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INDIAN ECONOMY AMIDST GLOBAL UNCERTAINTIES

The ongoing geopolitical tensions in the West Asia has created significant uncertainty in global markets. As the US-Iran- Israel war prolongs the deterioration in macroeconomic indicators are getting more pronounced. Unlike Ukraine conflict, this crisis is directly affecting India due to our reliance for energy security, trade relations and presence of strong diaspora. These developments may result in economic fallouts such as GDP slowdown, inflation, currency pressures, and lower remittances.

At the centre of the crisis lies crude oil prices. The Middle East supplies a major share of India's crude requirements, and disruptions particularly around the Strait of Hormuz have pushed global oil prices sharply upward. A key concern is the disruption of the Strait of Hormuz, a critical trade route through which a large portion of global oil supply passes. Nearly 60% of India's energy imports transit through this route, making the country highly vulnerable to disruptions.

India, the world's third-largest oil importer and consumer, imports roughly 5.5 million barrels of crude oil per day. As a country that **imports nearly 85–90% of its oil**, India faces an immediate surge in its import bill. The consequences are already visible such as rising fuel prices, increasing transportation costs, and mounting inflationary pressure. Recent trends show that crude prices have surged close to \$100 per barrel and already rupee depreciation have added to straining macroeconomic stability.

But beyond oil, another lifeline ties India to the region is its vast diaspora. The Indian diaspora in the Gulf Co-operations Council (GCC), nearly 8.9 million strong, contributed around 38% of the private remittances totalling \$135.4 billion received by India in the year 2024-25. These remittances not only support families but also significantly bolster the Indian economy, reinforcing the country's financial strength and global connections.

Further, with the prolonged conflict in West Asia, Indian Economy faces threat of economic activity in the Gulf hence disrupting businesses, slowing construction and services sectors, and potentially affecting employment of Indian workers. If the crisis is prolonged the remittances flows from the Gulf could experience fall hence putting billions of dollars at risk.

The Gulf economies account for around 15% of India's merchandise exports and 21% of its imports, with trade concentrated in high value items such as mineral fuels, precious metals and electronics. The disruptions in crude oil and natural gas supplies will significantly affect the Oil and Gas industry, Chemical Industry, Utilities and airlines.

Simultaneously, the crisis is also impacting financial markets. The rupee has weakened sharply amid rising oil prices and capital outflows, while stock markets have witnessed volatility. Foreign investors, wary of global uncertainty, have pulled funds from emerging markets like India, compounding economic stress.

However, it is important to distinguish between cyclical shocks and structural strength. India enters this phase from a position of relative macroeconomic stability. GDP growth remains robust, supported by domestic demand and public investment. Foreign exchange reserves remain comfortably above \$600–700 billion thereby providing a buffer against external volatility, covering several months of imports. Strategic petroleum reserves offer limited but important short-term cushioning against supply disruptions.

Nevertheless, there is a gradual shift worth noting. Over time, India has strategically diversified its sourcing with a prominent increase in purchases from Russia since 2022. Further, although the Gulf remains critical, India's remittance sources have diversified over time, with countries like the United States of America now contributing the largest share. This diversification provides some cushion, but it does not eliminate the risks posed by instability in West Asia.

The present situation of Iran-centred conflict in West Asia has certainly intensified risks for oil-importing economies, but it has also become a catalyst for India to showcase its growing resilience and strategic re-positioning. The Iran–USA–Israel conflict, therefore, is not merely a geopolitical flashpoint, it is indeed an economic stress test for India. It exposes two key vulnerabilities i.e., heavy dependence on imported energy and significant reliance on overseas income flows.

At this juncture, the policy priorities need to remain clearly focused. The Reserve Bank of India's role in maintaining monetary and financial stability becomes crucial. This includes managing liquidity conditions, ensuring orderly movement in the exchange rate, and anchoring inflation expectations. On the fiscal side, any response to rising energy prices would need to be targeted and calibrated, so as to contain inflationary pressures without undermining fiscal consolidation.

