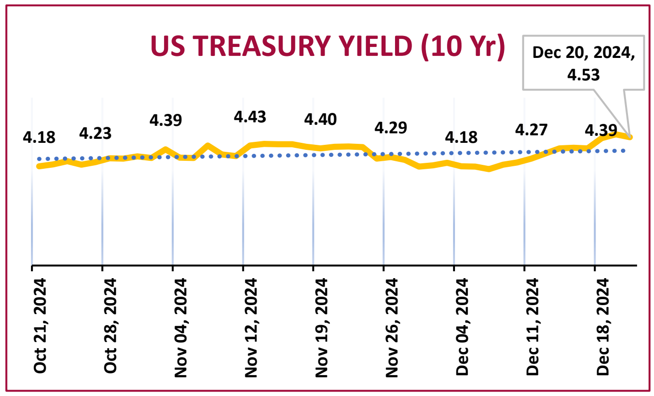
Head Office, SMEAD

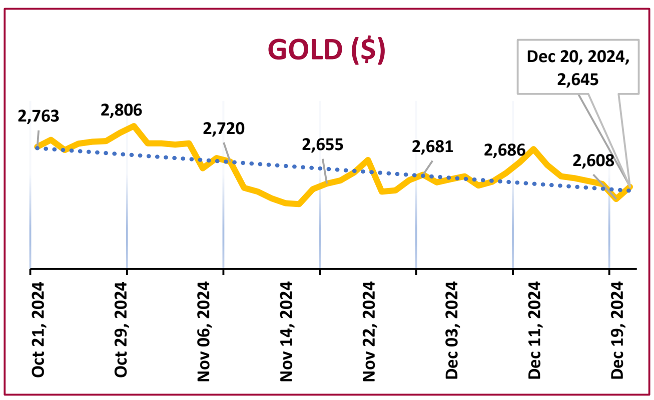
8. DAILY ECONOMIC INDICATORS

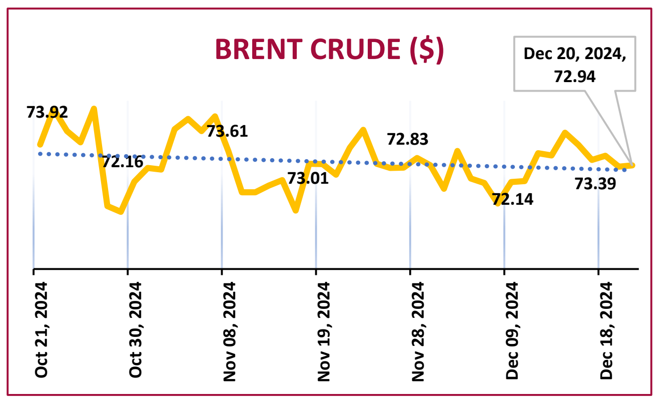


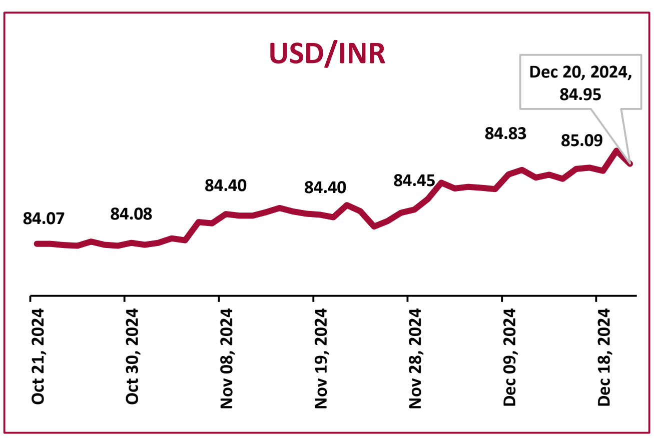


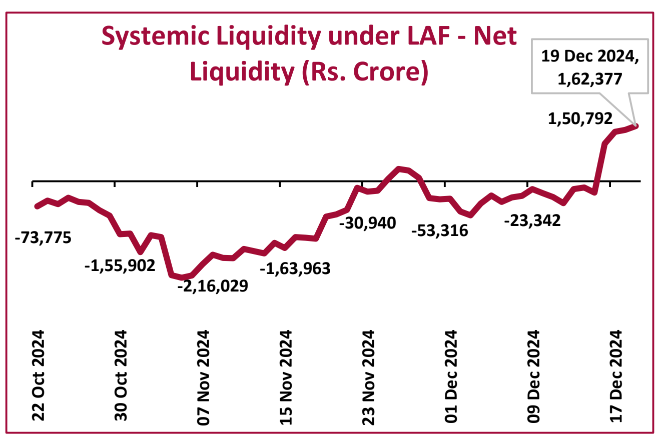








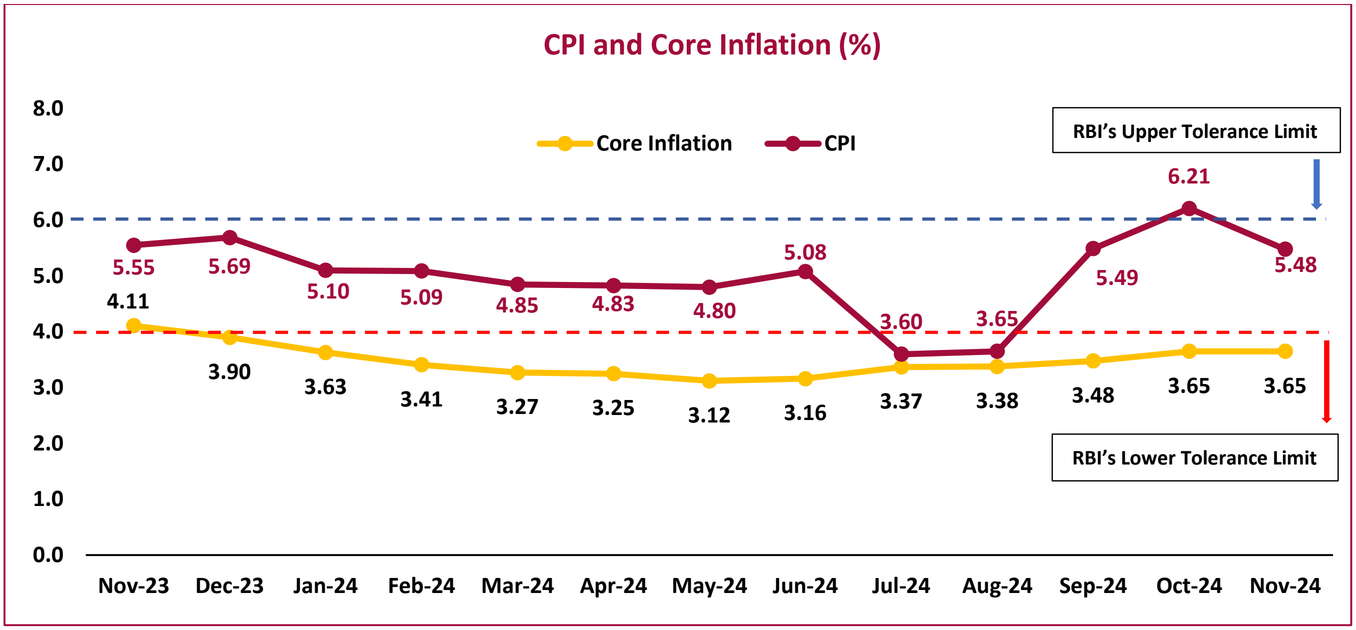


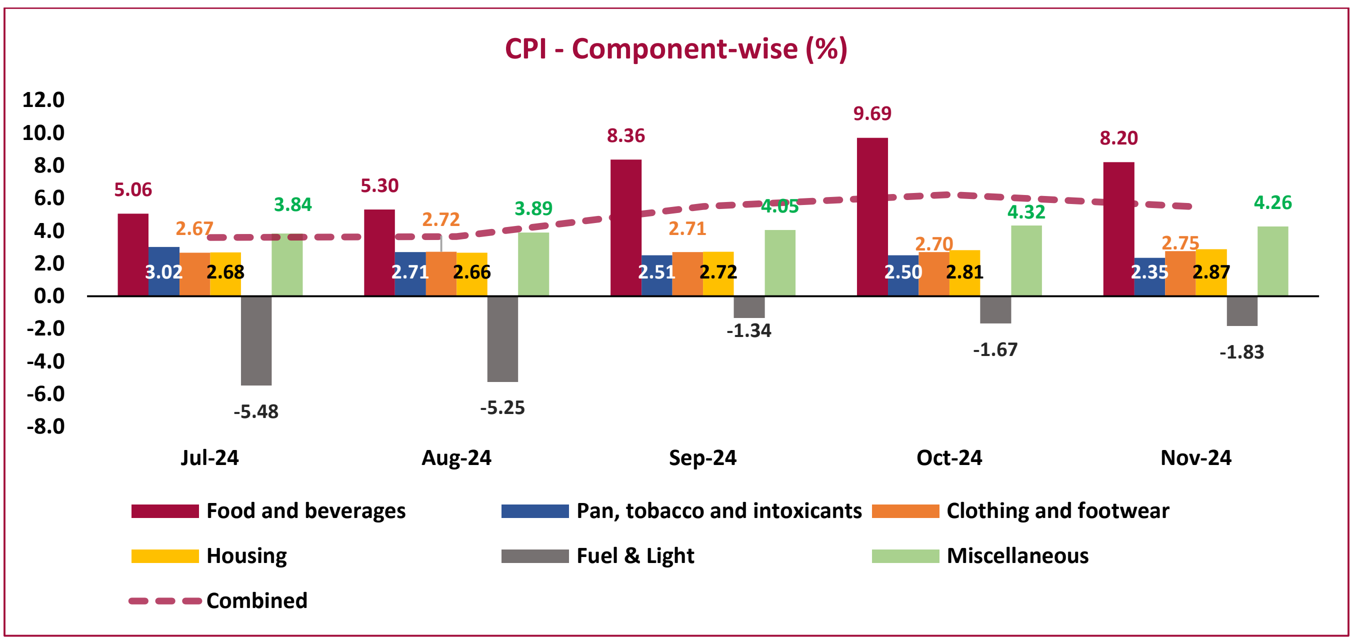


9. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation cooled to 5.48% in November 2024

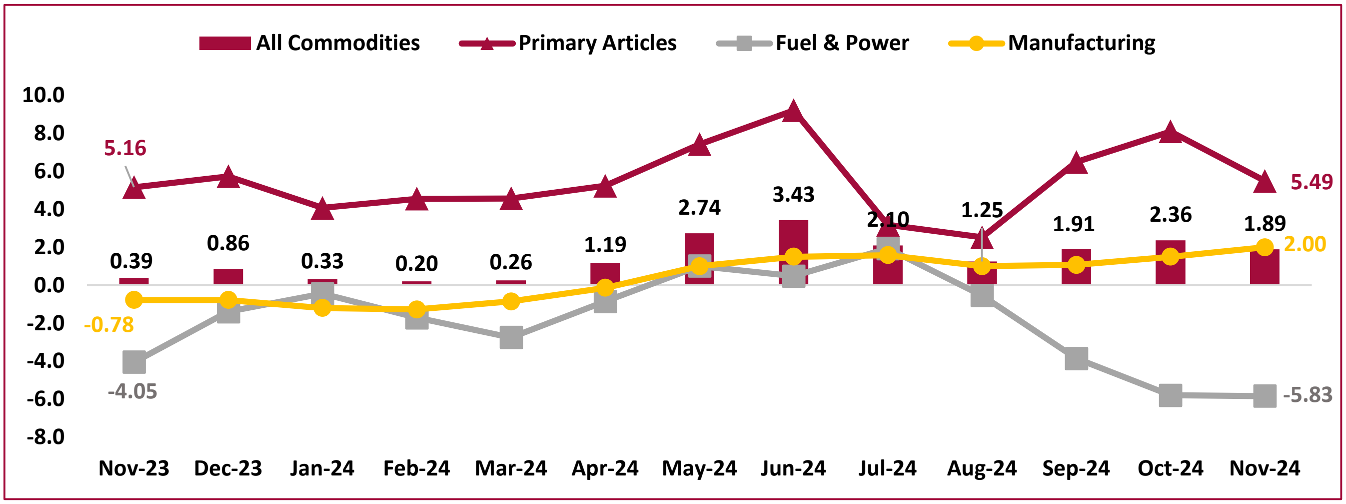




