PNB ECO LENS

MONTHLY BULLETIN

पीएनबी इकोलेंस मासिक बुलेटिन

June 2025

जून 2025

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION
कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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 नैशनल बैंक
कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग
कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,
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FINANCIAL INCLUSION IN AMRIT KAAL

With Amrit Kaal setting the stage for India's centenary in 2047, financial inclusion is being positioned as a key enabler of the nation's long-term developmental vision—aiming to build a more inclusive, resilient, digitally and financially empowered economy. The focus is shifting from merely opening accounts to ensuring meaningful access to credit, insurance, pensions, and investments. Digital public infrastructure such as Jan Dhan, Aadhaar, and UPI is playing a key role in reaching the last mile and enabling inclusive, technology-driven growth.

The Journey of Financial Inclusion in India

India's financial inclusion journey has evolved through institutional reforms and policies. The nationalisation of banks in 1969 marked a turning point, steering the banking sector towards developmental goals. The introduction of Priority Sector Lending (1968) and the Lead Bank Scheme (1969) further reinforced this shift by targeting underserved sectors and regions. To deepen rural outreach, Regional Rural Banks were set up in 1975, and NABARD was established in 1982 to support rural credit and development. The branch expansion policy in the 1970s ensured that rural areas benefited from banking expansion, laying the groundwork for today's inclusive financial ecosystem.

Digital Transformation and Mass Outreach: 2010s Onwards

India's financial inclusion journey has witnessed a remarkable transformation over the past decade driven by digital innovation. The launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014 was a defining moment, aiming to ensure universal access to basic banking services. With over 55.58 crore accounts and deposits exceeding ₹2.5 lakh crore as of 11th June 2025, PMJDY has become the world's largest financial inclusion programme.

This momentum was further amplified through the JAM trinity—Jan Dhan, Aadhaar, and Mobile—creating a seamless platform for direct benefit transfers and enhancing transparency in welfare delivery. The integration of Aadhaar-based biometric authentication and the rise of mobile banking revolutionised access to financial services, especially for those previously excluded from the system.

Digital payments have since become the backbone of India's financial inclusion efforts. The introduction of the Unified Payments Interface (UPI) in 2016 and RuPay, the domestic card network, reshaped the landscape of everyday transactions. UPI now accounts for over 84% of retail payments by volume. Innovations such as UPI123Pay for feature phones, UPI Lite for small-value transactions, and the recently launched UPI Circle, allowing delegated payments, have made digital payments more accessible and inclusive. The informal sector, once largely cash-driven, has seamlessly embraced QR-based payments, enabling even street vendors and small businesses to participate in the formal economy.

The Financial Inclusion Index, introduced by the RBI to measure progress, rose to 64.2 in March 2024 from 60.1 in March 2023, signalling consistent improvements in access, usage, and service quality. Further regulatory measures have been aligned to promote inclusive lending with small finance banks having 15%

lower priority sector lending. Similarly, Urban Cooperative Banks have had their priority sector lending targets rationalised from 75% to 60%. For small ticket gold loans upto Rs. 2.5 lakhs credit appraisal norms have been relaxed and the Loan-to-Value ratio increased to 85%, easing credit access for low-income borrowers.

Looking ahead, India's aspirations transcend national borders. The Reserve Bank of India, in partnership with NPCI International Payments Ltd. (NIPL), is working to expand the reach of UPI to 20 countries by 2028–29. Through global initiatives like Project Nexus and linkages with fast payment systems in regions such as the European Union and SAARC, India is positioning itself as a leader in inclusive digital finance.

Financial Literacy: An Enabler of Financial Inclusion

True inclusion means equipping every citizen with the knowledge and confidence to manage their finances and make informed decisions. While schemes like PMJDY and digital tools like UPI have widened access, financial literacy is key to ensuring these services are used effectively and responsibly.

Financial literacy helps individuals—especially those in rural and underserved areas—understand savings, credit, insurance, pensions, and digital transactions. It builds trust in digital systems, enhances financial security, and supports women's economic participation. Recognising its importance, the RBI and other regulators established the National Centre for Financial Education and launched initiatives like Financial Literacy Week and Centres for Financial Literacy (CFLs). From a pilot in 2017, the CFL project has expanded nationwide, with over 2,400 centres active as of March 2025, conducting camps that promote account usage and linkages to key financial services.

Cybersecurity in the Digital Era of Financial Inclusion

As India's financial ecosystem becomes increasingly digital, financial inclusion must be underpinned by digital literacy and cybersecurity. While platforms like UPI and AEPS have expanded access, true inclusion requires users to confidently and safely engage with these services.

Digital literacy empowers individuals—especially in rural and underserved areas—to confidently use digital tools for payments, savings, and accessing welfare benefits. Cybersecurity, meanwhile, safeguards them from fraud, phishing, and identity theft—threats that can erode confidence and reverse inclusion gains.

To address cybersecurity, regulators, financial institutions and the government have embedded digital and cyber awareness into the financial inclusion agenda. Initiatives like RBI's Financial Literacy Week, RBI Khehta Hai, and Cyber Surakshit Bharat focuses on building resilience among vulnerable groups, including women, elderly, and first-time users. Government has also launched a toll free Helpline number 1930 for immediate reporting of cybercrime incidents. Banks have also undertaken various initiatives to prevent frauds.

In essence, financial inclusion in Amrit Kaal is about building a system where every Indian—regardless of geography, gender, or economic status—has the tools, knowledge, and confidence to participate meaningfully in the financial ecosystem. Every Indian must not only have a bank account but also the ability to leverage it securely. A financially inclusive India will be the **strongest pillar of Viksit Bharat by 2047**.

Ajay Kumar Singh
General Manager

2. THE ECONOMIC COST OF WAR

The Global Economy has been marred with wars in the recent years. The latest geopolitical frictions between Iran, Israel and US heightened global uncertainty. The economic toll of recent wars on the global economy has been profound and multifaceted, extending far beyond the immediate battlefields. While the human cost is immeasurable, the financial reverberations have disrupted supply chains, fuelled inflation, exacerbated humanitarian crises, and significantly impacted global growth.

1. **Disruption of Global Supply Chains and Trade:**

One of the most immediate and widespread impacts of recent wars has been the severe disruption of global supply chains. The Russia-Ukraine war, for instance, heavily impacted the flow of essential commodities. Both countries are major exporters of grain (wheat, barley, corn) and sunflower oil. The conflict led to blockades of Black Sea ports, significantly restricting agricultural exports and creating immense uncertainty in global food markets. This disruption contributed to soaring food prices and exacerbating food insecurity in vulnerable regions.

Similarly, the Houthi attacks on commercial shipping in the Red Sea have forced major shipping companies to reroute vessels around the southern tip of Africa. This longer journey adds significant time and cost to shipments, increasing fuel expenses (up to $2 million per trip) and insurance premiums (from 0.5% to 2% of total shipment value). This directly impacts businesses reliant on efficient global trade, leading to delays in product availability, increased input costs for manufacturers, and ultimately, higher prices for consumers.

The Israel-Iran tensions, though not yet escalating into a full-blown war directly disrupting oil infrastructure, have also driven up crude oil prices due to fears of supply outages, especially concerning the Strait of Hormuz, a critical chokepoint for global oil and gas flows. Any disruption to this strait, through which a significant portion of global oil and gas supply passes, could send prices skyrocketing.

Beyond direct disruptions, geopolitical fragmentation, leads to protectionist measures. Nations prioritize domestic production and security over efficiency and cooperation, leading to tariffs, embargoes, and even nationalization efforts. This "deglobalization" trend results in input shortages, forcing companies to resort to costly stockpiles or less transparent sourcing, further undermining supply chain predictability and increasing operational costs.

2. **Surging Energy and Commodity Prices:**

Recent conflicts, particularly those in energy-rich regions, have had a dramatic impact on global energy prices. The Russia-Ukraine war, with Russia being a major global supplier of oil and natural gas, caused significant price spikes in 2022. While initial surges may recede as markets adjust, the underlying risk premium associated with geopolitical instability remains elevated. These elevated energy costs translate into higher transportation expenses for goods, increased production costs for industries, and higher utility bills for households, contributing significantly to inflationary pressures worldwide.

3. **Inflationary Pressures and Economic Slowdown:**

The combined impact of supply chain disruptions, increased commodity prices, and heightened geopolitical uncertainty has fuelled inflationary pressures across the globe. When the supply of goods and services is constrained while demand remains relatively stable or increases (especially due to military spending), prices inevitably rise. The World Bank noted that the Russia-Ukraine conflict triggered the largest commodity shock in 50 years, directly contributing to cost-push inflation.

Higher inflation erodes purchasing power, reduces consumer spending, and creates uncertainty for businesses, leading to a slowdown in economic activity and potentially recessionary pressures. Central banks around the world have been forced to tighten monetary policies (raising interest rates) to combat inflation, which in turn can dampen investment and economic growth.

4. **Humanitarian Crises and Fiscal Strain:**

Wars invariably lead to large-scale humanitarian crises, displacing millions of people and creating immense needs for food, shelter, and medical care. The economic burden of these crises falls not only on the conflict-affected nations but also on the international community through humanitarian aid. However, global humanitarian funding is often insufficient and unequally distributed, leaving many crises severely underfunded.

Furthermore, countries directly involved in conflicts face immense fiscal strain due to increased military spending. For example, Ukraine now spends approximately 34% of its GDP on its military effort, and Israel increased its defence budget from 4.4% of its GDP in 2022 to 8.8% in 2024. This diversion of resources from productive sectors towards military expenditures can stifle long-term economic development and increase national debt. The destruction of infrastructure and institutions in war-torn regions also has profound long-term economic consequences, hindering recovery and perpetuating poverty and inequality.

5. **Impact on Global GDP Growth and Investment:**

The overall impact of recent wars is a significant drag on global GDP growth. Insecurity deters investment, increases transport costs, and can lead to capital flight. Countries directly affected by intense conflicts experience dramatic contractions in GDP per capita. Even years after a conflict ends, GDP per capita can remain significantly lower than it would have been without the war. Sanctions, frequently imposed as an economic weapon in modern conflicts, further exacerbate economic fragmentation and macroeconomic disruptions. While intended to achieve strategic objectives, sanctions can lead to GDP decline (an average of 3-7% for sanctioned economies), inflationary surges, currency volatility, and further supply chain disruptions, impacting both the sanctioned and sanctioning states.

In conclusion, the recent wave of conflicts globally has created a complex web of economic challenges. From disrupting the intricate global supply chains and driving up the cost of essential commodities to fuelling rampant inflation and imposing immense humanitarian and fiscal burdens, these wars have undeniably reshaped the global economic landscape. The interconnectedness of the modern world means that even seemingly localized conflicts can have profound and far-reaching economic consequences, highlighting the urgent need for diplomatic solutions and robust international cooperation to mitigate these devastating impacts.

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3. INDIA'S EMPLOYMENT SCENARIO: A FOCUS ON FEMALE LABOUR FORCE PARTICIPATION

India has witnessed a notable transformation in its employment landscape in recent years, underpinned by structural shifts and proactive policy interventions aimed at fostering job creation and skill development. The overall unemployment rate has reduced significantly, improving from 6.1% in 2017–18 to 3.2% in 2023–24. For men, unemployment rate reduced from 6.2% to 3.2%, while for women it improved from 5.7% to 3.1%, reflecting broad-based gains across genders. It also reflects that there have been ample opportunities provided for productively employing its workforce.

A key indicator of labour market health, the Labour Force Participation Rate (LFPR)—which represents the proportion of the working-age population either employed or actively seeking employment—has shown a consistent upward trend, rising from 36.9% in 2017–18 to 45.1% in 2023–24.

