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पंजाब नेशनल बैंक

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GLOBAL INFLATION DYNAMICS: INDIA'S DIVERGENCE AND ITS IMPLICATIONS

At a time when major economies continue to battle stubborn inflation, India appears to be charting a different course. Consumer price inflation has not only moderated but, in recent readings, fallen below the Reserve Bank of India's (RBI) medium-term target band of 4–6%. Consumer Price Inflation, which indicates the retail inflation in the economy was recorded at 2.1% in June 2025. The recent decline in India's inflation has been broad-based. Core inflation has remained stable, aided by softening input costs and stable domestic demand. Meanwhile, food price pressures have been contained despite periodic weather-related volatility. Global commodity prices, particularly crude oil, have also played a supporting role by remaining within a manageable band. The result is an inflation outlook that appears well-anchored, bolstered by supply-side resilience, stable logistics, and improved agricultural output. For a country that has been accustomed to relatively higher inflation, this is a significant development. More notably, India's inflation trajectory now mirrors levels commonly seen in advanced economies — a feat that has opened the door to policy discussions on further interest rate reductions.

In contrast, the global policy environment remains more cautious. The US Federal Reserve, for instance, continues to hold interest rates steady, keeping the federal funds rate in the 5.25–5.50% range. Even as inflation cools gradually in the US, the Fed is taking a measured approach, particularly as it evaluates the potential inflationary impact of tariffs proposed by the current administration. Other major central banks, such as the European Central Bank and the Bank of England, have also opted to delay decisive rate cuts amid lingering geopolitical and fiscal concerns.

This favorable backdrop has revived market expectations of another rate cut by the RBI in the coming quarters, especially since growth rate has moderated to around 6%. However, any decision to ease monetary policy must be taken with a clear understanding of its broader macroeconomic implications.

One critical consideration in this context is the **interest rate differential** — the gap between India's benchmark rates and those of advanced economies, most notably the United States. Currently, India maintains a marginally higher real and nominal interest rate, which has helped attract foreign portfolio flows and support the rupee.

If India proceeds with a rate cut while the US Federal Reserve holds rates steady, the differential will narrow. This could trigger a series of external sector repercussions:

- **Reduced FPI Attractiveness:** Foreign investors, especially those with a carry trade strategy, may find Indian debt instruments less attractive, leading to lower inflows or even outflows.
- **Currency Depreciation Pressure:** A narrowing differential may put downward pressure on the rupee, increasing the cost of imports and potentially fueling imported inflation.

- **Widening Current Account Deficit:** A weaker currency and reduced capital inflows could lead to a strain on India's external balances, especially in the context of rising non-oil, non-gold imports.

Thus, even as domestic macroeconomic fundamentals offer space for policy easing, India's central bank has to exercise caution. Rate cuts, while supportive of growth, could inadvertently amplify external vulnerabilities in an increasingly uncertain global environment.

Should the RBI decide to lower interest rates, it could stimulate consumption and investment, particularly in interest-sensitive sectors such as housing, automobiles, and MSMEs. Lower borrowing costs would help reduce debt servicing burdens and improve liquidity in the hands of both consumers and businesses. At a time when India is pushing for accelerated capital formation to drive its transition to a \$5 trillion economy, lower interest rates could offer a timely nudge.

However, there is a caveat: much of the disinflation in India has been supply-driven rather than demand-constrained. Therefore, monetary easing must not undermine the inflation outlook. Moreover, the RBI will likely be watchful of any signs of a reversal in food prices or external cost pressures before altering its stance.

The banking sector, which has so far benefited from elevated interest rates and robust credit growth, may begin to feel the impact of a lower rate regime. One immediate consequence of policy easing would be the compression in **net interest margins (NIMs)**. With banks increasingly relying on **term deposits** for their funding base — which carry a higher cost than savings or current account deposits — any reduction in lending rates would pressure spreads.

Additionally, the composition of deposit growth has shifted significantly in recent quarters, with term deposits accounting for a larger share. This has led to a rise in the **cost of funds** for banks, even as lending rates remain competitive. In such a scenario, sustaining profitability would require banks to either expand their credit books meaningfully or diversify towards higher-yielding segments, both of which come with attendant risks.

Furthermore, the potential for lower treasury gains — given the limited room for further bond yield compression — adds another layer of complexity to bank profitability going forward. While asset quality remains stable and credit costs are low, the margin environment is likely to be more challenging than in the recent past.

For policymakers, the task is to strike the right balance — leveraging India's inflation advantage to support growth, while preserving the hard-won gains in external sector stability. For banks, this evolving environment demands agility, prudent asset-liability management, and a continued focus on risk-adjusted profitability. As global uncertainty persists, India's economic policy choices will remain data-driven and strategically cautious.

Ajay Kumar Singh
General Manager

2. WEAPONIZATION OF RARE EARTH MINERALS – A NEW KIND OF TRADE WAR

On April 4, China's Ministry of Commerce imposed export restrictions on seven Rare Earth Elements (REEs) and magnets used in the defence, energy, and automotive sectors in response to U.S. President Donald Trump's tariff increases on Chinese products. This decision has upended the global supply chains and has exposed the dependence of global manufacturing on China.

1. Impact on Global Supply Chains

China mines about 70 per cent of global rare earth elements and accounts for more than 90 per cent of global capacity for separating and processing heavy rare earths. Notably, while China remains the dominant player, its share of global rare earth mining is projected to decline to 51%, and refining to 76% by 2030, as global supply chains diversify, according to a report by CareEdge Global. China's restrictions have significantly impacted the global supply chains and trade relations. It is having grave consequences for industries like automobiles, defence, smartphones, renewable energy, semiconductors, chips, advanced electronics etc.

The ban has significantly impacted the automobile industry that is heavily dependent on these minerals for manufacturing. Many automobile companies globally and domestically, are facing critical shortage of these minerals and may have to halt production.

2. What are Rare Earth Elements (REE)

Rare earths are a group of 15 elements in the periodic table known as the Lanthanide series. Rare earth elements are relatively plentiful in the earth's crust, however, because of their geochemical properties, rare earth elements are typically dispersed. This means they are not often found in concentration to make them viable to mine. It was the scarcity of these minerals that led to them being called rare earths.

They are key enablers for technologies looking to lower emissions, reduce energy consumption, as well as improve efficiency, performance, speed, durability, and thermal stability. They are also a key component in technologies that seek to make products lighter and smaller. Rare Earths are used in the manufacture of many things we use every day – from smart phones to electric windows, power steering and catalytic converters in cars. Rare earths are also used in future facing applications such as robotics, home automation and green technologies such as hybrid and electric vehicles and wind turbines.

3. Impact on India – Crisis or Opportunity?

India, the world's third-largest automobile market, is among the hardest-hit nations due to the ban. Indian car and Electric Vehicle manufacturers are facing acute shortage of components and may have to slow down production. This significantly increases costs that will eventually affect the end consumer. Prolonged disruption could also derail India's electric mobility targets.

India appears to be on the verge of a significant industrial transformation, with Rare Earth Elements (REEs) and other critical minerals taking centre stage. The nation's strategic push towards self-reliance,

spurred by geopolitical tensions and China's near-monopoly on rare earths, presents a compelling opportunity for investors.

While India previously stayed away from rare earth mining due to environmental concerns, the global scenario now positions India, home to 8% of the world's rare earth reserves, as a key player. Although China holds the largest REE deposits at 44 million tonnes, India's 6.9 million tonnes give it the third-largest share globally, according to the U.S. Geological Survey. Thus, India is poised to play a key role in building a more diversified global rare earths supply chain.

However, despite its endowment, India's output has remained low, just 2,900 tonnes annually from 2012 to 2024. The reserves in India are almost 250 times higher than what is being mined now. This gap is attributed to limited refining technologies, insufficient technical expertise, and inadequate mining infrastructure. Developing capabilities for separation, processing, and manufacturing is highly cost-intensive, and the present global climate of extreme regulatory uncertainty further undermines the investment environment. Moreover, establishing such facilities and scaling production to economically viable levels will take several years.

Though, Indian government is addressing the issues and some key developments have taken place in the sector. In 2025, India launched the National Critical Mineral Mission (NCMM), that aims to bolster self-reliance in critical minerals through exploration, mining, processing and recycling. The Geological Survey of India (GSI) will conduct 1,200 exploration projects by 2030-31. Further, India is strengthening international collaborations to build more resilient rare earth supply chains. Indian Rare Earths Limited (IREL) is also expanding its role by exploring partnerships with private firms, exploring new locations and boosting production. In addition, focused R&D, global collaborations and specialized industrial zones are required to develop the sector.

4. Going Forward

Rare earth elements (REEs) will remain critical to modern technology and clean energy for the foreseeable future. As demand grows—driven by electric vehicles, renewable energy, defence, and electronics—the global focus on securing reliable, diversified supplies will only intensify. While China currently dominates the market, other nations are accelerating efforts to develop their mining, processing, and manufacturing capabilities.

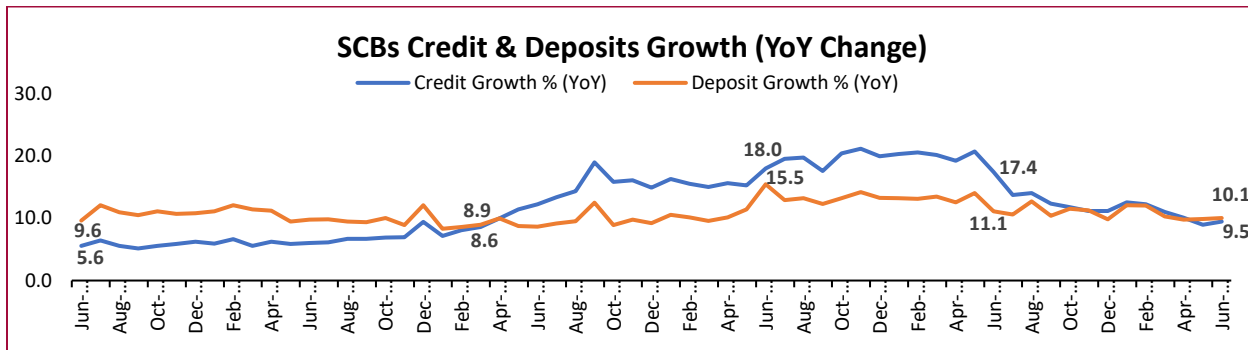
In the short term, China holds an unshakeable chokehold on the global rare earths industry. It is wielding this leverage in the current geo-economics contest by framing it within national security concerns. Despite the threat being well understood for years, the price advantage of sourcing from China has hindered domestic development elsewhere.

For India and other countries, this moment underscores the urgent need to build resilient supply chains as a matter of national security and sovereignty. China has demonstrated their utility as a tool of geopolitical influence. Now, the race to secure these critical resources will shape not only the future of global trade but also the balance of technological and strategic power in the years ahead.

Chhavi Sachdeva
Senior Manager (Economics)
SMEAD, Head Office

3. CREDIT GROWTH AT A CROSSROADS: INDIAN BANKING'S NEXT CHAPTER

In the past three years, India's banking sector raced ahead on the back of surging demand for loans. Credit-growth figures routinely made headlines, with double-digit expansion considered the new normal as individuals and companies sought capital to consume or invest. However, by mid-2025, this momentum has eased sharply, with credit growth falling to 9.5% in June 2025, the weakest print since March 2022 and well below the 17.4% recorded a year back. In contrast, deposit mobilization is now outpacing credit, reversing a multi-year trend and signalling shifts both in banks strategy and borrower behaviour.



Source: RBI

A nuanced examination reveals a confluence of factors including a slowdown in overall economic activity, muted private capex, cautious lenders, risk-averse borrowers, and thinning net interest margins of SCBs underpinning this mid-cycle pause in credit growth.

Where Is Credit Growth Weakest?

In the June 2025 quarter, the softest credit offtake was seen in the services sector (~9.5% YoY vis-à-vis 17.4% in Jun'24), where SCBs recorded a cumulative net repayment against typical June-quarter inflows largely on account of large NBFCs repaying their existing debt as they deleveraged amid tighter funding conditions and elevated risk weights.