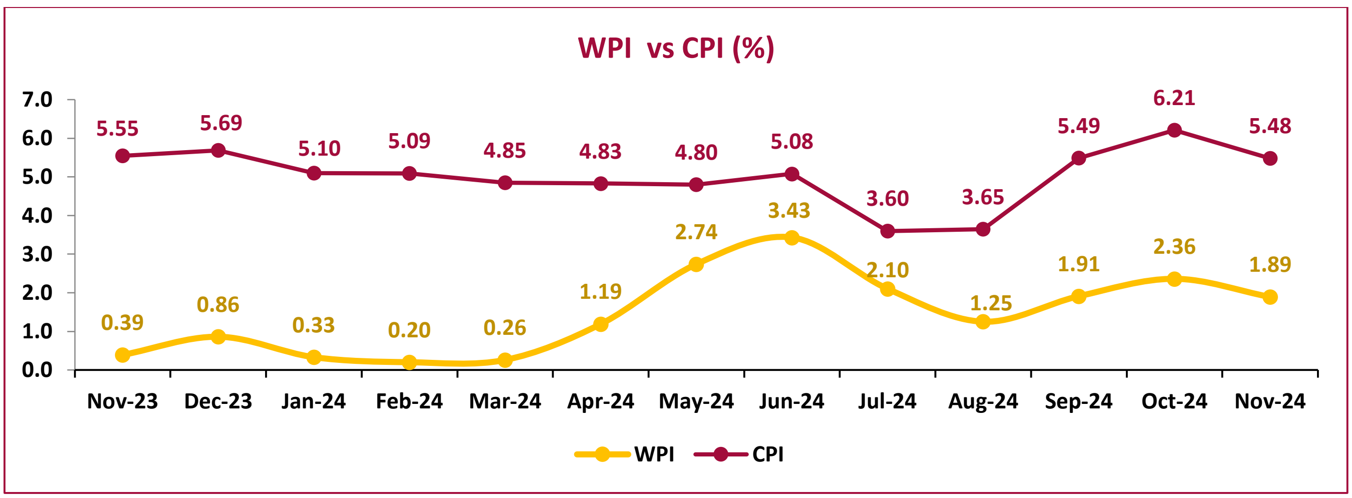
Retail inflation measured by CPI moderated to 5.48 per cent (provisional) for the month of November 2024, compared to 6.21 per cent last month and 5.55 per cent in November last year. Urban inflation in Nov'24 was lower at 4.83 per cent compared to 5.62 per cent in Oct'24 and 5.26 per cent in Nov'23. Rural inflation also fell to 5.95 per cent in Nov'24 from 6.68 per cent in the previous month. However, it is higher compared to 5.85 per cent in Nov'23.