Fig 1: All India Labour Force Participation Rate (LFPR %)

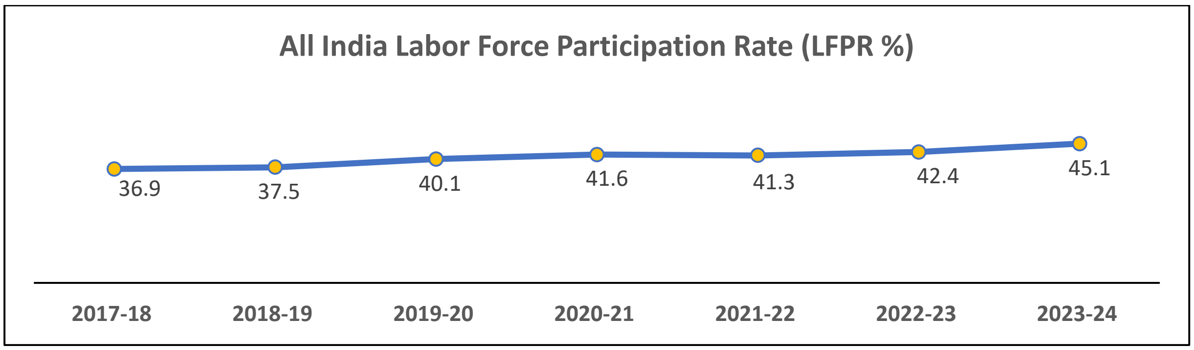


Fig 2: LFPR Females

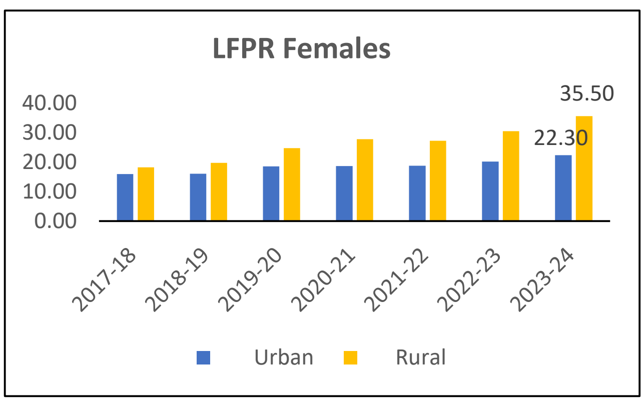
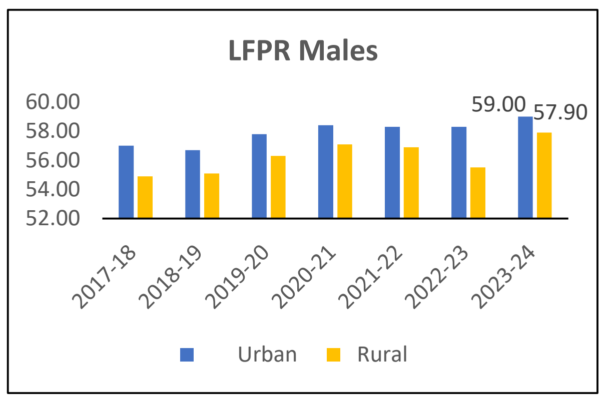
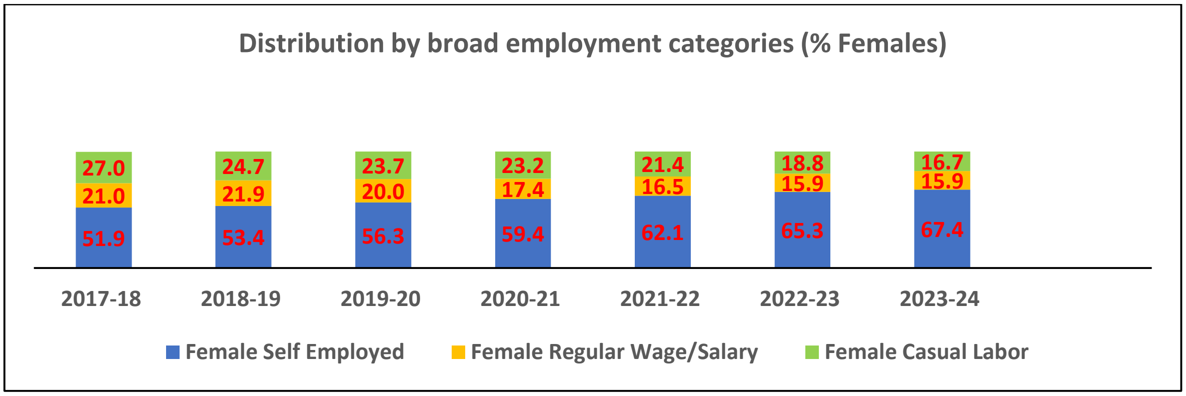


Fig 3: LFPR Males



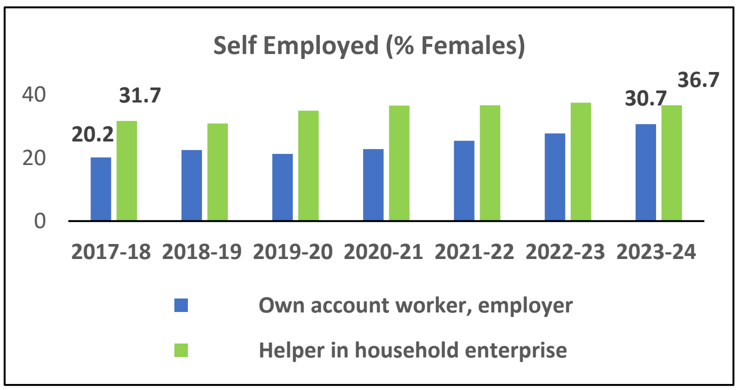
- India's female LFPR has been rising over the recent years. In 2023–24, the female LFPR stood at 35.5% in rural areas and 22.3% in urban areas. The rural upsurge is largely attributed to increased engagement in self-employment, informal jobs, and allied agricultural activities, whereas urban participation remains constrained by a narrower spectrum of opportunities.
- In contrast, male LFPR remains relatively stable at 59.0% in urban and 57.9% in rural areas indicating that growth in male employment is being driven by urban-centric sectors such as construction, services, and high-skilled occupations.

Fig 4: Distribution by broad employment categories (% Females)



- Despite the rise in participation, female employment has seen a marked shift in composition. The proportion of women in regular wage/salaried employment and casual labour has declined over the years.
- The most significant increase has been observed in the self-employed category, encompassing a wide range of activities—from running a small retail shop to providing domestic help services to owing and running a company.

Fig 5: Self Employed (% Females)



- Within self-employment, the largest growth is concentrated in the 'helper in household enterprise' subcategory, which often includes unpaid work in family-run ventures.
- This shift highlights a critical concern that while more women are participating in the workforce, a substantial share remains engaged in low-paying or unpaid roles.
- For example, the average monthly income for self-employed women is only ₹8,489/-, considerably lower than ₹19,709/- earned by salaried women, reflecting a stark disparity in quality of employment and earnings.

Conclusion:

While policy efforts such as Stand-Up India, PMEGP, Annapurna Scheme, Mahila E-Haat, and STEP (Support to Training and Employment Programme for Women) aim to enhance female workforce participation, a strategic shift is needed. The emphasis should now move from merely increasing the quantity of employment to enhancing the quality of jobs—particularly those that offer regular salaries, social security, and opportunities for skill enhancement.

The goal must be to foster a more inclusive and gender-equitable labour market, where women not only enter the workforce in greater numbers but also thrive in dignified, well-remunerated, and sustainable employment opportunities. As financial inclusion is considered to be one of the strongest pillar, women's financial empowerment with equal growth and employment opportunities will pave way for securing India's goal of VIKIST BHARAT 2047.

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Data Source: PLFS & CMIE

4. RBI MONETARY POLICY HIGHLIGHTS : 06.06.2025

A. Policy Rate	Existing	Now	Change
Policy Repo Rate	6.00%	5.50%	**0.50%↓**
Standing Deposit Facility (SDF)	5.75%	5.25%	**0.50%↓**
MSF Rate	6.25%	5.75%	**0.50%↓**
Bank Rate	6.25%	5.75%	**0.50%↓**
B. Reserve Ratios			
Cash Reserve Ratio (CRR)	4.00%	3.00% wef Sep'25 in 4 tranches	6-Sep 0.25↓ 4-Oct 0.25↓ 1-Nov 0.25↓ 29-Nov 0.25↓
Statutory Liquidity Ratio (SLR)	18.0%	18.0%	**No Change**

a. **Policy Rate:** Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) reduced repo rate by 50 bps to 5.50% in its Second Bi-monthly monetary policy for the financial year 2025-26.

b. **Stance:** RBI changed its stance from 'accommodative' to ***'neutral'***.

c. **Rationale:** The rationale behind the same was that inflation has softened significantly over the last 6 months with signs of a broad-based moderation. The near-term and medium term outlook give confidence of not just a durable alignment of headline inflation with the target of 4 per cent, but also the belief that it might undershoot the same. Growth on the other hand remains below aspirations among challenging global environment and heightened uncertainty. This changed growth-inflation dynamics calls for not only continuing with the policy easing but also frontloading the rate cuts to support growth.

d. After having reduced the policy repo rate by 100 bps in quick succession since February 2025, under the current circumstances, monetary policy is left with very limited space to support growth. Hence, the MPC also decided to change the stance from accommodative to neutral.

i. Economy and Inflation Outlook

Economy Outlook

- The provisional estimates, released by National Statistics Office (NSO), placed India's Gross Domestic Product (GDP) growth in FY24-25 at 6.5 per cent.
- Agriculture sector remains strong on the back of healthy reservoir levels and robust supply of major crops in both kharif and rabi seasons. Going, forward the outlook for agriculture sector is going to improve further from the expectations of an above normal southwest monsoon.
- Industrial activity is gaining gradually, even though the pace of recovery is uneven. Index of Industrial Production grew at a slow pace of 2.7 per cent in April 2025. Gross GST collections rose by a healthy 16.4 per cent in May 2025. Manufacturing PMI for May 2025 moderated to 57.6 but remains well above the long-run average.

- Services sector is expected to maintain momentum. PMI services stood strong at 58.8 in May 2025, indicating robust expansion in activity.
- On the consumption front, rural demand remains steady, while urban demand is improving.
- Investment activity is reviving as reflected by high-frequency indicators. The healthy balance sheets of banks and corporates; government's continued thrust on capex; elevated capacity utilisation; improving business optimism and easing of financial conditions should help further revive investment activity.
- Merchandise exports recorded a strong growth in April 2025. Non-oil, non-gold imports posted a double-digit growth, reflecting buoyant domestic demand conditions. Services exports continue on a strong growth trajectory.
- Spillovers emanating from protracted geopolitical tensions, and global trade and weather-related uncertainties pose downside risks to growth.

Taking all these factors into consideration, GDP projections are as under with risks evenly balanced.

RBI's GDP Projections	Q1 FY'26	Q2 FY'26	Q3 FY'26	Q4 FY'26	FY'26
09.04.2025	6.5%	6.7%	6.6%	6.3%	6.5%
06.06.2025	6.5%↔	6.7%↔	6.6%↔	6.3%↔	6.5%↔

Inflation Outlook

- CPI headline inflation continued its downward trajectory with headline CPI inflation moderating to a nearly six-year low of 3.2 per cent (y-o-y) in April 2025.
- This was led mainly by food inflation, which recorded the sixth consecutive monthly decline. It dropped to a 42-month low of 2.1 per cent in April 2025.
- Fuel group witnessed a reversal of deflationary conditions and recorded positive inflation prints during March and April, partly reflecting the hike in LPG prices.
- Core inflation remained largely steady and contained during March-April, despite increase in gold prices exerting upward pressure.

Taking into account these factors, the projections for CPI Inflation are as under:

RBI Inflation Projections	Q1 FY'26	Q2 FY'26	Q3 FY'26	Q4 FY'26	FY'26
09.04.2025	3.6%	3.9%	3.8%	4.4%	4.0%
06.06.2025	2.9%↓	3.4%↓	3.9%↓	4.4%↔	3.7%↓

ii. Liquidity and Financial Market Conditions

- A total amount of ₹9.5 lakh crore of durable liquidity was injected into the banking system since January. As a result, after remaining in deficit since mid-December, liquidity conditions transitioned to surplus at the end of March.

- Reflecting the improvement in liquidity conditions, the weighted average call rate (WACR) – the operating target of monetary policy – traded at the lower end of the LAF corridor since the last policy.
- The comfortable liquidity surplus in the banking system has further reinforced transmission of policy repo rate cuts to short term rates.
- To further provide durable liquidity, it has been decided to reduce the cash reserve ratio (CRR) by 100 basis points (bps) to 3.0 per cent of net demand and time liabilities (NDTL) in a staggered manner during the course of the year.
- This reduction will be carried out in four equal tranches of 25 bps each with effect from the fortnights beginning September 6, October 4, November 1 and November 29, 2025.
- The cut in CRR would release primary liquidity of about ₹2.5 lakh crore to the banking system by December 2025.
- Besides providing durable liquidity, it will reduce the cost of funding of the banks, thereby helping in monetary policy transmission to the credit market.

iii. Financial Stability

- The system-level financial parameters for the banking sector are sound.
- The asset quality parameters, liquidity buffers and profitability parameters have shown further improvement.
- Credit Deposit ratio for the banking system at the end of December 2024 was at 81.84 per cent, broadly similar to a year ago.
- The stress witnessed earlier in retail segments like unsecured personal loans and credit card receivables portfolio has abated, while the stress in micro-finance segment is persisting.

iv. External Sector

- With the moderation in trade deficit in Q4:2024-25, alongside strong services exports and remittance receipts, the current account deficit (CAD) for 2024-25 is expected to remain low.
- Going forward, net services and remittance receipts are likely to remain in surplus, counterbalancing the rise in trade deficit. The CAD for 2025-26 is expected to remain well within the sustainable level.
- Foreign portfolio investment (FPI) to India dropped sharply to 1.7 billion US$ in 2024-25, as foreign portfolio investors booked profits in equities
- Net foreign direct investment (FDI) moderated on account of a rise in repatriation and net outward FDI while gross FDI actually increased by 14 per cent.
- As on May 30, 2025, India's foreign exchange reserves stood at US$ 691.5 billion. These are sufficient to fund more than 11 months of goods imports and about 96 per cent of external debt outstanding.
- Overall, India's external sector remains resilient as key external sector vulnerability indicators continue to improve.

5. GIST OF RBI SPEECHES: MOVING THE BOUNDARIES OF FINANCIAL INCLUSION

Keynote Address by Shri M Rajeshwar Rao, Deputy Governor, Reserve Bank of India – June 9, 2025, at HSBC's event for Financial Inclusion in Mumbai

Importance of Financial Inclusion: Financial inclusion is highlighted as a key enabler for achieving at least seven of the seventeen United Nations Sustainable Development Goals of 2030, aiming to improve the quality of life for poor and marginalized sections of society, reduce income inequality and poverty, and promote social cohesion.