Industry too contracted (~5.5% YoY in Jun'25 vis-à-vis 8.1% in Jun'24), with manufacturing and large corporates repaying their debt against inflows in prior three June quarters as capacity-utilisation plateaus, global uncertainty dampens working-capital needs and healthy internal accruals reduce reliance on bank loans.

Meanwhile, the personal loans segment stood out as a resilient pillar (~12% YoY), driven by faster transmission of RBI's repo rate cuts, sustained home-loan demand, and a surge in gold-backed advances. However, growth remained well below the June quarter trend of the previous years.

What's Holding Back Credit Demand?

The slowdown in credit off-take reflects deep shifts in India's post-pandemic growth dynamics. Corporate profits have outpaced wage gains, prompting firms to rely internal accruals rather than bank finance and households to boost savings instead of borrowing. Formal job creation and urban income growth remain subdued, weighing on private investment, while steadier rural and informal-sector incomes have cut the need for short-term consumption loans.

As GDP increasingly hinges on informal activity rather than formal capital expenditure, demand for traditional bank credit naturally wanes. At the same time, real-wage stagnation and stricter risk weights have curbed appetite for unsecured lending and rising delinquencies in personal and microfinance segments have made both banks and borrowers more cautious about extending or accepting non-collateralised loans.

Rate Transmission, CRR Cut, and Festive Push: Enough to Reignite Credit Growth?

Since February 2025, the RBI has reduced the repo rate by 100 bps half of which came in June and announced phased Cash Reserve Ratio (CRR) cuts scheduled from September through November. These measures aim to lower banks' cost of funds, providing them with additional headroom to expand lending. Reflecting this, public sector banks (PSBs) have passed on 31 bps of rate cuts to fresh lending till May 2025, outpacing private peers' 20 bps. However, deposit rates have fallen more modestly by 47 bps at PSBs against 41 bps at private banks, according to RBI data. As a result, real lending rates have declined only slightly, leaving banks' risk-adjusted return expectations and borrower appetite largely unchanged.

The upcoming festival season offers a timely and much-needed demand stimulus. In Q2 FY'26, a faster transmission of repo rate cuts to retail products, personal loan growth could accelerate into the high teens by December 2025. Moreover, government-backed refinance schemes, along with Production-Linked Incentive (PLI) programs in emerging sectors, are crowding in fresh credit demand particularly in manufacturing, electronics, and MSMEs.

However, monetary easing and festive buoyancy alone cannot sustain a durable credit rebound. To unlock deeper and more broad-based lending opportunities, structural reforms must complement monetary measures. These include liberalising foreign trade, expanding FDI inflows, simplifying land acquisition and judicial processes, and improving the ease of doing business alongside corporate governance standards. Such a coordinated and holistic policy mix can re-ignite a sustained, investment-led credit growth cycle, aligning near-term momentum with long-term resilience.

Way Forward

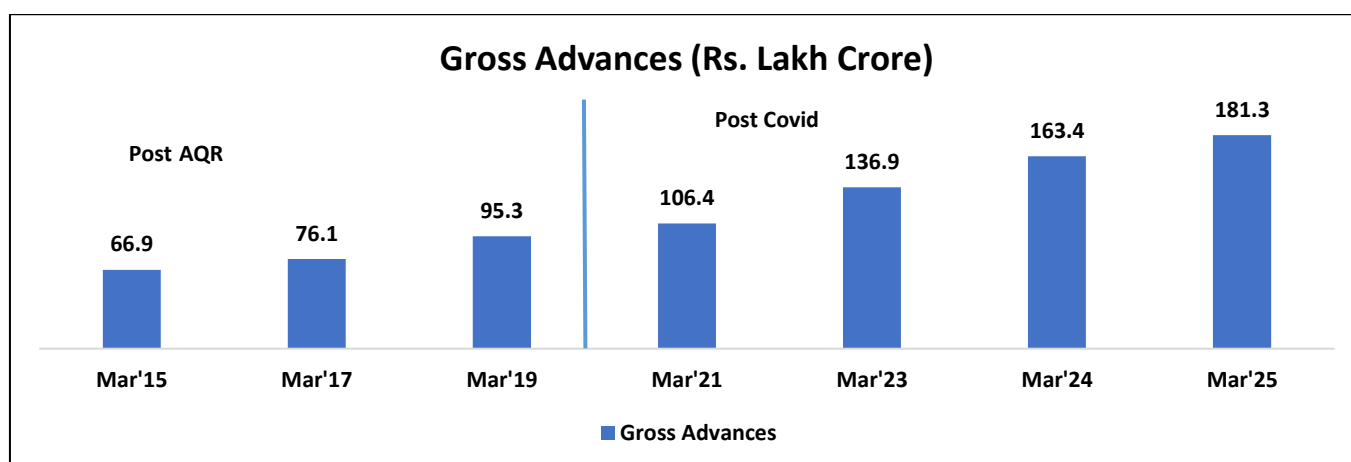
The post-pandemic credit boom has clearly crested, giving way not to a bust but to a more measured and disciplined phase of growth, the one where credit growth must navigate tighter margins. A supportive interest rate environment, with a further 25 bps cut expected in Oct'25, coupled with resilient consumption trends, suggests that double-digit loan growth (~11–12% YoY) could return in FY'26. However, sustaining this momentum will require more than just cyclical tailwinds. Structural reforms, adaptive banking strategies, and deeper formalization are essential. Unlocking investment-led lending calls for bold policy actions that bolster manufacturing, exports, and private capital formation.

Banks, meanwhile, must pivot from volume-centric approaches to more nuanced strategies rooted in sectoral focus, regional requirements, innovative delivery channels paired with robust risk assessment, and innovation. Greater formalization will also enhance credit appetite and inclusion, broadening the institutional lending base.

Kartik Khandelwal
Officer (Economics)
Head Office, SMEAD

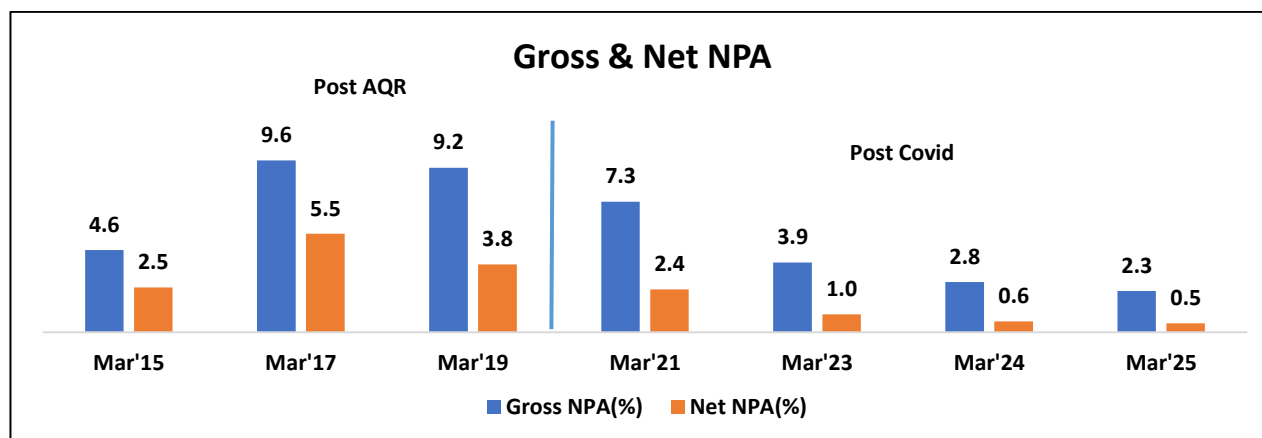
4. BANKING SECTOR REVIVAL: DECADE OF RESILIENCE AND REJUVENATION

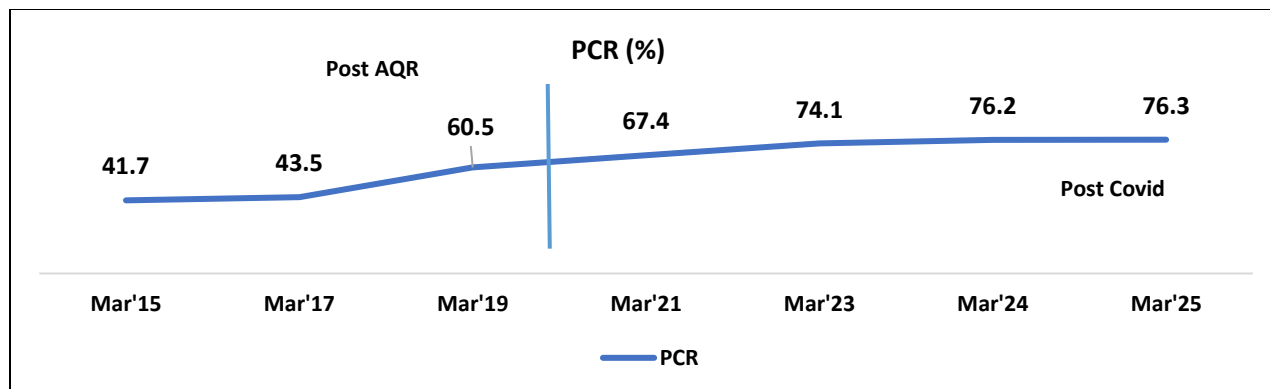
1. Gross Advances



- Total advances of SCBs increased to ₹181.3 lakh crore in Mar'25 from ₹66.9 lakh core in Mar'15. The CAGR of SCBs at 10.5%.
- Post-pandemic, bank loan growth was largely driven by lending to the retail and services sector, particularly through unsecured retail loans and lending to the NBFCs. Pursuant to the RBI's decision to increase risk weights on certain segments of consumer credit and bank lending to the NBFCs, loan growth in these two sectors has fallen sharply, contributing to a slowdown in total loan growth.
- Despite a broad deceleration in bank credit growth, the share of credit to the micro, small and medium enterprises (MSME) sector in total non-food bank credit has been growing steadily and its growth has outpaced that in other sectors during 2024-25.
- The growth in gross advances for SCBs, particularly in the post Covid period is primarily driven by India's robust GDP growth, a supportive monetary policy, increased digitalization and innovative lending models.