WHOLESALE PRICE INDEX (WPI)

WPI inflation cooled down to 3 months low of 1.89% in November 2024



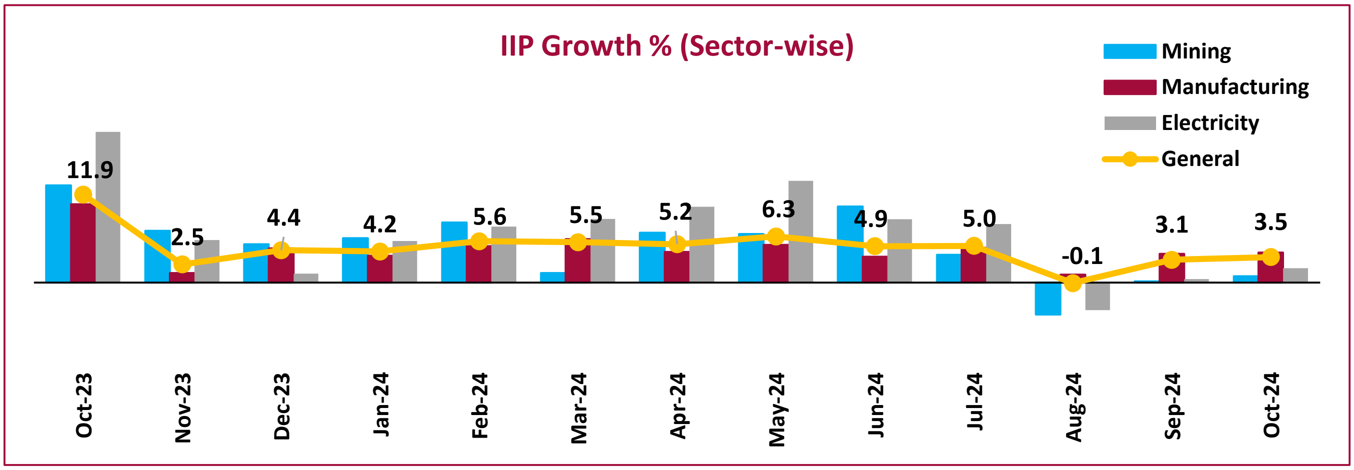
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
September	4.38	**6.48**	-3.35	**-3.85**	-1.27	**1.07**	3.79	**11.48**	-0.07	**1.91**
October	2.26	**8.09**	-1.58	**-5.79**	-1.06	**1.50**	3.17	**13.54**	-0.26	**2.36**
November	5.16	**5.49**	-4.05	**-5.83**	-0.78	**2.00**	8.84	**8.63**	0.39	**1.89**



The wholesale inflation measured by WPI decelerated to 1.89 per cent in Nov’24 on a YoY basis, as against 2.36 per cent in Oct’24, while it was at 0.39 per cent in Nov’23. It was mainly on account of lower inflation of 8.63 per cent in food articles (part of primary articles) in Nov’24 compared to 13.54 per cent in Oct’24 & 8.84 per cent in Nov’23. Barring Manufactured products that showed surge from 1.50 per cent in Oct’24 to 2.00 per cent in Nov’24, all the major group showed decline.

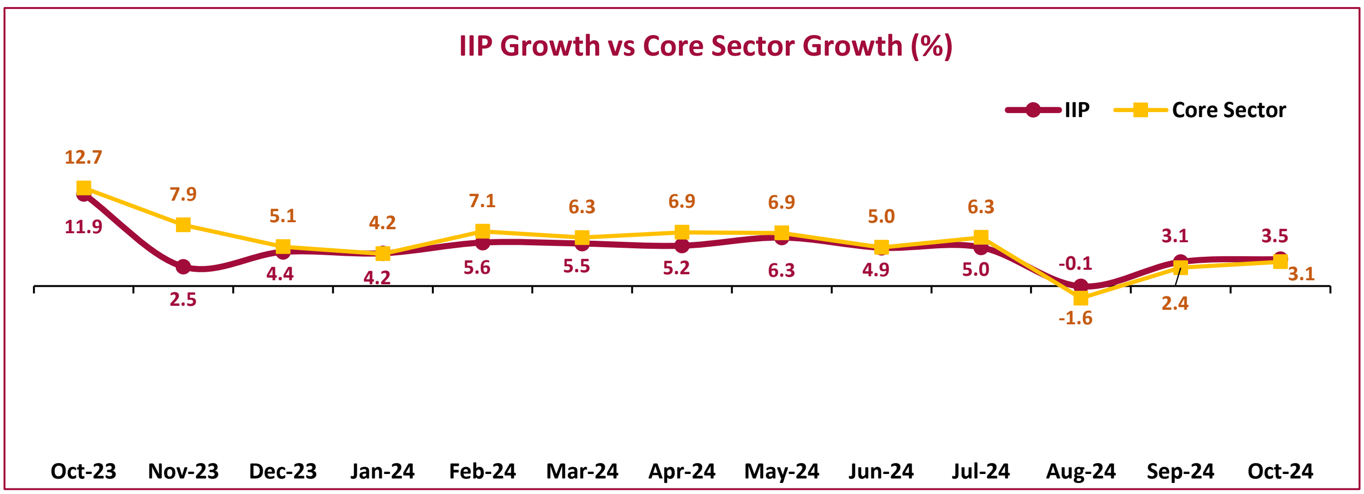
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP grew by 3.5% in October 2024



IIP Growth % (Usage-wise)