History of Financial Inclusion in India: Initiatives can be traced back to the 1950s, with significant developments in the 1960s, including the framing of Priority Sector Lending (PSL) guidelines (July 1968), nationalization of select private banks (July 1969), and the launch of the Lead Bank Scheme (December 1969). The RBI's branch expansion policy in the 1970s further expanded banking services. The term "financial inclusion" itself was first referenced in RBI's Annual Policy Statement for 2005-06 by Dr. Y.V. Reddy, leading to the genesis of "no frills" accounts (now Basic Savings Bank Deposit Accounts).

Current Scenario and Progress: Over 95% of Indian households now have access to a bank account, indicating significant progress in one parameter of the RBI's Financial Inclusion Index. The launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the Jan Dhan-Aadhaar-Mobile (JAM) trinity has been a watershed moment, making it the world's largest financial inclusion program and enabling frictionless delivery of welfare programs through Direct Benefit Transfer (DBT). As of May 21, 2025, 55.44 crore Jan Dhan accounts exist, with 56% belonging to women, holding over ₹2.5 lakh crore in deposits.

Digital Payments: Digital payments have seen a surge, with 60.81 crore transactions per day in FY 2024-25, and UPI accounting for 83.73% of these transactions. Efforts are underway to make districts 100% digitally enabled, with 514 districts across 15 states and 6 UTs achieving this by March 31, 2025. The RBI's Financial Inclusion Index increased from 60.1 in March 2023 to 64.2 in March 2024.

Recent Regulatory Initiatives: The RBI has taken measures such as raising collateral-free agriculture loan limits, enhancing PSL loan limits, expanding eligible borrowers under 'Weaker Sections,' and proposing to broaden co-lending scope. Transaction limits on UPI Lite and UPI 123PAY have been increased, and UPI Circle introduced to promote digital payments among individuals without bank accounts.

Financial Literacy: Financial literacy is crucial for meaningful financial inclusion, with the National Centre for Financial Education (NCFE) and RBI's Financial Literacy Week campaigns promoting awareness.

Challenges: The speech highlights challenges such as a sharp 33% year-on-year increase in grievances received by RBI Ombudsmen and CRPCs in FY2023-24, indicating issues with product design, practices, and grievance handling by Regulated Entities (REs). Mis-selling of financial services, particularly insurance products, is another concern, leading to distrust. Cyber safety and digital literacy are critical, with rising incidents of fraud through novel techniques.

Way Forward: The future of financial inclusion involves leveraging emerging technologies like AI, blockchain, and digital public infrastructure. The Account Aggregator (AA) framework and the Unified Lending Interface (ULI) are seen as revolutionizing credit delivery.

CONVOCATION ADDRESS AT THE 58th CONVOCATION, IIT, KANPUR

Keynote Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India – June 23, 2025, at Indian Institute of Technology, Kanpur

The Reserve Bank of India Governor congratulates the graduating students, acknowledging their hard work and the support of their parents and guardians, drawing a parallel to his own experience as a parent of IIT graduates. He expresses his honor to be back at IIT Kanpur, his alma mater, after thirty-six years, especially since he did not have a proper convocation ceremony for his own batch. He shares nostalgic memories of his time at IIT Kanpur, including his halls of residence, various campus activities, and the lasting friendships he made.

Four Learnings for Life: As an alumnus, he shares four key learnings from his journey:

Learning for Life: He emphasizes that a degree from IIT is just the beginning and that continuous learning is crucial in a rapidly advancing technological world. He credits IIT Kanpur for equipping students with the essential tool of self-learning, which helped him navigate diverse and technical roles in his career.

Question the Status Quo: Drawing from his experience at the United Nations, where he helped hand tools clusters in India reduce costs by questioning existing processes, he advises graduates to always seek improvement and challenge the status quo. He quotes Albert Einstein, "The important thing is not to stop questioning," highlighting that it fuels innovation.

Pursue Virtuous Karma: He recounts an experience as Secretary, Department of Personnel in the Government of Rajasthan, where his efforts to resolve long-standing promotion disputes were initially stalled by court cases. This experience taught him to pursue his "karma" (actions) boldly and decisively, without being deterred by potential outcomes or fear of failure. He connects this to Steve Jobs's quote about connecting the dots backward, suggesting that diligent efforts will eventually lead to success.

Trust: He shares a memory from his IIT student days, where shopkeepers in Kanpur gave credit to IIT students simply due to trust, even without knowing them personally. He stresses that trust is the foundation of all relationships—personal and professional—and that integrity and ethics are paramount in building and preserving it. Leaders must earn trust through courage, accountability, leading by example, humility, justice, transparency, and respect.

Call to Action: Shri Malhotra concludes by urging the graduates to have confidence, dream big, and act on those dreams to make IIT Kanpur, their parents, and India proud. He encourages them to live lives of character, ethics, humility, purpose, service, and impact. He advises them to transform the world as trustworthy leaders who continuously learn, question the status quo, and pursue virtuous karma.

6. CLASSROOM : MONETARY POLICY TRANSMISSION IN INDIA

Monetary policy, as the primary macroeconomic stabilization tool of the Reserve Bank of India (RBI), aims to maintain price stability while supporting economic growth. However, the effectiveness of monetary policy is ultimately determined by how efficiently policy rate (specifically the repo rate) changes transmit through the financial system to influence market interest rates, credit demand, and aggregate economic activity.

Monetary policy transmission operates through five key channels: 1) Interest rate channel 2) Credit channel 3) Exchange rate channel 4) Asset price channel 5) Expectations channel

Among them, the first four are traditional channels. Of these, the **interest rate channel** is particularly significant in India, where changes in deposit and lending rates play a pivotal role, owing to the country's bank-dominated financial system. The **credit channel**, closely linked to interest rates, amplifies these effects by influencing the availability of loanable funds. Simultaneously, **asset price movements** driven by rate changes create wealth effects, while **exchange rate fluctuations** affect net exports and, ultimately, aggregate demand and output.

The **expectations channel** gained importance in shaping forward-looking monetary policy, as individuals' beliefs formed through central bank communication can significantly affect current economic behaviour and outcomes.

From Internal to External Benchmarks - Transitioning from Benchmark Prime Lending Rate (BPLR) to External Benchmark Lending Rate (EBLR)

For years, Indian banks priced loans using internal benchmarks like the BPLR, often criticized for its opacity and weak alignment with policy rate shifts. To address this, the RBI introduced the Base Rate in 2010, factoring in deposit costs, operating expenses, minimum return, and the Cash Reserve Ratio (CRR). While an improvement, banks still had considerable leeway in cost calculations, which hampered effective rate transmission.

In 2016, the RBI rolled out the Marginal Cost of Funds based Lending Rate (MCLR), linking loan pricing more directly to the cost of new funds. However, delays in rate resets and continued discretion meant policy signals were still not passed on efficiently.

Seeking better outcomes, the RBI mandated from October 2019 that new floating-rate retail and MSME loans be tied to an External Benchmark Lending Rate (EBLR). The most widely adopted was the Repo Linked Lending Rate (RLLR), directly tied to the RBI's repo rate. Borrowers pay the RLLR plus a fixed spread, which only changes if their credit profile shifts significantly.

The shift to EBLR especially RLLR marked a breakthrough in monetary policy transmission. By linking lending rates to a transparent, publicly available benchmark, the system ensures faster reflection of policy changes in EMIs and limits bank discretion, improving consumer responsiveness and reinforcing accountability within the banking sector.

Kartik Khandelwal
Officer (Economics)
SMEAD, Head Officer

7. GIST OF RBI CIRCULARS

Date of the circular	**June 25, 2025**
Ref No.	**RBI/2025-26/62 DoR.SOG (DEA Fund) No.37/30.01.002/2025-26**
Subject	**The Depositor Education and Awareness (DEA) Fund Scheme, 2014 – Revised Operational Guidelines**

The circular 'The Depositor Education and Awareness (DEA) Fund Scheme, 2014 – Revised Operational Guidelines", prescribes the process to be followed by the banks for transfer to and claim of the amounts transferred to DEA Fund, including submission of various returns. These instructions are applicable to all the banks covered under the DEA Fund Scheme, viz., Commercial Banks (including RRBs, LABs, SFBs and PBs) and all Co-operative Banks w.e.f. from October 01, 2025.

Date of the circular	**June 16, 2025**
Ref No.	**RBI/2025-26/56 FIDD.CO.GSSD.BC.No.07/09.09.001/2025-26**
Subject	**Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs). The Master Circular – "Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)", consolidates the circulars issued by Reserve Bank on the subject till date. The circular indicates how the Banks should take the measures to step up their advances to SCs/STs. It explains the Planning Process, Role of Banks, Role of SC/ST Development Corporations, Reservations for SC/ST beneficiaries under major Centrally Sponsored Schemes, Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC), Monitoring and Review and Reporting Requirements.

Date of the circular	**June 12, 2025**
Ref No.	**RBI/2025-26/53 DOR.AML.REC.31/14.01.001/2025-26**
Subject	**Updation/ Periodic Updation of KYC – Revised Instructions**

The Reserve Bank has observed a large pendency in periodic updation of KYC including in the accounts opened for credit of Direct Benefit Transfer (DBT)/ Electronic Benefit Transfer (EBT) under Government schemes to facilitate credit of DBTs and/ or scholarship amount (DBT/ EBT/ scholarship beneficiaries) and accounts opened under PMJDY. In the circular 'Updation/ Periodic Updation of KYC – Revised Instructions', in order to further ease the process for the convenience of customers, the instructions regarding updation/ periodic updation of KYC have been amended with the intent, inter alia, to allow BCs to facilitate in the process of KYC updation vide Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025. the banks are advised to organize camps and launch intensive campaigns including special camps, focusing on periodic updation of KYC, especially in rural and semi urban branches and the branches having large pendency in periodic updation of KYC.

Date of the circular	**June 12, 2025**
Ref No.	**RBI/2025-26/52** **DOR.SOG(LEG).REC/32/09.08.024/2025-26**
Subject	**Inoperative Accounts/ Unclaimed Deposits in Banks - Revised Instructions (Amendment) 2025**

As per the circular 'Inoperative Accounts/ Unclaimed Deposits in Banks - Revised Instructions (Amendment) 2025', a bank shall make available the facility of updation of KYC for activation of inoperative accounts and unclaimed deposits at all branches (including non-home branches). Further, a bank shall endeavour to provide the facility of updation of KYC in such accounts and deposits through Video-Customer Identification Process (V-CIP). Additionally, the services of an authorised Business Correspondent of the bank may be utilized for activation of inoperative accounts

Date of the circular	**June 12, 2025**
Ref No.	**RBI/2025-26/51** **DOR.AML.REC.30/14.01.001/2025-26**
Subject	**Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025**

The circular 'Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025', prescribes that in respect of an individual customer who is categorized as **low risk**, the Regulated Entity (RE) shall allow all transactions and ensure the updation of KYC within one year of its falling due for KYC or up to June 30, 2026, whichever is later. The RE shall subject accounts of such customers to regular monitoring. This shall also be applicable to low-risk individual customers for whom periodic updation of KYC has already fallen due.

Date of the circular	**June 9, 2025**
Ref No.	**RBI/2025-26/50** **DOR.STR.REC.29/21.06.008/2025-26**
Subject	**Basel III Capital Regulations - External Credit Assessment Institution (ECAI)**

In the circular **'**Basel III Capital Regulations - External Credit Assessment Institution (ECAI)', with reference to the Master Circular No. DOR.CAP.REC.2/21.06.201/2025-26 dated April 1, 2025 on Basel III Capital Regulations and DOR.STR.REC.26/21.06.008/2024-25 dated July 10, 2024, RBI decided to remove the restrictions/ limits placed on the use of ratings of BRIPL by the banks. All other provisions regarding external credit ratings stipulated in the Master Circular ibid remain unchanged.

Date of the circular	**June 9, 2025**
Ref No.	**RBI/2025-26/48 DOR.CRE.REC.27/21.01.003/2025-26**
Subject	**Large Exposures Framework – Amendment in the list of exempted exposures**

In the circular, 'Large Exposures Framework – Amendment in the list of exempted exposures' it is advised that in addition to NABARD, the exemption that "deposits maintained with NABARD on account of shortfall in achievement of targets for priority sector lending" are excluded from being considered for exposure limits under LE, shall also be applicable to contribution made by the scheduled commercial banks to funds with NHB, SIDBI, MUDRA Ltd., or any other entity specified by RBI, on account of shortfall in achievement of targets for priority sector lending. It is applicable with immediate effect.

Date of the circular	**June 6, 2025**
Ref No.	**RBI/2025-26/46 DoR.RET.REC.23/12.01.001/2025-26**
Subject	**Maintenance of Cash Reserve Ratio (CRR)**

In the circular, 'Maintenance of Cash Reserve Ratio (CRR)', it has been decided to reduce the Cash Reserve Ratio (CRR) of all banks by 100 basis points in four equal tranches of 25 basis points each to 3.0 per cent of net demand and time Liabilities (NDTL). Accordingly, banks are required to maintain the CRR at 3.75 per cent, 3.5 per cent, 3.25 per cent and 3.0 per cent of their NDTL effective from the reporting fortnight beginning September 6, October 4, November 1 and November 29, 2025, respectively.