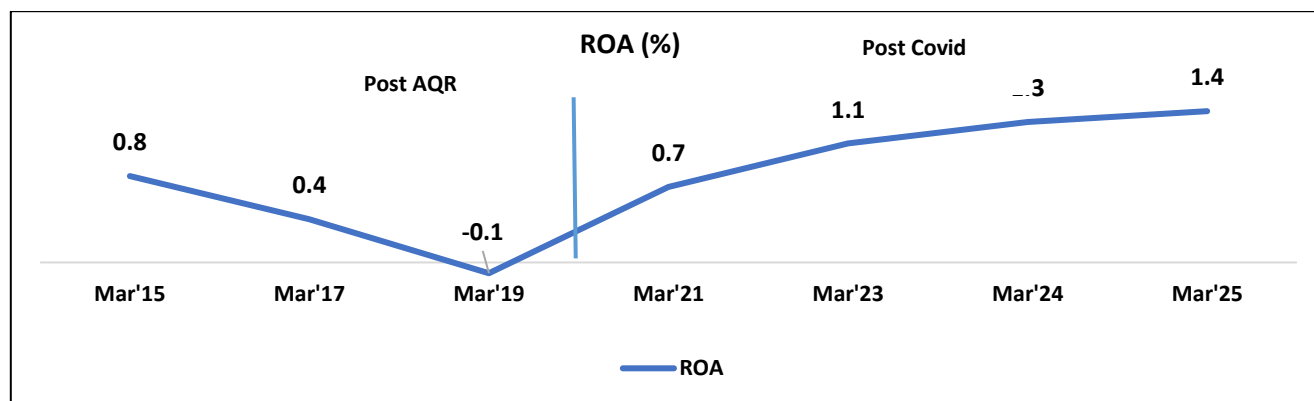
2. Asset Quality





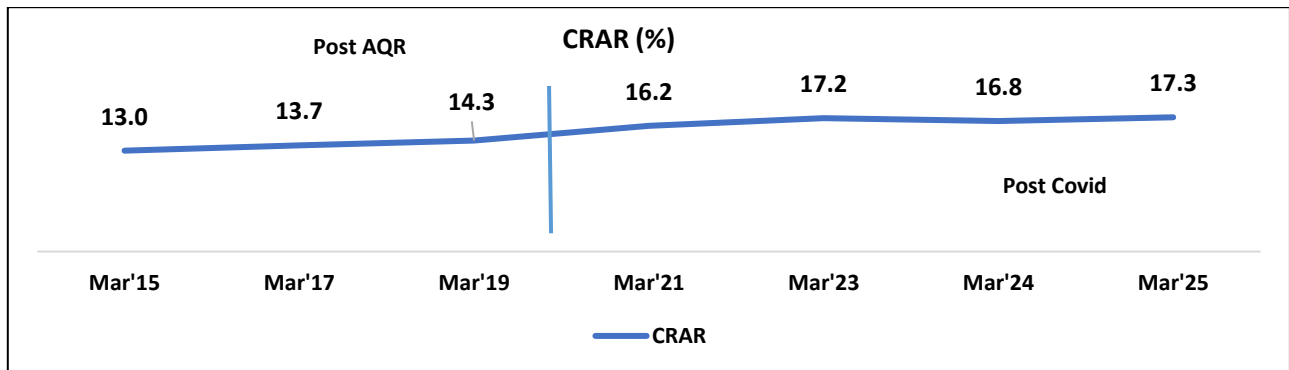
- Gross NPA of SCBs falls from 4.6% in Mar'15 to 2.3% in Mar'25 and Net NPA of SCBs falls from 2.5 %in Mar'15 to 0.5% in Mar'25, with asset quality reaching decadal best levels.
- The Reserve Bank of India (RBI) initiated the Asset Quality Review (AQR) in 2015 to identify and address stress within the banking system.
- This led to transparent recognition by banks and the withdrawal of special treatment for restructured loans. Stressed accounts were reclassified as Non-Performing Assets (NPAs), and expected losses on stressed loans, previously unaccounted for, were provided for, resulting in higher NPAs that peaked in 2018.
- The “Post AQR” period led to significant clean-up of bank balance sheets
- Post covid, the government introduced various schemes to support business, especially MSMEs, such as the Emergency Credit Line Guaranteed, encouraging banks to lend even to potentially riskier segments.
- Government’s 4R’s strategy of Recognition, Resolution, Recapitalization and Reforms has been instrumental in the significant decline of GNPA’s in PSBs, since their peak in 2018, contributing to a healthier and more resilient banking sector.
- Provisioning improved significantly over years from 41.7% in Mar'15 to 76.3% in Mar'25. Higher Profitability enabled Banks to set aside higher provisions.

3. Profitability



- The ROA started at 0.8% in Mar'15, declined to 0.4% in Mar'17 and further dipped into -0.1% in Mar'19. The period from Mar'15 to Mar'19 largely coincides with the “Post AQR” phased mentioned in the above chart.
- ROA began to recover and rose to 1.4% in Mar'25. This strong recovery and sustained growth in ROA can be attributed to strong domestic demand for credit, focus on high yielding RAM advances.

4. Capital Adequacy



- Capital to risk weighted asset ratio of SCBs improved from 13.0% in Mar'15 to 17.3 % in Mar'25. Central Government reportedly infused about ₹3.31 lakh crore into banks between FY17 and FY21.

5. Challenges Highlighted by FSR going ahead: -

Despite strong performance over the past three years, banks, may encounter challenges in the short term.

- **Falling Interest Rates and Loans:** Many bank loans now have interest rates that change quickly when the central bank lowers its main rate (the repo rate). However, the interest rates banks pay on customer deposits (like fixed deposits) don't change as fast. This means if interest rates fall, banks might earn less on their loans while still paying out similar amounts on deposits, which could squeeze their net interest margin (NIM) – the difference between what they earn on loans and pay on deposits.
- **Credit Growth Slowdown:** People and businesses are borrowing less, and the pace of new borrowing has even gone down. If the economy slows further due to current uncertainties, fewer people will want loans. This could hurt banks in two ways: they'll make less money from new loans, and some existing borrowers might struggle to repay their loans, leading to poorer asset quality (more bad loans) and lower overall profitability.
- **Changing Deposit Mix:** Banks are seeing a shift in their funding. They're getting a larger share of more expensive deposits, like term deposits and certificates of deposit (CDs), which pay higher interest rates. At the same time, the share of cheaper deposits, like current and savings accounts (CASA), is shrinking. This means banks are paying more to get the money they lend out.

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Akansha Chauhan
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SMEAD, Head Office

5. CLASSROOM: INFLATION TARGETING: THE CENTRAL BANK'S PROMISE TO KEEP PRICES STABLE

Inflation targeting is like having a thermostat for the economy—it's a monetary policy framework where central banks publicly promise to keep price rises predictable and moderate

Inflation targeting means the central bank makes price stability its primary goal. Instead of juggling multiple objectives like employment or exchange rates, the bank focuses laser-like on keeping inflation predictable. When prices rise too fast, they raise interest rates to cool the economy. When inflation falls too low, they cut rates to stimulate spending.

This approach emerged in the 1990s as a response to the chaotic inflation of the 1970s and 1980s. New Zealand pioneered it in 1990, followed by Canada, the UK, and others. The framework draws from monetarist economic thinking, particularly Milton Friedman's ideas about controlling money supply growth to manage inflation.

Inflation targeting replaced earlier approaches like targeting money supply directly or pegging exchange rates—methods that proved unreliable and difficult to maintain.

Today, over 40 countries use inflation targeting, including major economies like the UK, Canada, Australia, and the European Central Bank. The track record has been largely positive. Countries using this framework have experienced more stable inflation and better-anchored expectations compared to previous decades.

India adopted flexible inflation targeting in 2016, with the Reserve Bank of India (RBI) mandated to keep Consumer Price Index (CPI) inflation at 4% with a tolerance band of +/- 2%. Since implementation, India has seen more stable inflation compared to the volatile double-digit rates of the 2000s and early 2010s. The RBI's credibility in managing price expectations has improved significantly under this framework.

The main benefit is predictability. When businesses and consumers know what to expect regarding future prices, they can make better long-term decisions. This stability encourages investment, reduces uncertainty, and helps prevent the boom-bust cycles that plagued earlier eras. Critics argue that focusing solely on inflation can ignore other important economic indicators like unemployment or asset bubbles. During the 2008 financial crisis, some central banks were criticized for not addressing housing bubbles while inflation remained within target ranges.

Inflation targeting isn't perfect, but it has proven to be a robust framework for maintaining price stability in our interconnected global economy.

Shubham Kumar Singh
Officer (Economics)
SMEAD, Head Officer

6. GIST OF RBI CIRCULARS

Date of the circular	July 10, 2025
Ref No.	RBI/2025-26/65 DOR.STR.REC.39/21.06.008/2025-26
Subject	Basel III Capital Regulations – External Credit Assessment Institutions (ECAIs) – CareEdge Global IFSC Limited

The Reserve Bank of India has updated its Basel III Capital Regulations to allow banks to use ratings from CareEdge Global IFSC Limited, in addition to the existing agencies (Fitch, Moody's, and Standard & Poor's), for assigning risk weights to claims on non-resident corporates at International Financial Services Centres (IFSC). The ratings from CareEdge will be mapped to risk weights as follows: AAA at 20%, AA at 30%, A at 50%, BBB at 100%, and BB & below at 150%.

Date of the circular	July 2, 2025
Ref No.	RBI/2025-26/64 DoR.MCS.REC.38/01.01.001/2025-26
Subject	Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025

The Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025, establish new guidelines that prohibit pre-payment charges on all floating rate loans and advances to individuals for non-business purposes, regardless of co-obligants. For loans sanctioned to individuals and Micro and Small Enterprises (MSEs) for business purposes, most commercial banks, Tier 4 Primary (Urban) Co-operative banks, large NBFCs, and All India Financial Institutions are barred from imposing pre-payment charges, while certain other banks and NBFCs may not levy these charges on loans up to ₹50 lakh. These rules apply to all relevant loans sanctioned or renewed from January 1, 2026, irrespective of the source of pre-payment or any lock-in period.

Date of the circular	June 27, 2025
Ref No.	RBI/2025-26/63 CO.DPSS.POLC.No.S339/02-01-001/2025-2026
Subject	Aadhaar Enabled Payment System – Due Diligence of AePS Touchpoint Operators

The circular introduces measures to streamline AePS touchpoint operator onboarding and strengthen fraud risk management against identity theft and credential compromise. It defines the Aadhaar Enabled Payment System (AePS), outlines key roles—such as acquiring banks and operators—and clarifies that related terms follow their governing legislation.

7. CLIMATE NEWS

- **Only 3 years left: The carbon budget for 1.5 °C is almost gone.**

The central estimate of the remaining carbon budget for 1.5°C is 130 billion tonnes of carbon dioxide (CO₂) (from the beginning of 2025). This would be exhausted in a little more than three years at current levels of CO₂ emissions, according to the latest Indicators of Global Climate Change study published in the journal Earth System Science Data, and the budget for 1.6°C or 1.7°C could be exceeded within nine years.

In 2024, the best estimate of observed global surface temperature rise was 1.52°C, of which 1.36°C can be attributed to human activity. The high level of human-induced warming and its high warming rate are due to global greenhouse gas emissions remaining at an all-time high in recent years.

According to the study, 2024's high temperatures are "alarmingly unexceptional," given the level of human-caused climate change. This human influence is at an all-time high and, combined with natural variability in the climate system.

While reaching 1.5°C of global temperature rise in a single year does not mean there has been any breach of the landmark Paris Agreement - for that, average global temperatures would need to exceed 1.5°C over multiple decades - these results do reaffirm how far and fast emissions are heading in the wrong direction. And the impacts will only stop worsening when CO₂ emissions from fossil fuels and deforestation reach net zero. ([sciencedaily.com](https://www.sciencedaily.com))

- **First-Ever e-Truck Incentive Scheme Launched in India.**

The Government of India has launched a dedicated e-Truck Incentive Scheme under the broader PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) initiative. The scheme aims to accelerate the deployment of electric trucks (e-trucks), promote indigenous manufacturing, and reduce both logistics costs and carbon emissions. Although diesel trucks make up only 3% of India's total vehicle population, they contribute a staggering 42% of transport-related greenhouse gas emissions, highlighting the urgent need for cleaner alternatives.

The scheme offers financial incentives for e-trucks in the N2 category (Gross Vehicle Weight between 3.5 to 12 tonnes) and N3 category (GVW between 12 to 55 tonnes). A maximum incentive of ₹9.6 lakh per vehicle will be provided as an upfront reduction, making e-trucks more affordable for fleet operators and logistics companies. This move is expected to significantly reduce the carbon footprint of freight transport while supporting the growth of India's electric vehicle (EV) ecosystem.

The PM E-DRIVE initiative, led by the Ministry of Heavy Industries (MHI), goes beyond the scope of the earlier FAME-II scheme by including e-trucks, e-ambulances, public charging infrastructure, and testing facilities. It introduces scrapping-linked incentives for e-trucks and prioritizes e-bus deployment. The scheme also supports the upgrading of testing agencies to ensure quality and safety. By fostering innovation and expanding EV adoption across multiple vehicle categories, PM E-DRIVE aims to build a sustainable, clean, and efficient public transport system while strengthening India's domestic EV manufacturing capabilities. ([ibef.org](https://www.ibef.org))

- **NITI Aayog releases the District SDG (Sustainable Development Goals) Index 2023–24 for the North East Region (NER).**

The Index ranks Hnahthial in Mizoram as the best-performing district in the North Eastern Region (NER), with all districts of Mizoram, Sikkim, and Tripura achieving front-runner status. This achievement marks a significant milestone in localizing the Sustainable Development Goals (SDGs) through a bottom-up approach. It highlights the effectiveness of local developmental policies in aligning global goals with regional priorities, showcasing how grassroots efforts can drive national progress.

Localisation of SDGs is crucial as it positions local spaces as key sites for delivery. States like Mizoram have implemented Village Level Monitoring Committees to track progress against state-level vision documents. The bottom-up approach empowers subnational governments to act as intermediaries between national authorities and communities, encouraging participation from civil society, academia, and the private sector. Aligning state budgets with SDGs helps mobilize local resources, while localized achievements can address intra-regional and inter-district disparities, bringing them closer to national averages.