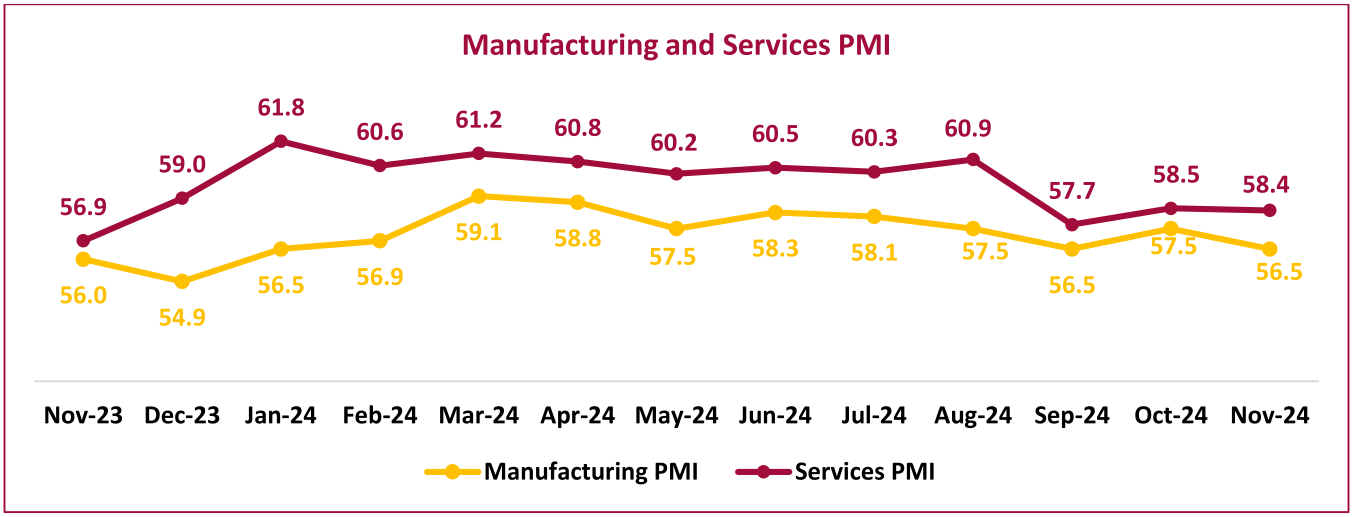
Component	Weight	Oct'23	Sept'24	Oct'24	Apr-Oct'23	Apr-Oct'24
Primary Goods	34.05%	11.4	1.8	2.6	7.1	4.1
Capital Goods	8.22%	21.7	3.6	3.1	8.9	4.0
Intermediate Goods	17.22%	9.5	3.6	3.8	5.2	4.0
Infra/Construction Goods	12.34%	12.6	3.2	4.0	13.0	5.6
Consumer Durables	12.84%	15.9	6.5	5.9	1.4	8.2
Consumer Non- Durables	15.33%	9.3	2.2	2.7	7.2	-0.7



IIP grew by 3.5% in Oct'24 much lower than the growth seen in Oct'23 of 11.9%. IIP for Apr-Oct period expanded by 4.0% compared to 7.0% during the same period last year. In terms of sectoral performance, the manufacturing sector led with a growth of 4.1%, followed by the electricity sector at 2.0%. The mining sector, however, saw a modest expansion of just 0.9%. Among the use-based categories, all sectors showed growth, with the highest expansion observed in consumer durables 5.8%. Primary goods and consumer non-durables grew by 2.6% and 2.7%, respectively.

PURCHASING MANAGERS' INDEX (PMI)

Manufacturing PMI moderated to 56.5 in November 2024

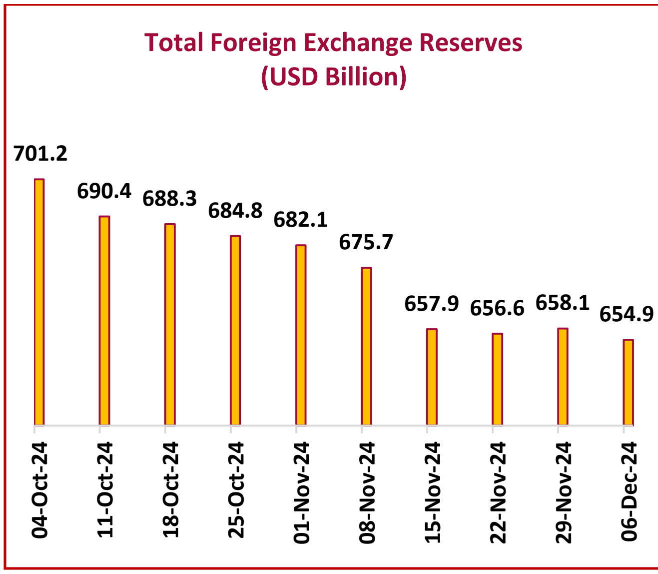


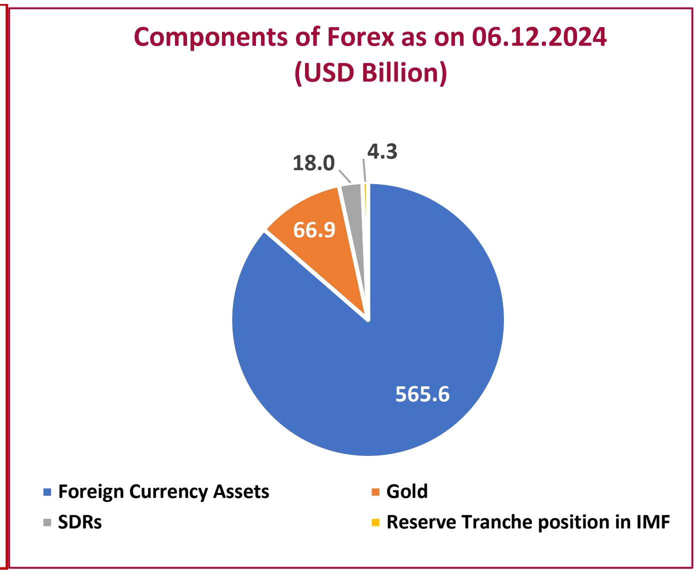
The HSBC Manufacturing Purchasing Managers' Index (PMI) stood at 56.5 in Nov'24, down from 57.5 recorded in Oct'24, also higher than 56.0 recorded in Nov'23. It was supported by favourable demand conditions, but lagged by fierce competition and price pressures. Manufacturing PMI has been above 50 for the 41st consecutive month. Services PMI recorded at 58.4 in Nov'24, marginally down from 58.5 recorded in Oct'24. Growth in services sector continued its momentum on the back of a consistent demand that led to a significant rise in business sentiment and record hiring. Services PMI has been above 50 for the 40th consecutive month.

PERFORMANCE OF OTHER LEADING INDICATORS

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Coal production (YoY%)	11.0	10.7	10.3	11.9	8.2	7.5	10.2	14.6	6.4	-7.6	2.5	7.7	7.4
Electricity generation (YoY%)	5.8	0.4	7.9	6.4	8.0	10.0	14.6	9.7	6.8	-3.8	-1.3	0.5	2.7
Consumption of petroleum products (YoY%)	-2.2	3.7	7.3	8.2	1.7	7.8	1.9	2.3	10.7	-3.1	-4.4	2.9	9.3
Railways: freight traffic (YoY%)	4.3	6.4	6.4	10.1	8.4	1.5	3.7	10.1	4.6	-5.0	-	-	-
Cargo handled at major ports (YoY%)	17.2	0.6	3.2	2.1	2.7	1.3	3.8	6.8	5.9	6.7	5.8	-3.4	-4.95
Cement production (million tonnes)	29.1	35.9	35.9	36.4	41.2	36.0	35.7	37.2	31.3	31.9	32.3	34.0	-
Steel consumption (million tonnes)	11.3	12.1	11.6	11.7	12.4	11.3	12.0	12.2	12.2	12.6	12.3	12.9	-12.4
Fertiliser sales (YoY%)	-5.5	-3.1	-9.1	-13.5	0.6	-3.7	10.5	7.3	-1.4	-9.4	-7.7	-7.8	-
Two-wheelers sales (Nos. in Lakhs)	19.0	15.0	17.6	18.5	18.1	20.7	19.3	19.0	17.7	20.5	24.0	25.3	19.7
Tractors sales (Nos. in Thousand)	79.0	52.1	62.8	51.8	74.5	84.4	91.8	110.3	68.0	58.7	108.0	151.8	78.3