Date of the circular	**June 6, 2025**
Ref No.	**RBI/2025-26/45 DoR.RET.REC.22/12.01.001/2025-26**
Subject	**Penal Interest on shortfall in CRR and SLR requirements - Change in Bank Rate**

The Bank Rate is revised downwards by 50 basis points from 6.25 per cent to 5.75 per cent with immediate effect. In the circular, 'Penal Interest on shortfall in CRR and SLR requirements - Change in Bank Rate', accordingly, all penal interest rates on shortfall in CRR and SLR requirements, which are specifically linked to the Bank Rate, also stand revised from existing "Bank Rate plus 3.0 percentage points (9.25 per cent) or Bank Rate plus 5.0 percentage points (11.25 per cent)" to "Bank Rate plus 3.0 percentage points (8.75 per cent) or Bank Rate plus 5.0 percentage points (10.75 per cent)"

8. CLIMATE NEWS

- **The World's Oceans Are A 'Ticking Time Bomb,' Reaching Dangerous Acidification Levels Earlier Than Scientists Thought**

  A study published in the journal Global Change Biology, found that ocean acidification—the process in which the world's oceans absorb excess carbon dioxide from the atmosphere, becoming more acidic—crossed a "planetary boundary" five years ago.

  Scientists had determined that ocean acidification enters this danger zone or crosses this planetary boundary when the amount of calcium carbonate—which allows marine organisms to develop shells—is less than 20 percent compared to pre-industrial levels. The new report puts the figure at about 17 percent.

  Scientists have determined that there are nine planetary boundaries that, once breached, risk humans' abilities to live and thrive. One of these is climate change itself, which scientists have said is already beyond humanity's "safe operating space" because of the continued emissions of heat-trapping gases. Another is ocean acidification, also caused by burning fossil fuels.

  In 2023, researchers determined that six of these boundaries had already been crossed. The new research adds a worrying seventh. The study, which was based on measurements from ice cores and data models, found that the acidity of the ocean was worse in deeper waters. At about 200 meters below the ocean's surface, 60 percent of the ocean's waters had already crossed the 20-percent threshold, compared to about 40 percent at the ocean's surface. (insideclimatenews.org)

- **Cost of green hydrogen in India set to fall by up to 40%: Report**

  The cost of green hydrogen in India is expected to fall by up to 40 per cent with the support and incentives the government is providing, according to a report by the Institute for Energy Economics and Financial Analysis.

  The levelized cost of green hydrogen in India is seen falling towards Rs 260- 310 per kg (USD 3-3.75 per kg). India provides cheap renewable electricity to hydrogen manufacturers, waives Inter-State Transmission Charges for open access, lowers distribution and transmission charges, and lowers the GST rate for hydrogen to 5 per cent. Besides, the report asserts electrolyser manufacturers are projected to achieve a 7-10 per cent reduction in total system costs for the rest five years, starting in 2024--Rs 2,960/kW (USD 36/kW) being the average annual realisable base incentive.

  India launched its National Green Hydrogen Mission in January 2023 with an overall outlay of Rs 19,744 crores. The country has set an ambitious target of achieving a green hydrogen production capacity of 5 million tonnes by the end of 2030. The programme consists of two distinct financial incentive mechanisms to support domestic electrolyser manufacturing and Green Hydrogen production. (economictimes.com)

- **Prayagraj farmers join U.P's Carbon Credit Scheme**

Between 2024 and 2026, farmers across UP are expected to receive incentives totaling ₹202 crore under the scheme. The initiative allows farmers to earn additional income by planting trees that absorb carbon dioxide, generating tradable carbon credits, district officials said. Already operational across 13 forest divisions in the state, the scheme has now been extended to the Prayagraj forest division and others. It encourages the plantation of fast-growing species such as poplar, melia dubia, semal, eucalyptus, and neem. For every tonne of carbon dioxide captured by the trees, one carbon credit is awarded. "These credits are purchased by the government every five years at approximately ₹500 per credit," said Prayagraj divisional forest officer (DFO).To enroll, farmers must register with the forest department and commit to planting at least 25 trees. They must also provide details about their land and the safety arrangements for the trees. The department will supply saplings of the fast-growing species needed to generate carbon credits. It aims for major push for sustainable farming and climate action. (hindustantimes.com)

- **India's Wind Energy Capacity Rises Over 10.5% to 51.5 GW: Union Minister Pralhad Joshi**

Union Minister for New and Renewable Energy Pralhad Joshi has said that India's wind energy capacity witnessed a rise of more than 10.5 per cent to 51.5 gigawatts against 46.42 gigawatts last year. In a social media post, he said that with rising capacity, the country is moving towards self dependence, powered by innovation, green technology and sustainable progress.

On the occasion of Global Wind Day, Mr Joshi said, India's renewable energy sector has witnessed unprecedented growth. From solar to wind energy, the nation is paving the way for a brighter and more sustainable future. He informed that the total renewable energy capacity grew 17.13 per cent year-on-year to 226.74 gigawatts in May from 193.58 GW in the same month last year. Of the total, solar power capacity expanded 31.49 per cent to 110.83 gigawatts from 84.28 gigawatts in May 2024. India's solar energy capacity has taken a massive leap in the last 11 years, from a mere 2.82 GW in 2014.

The Minister said, solar energy has emerged as the new driving force of India's renewable energy thrust. The expansion in the installation of solar power generation capacity has been backed by a robust domestic production of solar cells and wafers. India has now built a strong foundation with 25GW of solar cell production and 2GW of wafer production.

India has fixed a target of 500 gigawatts for renewable energy capacity by 2030 as part of the country's goal to reduce its carbon footprint in the fight against climate change. (newsonair.gov.in)

- **India Unveils First Cluster of Five Carbon Capture and Utilisation (CCU) Testbeds for Cement Sector:**

The Department of Science and Technology (DST) recently unveiled a pioneering national initiative: five Carbon Capture and Utilisation (CCU) testbeds in the cement sector, forming a first-of-its-kind research and innovation cluster to combat industrial carbon emissions**.**

Carbon Capture Utilisation (CCU) holds significant importance in hard-to-abate sectors like Cement, Steel, Power, Oil &Natural Gas, Chemicals & Fertilizers in reducing emissions by capturing carbon dioxide from industrial processes and converting it to value add products such as synthetic fuels, Urea, Soda, Ash, chemicals, food grade CO2 or concrete aggregates.

Recognizing the critical need for decarbonising the Cement sector, the Energy and Sustainable Technology (CEST) Division of Department launched a unique call for mobilising Academia-Industry Consortia proposals for deployment of Carbon Capture Utilisation (CCU) in Cement Sector. This Special call envisaged to develop and deploy innovative CCU Test bed in Cement Sector with thrust on Developing CO2 capture + CO2 Utilization integrated unit in an Industrial set up through an innovative Public Private Partnership (PPP) funding model. (dst.gov.in)

- **India's Climate Finance Taxonomy:**

India is on a path to achieve net zero emissions by 2070. To support this ambitious goal, the government estimates a financing requirement of $2.5 trillion by 2030. This financing will facilitate the transition towards climate-friendly technologies and activities. A draft framework of the Climate Finance Taxonomy has been developed. This framework outlines the approach, objectives, and principles that will guide the taxonomy. It also details the methodology for classifying activities, projects, and measures that contribute to India's climate commitments, while also taking into account goals associated with achieving Viksit Bharat by 2047.

The draft framework titled India's Climate Finance Taxonomy aims to streamline resource allocation for sustainable projects. It emphasises the importance of preventing green-washing, ensuring that claims about environmental benefits are accurate. The climate finance taxonomy is a structured system for classifying investments based on their environmental impact. It helps channel funds towards sustainable initiatives. The framework covers key sectors including power, mobility, buildings, agriculture, and hard-to-abate industries like iron and steel. The primary goal is to enhance resource flow to climate-friendly technologies. The taxonomy aims to support both mitigation and adaptation efforts. (pib.gov.in)

- **Flu Gas Desulphurisation Policy**

A high-powered committee, led by Principal Scientific Advisor Ajay Sood, recommended changes to the country's approach to Flu Gas Desulphurisation (FGD) units in coal-fired thermal power plants

(TPPs). The committee's findings suggest that FGD installation may not be necessary for the majority of TPPs, which could have far-reaching implications for India's energy sector and environmental policies.

FGD units are designed to reduce sulphur dioxide (SO2) emissions from coal-fired power plants. These units have been mandated for installation in all TPPs to meet air quality standards. However, only 8% of India's 600 TPPs have complied with this requirement, primarily due to high costs and a limited number of installation vendors.

The committee's assessment indicated that ambient SO2 levels in India are well below permissible limits. They noted that Indian coal has low sulphur content and that cities near plants with FGD units do not show differences in SO2 levels compared to those without. The committee concluded that the installation of FGDs may not be necessary for most plants.

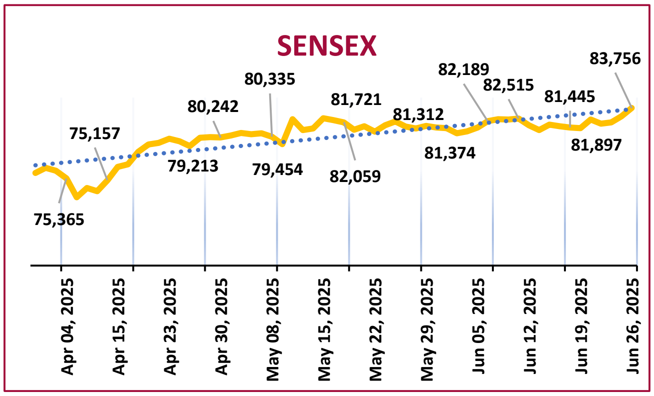
The committee raised concerns that installing FGDs could inadvertently increase carbon dioxide (CO2) emissions. They estimated that installing FGDs by 2030 could lead to an increase of approximately 69 million tons of CO2 emissions. (gktoday.in)

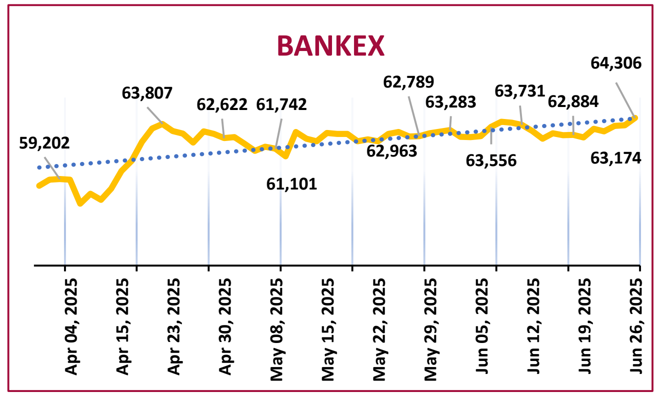
- **WMO's Climate Change Warning:**
  The World Meteorological Organization (WMO) has issued a critical warning regarding climate change. A recent report indicates a 70% likelihood that global temperatures will exceed the 1.5°C threshold above pre-industrial levels between 2025 and 2029. This alarming forecast comes as many countries are yet to submit their climate action plans for the next decade. The urgency for effective climate strategies has never been greater.

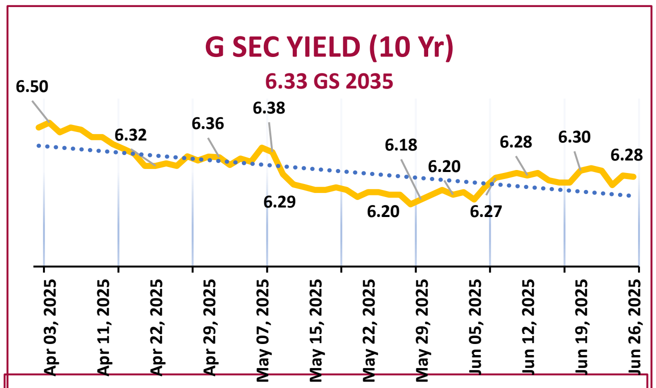
  The 1.5°C threshold was established at the Paris Agreement in 2015. It aims to limit the most severe impacts of climate change. Breaching this limit will lead to extreme weather events and ecological disruptions. The WMO report predicts that the annual average global near-surface temperature from 2025 to 2029 will be between 1.2°C and 1.9°C higher than the 1850-1900 average.