Despite its importance, SDG localisation faces several challenges. Financial constraints often lead to competing priorities in municipal budgets, where essential services may overshadow sustainability initiatives. Balancing economic growth with environmental sustainability remains a complex task due to the intersectionality of goals. Additionally, the lack of reliable socio-economic data hampers evidence-based decision-making. Strengthening local governance and adopting innovative financial mechanisms tailored to unique socio-economic and cultural contexts can help overcome these barriers and promote effective SDG localisation. (undp.org)

- **Union Minister of Jal Shakti inaugurates C-FLOOD, a Unified Inundation Forecasting System.** (theprint.in)

The Union Minister of Jal Shakti has inaugurated C-FLOOD, a Unified Inundation Forecasting System designed to enhance flood preparedness and disaster response across India. This web-based platform integrates flood modelling outputs from national and regional agencies, offering two-day advance flood forecasts down to the village level. Using advanced 2-D hydrodynamic modelling, C-FLOOD provides flood inundation maps and water level predictions to support timely decision-making. It has been jointly developed by C-DAC Pune, the Central Water Commission, the Department of Water Resources, and the National Remote Sensing Centre, under the National Supercomputing Mission (NSM), which aims to strengthen India's supercomputing capabilities.

Currently, C-FLOOD covers the Mahanadi, Godavari, and Tapi river basins, with plans to expand its reach to all river basins nationwide. The forecasts will be integrated with the National Disaster Management Emergency Response Portal (NDEM), ensuring coordinated and efficient disaster management. With over 40 million hectares—about 12% of India's land—classified as flood-prone, C-FLOOD represents a significant advancement in leveraging technology for climate resilience and safeguarding vulnerable communities.

- **Expanding Climate Finance Through Transition Bonds.**

In recent years, ESG-labelled debt securities—such as Green, Social, Sustainability, and Sustainability-linked bonds—have seen significant growth globally and within GIFT IFSC. These instruments have been instrumental in mobilizing climate finance, particularly for projects already aligned with net-zero goals. However, their scope often excludes hard-to-abate sectors that require a gradual transition. Transition finance addresses this gap by offering a structured pathway for industries with high emissions to progressively reduce their environmental impact.

Recognizing the need for inclusive climate finance, the IFSCA has approved a circular for the issuance and listing of Transition Bonds under the IFSCA (Listing) Regulations, 2024. The framework was developed based on recommendations from the Expert Committee on Climate Finance, public feedback, and global developments, with a focus on the unique needs of developing countries like India. It is built on four key pillars: a credible transition plan at the entity level, alignment with globally recognized taxonomies or technology roadmaps, independent external reviews, and comprehensive disclosure requirements—both initial and annual.

The newly approved framework enables issuers, especially from hard-to-abate sectors, to raise capital and list their securities at GIFT IFSC. By committing to credible transition plans and enhanced disclosures, these entities can access sustainable finance while ensuring investor confidence and protection. This initiative not only broadens the scope of ESG finance but also reinforces GIFT IFSC’s role as a forward-looking hub for climate-aligned financial innovation. (ifsc.gov.in)

- **Draft Greenhouse Gas (GHG) Emission Intensity Target Rules, 2025.**

The Ministry of Environment has issued the Draft Greenhouse Gas Emission Intensity Target Rules, 2025 under the compliance mechanism of the Carbon Credit Trading Scheme (CCTS). These rules define Greenhouse Gas Emission Intensity (GEI) as the tonnes of CO₂ equivalent emitted per unit of output or product. The draft proposes legally binding emission targets for over 460 industrial units across sectors such as aluminium, iron and steel, petroleum refining, petrochemicals, and textiles. The Bureau of Energy Efficiency (BEE) will determine these targets based on sectoral benchmarks and past performance. Non-compliance will attract financial penalties under the Environment (Protection) Act, 1986.

The CCTS, backed by the Energy Conservation Amendment Act, 2022, aims to reduce GHG emissions through carbon pricing. It includes a compliance mechanism for obligated entities—those that meet or exceed their targets can earn Carbon Credit Certificates, while others must purchase them. A voluntary offset mechanism also allows other sectors to register emission reduction projects. The Central Electricity Regulatory Commission (CERC) will regulate carbon trading, while BEE will act as the administrator. This framework is a foundational step toward establishing a robust Indian Carbon Market, aligning with India’s climate commitments under the UNFCCC and the Paris Agreement, and has been recognized in the World Bank’s “State and Trends of Carbon Pricing 2025” report. (moef.gov.in)

- **Recent conflicts pose serious threats to environment.**

Global conflicts pose significant environmental risks, including the threat of radioactive contamination from sensitive sites such as Iran’s nuclear facilities. Warfare contributes to climate change, with global militaries responsible for approximately 5.5% of greenhouse gas emissions. In conflict zones like eastern Ukraine, damaged industrial infrastructure risks releasing toxic pollutants, while landmines and unexploded ordnance contaminate soil, water, and forests—cleanup efforts in Ukraine alone are estimated to cost around US\$34.6 billion. Wars also lead to deforestation, disrupt agriculture, and threaten biodiversity, as seen during the Vietnam War with the use of herbicides like Agent Orange.

International legal frameworks have begun addressing these environmental consequences. The Paris Agreement (2015) encourages transparency but makes military emissions reporting voluntary. The Rome Statute of the International Criminal Court (1998) classifies severe environmental damage during armed conflict as a war crime. Additionally, the ENMOD Convention prohibits the use of environmental modification techniques, such as weather manipulation, for hostile purposes. These agreements reflect growing global recognition of the need to protect the environment even during times of war. (ceobs.org)

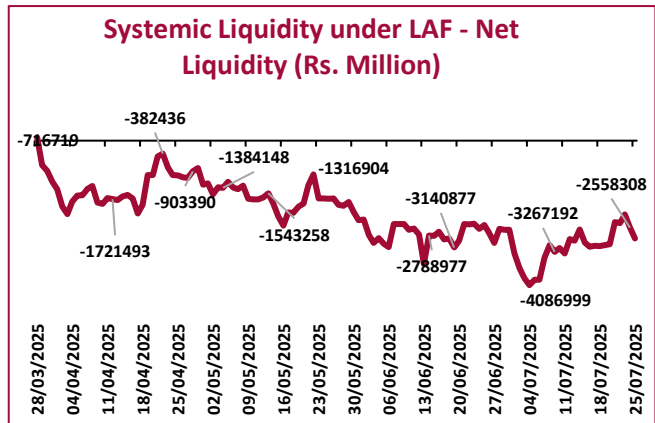
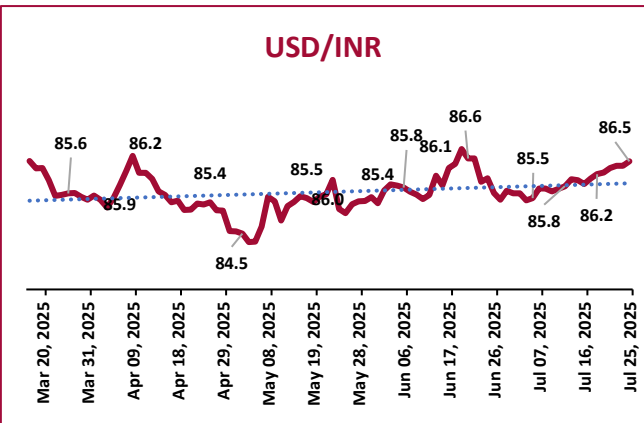
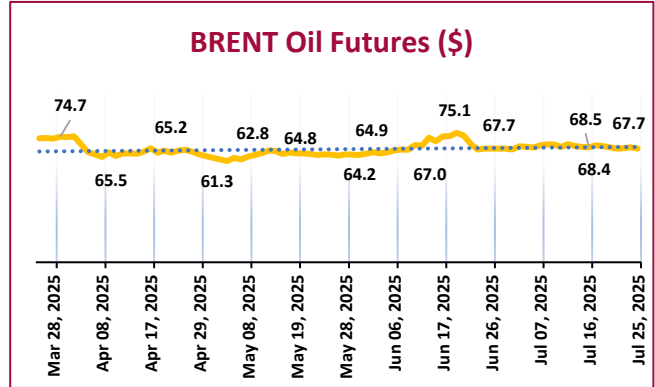
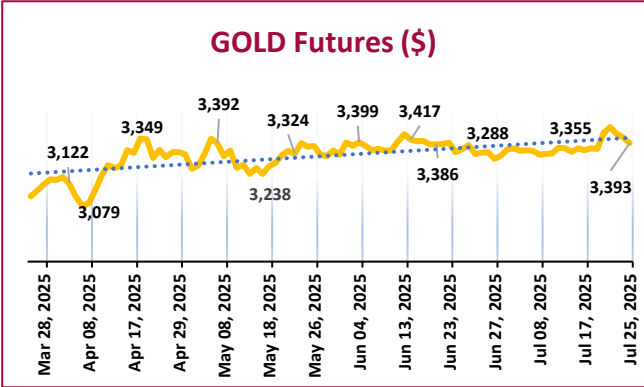
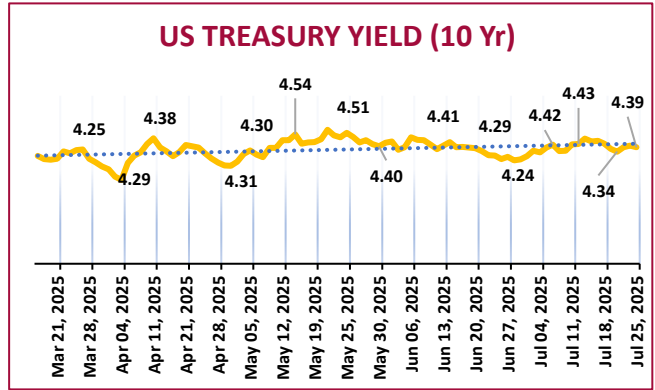
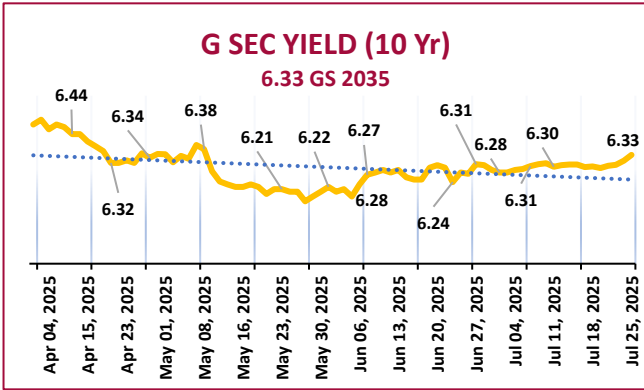
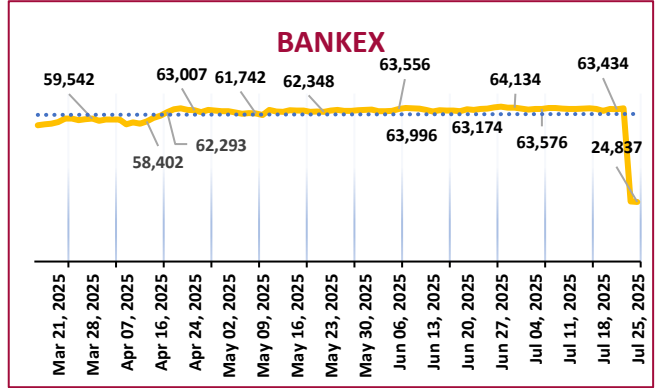
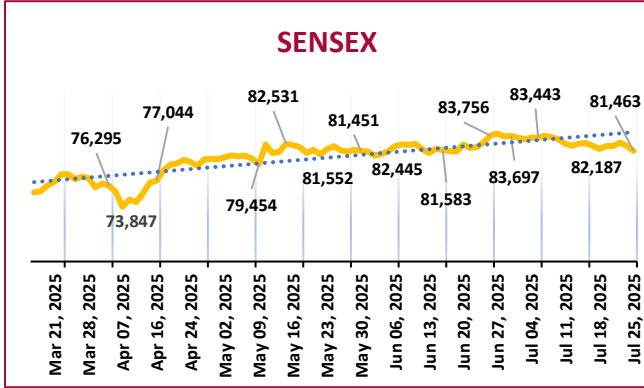
- **Majority of India’s Population Faces High to Very High Risk from Extreme Heat, Finds Study.**

The study titled “*How Extreme Heat is Impacting India: Assessing District-level Heat Risk*” by the Council on Energy, Environment and Water (CEEW) evaluated heat risk across 734 districts in India. It distinguishes between heatwaves, heat stress, and heat risk. Heatwaves are prolonged periods of unusually high temperatures in specific regions, while heat stress occurs when body temperature exceeds 37°C, potentially leading to cramps or fatal heat strokes. Heat risk, however, is a broader concept that refers to the likelihood of experiencing heat-related illnesses or death due to extreme temperatures. It is influenced by the intensity of heat (especially when compounded by humidity), the degree of exposure, and the vulnerabilities of affected communities.