FOREIGN EXCHANGE RESERVES



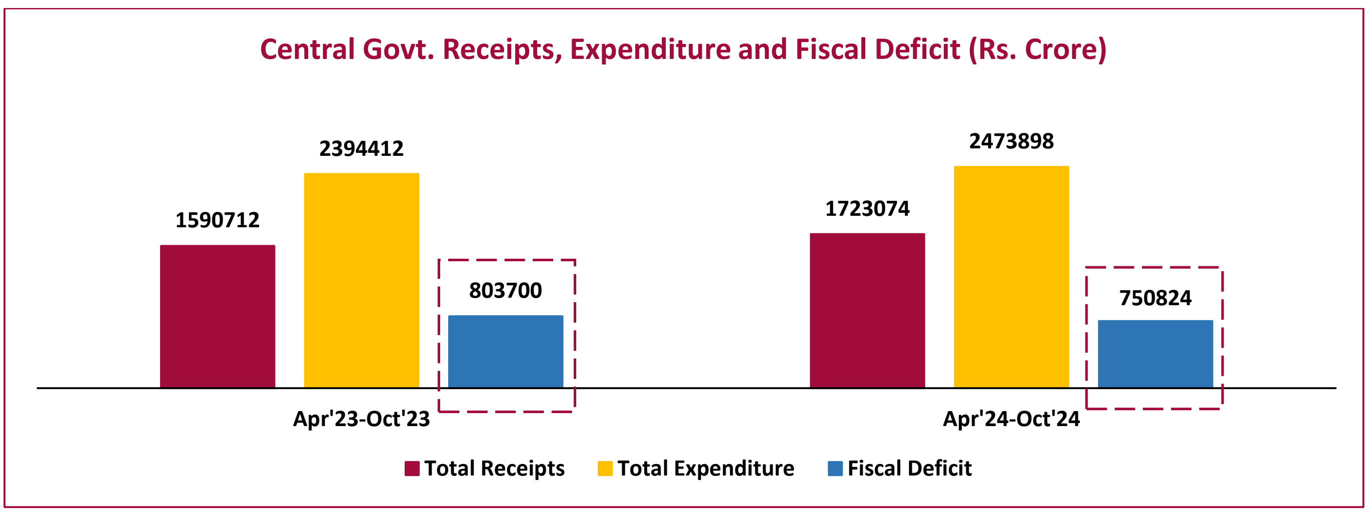


India's foreign exchange reserves decreased by USD 3.2 billion in the week ended 6th December 2024 to settle at USD 654.9 billion from the week ended 29th November 2024.

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

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
E-way bill Generation	8.8	9.5	9.6	9.7	10.4	9.7	10.3	10.0	10.5	10.5	10.9	11.7	10.2