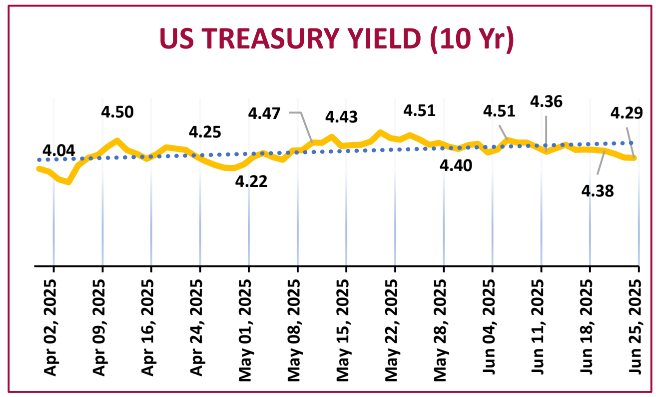
  The year 2024 was recorded as the hottest year to date, surpassing the 1.5°C mark. The WMO forecasts an 80% chance that at least one of the next five years will exceed this record. Furthermore, there is a slim 1% chance of a year exceeding a 2°C increase in the same timeframe. Such trends highlight the urgency of climate monitoring and informed decision-making. (https://wmo.int/)

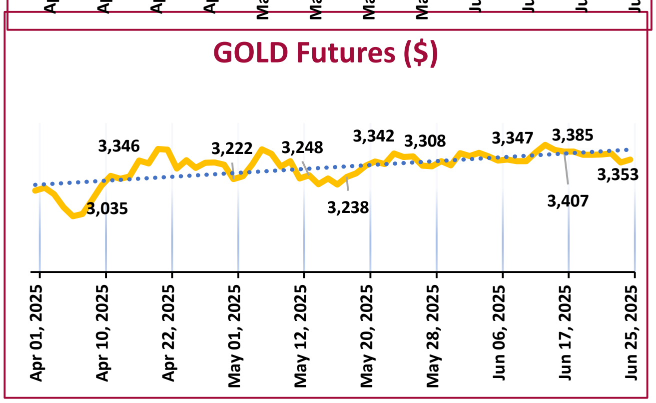
9. DAILY ECONOMIC INDICATORS

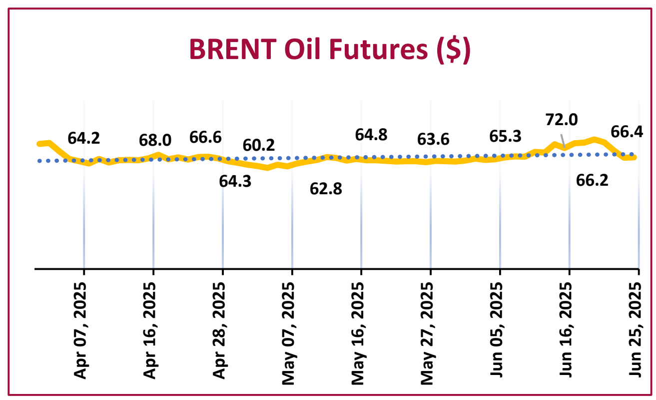


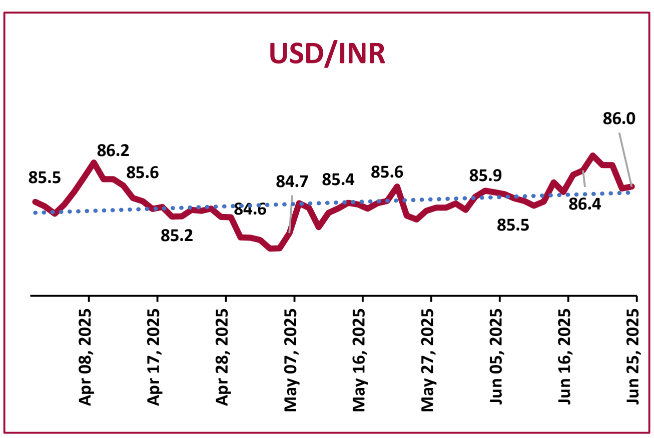


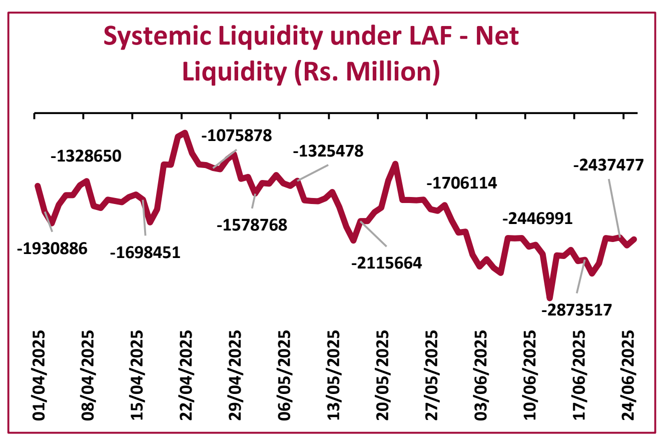








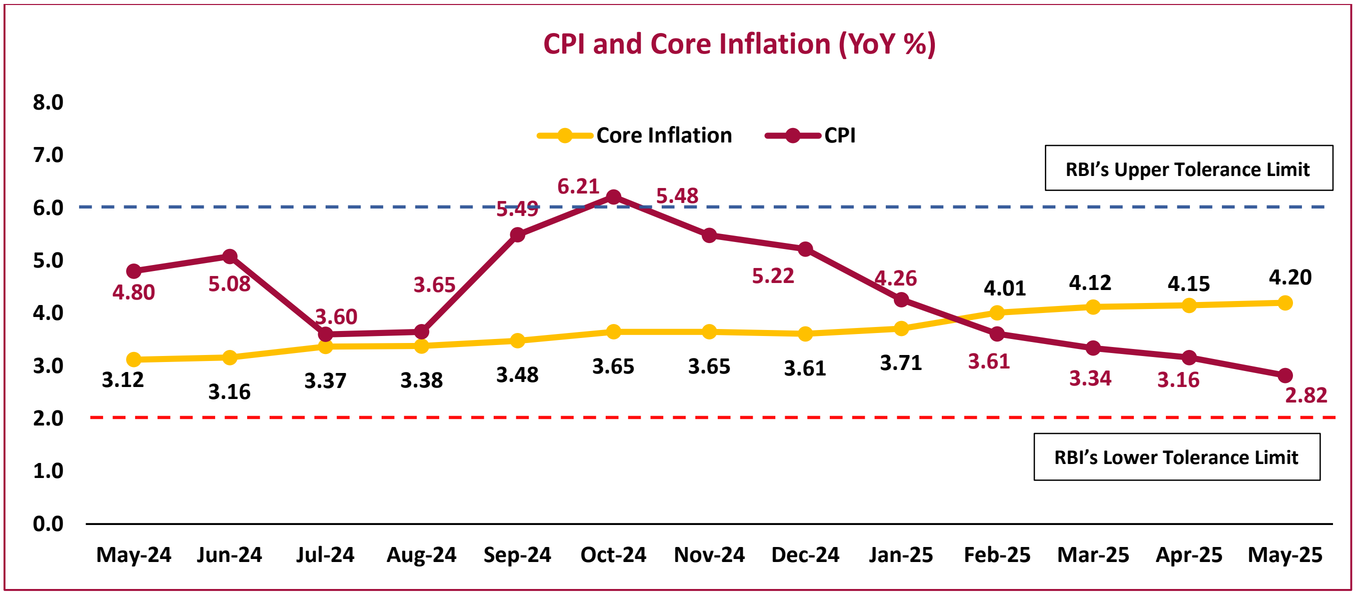


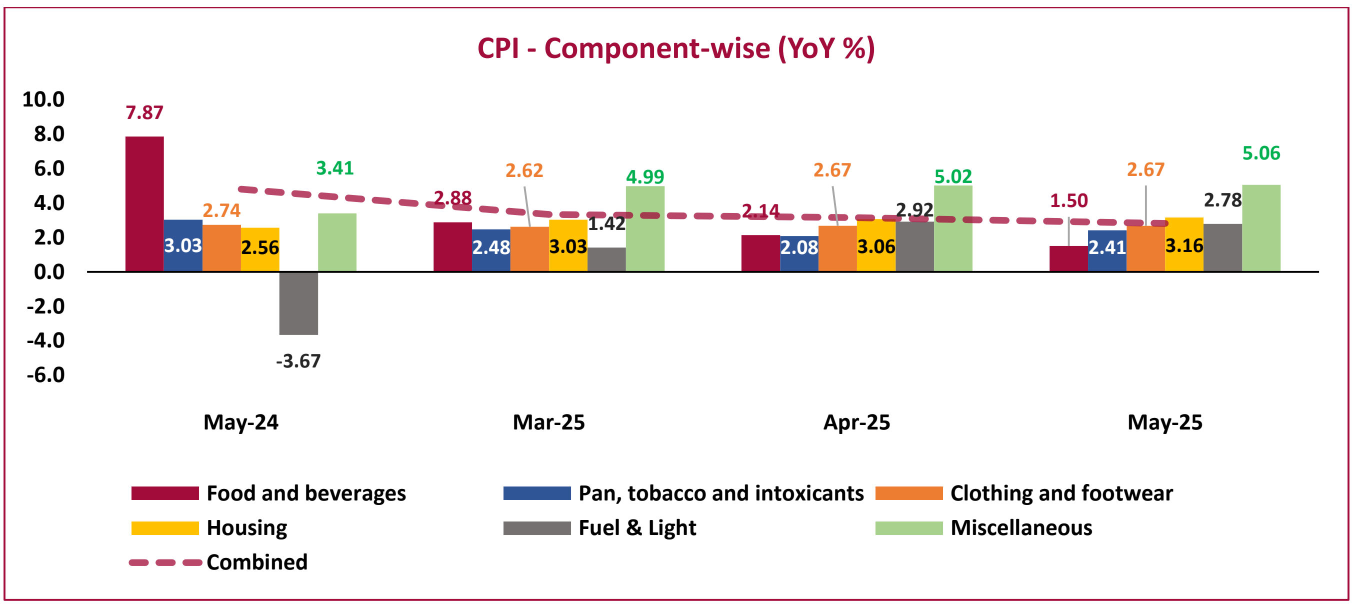


10. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

CPI cooled down to 2.82% in May 2025

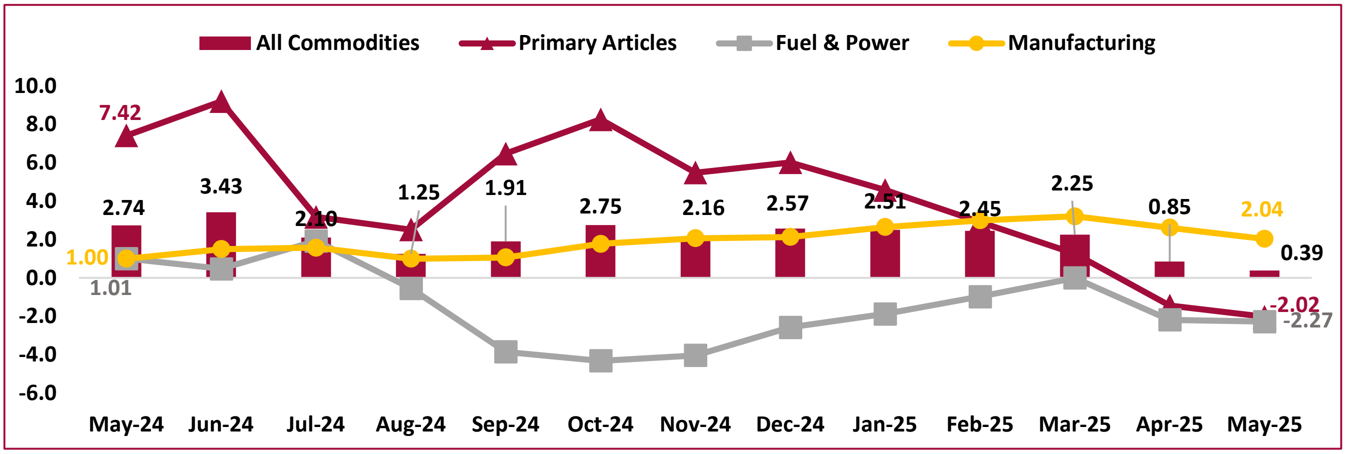




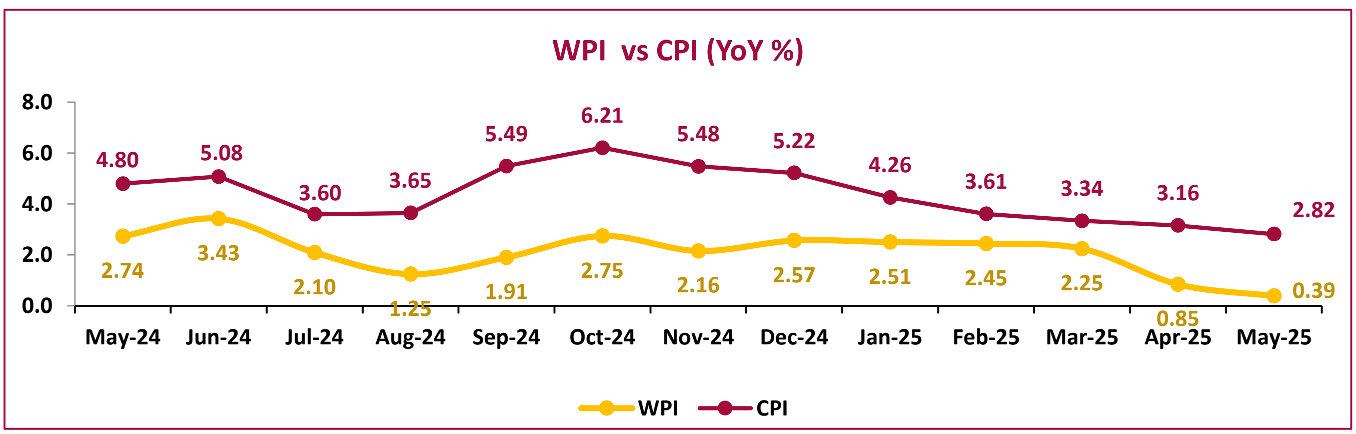
Retail inflation measured by CPI dropped further to 2.82 per cent (provisional) in May 2025, falling from 3.16 per cent in April 2025 and 4.80 per cent in May 2024. Urban inflation fell from 3.36 per cent in April to 3.07 per cent in May 2025, while rural inflation fell from 2.92 per cent in April to 2.59 per cent in May 2025. The continued moderation in overall CPI inflation for the straight seventh month in May 2025 is driven by falling food inflation which stood at 0.99 per cent – its lowest since October 2021.