The study highlights several factors contributing to increased heat risk in India. One major concern is the rise in warm nights between 2012 and 2022, which outpaced the increase in warm days. This trend is dangerous because higher nighttime temperatures prevent the body from cooling down after daytime heat, increasing the risk of heat strokes. Additionally, North India has seen a significant rise in humidity—from 30–40% (1982–2011) to 40–50% (2012–2022)—which hampers the body’s ability to cool through sweating. Rapid urbanization and high population density in cities like Mumbai, Delhi, Pune, and Gurugram have also intensified the urban heat island effect, where concrete infrastructure absorbs and retains heat, further worsening local temperatures.

These findings underscore the urgent need for targeted heat adaptation strategies at the district level. With climate change intensifying heat risks, especially in densely populated and rapidly urbanizing areas, local governments must prioritize heat-resilient infrastructure, early warning systems, and public awareness campaigns. Addressing vulnerabilities and improving community-level resilience will be key to mitigating the health and economic impacts of extreme heat across India. (ceew.in)

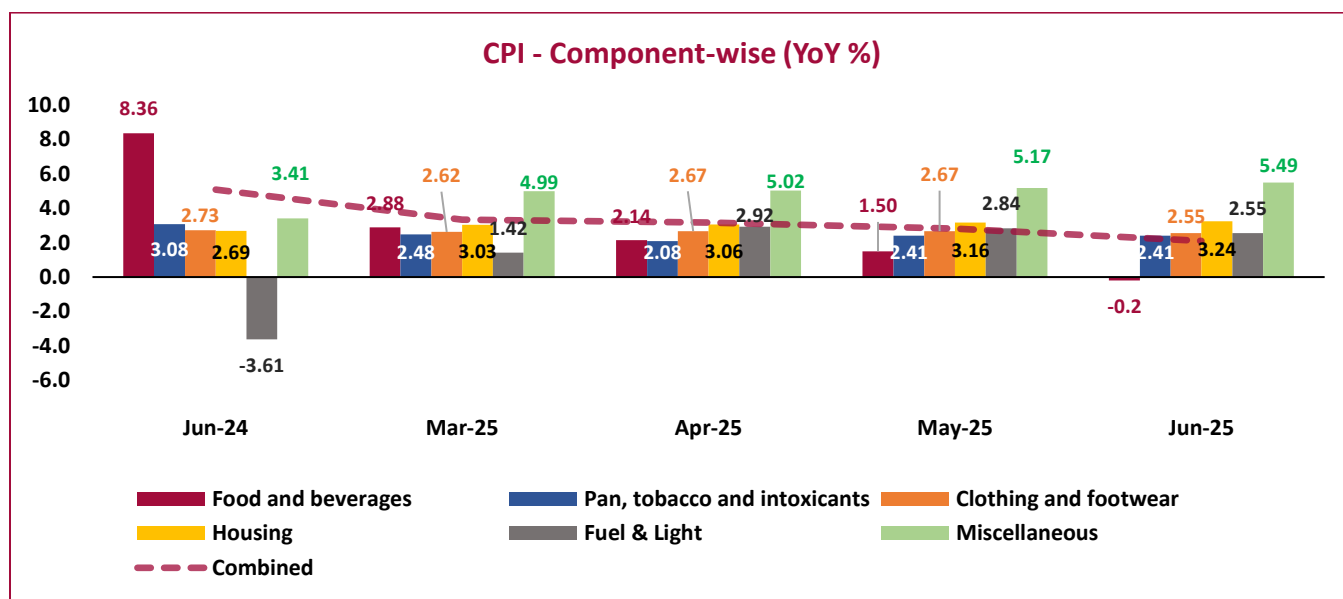
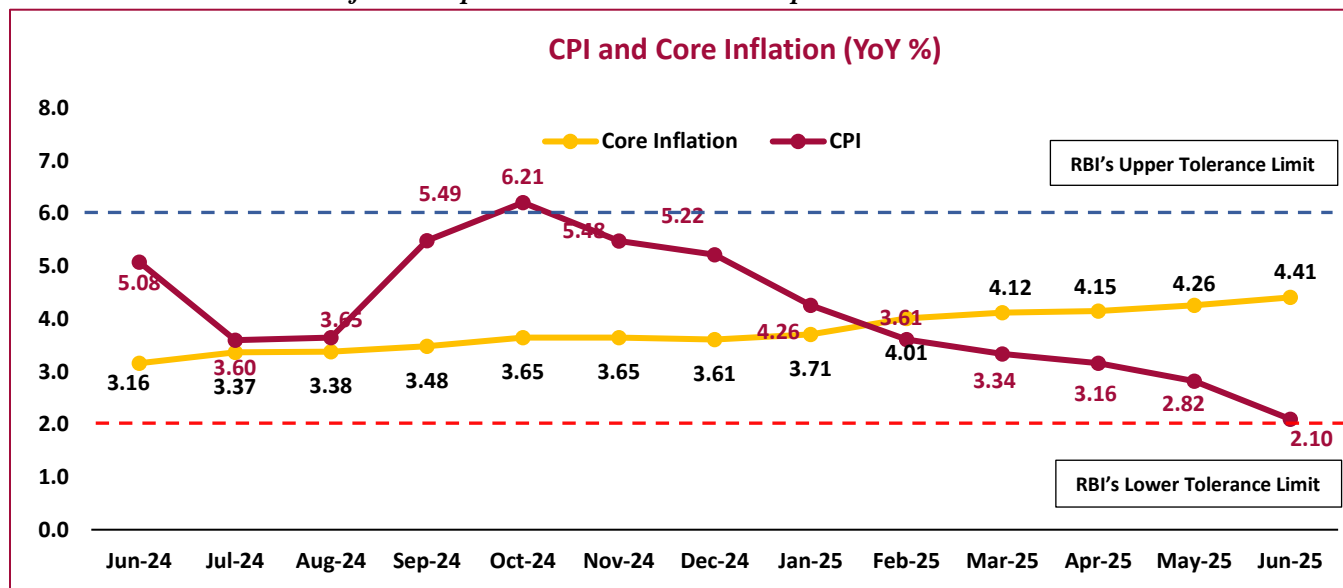
8. DAILY ECONOMIC INDICATORS



9. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

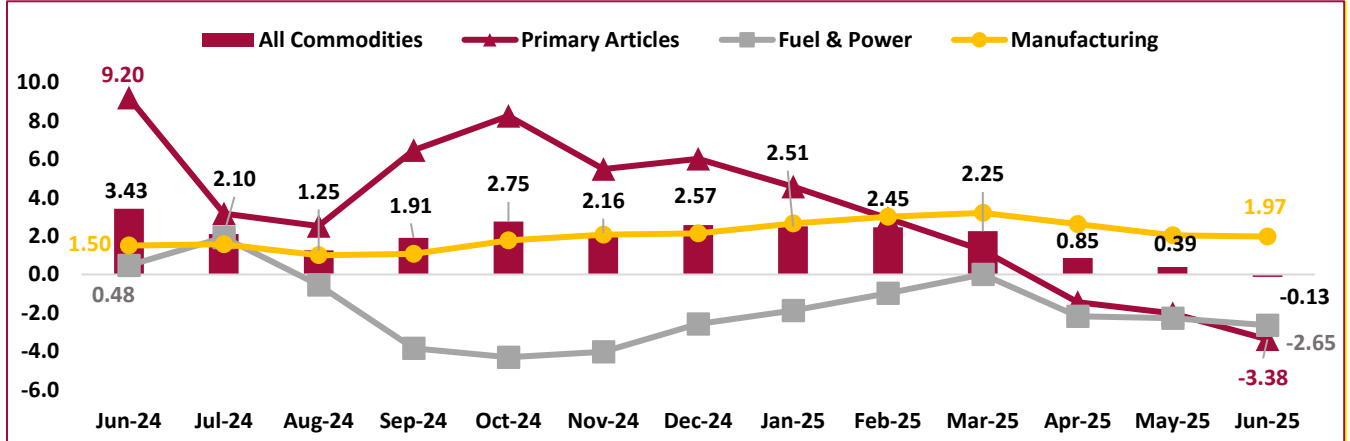
CPI inflation dips to a Six Year Low to 2.1 per cent in June 2025



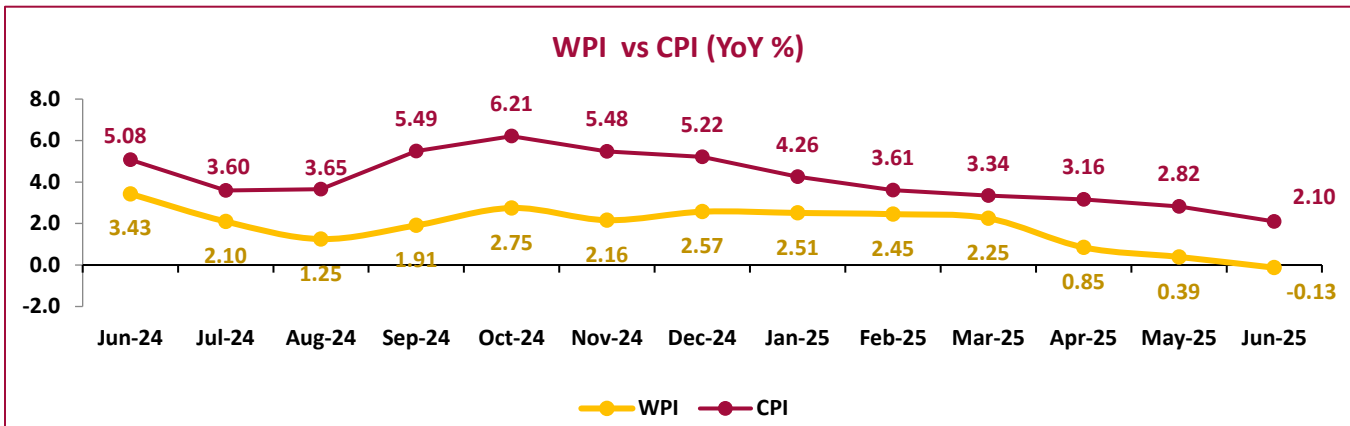
Retail inflation measured by CPI dropped further to 2.10 per cent (provisional) in June 2025, falling from 2.82 per cent in May 2025 and 5.08 per cent in June 2024. Urban inflation fell from 3.12 per cent in May to 2.56 per cent in June 2025, while rural inflation fell from 2.59 per cent in May to 1.72 per cent in June 2025. The continued moderation in overall CPI inflation marks the eighth consecutive month of easing inflation, largely driven by falling food prices.