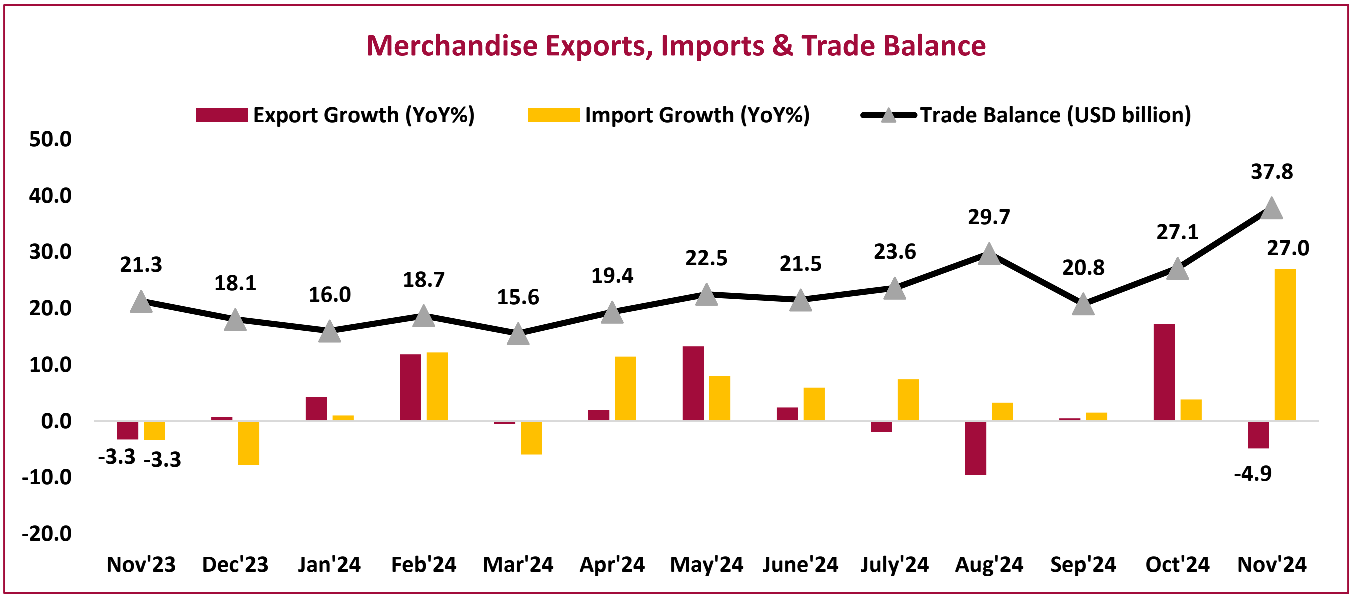
FISCAL DEFICIT

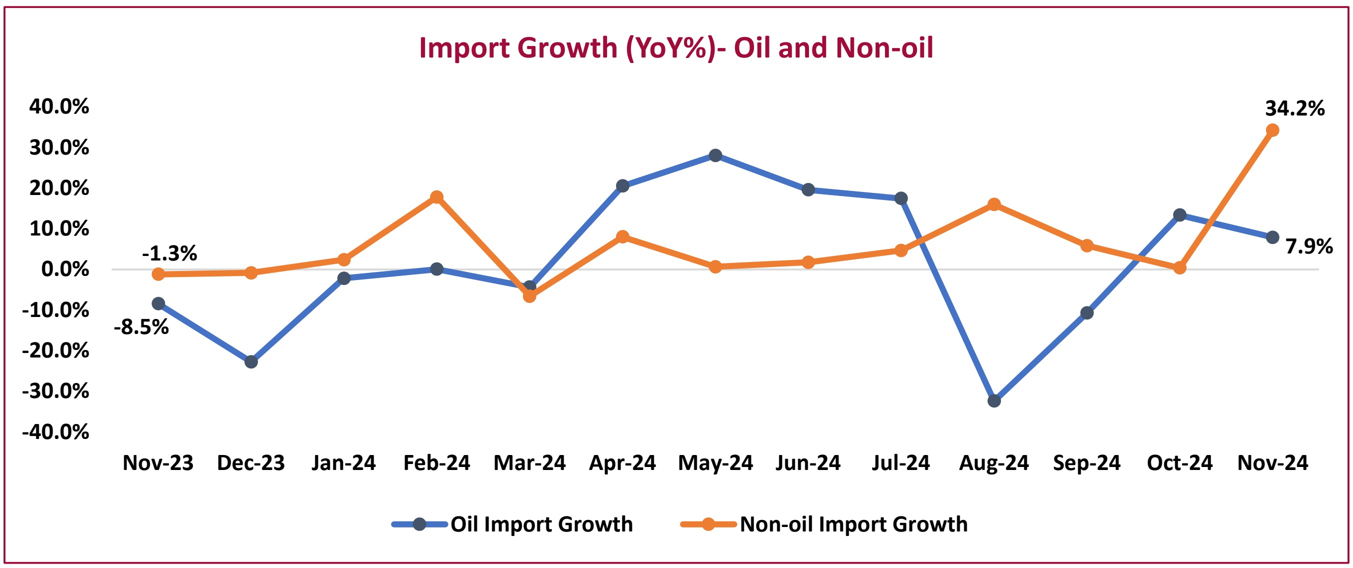


The central government's fiscal deficit in Apr-Oct'24 period came in at Rs.7.51 lakh crore amounting to 46.5% of the budget estimates vis-à-vis 45.0% of BE reached during the same period last year. Capital expenditure amounting to Rs.4.67 lakh crore during April-October FY 2024-25 narrowed to 42.0% of the budgeted target compared to last fiscal's achievement of 54.7% during this period.

FOREIGN TRADE

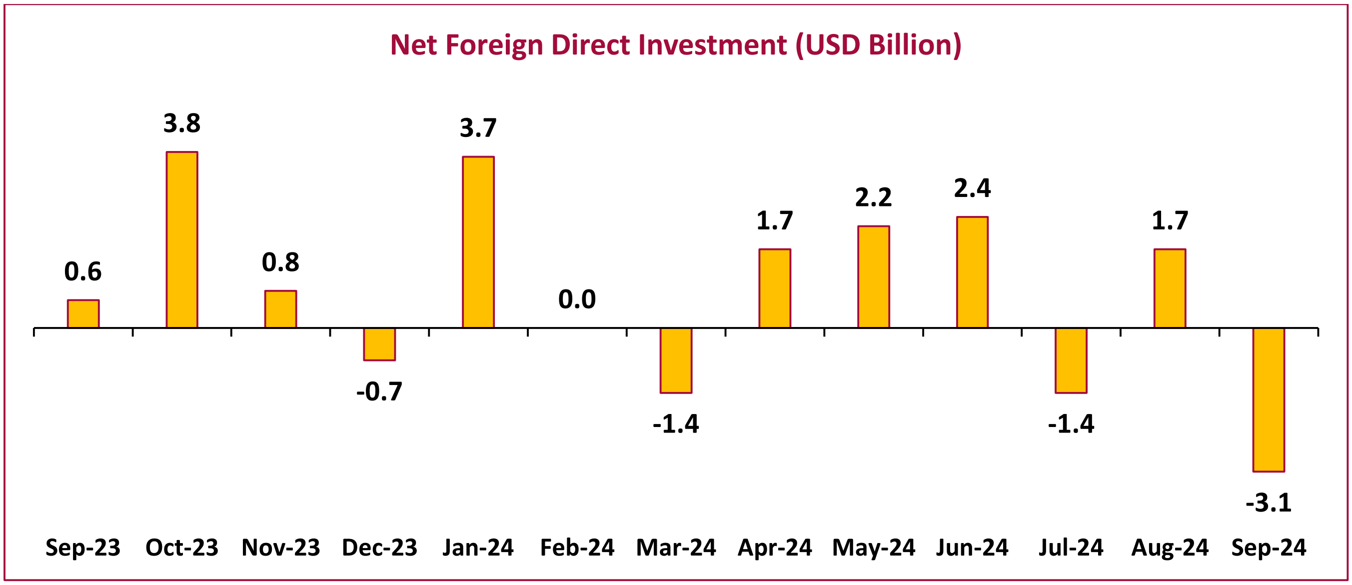
Merchandise Trade deficit widened to an all-time high of USD 37.8 billion in November 2024



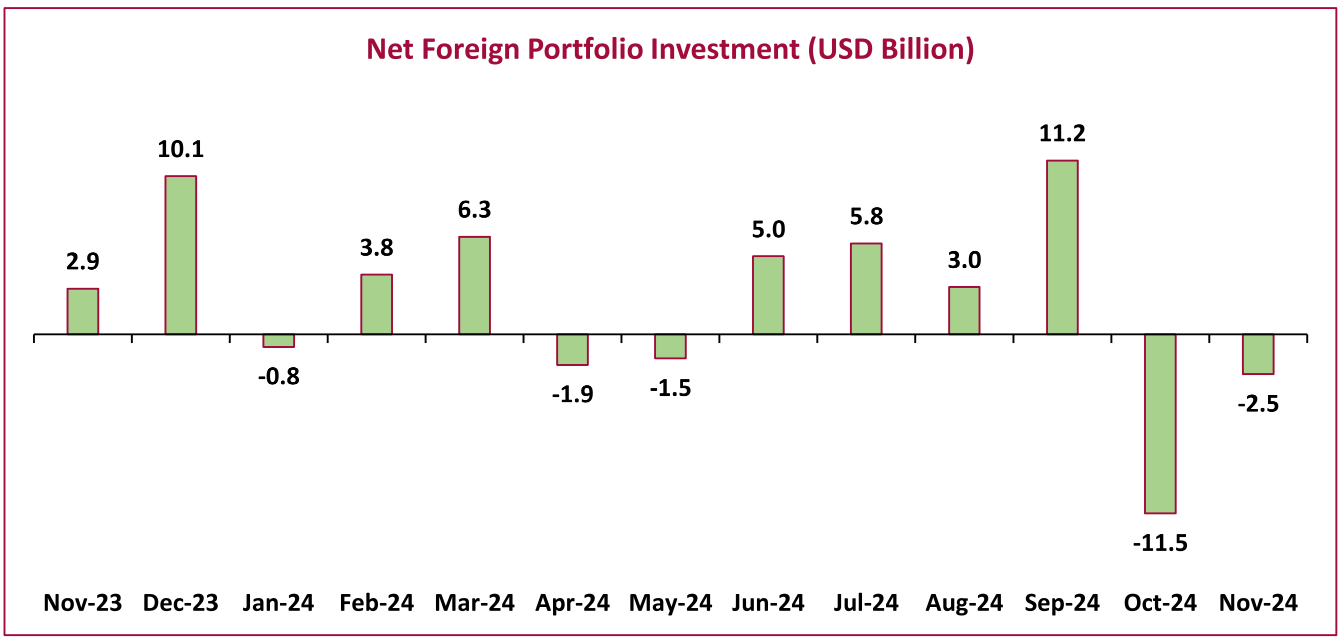


India's merchandise trade deficit expanded to a record $37.84 billion in November 2024, up from $27.14 billion in October 2024 and $21.31 billion in November 2023. Merchandise exports in Nov’24 shrank by 4.9% YoY, dropping to $32.11 billion from $33.75 billion in Nov’23. The drop was primarily driven by sharp contractions in petroleum products (-49.7% YoY) & gems & jewelry (-26.3% YoY) exports. However, non-oil exports showed resilience, growing 7.7% YoY to reach $28.40 billion in Nov’24. Merchandise imports surged to a record $69.95 billion in Nov’24, marking a 27.0% YoY increase from $55.06 billion in Nov’23. This spike was driven by an all-time high in gold imports, which soared to $14.86 billion (331.4% YoY), alongside steady growth in oil imports, up 7.9% YoY to $16.11 billion in Nov’24.