WHOLESALE PRICE INDEX (WPI)

WPI inflation eases to 0.39% in May 2025



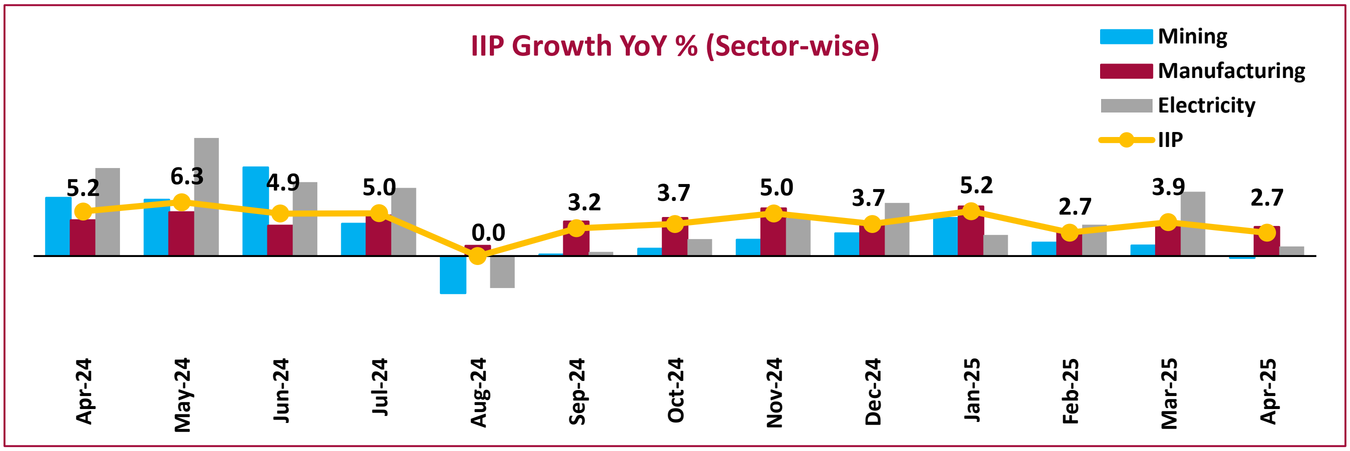
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2024	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**
March	4.57	**1.26**	-2.75	**0.00**	-0.85	**3.21**	7.05	**1.78**	0.26	**2.05**
April	5.23	**-1.44**	-0.85	**-2.18**	-0.14	**2.62**	8.07	**-0.86**	1.19	**0.85**
May	7.42	**-2.02**	1.01	**-2.27**	1.00	**2.04**	9.93	**-1.56**	2.74	**0.39**



India’s wholesale price index (WPI)-based inflation eased significantly to 0.39 per cent in May this year. Primary Articles category contracted to 2.02 per cent in May 25, from 1.44 per cent in the previous month. Meanwhile, the fuel and power category also witnessed deflation of 2.27 per cent, against deflation of 2.18 per cent in April 25. In the manufactured products category, inflation dropped to 2.04 per cent from 2.62 per cent in the previous month. The positive rate of inflation in April is primarily due to an increase in prices of the manufacture of food products, other manufacturing, chemicals and chemical products, manufacture of other transport equipment and the manufacture of machinery and equipment.

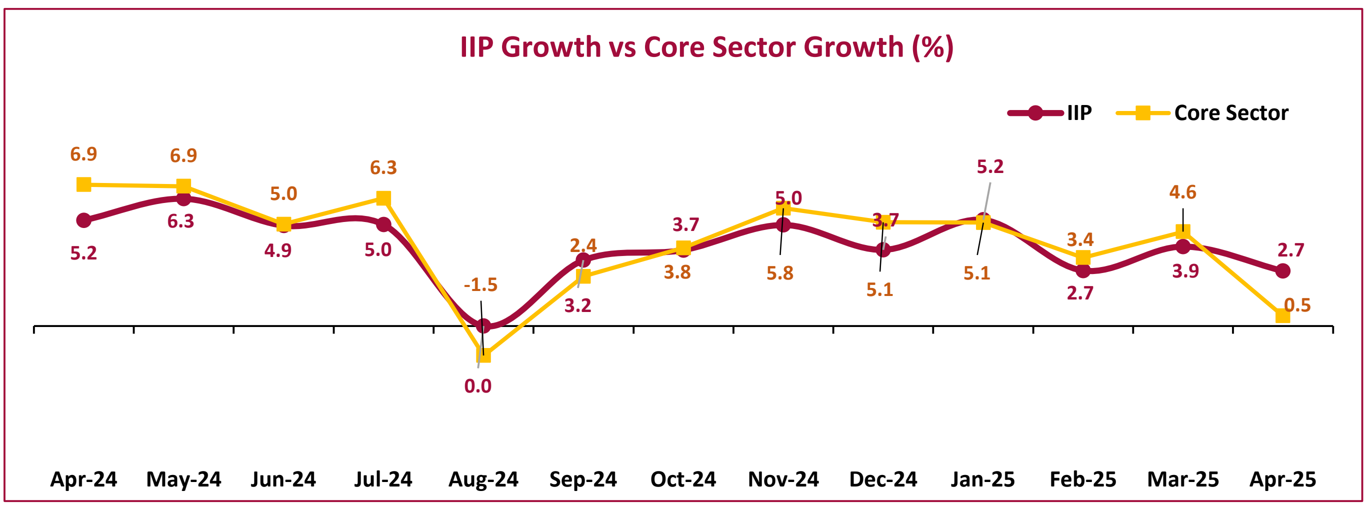
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth falls to 2.7% in April 2025



IIP Growth YoY % (Usage-wise)

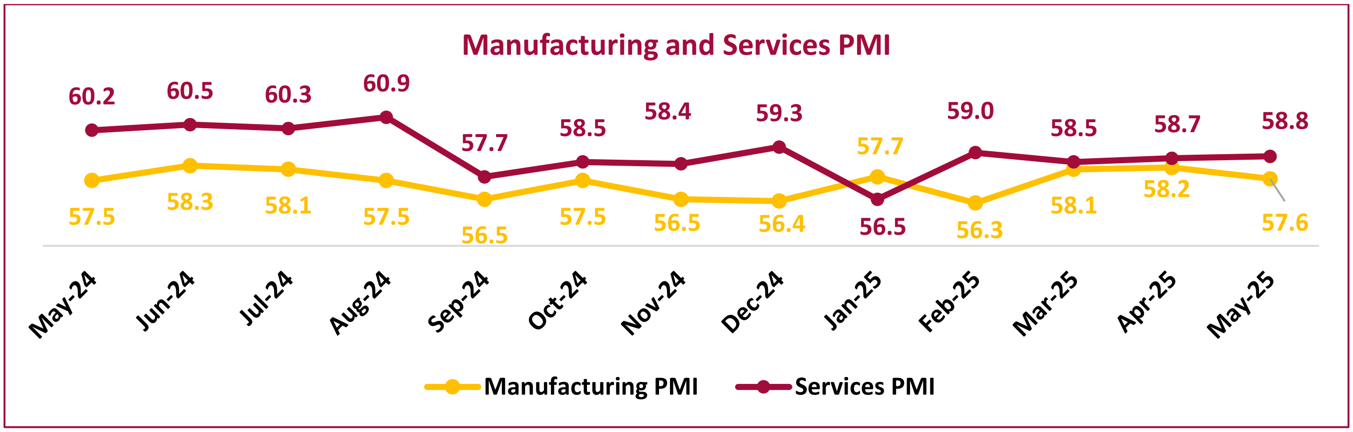
Component	Weight	Apr'24	Mar'25	Apr'25		FY'24	FY'25
Primary Goods	34.05%	7.0	3.9	-0.4		6.1	3.9
Capital Goods	8.22%	2.8	3.6	20.3		6.3	5.6
Intermediate Goods	17.22%	3.8	3.8	4.1		5.3	4.3
Infra/Construction Goods	12.34%	8.5	9.9	4.0		9.7	6.7
Consumer Durables	12.84%	10.5	6.9	6.4		3.6	7.9
Consumer Non- Durables	15.33%	-2.5	-4.0	-1.7		4.1	-1.5



IIP grew by 2.7 per cent in Apr'25 which is lower than the growth seen in Mar'25 of 3.9 per cent. IIP for the period of Apr'24 showed a growth of 5.2 per cent. Manufacturing and Electricity had shown a growth of 3.4 per cent and 1.1 per cent respectively, while Mining activity showed a decline of 0.2 per cent. In the use-based classification, capital goods and consumer durables registered the sharpest increase in growth, coming at 20.3% and 6.4% respectively. These sectors grew at 2.8% and 10.5% respectively in April last year.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI rose to 58.7 and Manufacturing PMI increased to 58.2 in April 2025

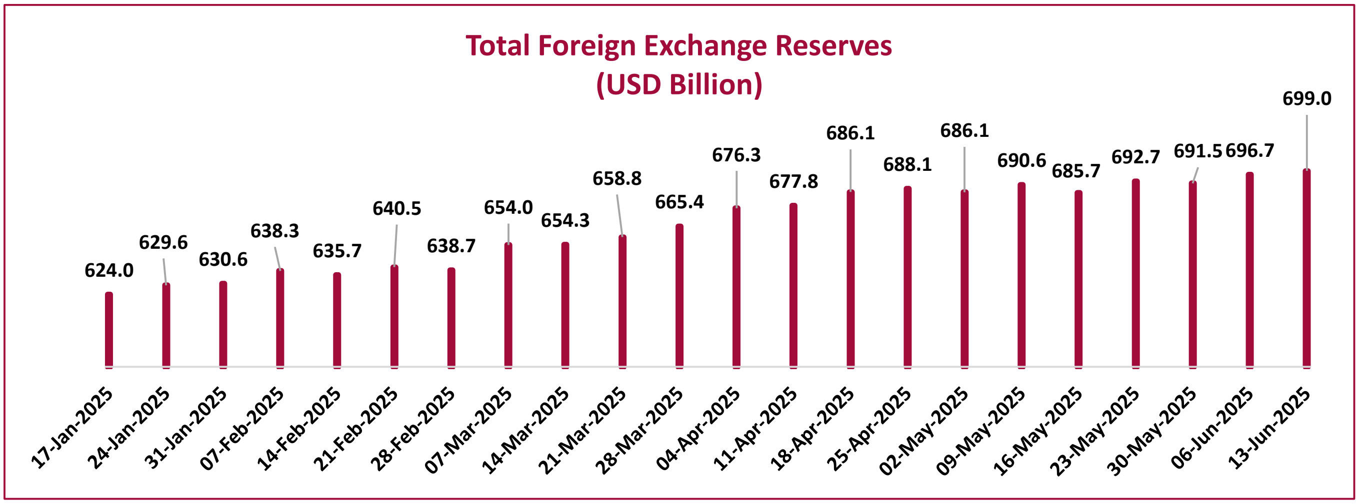


The **HSBC India Manufacturing PMI** hit a three-month low with a reading of 57.6, which was mainly due to contraction in new orders and output, despite strong demand. **The HSBC India Services PMI** showed a slight improvement to 58.8 from April's 58.7, supported by robust growth in output and new order. The India Composite PMI, which combines the manufacturing and services PMI, decreased to 59.3 from April 59.7, due to softer growth of factory production.