WHOLESALE PRICE INDEX (WPI)

WPI inflation dips to a 20 month low of -0.13% in June 2025



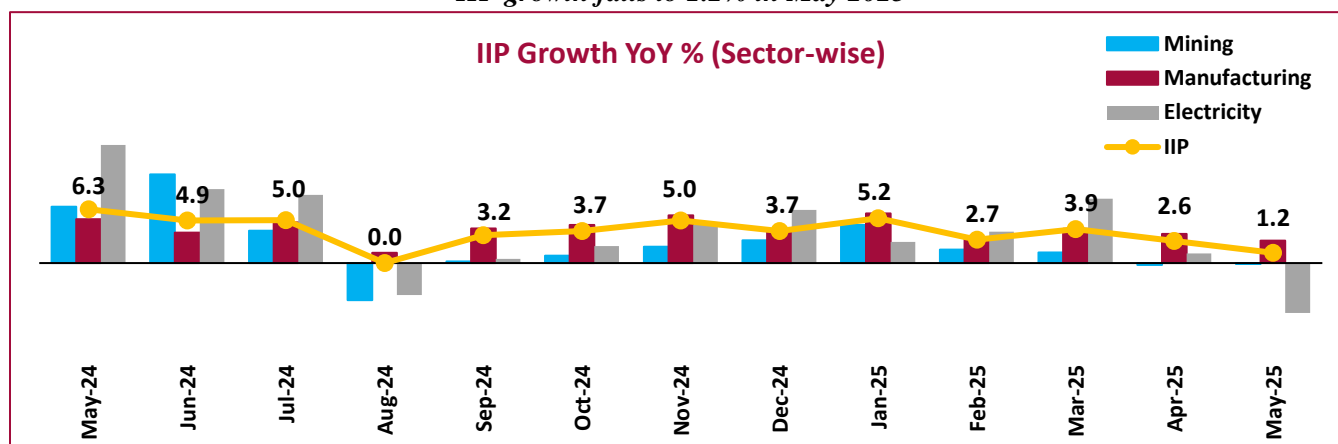
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities		
	Weights	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
		22.62%		13.15%		64.23%		15.26%		100%	
April		5.23	-0.91	-0.85	-3.76	-0.14	2.62	8.07	0.30	1.19	0.85
May		7.42	-2.02	1.01	-2.27	1.00	2.04	9.93	-1.56	2.74	0.39
June		9.20	-3.38	0.48	-2.65	1.50	1.97	11.14	-3.75	3.43	-0.13



India's wholesale price index (WPI)-based inflation fell to a 20-month low of -0.13 per cent in June 2025 this year. Primary Articles category contracted to 3.38 per cent in June 25, from 2.02 per cent in the previous month. Meanwhile, the fuel and power category also witnessed deflation of 2.65 per cent, against deflation of 2.27 per cent in May 25. In the manufactured products category, inflation dropped to 1.97 per cent from 2.04 per cent in the previous month. June marked the first month of deflation in WPI since the beginning of 2025. It was primarily pulled down by deflationary trends in the primary articles and fuel and power sub-groups.

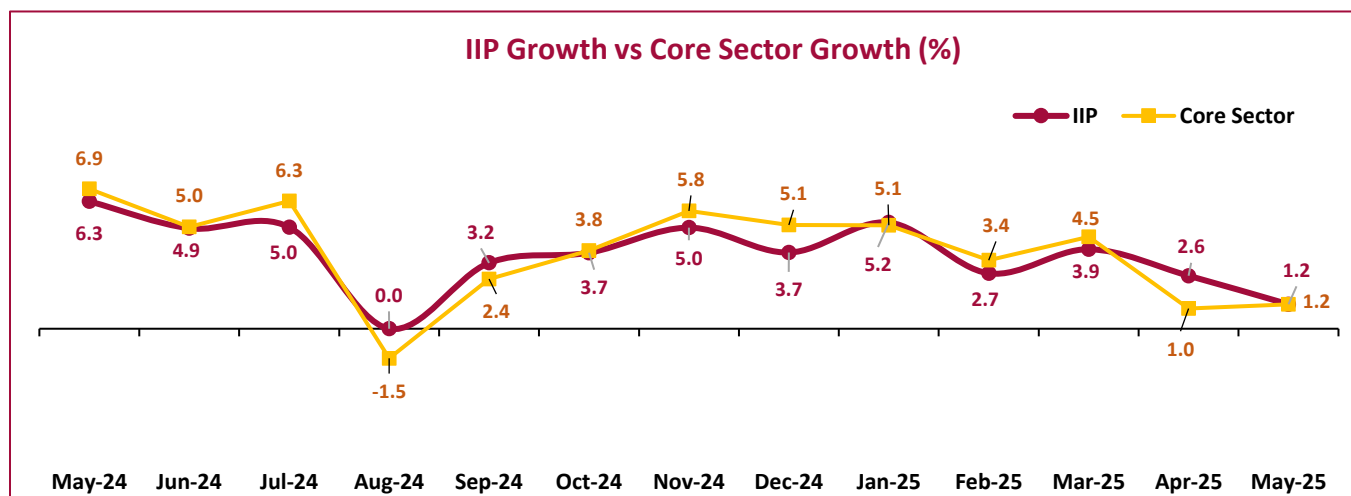
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth falls to 1.2% in May 2025



IIP Growth YoY % (Usage-wise)

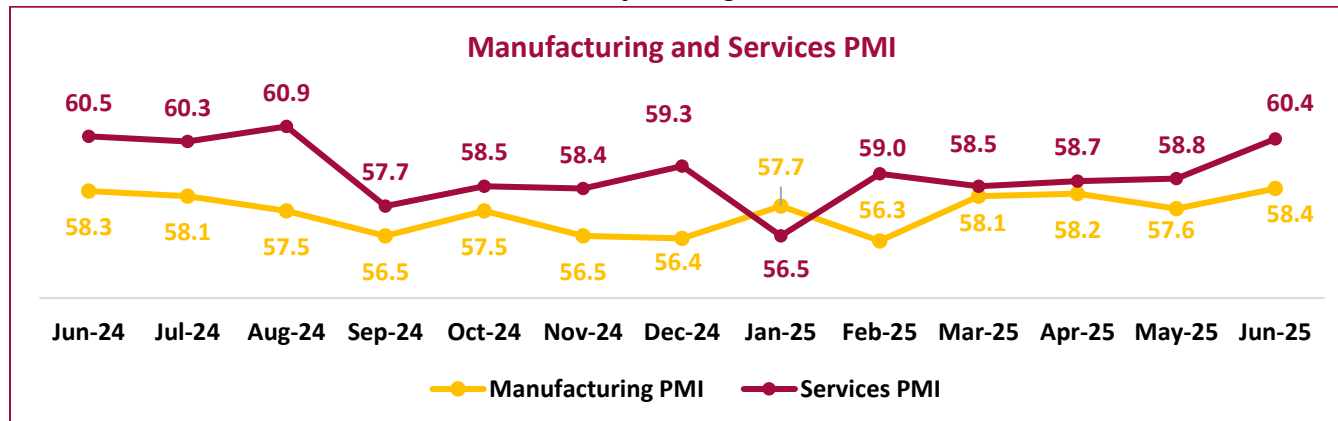
Component	Weight	May'24	Apr'25	May'25	Apr-May'24	Apr-May'25
Primary Goods	34.05%	7.3	-0.2	-1.9	7.2	-1.1
Capital Goods	8.22%	2.6	14.0	14.1	2.8	14.0
Intermediate Goods	17.22%	3.5	4.9	3.5	3.6	4.2
Infra/Construction Goods	12.34%	7.6	4.7	6.3	8.0	5.5
Consumer Durables	12.84%	12.6	6.2	-0.7	11.6	2.6
Consumer Non- Durables	15.33%	2.8	-2.7	-2.4	0.1	-2.6



IIP grew by 1.2 per cent in May'25 which is lower than the growth seen in Apr'25 of 2.6 per cent. For April-May'25, cumulative growth was just 1.9 per cent. Manufacturing sector had shown a growth of 2.6 per cent respectively, while Mining and electricity sectors showed a decline of 0.1 per cent and 5.8 per cent respectively. In the use-based classification, capital goods and construction goods registered the sharpest increase in growth, coming at 14.1% and 6.3% respectively. These sectors grew at 2.6% and 7.6% respectively in May last year.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI rose to 60.4 and Manufacturing PMI increased to 58.4 in June 2025

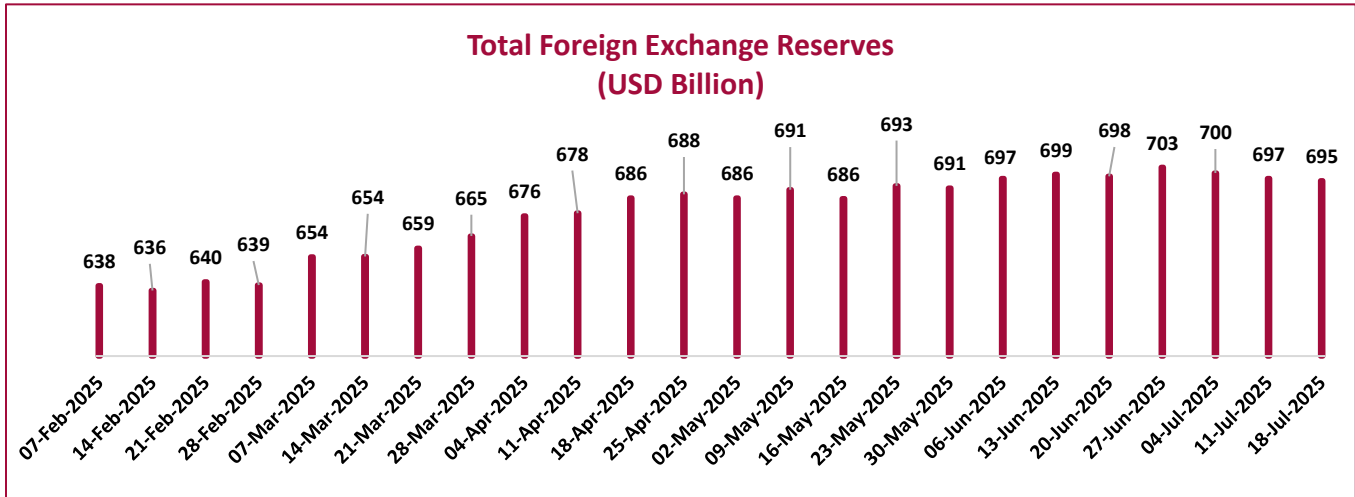


The **HSBC India Manufacturing PMI** rose to a 14-month high of 58.4, marked by improved trends in output and new orders, alongside a record upturn in employment. The **HSBC India Services PMI** sector showed its strongest growth in ten months to reach 60.4. This was primarily supported by robust demand and cooling price pressures. The **India Composite PMI**, which combines the manufacturing and services PMI, rose to 61.0 from 59.3 in May 2025, marking the fastest expansion in 14 months supported by an uptick in both services and manufacturing output and receding inflation rates.

PERFORMANCE OF OTHER LEADING INDICATORS

	Jun -24	Jul -24	Aug -24	Sep -24	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25	Apr -25	May -25	Jun -25
Coal production (YoY%)	14.6	6.4	-7.6	2.5	7.7	7.4	5.3	4.4	1.7	1.6	4.1	2.8	-6.8
Electricity generation (YoY%)	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1
Consumption of petroleum products (YoY%)	2.3	10.7	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	1.11	1.9
Cargo handled at major ports (YoY%)	6.8	5.9	6.7	5.8	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6
Cement production (million tonnes)	37.2	31.3	32.1	32.4	34.0	32.0	38.9	40.5	39.8	45.7	38.0	38.7	-
Steel consumption (million tonnes)	12.1	12.2	12.6	12.3	13.0	12.3	13.8	13.7	12.4	14.3	12.0	13.1	13.2
Fertiliser sales (YoY%)	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)	19.0	17.7	20.5	24.0	25.3	19.7	14.8	19.1	17.8	20.2	18.3	20.4	19.5
Tractors sales (Nos. in Thousand)	110.3	68.0	58.7	108.0	151.8	78.3	59.1	69.8	67.8	90.7	90.3	99.4	121.6

FOREIGN EXCHANGE RESERVES

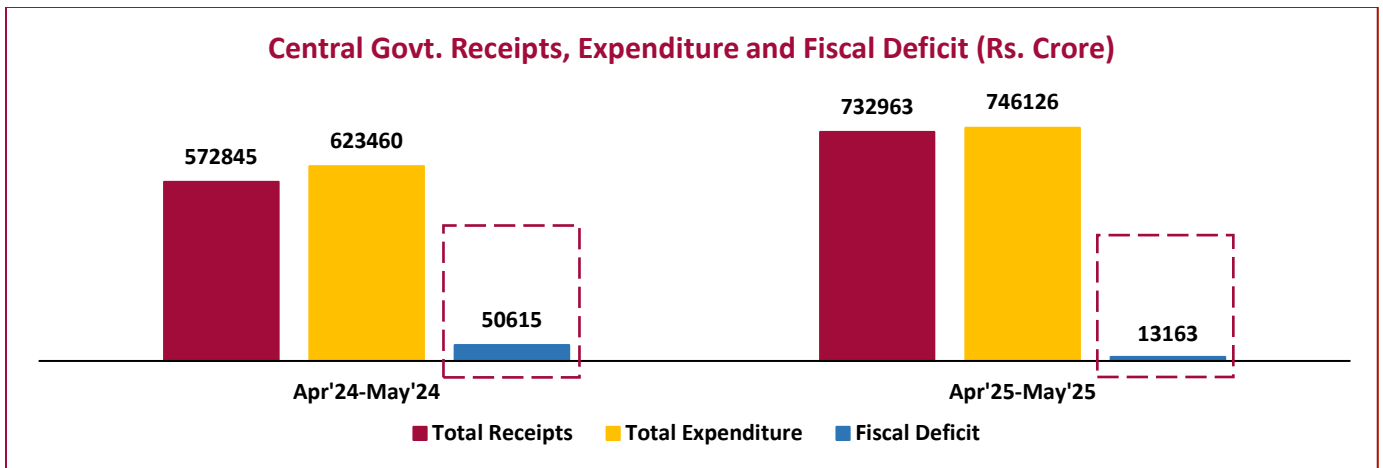


India's total foreign exchange (forex) reserves declined to \$695.5 billion as of 18th July 2025 from \$696.7 billion for the week ended 11th July 2025.