FOREIGN INVESTMENTS



Net foreign direct investment (FDI) in India witnessed a decline in Sept'24 falling from USD 1.7 billion of net inflows in August'24 to USD 3.1 billion worth of net outflows in September'24. However, the recent RBI guidelines to permit excess FPI stakes in the country to be converted to FDI is expected to augur well for FDI investments going ahead.



The month of October brought considerable volatility to global equity markets, with Indian markets recording the highest foreign portfolio investment (FPI) outflows among major economies. Analysts attribute the drop to factors including the high valuation of Indian equities, slowing earnings growth, and global geopolitical uncertainty, particularly around the US elections. India's net FPI flows for 2024 have been erased by October's substantial equity outflow of USD 11.47 billion.

BANK DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	03.11.23	22.03.2024	15.11.24	29.11.24	*YoY (%)*	*YTD (%)*	*Fortnightly (%)*
Business	357.12	369.10	392.19	395.27	*10.68%*	*7.10%*	*0.79%*
Deposits	198.86	204.75	218.56	220.18	*10.72%*	*7.53%*	*0.74%*
Advances	158.25	164.35	173.63	175.09	*10.64%*	*6.55%*	*0.84%*

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

Parameter (Rs. Lakh Crore)	Oct-23	Jul-24	Aug-24	Sep-24	Oct-24
Total Non-food	**154.4**	**167.9**	**169.2**	**171.1**	**172.2**
Agriculture and allied activities	**19.1**	**21.6**	**21.6**	**21.7**	**22.1**
Industry	**35.0**	**37.2**	**37.6**	**38.0**	**37.7**
Of which					
Micro & small	6.8	7.3	7.4	7.5	7.5
Medium	2.8	3.2	3.2	3.3	3.4
Large	25.4	26.8	26.9	27.2	26.9
Personal loans	**50.0**	**55.1**	**55.6**	**56.0**	**56.5**
Of which					
Housing (Including priority sector housing)	25.6	28.1	28.3	28.5	28.7
Education	1.1	1.2	1.3	1.3	1.3
Vehicle loans	5.5	6.1	6.1	6.2	6.2
Services	**42.5**	**46.2**	**46.4**	**47.4**	**47.8**
Of which					
Computer software	0.2	0.3	0.3	0.3	0.3
Tourism, hotels & restaurants	0.8	0.8	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.1	0.1
Aviation	0.4	0.4	0.4	0.4	0.5
Retail trade	4.6	5.0	5.0	5.1	5.1
Commercial real estate	4.5	4.8	4.9	5.0	5.1

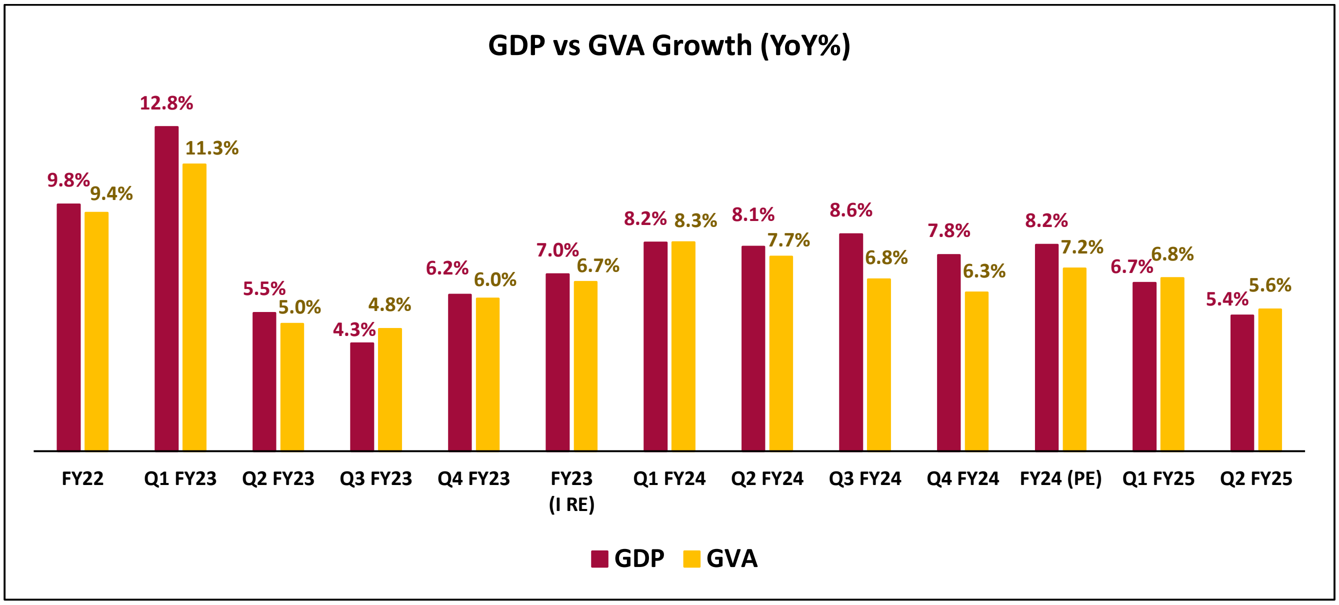
On a year-on-year (YoY) basis, non-food bank credit in October 2024 grew at 11.5%, lower than the growth witnessed in the year ago period at 20.1%. Credit to agriculture and allied activities continued to be robust with the growth of 15.5% (YoY) in October 2024, compared with 17.4% during October 2023. Credit growth to industry accelerated to 7.9% (YoY) in October 2024 compared with 5.4% growth in October 2023. The improved industrial credit growth was mainly led by 'medium' industries, followed by 'micro & small' and 'large' industries.

Among major industries, Petroleum, coal products & nuclear fuels registered the highest credit growth (27.9%) followed by Beverages & Tobacco (19.2%) and other industries (19.1%), while credit growth to Mining & quarrying (incl. coal), and Gems & jewellery moderated to 6.3% and 3.4%, respectively.