PERFORMANCE OF OTHER LEADING INDICATORS

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Coal production (YoY%)	9.9	14.6	6.4	-7.6	2.5	7.7	7.4	5.3	4.4	1.7	1.6	4.1	2.8
Electricity generation (YoY%)	14.6	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2
Consumption of petroleum products (YoY%)	1.9	2.3	10.7	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	-0.2	1.0
Cargo handled at major ports (YoY%)	3.8	6.8	5.9	6.7	5.8	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	-
Cement production (million tonnes)	35.7	37.2	31.3	32.1	32.4	34.0	32.0	38.9	40.5	39.8	45.5	38.1	-
Steel consumption (million tonnes)	12.0	12.1	12.2	12.6	12.3	13.0	12.3	13.8	13.7	12.4	14.1	12.0	13.1
Fertiliser sales (YoY%)	10.5	7.3	-1.4	-9.4	-7.7	-7.8	4.6	12.1	8.2	5.3	-43.9	-51.4	-33.7
Two-wheelers sales (Nos. in Lakhs)	19.3	19.0	17.7	20.5	24.0	25.3	19.7	14.8	19.1	17.8	20.2	18.3	20.4
Tractors sales (Nos. in Thousand)	91.8	110.3	68.0	58.7	108.0	151.8	78.3	59.1	69.8	67.8	90.7	90.3	99.4

FOREIGN EXCHANGE RESERVES

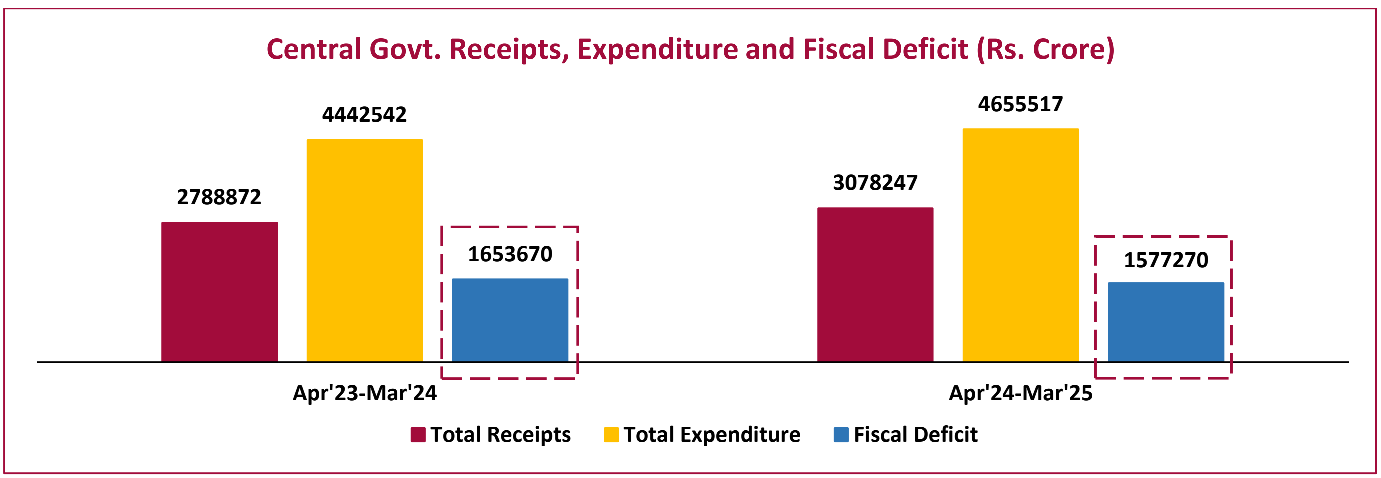


India's total foreign exchange (forex) reserves increased to $699.0 billion as of 13th June 2025. The foreign exchange reserves have reached their highest level in eight months.

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

	May -24	Jun -24	Jul -24	Aug -24	Sep -24	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25	Apr -25	May-25
E-way bill Generation	10.3	10.0	10.5	10.5	10.9	11.7	10.2	11.2	11.8	11.2	12.5	11.9	12.2

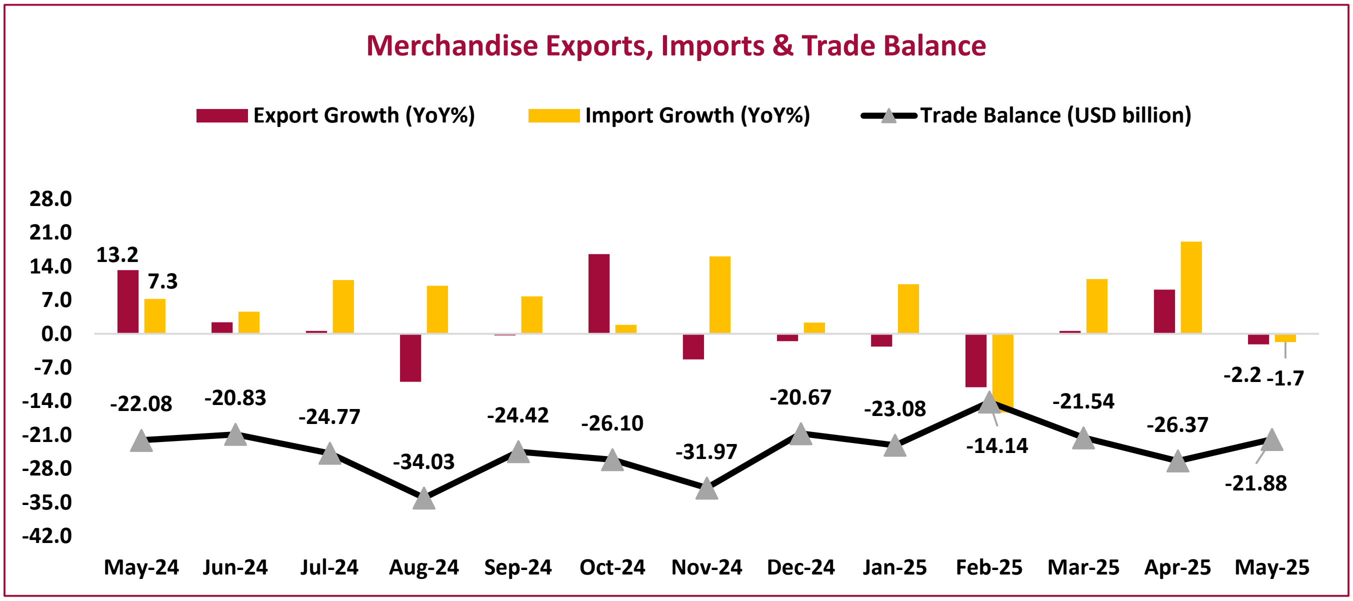
FISCAL DEFICIT

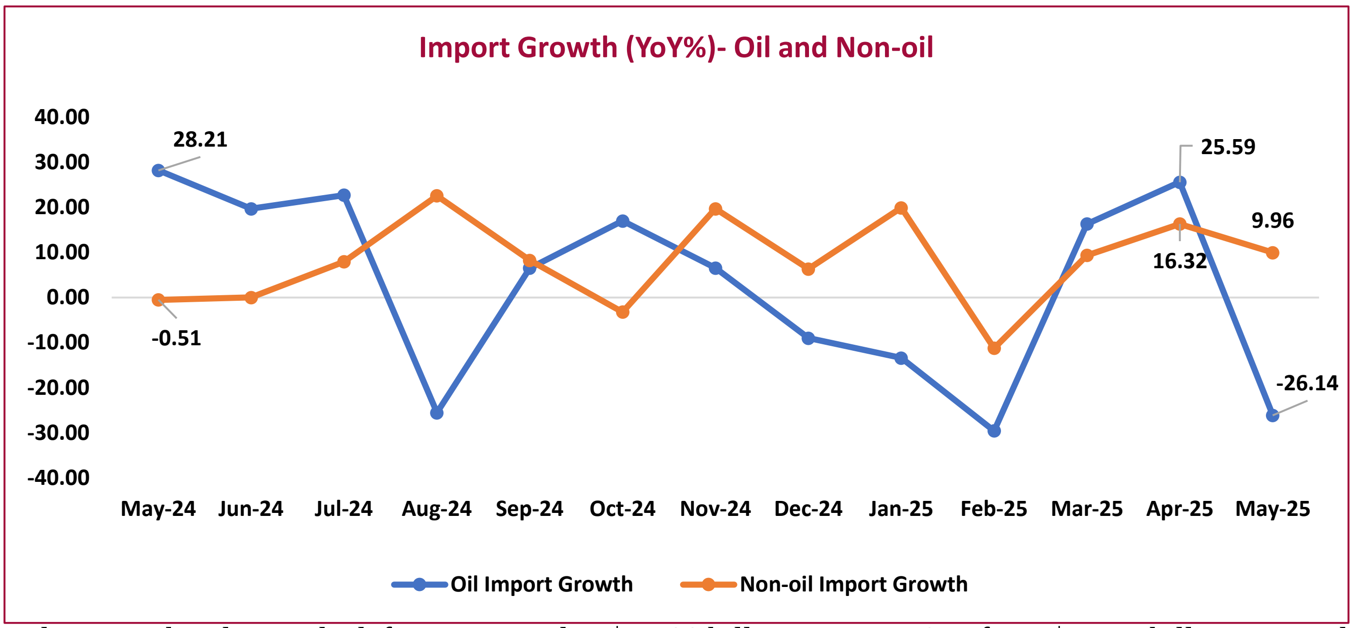


India's fiscal deficit for FY 2024-25 narrowed to 4.8% of GDP from 5.6% last year, totalling ₹15.77 lakh crore. Government receipts rose by 10.4% YoY to ₹30.78 lakh crore, below the revised estimate of ₹31.47 lakh crore. The tax revenue was Rs 24.99 lakh crore and non-tax revenue was Rs 5.38 lakh crore. Spending was reported at ₹46.56 lakh crore, also below the revised estimate of ₹47.17 lakh crore.

FOREIGN TRADE

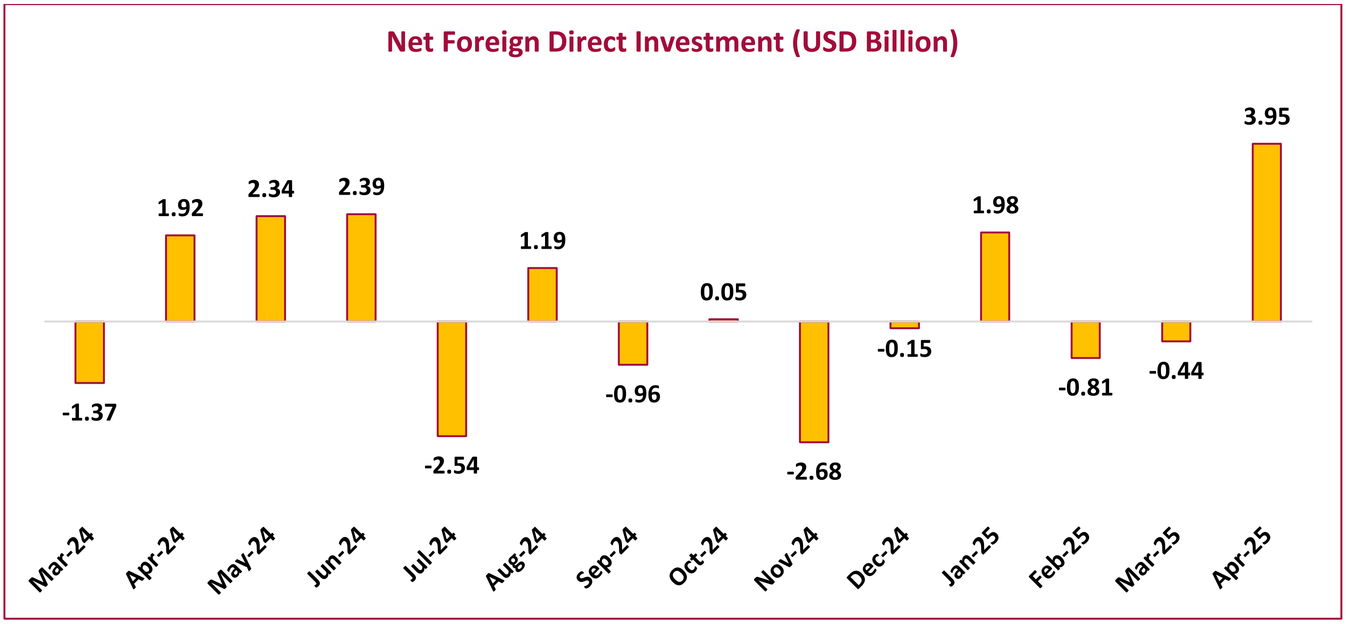
Merchandise Trade Deficit narrows to USD 21.88 billion



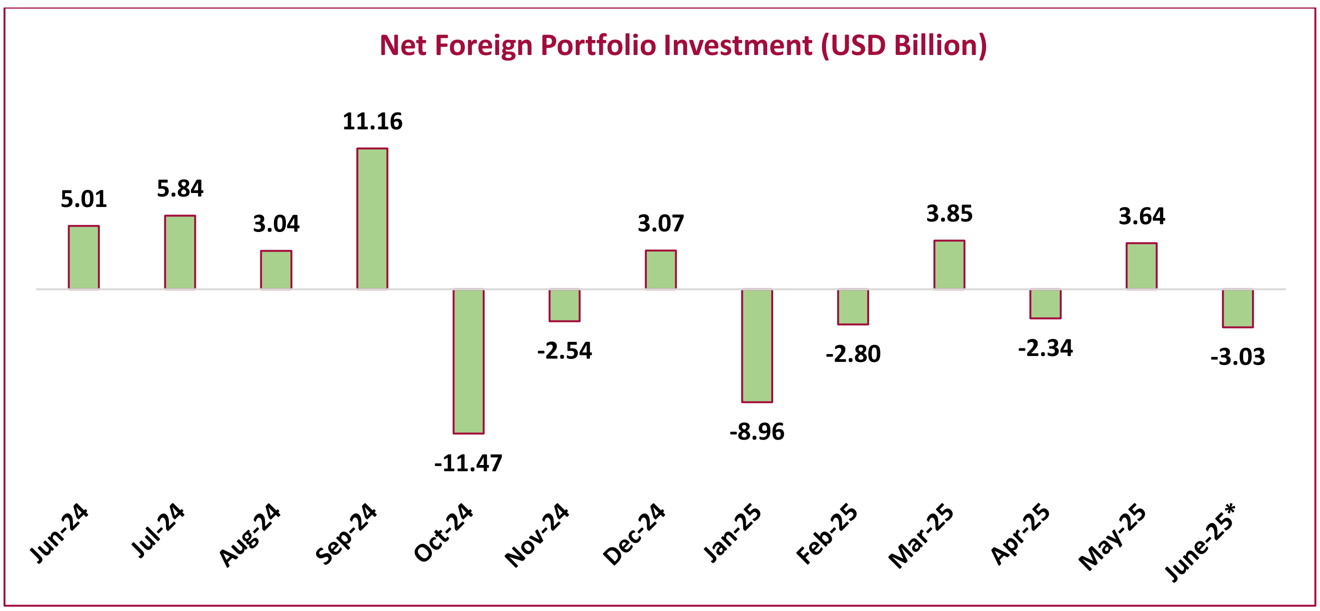


India's merchandise trade deficit narrowed to $21.88 billion in May 2025 from $26.37 billion in April 2025. In May 2024, it was $22.08 billion. Merchandise exports for May 2025 decreased by 2.18% YoY to $38.73 billion. Petroleum product exports fell by 30.32% YoY to $5.6 billion, while non-petroleum product exports rose by 5.06% YoY to $33.09 billion. Merchandise imports declined by 1.73% YoY to $60.61 billion, with crude oil imports contracting by 26.14% YoY. The proportion of oil imports within merchandise imports declined to 24.3% in May 2025, down from 31.9% in the previous month. In contrast, the share of non-oil imports rose to 75.7% from 68.1% during the same period.