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

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

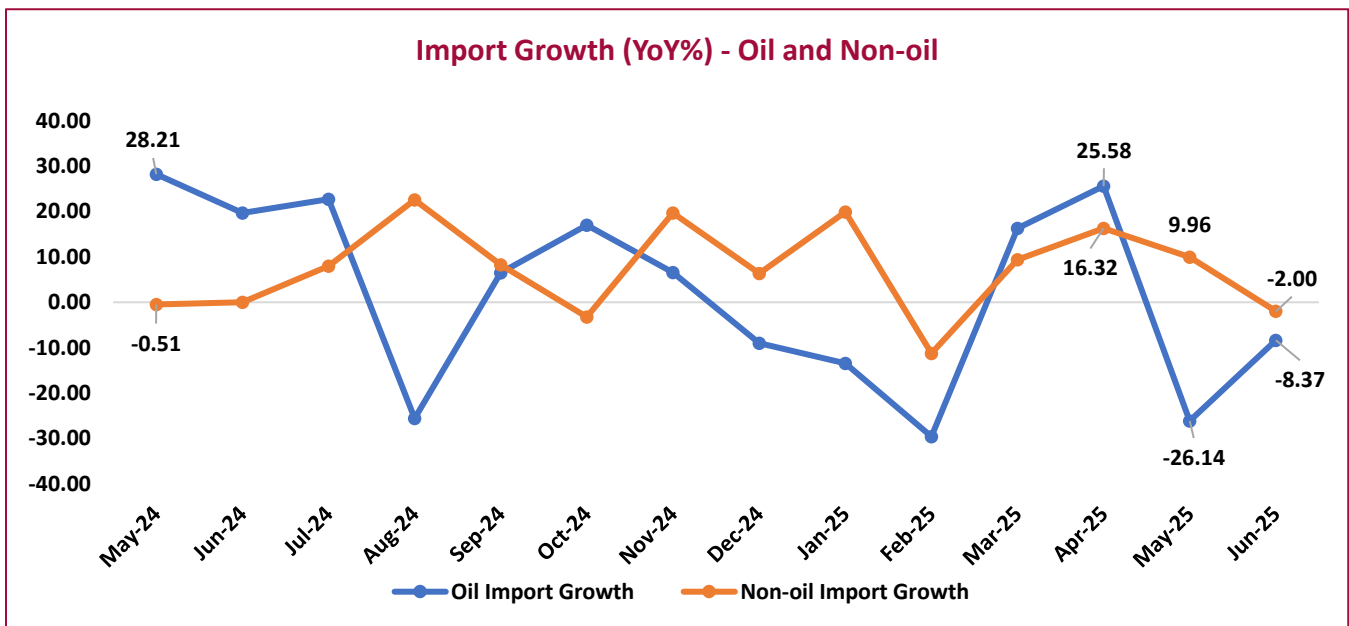
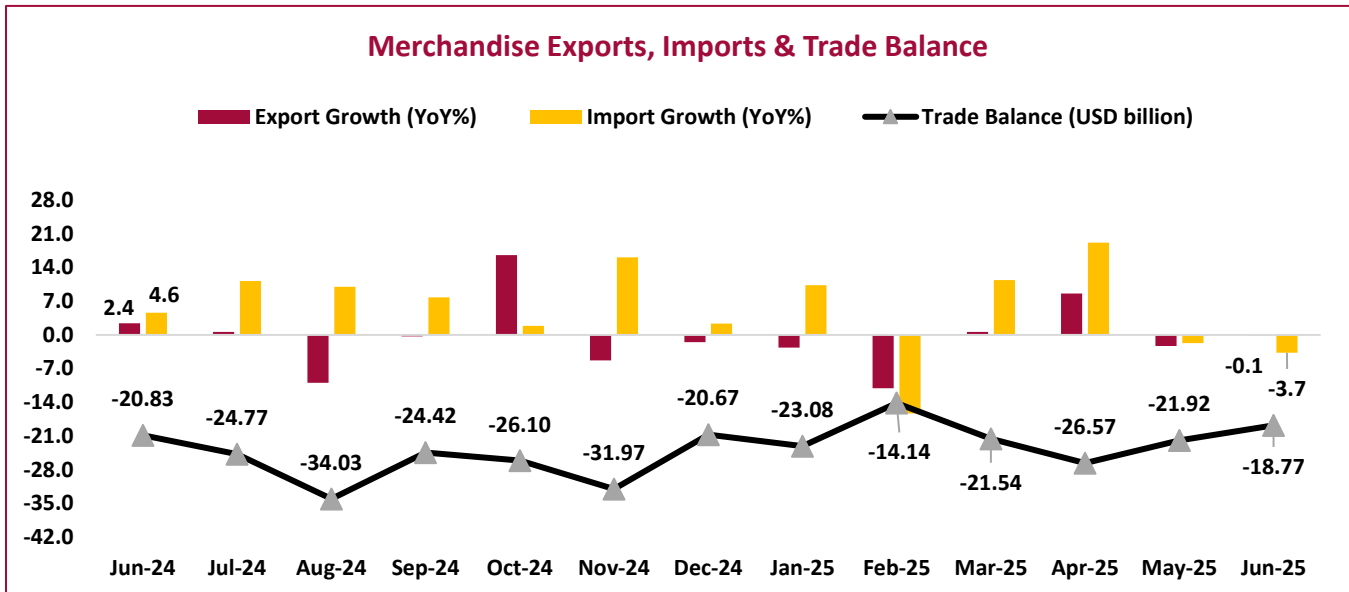
FISCAL DEFICIT



India's fiscal deficit fell to 0.8% of full year target (₹0.13 lakh crore) mainly because of huge amount of dividend received from RBI. Total receipts stood at ₹7.33 lakh crore (21% of this fiscal year's budget target) while total expenditure was at ₹7.46 lakh crore. Revenue receipts stood at ₹7.08 lakh crore out of which tax revenue was ₹3.51 lakh crore and non-tax revenue was ₹3.57 lakh crore.

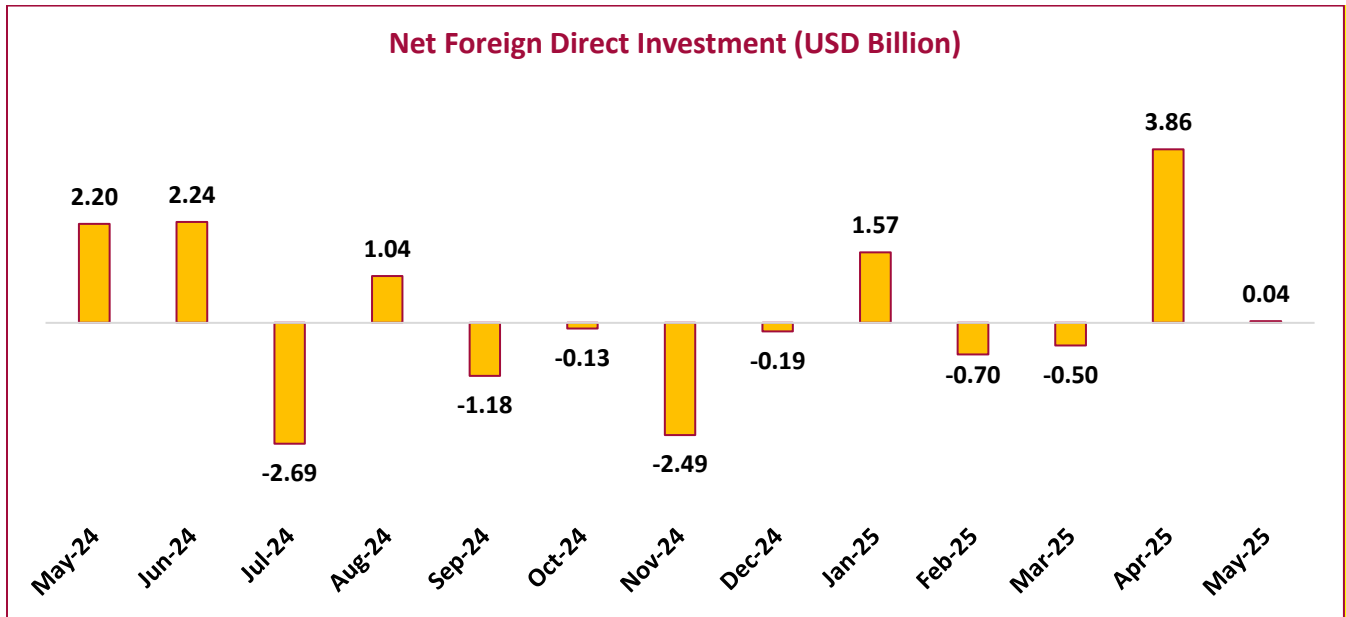
FOREIGN TRADE

Merchandise Trade Deficit narrows to USD 18.77 billion

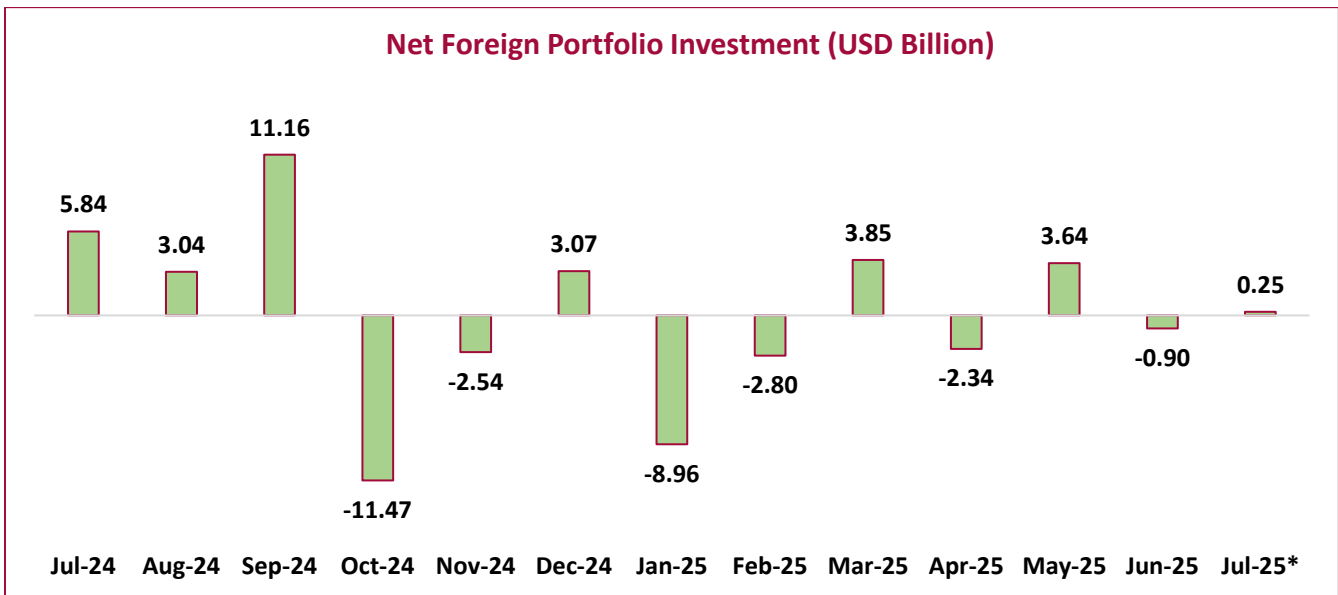


India's merchandise trade deficit narrowed to \$18.77 billion in June 2025 from \$21.92 billion in May 2025. In June 2024, it was \$20.83 billion. Merchandise exports for June 2025 decreased by 0.05% YoY to \$35.15 billion. Petroleum product exports fell by 15.91% YoY to \$4.62 billion, while non-petroleum product exports rose by 2.89% YoY to \$30.53 billion. Merchandise imports declined by 3.71% YoY to \$53.92 billion, with crude oil imports contracting by 8.37% YoY. The proportion of oil imports within merchandise imports rose to 25.59% in June 2025, up from 24.34% in the previous month. In contrast, the share of non-oil imports declined to 74.41% from 75.66% during the same period.