10. QUARTERLY ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT (GDP) & GROSS VALUE ADDED (GVA)

India's GDP growth fell short of expectations in Q2 FY25

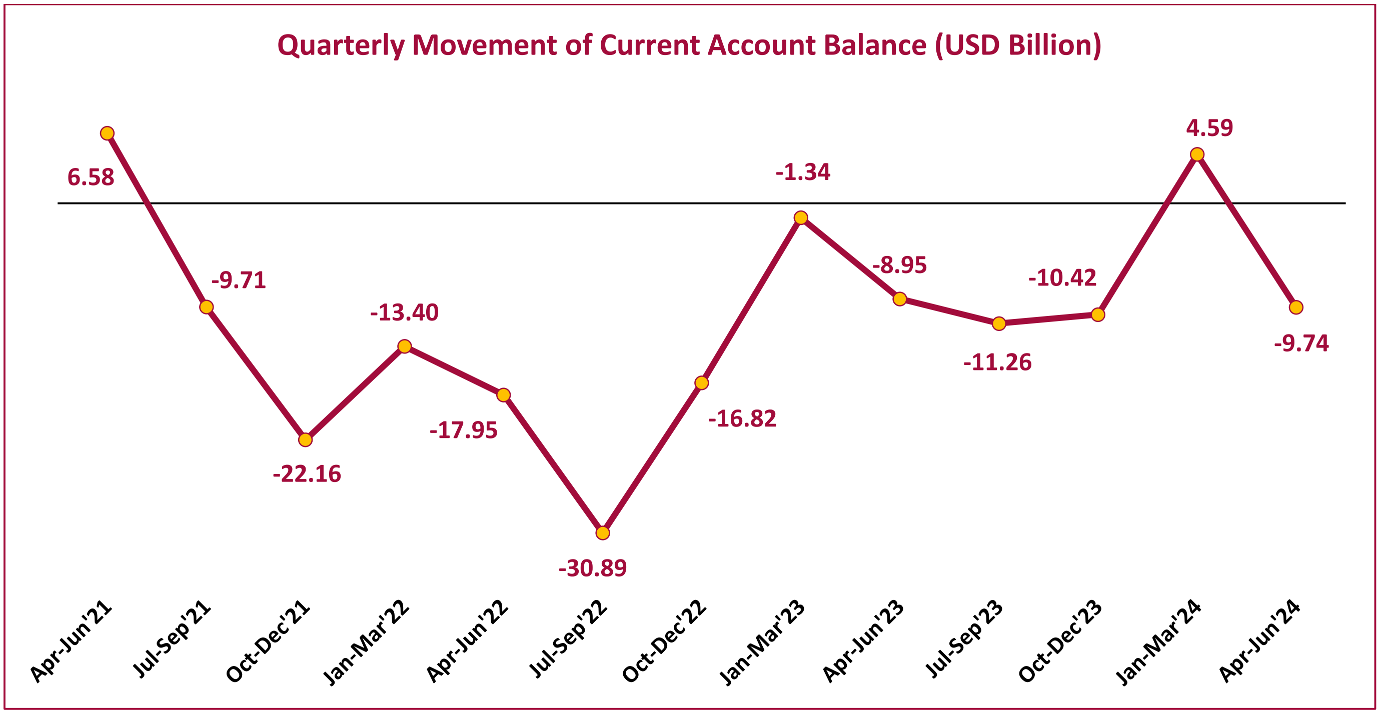


GDP for Q2 FY25 grew by 5.4 per cent as compared to a growth of 6.7 per cent in the previous quarter (Q1 FY25) and a growth of 8.1 per cent in Q2 FY24. Also, GVA in Q2 FY25 grew by 5.6 per cent as compared to a growth of 6.8 per cent in the previous quarter (Q1 FY25) and a growth of 7.7 per cent in Q2 FY24. The slower growth of India's Gross Domestic Product (GDP) to 5.4 per cent during Q2 FY 2024-25 may be attributed to weak urban consumption and sluggish growth in manufacturing and mining sectors. Q2 FY25 GDP growth fell short of expectations, coming in significantly below the RBI's 7.0 per cent projection from its October Monetary Policy Committee (MPC) meeting.

INDIA'S GDP OUTLOOK BY VARIOUS AGENCIES

Agency	FY25
RBI	6.6%
World Bank	7.0%
IMF	7.0%
ADB	6.5%

CURRENT ACCOUNT BALANCE



India reported a current account deficit of USD 9.7 billion in the quarter ended June 2024. The current account deficit amounted to 1.1 per cent of GDP. India had witnessed current account surplus amounting to 0.5 per cent of GDP in the preceding quarter and a deficit amounting to 1 per cent of GDP in the year-ago quarter. Despite a slight increase, services exports contribute significantly, covering up to USD 200 billion of a USD 300 billion trade deficit.

11. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Federal Reserve	U.S.A	4.50%	Dec 18, 2024 (-25bp)	Jan 29, 2025
Bank of England	U.K	4.75%	Nov 07, 2024 (-25bp)	Feb 06, 2025
Reserve Bank of India	India	6.50%	Feb 08, 2023 (+25 bps)	Feb 07, 2025
Bank of Japan	Japan	0.25%	Jul 31, 2024 (+15bp)	Jan 24, 2025
European Central Bank	Europe	3.15%	Dec 12, 2024 (-25bp)	Jan 30, 2025
Peoples Bank of China	China	3.10%	Oct 21, 2024 (-25bp)	-

12. INDUSTRY OUTLOOK

Bullion Industry

The bullion market encompasses the trade of precious metals, mainly gold and silver. This sector consists of several **subcategories**, such as Over-The-Counter (**OTC**) trading, exchange-traded funds (**ETFs**), **derivatives** like futures and options, and the sale of **physical metals**. **Key players** in this market include **central banks, refineries, bullion traders, and both individual and institutional investors**, highlighting the sector's variety.

Analysts predict that central bank acquisitions, geopolitical uncertainties, and **potential interest rate reductions will all impact gold prices in 2025**, which are anticipated to be between $2,450 and $2,950 per ounce. The World Gold Council also forecasts a slight increase in global gold demand in 2025, with central banks being pivotal in these purchases.

It is predicted that **silver would do better than gold**, and its price may increase to between $28 and $40 an ounce. The increased use of silver in industrial applications, particularly in solar photovoltaic systems, is likely to propel demand.

In July 2024, the Indian government reduced import duties on gold and silver from 15% to 6%, aiming to combat smuggling and boost retail demand. Despite this, elevated gold prices have driven consumers towards smaller quantities and lower-purity options.

India's bullion market is deeply influenced by global economic factors such as geopolitical tensions, financial market instability, and interest rates. In uncertain times, gold becomes a safe-haven asset. **Lower interest rates enhance the appeal of gold** due to reduced opportunity costs, whereas higher rates often shift investments towards interest-bearing assets.

As one of the world's largest gold consumers, India imports a substantial portion of its gold, making it vulnerable to fluctuations in international prices, currency exchange rates, and supply chain disruptions. Frequent policy adjustments, particularly alterations to import tariffs, can lead to confusion and influence the availability and pricing in the domestic market.

With expectations of rising gold and silver prices, the **Indian bullion market is projected to grow** in 2025. Nevertheless, challenges such as reliance on international markets, shifting government policies, and high expenses may reduce demand. To take advantage of this hopeful scenario, **investors ought to closely observe changes in local policies**, the **activities of central banks**, and **international economic shifts**. Aligning with these trends, making prudent investments in gold and silver can help reduce risks and boost returns.

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13. 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*
- *S&P Global*
- *Press Information Bureau*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *CMIE*
- *NSDL*
- *Press Articles*

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QUOTE OF THE MONTH

"Knowing is not enough; we must apply. Willing is not enough; we must do."

—Johann Wolfgang von Goethe

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