FOREIGN INVESTMENTS



India witnessed a sharp increase in net foreign direct investment in April FY26. The increase in investments in India can be attributed to the government's proactive policy framework, a dynamic business environment, enhanced global competitiveness, and growing economic influence.



**upto 25th June 2025*

Foreign Portfolio Investments (FPI) in May remained as net outflows. The FPI turned net sellers in Indian equities. Foreign investors have now pulled out a net Rs. 83,559 crores from Indian equities so far in 2025, indicating that foreign investors continue to remain cautious amid the ongoing uncertainty.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	31.05.24	21.03.25	16.05.25	30.05.25	YoY Growth(%)	YTD Growth(%)	Fortnightly Growth (%)
Deposits	210.87	225.81	228.88	231.73	9.89%	2.62%	1.25%
Advances	167.83	182.44	182.28	182.88	8.97%	0.24%	0.33%
Business	378.70	408.25	411.15	414.60	9.48%	1.56%	0.84%

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

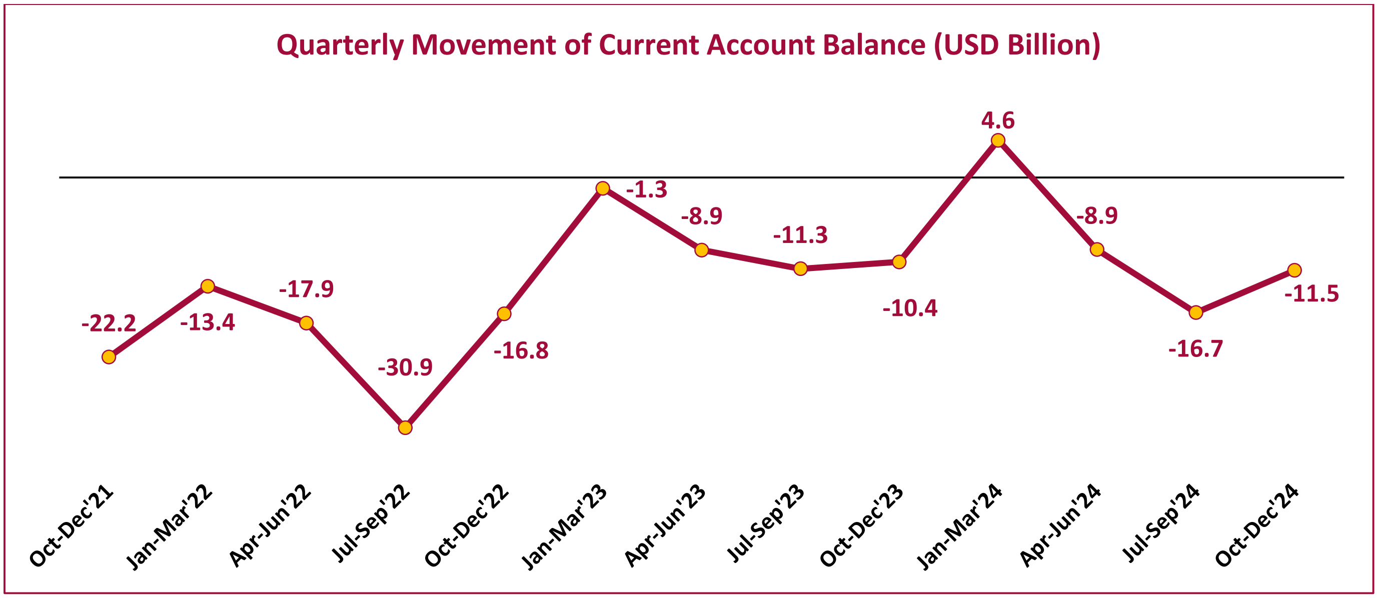
Parameter* (Rs. Lakh Crore)	Apr-24	Feb-25	Mar-25	Apr-25
Total Non-food	**164.7**	**179.4**	**182.1**	**181.5**
Agriculture and allied activities	**21.2**	**22.6**	**22.9**	**23.1**
Industry	**36.6**	**38.8**	**39.4**	**39.0**
Of which				
Micro & small	7.3	7.8	7.9	8.0
Medium	3.1	3.5	3.6	3.7
Large	26.1	27.4	27.8	27.3
Personal loans	**53.5**	**58.8**	**59.5**	**59.8**
Of which				
Housing (Including priority sector housing)	27.4	29.8	30.1	30.1
Credit card outstanding	2.6	2.9	2.8	2.9
Education	1.2	1.4	1.4	1.4
Vehicle loans	5.8	6.2	6.2	6.3
Services	**46.1**	**50.6**	**51.6**	**50.9**
Of which				
Computer software	0.2	0.3	0.3	0.3
Tourism, hotels & restaurants	0.8	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.1
Aviation	0.4	0.5	0.5	0.5
Retail trade	4.8	5.3	5.4	5.4
Commercial real estate	4.7	5.3	5.3	5.5

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

On a YoY basis, non-food bank credit as on the fortnight ended April 18, 2025, grew by 10.2 per cent. Credit to agriculture and allied activities registered a growth of 9.2 per cent YoY as of April 2025 as compared to 19.8 per cent in April 2024. Credit to industry expanded by 6.7 per cent YoY in April 2025 as compared to 6.9 per cent in April 2024. Credit to services sector moderated to 10.5 per cent as compared to 21.7 per cent in April 2024.

11. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's current account deficit (CAD) rose marginally to $11.5 billion, or 1.1 per cent of gross domestic product (GDP), during the October-December 2024 quarter of the ongoing financial year (Q3FY25) from $10.4 billion, a year ago, amid a rise in service exports. CAD moderated from $16.7 billion in Q2FY25, or 1.8 per cent of GDP. Overall, CAD is estimated to be at 0.8 per cent of GDP in FY25, before expanding slightly to nearly 1.0 per cent of GDP in FY26, even though the tariff-related uncertainty could act as a spoiler.

12. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.50%	Jan 24, 2025 (25bps)	July 31, 2025
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	-
Federal Reserve	U.S.A	4.50%	Dec 18, 2024 (-25bps)	July 30, 2025
Bank of England	U.K	4.25%	May 08, 2025 (-25bp)	Aug 7, 2025
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	July 20, 2025
Reserve Bank of India	India	5.50%	Jun 06, 2025 (-50bps)	Aug 6, 2025

13. MACRO ECONOMIC INDICATOR OUTLOOK

Liquidity Scenario

- System liquidity continued to be in surplus during this quarter. While the increase in currency in circulation (CiC) has exerted some pressure on banking system liquidity, it has been offset by the expansion in liquidity from RBI's durable liquidity measures since January 2025.
- In the current financial year so far, the RBI has infused around ₹3.46 lakh crore of liquidity in the banking system through purchases under open market operation (OMO) and VRR operations. Recently, a 7-day variable rate reverse repo (VRRR) operation was announced by RBI for June 27, for the first time since November 2024.
- However, by this step RBI is smoothing out the frictional surplus liquidity and bringing the call and treps rate closer to the repo rate and the overall system liquidity is expected to remain above the 1% of NDTL as indicated by the RBI governor in its Apr'25 policy address.
- Additionally, the RBI has announced a staggered 100 bps CRR cut to 3 per cent starting September 2025, aimed at injecting ₹2.5 lakh crore primary liquidity. Besides providing durable liquidity, it will reduce the cost of funds for banks, thereby facilitating monetary policy transmission to the credit market.

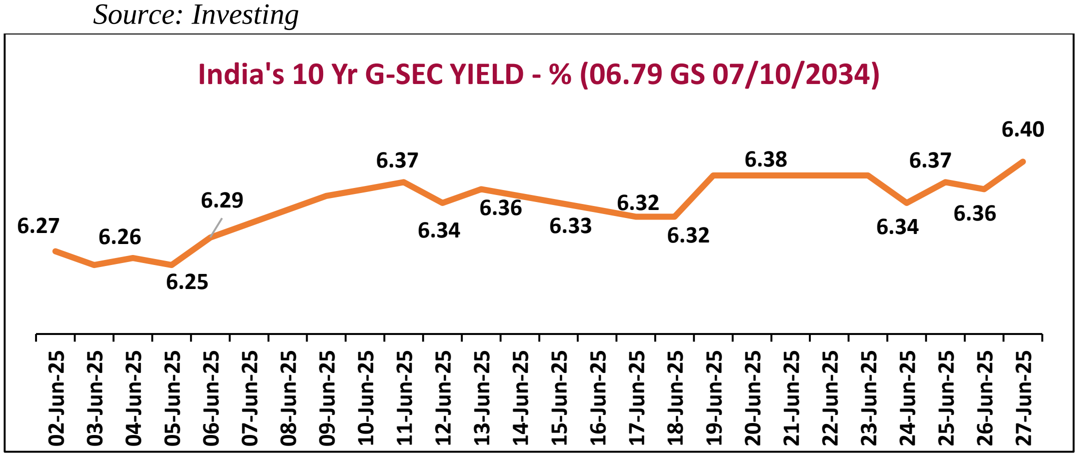
Interest Rate Scenario

- The yield on the 10-year G-sec benchmark hovering around 6.25 per cent in starting June 2025. Post MPC policy announcement the 10-year G-sec benchmark soften further and yield was ranging 6.30 to 6.40 per cent in June'25. It has edged up and closed at 6.40 per cent on June 27, 2025.

10 Year G-Sec/Treasury/Bond Yield of Major Countries (27.06.2025)

COUNTRY	Yield (%)
United States	4.27
United Kingdom	4.50
Japan	1.43
China	1.64
India	**6.40**

Source: Investing



Note: 6.79 represents annual coupon rate on G-Sec maturing October 7, 2034

14. INDUSTRY OUTLOOK

BUILDING BLOCKS OF GROWTH: OUTLOOK FOR THE CONSTRUCTION SECTOR

The construction sector continues to be one of the most vital engines of India's economic progress. As the second-largest employer after agriculture and a major contributor to the country's GDP, the sector serves as both a foundation and a catalyst for growth across industries. In FY25, the outlook for the construction industry remains robust, underpinned by sustained public investment, rising private participation, and a growing demand for urban infrastructure and housing.

The Government of India's sustained emphasis on infrastructure development remains the single largest driver of construction activity. The Union Budget FY25 earmarked a capital expenditure outlay of ₹11.1 lakh crore, equivalent to 3.4% of GDP. This marks a continued thrust on roads, railways, ports, and urban infrastructure, ensuring a stable pipeline of construction projects over the medium term.

Major national programs such as the National Infrastructure Pipeline (NIP), PM Gati Shakti, and Smart Cities Mission have also started delivering tangible results on the ground. These are being complemented by targeted sectoral interventions in affordable housing, metro rail projects, and renewable energy infrastructure.

Urbanization is creating further momentum. Rapid growth in Tier-2 and Tier-3 cities is spurring demand for housing, commercial spaces, and civic amenities. The real estate sector, which had slowed during the pandemic years, is showing signs of a revival—particularly in the mid-income and affordable segments, supported by government incentives under the Pradhan Mantri Awas Yojana (PMAY).

Simultaneously, the private sector is regaining appetite for investment. Corporates with leaner balance sheets and rising capacity utilization are beginning to re-engage with infrastructure projects through public-private partnerships, especially in logistics parks, expressways, and industrial corridors.

While the outlook is positive, the sector is not without its challenges. Input cost volatility—especially in cement, steel, and fuel—can pose margin pressures on developers and contractors. Labour shortages, particularly in skilled trades, continue to affect execution timelines. Regulatory bottlenecks related to land acquisition and environmental clearances remain a persistent issue in large-scale projects.

There is also the growing need for the sector to adopt sustainable and technology-driven construction methods. Environmental compliance and carbon efficiency are becoming key criteria in project evaluation, especially for funding and international collaborations.

The construction sector is entering a new phase of growth, backed by policy momentum, urban demand, and private sector re-engagement. For banks, this opens up avenues not only to expand credit but also to actively participate in India's physical and economic transformation. A proactive yet cautious approach—anchored in strong project appraisal, sectoral expertise, and alignment with sustainable growth—will allow banks to support and benefit from growth trajectory of this sector.

Smriti Behl
Officer (Economics)
SMEAD, Head Office

15. 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*

QUOTE OF THE MONTH

"It is better to fail in originality than to succeed in imitation."

— Herman Melville

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