FOREIGN INVESTMENTS



India witnessed a steep decline in net foreign direct investment in May FY26. The sharp decrease of investments in India can be attributed to fall in gross inflows and a surge in repatriation by overseas investors.



*upto 25th July 2025

Foreign Portfolio Investments (FPI) in July turns as net inflows. The FPI turned net sellers in Indian equities. Foreign investors have now pulled out a net Rs. 84,404 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)	12.07.24	21.03.25	27.06.25	11.07.25	YoY Growth(%)	YTD Growth(%)	Fortnightly Growth (%)
Deposits	211.77	225.81	234.26	233.26	10.15	3.30	-0.43
Advances	168.12	182.44	184.86	184.63	9.82	1.20	-0.12
Business	379.89	408.25	419.12	417.89	10.00	2.36	-0.29

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

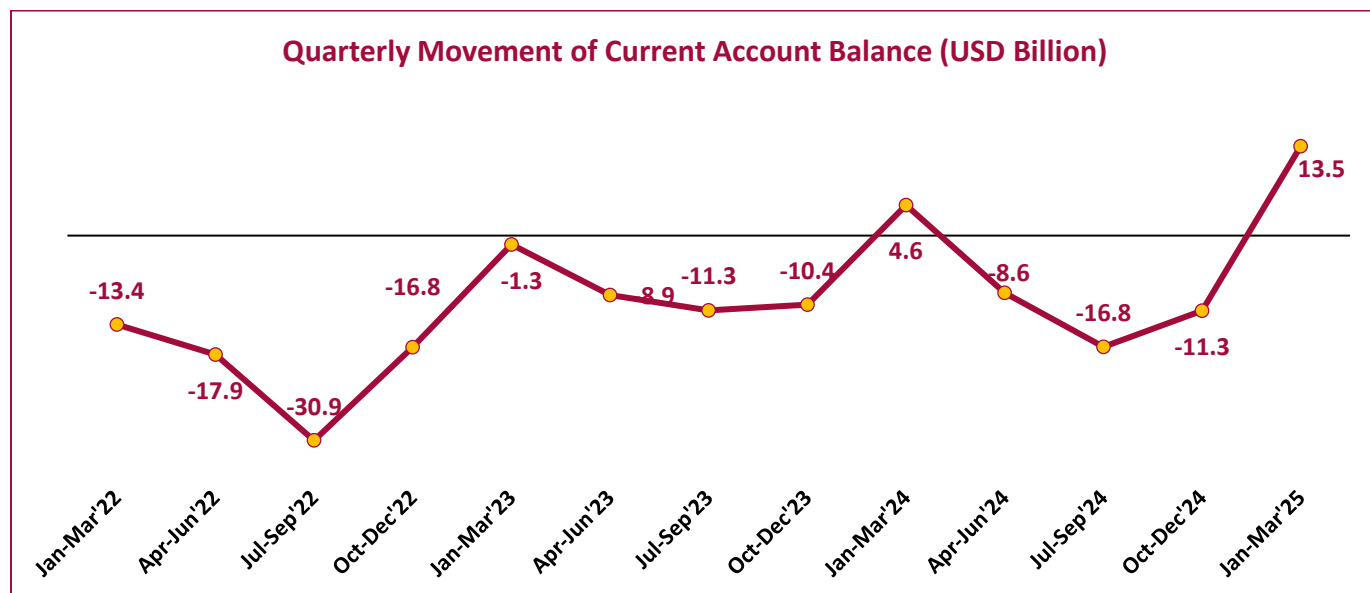
Parameter* (Rs. Lakh Crore)	May-24	Mar-25	Apr-25	May-25
Total Non-food	167.4	182.1	181.5	182.2
Agriculture and allied activities	21.4	22.9	23.1	23.0
Industry	37.0	39.4	39.0	38.8
<i>Of which</i>				
Micro & small	7.4	7.9	8.0	8.4
Medium	3.1	3.6	3.7	3.7
Large	26.5	27.8	27.3	26.8
Personal loans	54.6	59.5	59.8	60.6
<i>Of which</i>				
Housing (Including priority sector housing)	27.9	30.1	30.1	30.4
Credit card outstanding	2.7	2.8	2.9	2.9
Education	1.2	1.4	1.4	1.4
Vehicle loans	5.9	6.2	6.3	6.4
Services	46.8	51.6	50.9	50.9
<i>Of which</i>				
Computer software	0.3	0.3	0.3	0.3
Tourism, hotels & restaurants	0.8	0.8	0.8	0.9
Shipping	0.1	0.1	0.1	0.1
Aviation	0.5	0.5	0.5	0.5
Retail trade	5.0	5.4	5.4	5.3
Commercial real estate	4.8	5.3	5.5	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 May 30, 2025, grew by 8.8 per cent. Credit to agriculture and allied activities registered a growth of 7.5 per cent YoY as of May 2025 as compared to 21.6 per cent in May 2024. Credit to industry expanded by 4.8 per cent YoY in May 2025 as compared to 9.4 per cent in May 2024. Credit to services sector moderated to 8.7 per cent as compared to 23.2 per cent in May 2024.

10. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's current account balance recorded a surplus of \$13.5 billion, or 1.32 per cent of gross domestic product (GDP), during the January-March 2025 quarter of the previous financial year (Q4FY25) as compared with \$4.6 billion, a year ago, amid a significant jump in services receipts and strong remittances. The current account of India reported a surplus in Q4FY25 as against a deficit of \$11.3 billion in Q3FY25. Going further, CAD may be affected by the heightened volatility in the global economy with escalating geopolitical tensions and trade restrictions.

11. 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 30, 2025
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	September 11, 2025
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)	-
Reserve Bank of India	India	5.50%	Jun 06, 2025 (-50bps)	Aug 6, 2025

12. MACRO ECONOMIC INDICATOR OUTLOOK

Liquidity Scenario

- System liquidity continued to be in surplus during this quarter on account of infusion by RBI in previous months through OMO and daily VRR operations.
- In the recent MPC, RBI has announced a staggered 100 bps CRR cut to 3 per cent starting September 2025, injecting ₹2.5 lakh crore of liquidity in the system. Besides providing durable liquidity, it will reduce the cost of funds for banks, thereby facilitating monetary policy transmission to the credit market.
- Post MPC, RBI has announced to discontinue its daily VRR operations and has announced, a 7-day variable rate reverse repo (VRRR) operation on June 27, for the first time since November 2024.
- However, by this step RBI has intended to bring TREPS above SDF rate and align WACR closer to the repo rate. This step is also directed to smoothened out the frictional surplus liquidity to keep forward inflation in line with central bank estimation.

Interest Rate Scenario

- Pre MPC, the yield on the 10-year G-sec benchmark hovering around 6.25 per cent. However, after the announcement of change in stance from “Accommodative” to “Neutral” in MPC, the 10-year G-sec benchmark rises from 6.25 to 6.35 per cent along with rise in term premium, especially on the later end of the yield curve.
- Moreover, rise in crude oil prices amid rise in middle east tension has exaggerated the pressure on the yield curve, resulting in 10-yr benchmark to touch month high of 6.41. In the first week of July, gilts yield falls tracking decline in US treasury yield amid expectation of weak NFP data. However, in absence of any domestic market signals and tracking rise in US treasury yield after higher-than-expected resilience in US labour market and the announcement of steeper tariffs on the EU and other trading partners by the Trump administration—the government bond market remained largely subdued.
- The 10-year benchmark remain range bound around 6.35 per cent in first half of the month. Thereafter, market volatility recovers after the RBI governor interview, where he mentioned that rate cut can be the possibility even with “Neutral Stance “if inflation or growth data comes weaker than central bank estimates.

10 Year G-Sec/Treasury/Bond Yield of Major Countries (25.07.2025)

COUNTRY	Yield (%)
United States	4.39
United Kingdom	4.62
Japan	1.60
China	1.74
India	6.35

Source: Investing

13. INDUSTRY OUTLOOK

INDIAN TEXTILE INDUSTRY: A DYNAMIC SHIFT TOWARD GROWTH, SUSTAINABILITY AND INNOVATION

The Indian textile industry is experiencing renewed growth, supported by stable cotton prices and favourable forex conditions. Strong government backing via., increased budget allocations and higher customs duties on fabric imports is further enhancing the sector's competitiveness. However, limited manufacturing capacity in the garment segment remains a key challenge.

The global textile market is experiencing a shift in sourcing patterns, with a growing number of brands and retailers adopting a "China+1" strategy, looking to diversify their sourcing away from China. India, with its competitive advantages, is well-positioned to capitalize on this shift.

The demand outlook for India's textile sector remains robust, supported by improving inventory cycles at global retail chains. The Indian textile industry is not solely driven by exports anymore. With a surge in domestic demand fuelled by a growing middle class, evolving fashion preferences, and increasing disposable incomes, the appetite for both traditional and contemporary textiles is poised to expand steadily.

As the world moves toward sustainability, the Indian textile industry is embracing eco-friendly manufacturing practices. Sustainable textiles, organic fibres, and eco-friendly dyes are expected to become standard by 2025. The rise of sustainable brands and an increase in consumer awareness around eco-conscious products are prompting Indian manufacturers to adopt green technologies. Moreover, India is focusing on circular economy principles, recycling, and waste reduction in textile production. Government of India is also laying adequate focus on the development of Textile Industry. We have Production Linked Incentive (PLI) Scheme for Textiles for boosting manufacturing capacity and exports. Also Make in India Initiative has been an instrumental in positioning India as a global manufacturing and export hub for textiles, supported by various policy interventions, infrastructure development, and incentives.

In Union Budget 2025-26 also measures for strengthening the textile sector through cotton productivity initiatives, duty restructuring on fabric, and supporting domestic manufacturing have been adopted. In the year 2025-26, Union Government increased allocation for the textiles sector to Rs.52.7 billion from Rs.44.2 billion for FY 2024-25 showing the growth of 19 per cent on YoY basis.

Apart from above, in this time of evolving technology and rapid digitalisation, India's textile Industry has not remained unaffected. Automation, AI (Artificial Intelligence) and IoT (Internet of Things) are streamlining production processes, improving efficiency, and reducing costs.

The government is actively promoting technical textiles, used in industries like automotive, medical, and agriculture, as a key growth area. The global market for these specialized textiles is projected to grow substantially, and India aims to become a major player in this segment.

Going forward, widespread adoption of technologies is expected such as smart textiles, digital printing, and automated stitching machines. The implementation of data analytics for real-time decision-making will also play a crucial role in optimizing supply chains and improving product quality.

Surabhi Tewari

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14. DATA SOURCES

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

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QUOTE OF THE MONTH

“Setting goals is the first step in turning the invisible into the visible.

— Tony Robbins

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