With collective action and visionary policies, India stands poised to safeguard its interests and transform challenges into new avenues for growth and stability. The country's ability to adapt, innovate, and thrive even in testing times reaffirms its position as a strong and forward-looking economy on the world stage.

Ajay Kumar Singh
General Manager

2. BANKING IN THE SHADOW OF IRAN-ISRAEL CONFLICT

The joint US-Israel military operation against Iran, now in its fourth week, has triggered the most severe energy supply disruption since the 1973 oil embargo. Closure of the Strait of Hormuz has propelled the Indian crude basket from \$71.2/bbl in February end to \$150/bbl by March 20, a 110% surge in three weeks.

The conflict's primary economic transmission is through energy markets. Iran's retaliatory strikes across the Gulf, targeting facilities in Qatar, Saudi Arabia, the UAE, and Bahrain, and its effective closure of the Strait of Hormuz have disrupted the world's most critical energy chokepoint. The US Energy Information Administration estimates the Strait carried approximately 20 million barrels per day (bpd) of crude oil in 2024, equivalent to roughly 20% of global petroleum liquids consumption and 25% of seaborne oil trade. Additionally, approximately 20% of global Liquefied Natural Gas (LNG) trade transits the Strait, with Qatar's Ras Laffan, the world's largest liquefaction facility, responsible for 20% of global LNG output, sustaining extensive damage from Iranian drone attacks.

The International Energy Agency (IEA) coordinated the largest-ever release of 400 million barrels of strategic petroleum reserves over 120 days, covering approximately 3.3 million bpd, far short of the disruption. India's exposure is acute and structural. The country's crude oil import dependence reached an all-time high of 88.6% in FY26 (April–January), as per Petroleum Planning and Analysis Cell (PPAC), while domestic crude production has declined over the years. Nearly half of India's crude imports and over 50% of its LNG imports transit the Strait of Hormuz, making the supply disruption a direct threat to energy security.

As per the RBI, a 10% rise in crude oil prices adds about 30 basis points to CPI inflation, assuming full pass-through. With crude having surged over 50% from pre-conflict levels, the implied inflationary impulse is substantial. If average crude sustains at \$100/bbl or above, taking both direct and indirect effects into account, headline CPI inflation could breach 5% in FY27. The fiscal arithmetic is equally unfavourable. Sustained crude above \$100/bbl will necessitate either retail fuel price hikes, widening under-recoveries for Oil Marketing Companies (OMCs), or explicit fiscal transfers, each carrying distinct macroeconomic costs.

India's current account deficit stood at a manageable 1.3% of GDP in Q3 FY26. However, every \$10/bbl increase in oil prices is estimated to widen the CAD by 30 to 40 basis points. The remittance channel adds a secondary layer of vulnerability. As per the RBI's Sixth Remittances Survey, GCC countries contributed 38% of India's \$118.7 billion inward remittances in FY24, with the UAE alone accounting for 19.2% and Saudi Arabia 6.7%.

The Middle East hosts approximately 9.6 million overseas Indians, 56% of all NRIs globally. A prolonged conflict disrupting Gulf economic activity could compress remittance flows that currently finance nearly half of India's merchandise trade deficit and serve as a critical external shock absorber.

The capital flow reversal has been swift and severe. FPIs have withdrawn about US\$9.6 billion from Indian equities in March (till March 20), with net selling on every single trading day.

Indian banks enter this crisis with the strongest balance sheets in at least two decades. The GNPA ratio has fallen to a multi-decadal low of 2.1% in September 2025, down from a peak of 11.2% in March 2018. Net NPA stands at just 0.5%. Return on Assets has recovered from -0.22% in FY18 to 1.37% in FY25, and the aggregate CRAR of 17.1% sits comfortably above regulatory minimums. The RBI's own stress tests project that even under a severe adverse scenario, GNPA would rise to 4.2% and CRAR would remain above 13%, well within solvency buffers.

However, this is not a normal cyclical shock. The West Asia conflict constitutes a supply side stagflationary event whose transmission to banking is indirect but operates through multiple, mutually reinforcing channels.

- 1. Monetary Policy and the expected rate path:** Rate cut cycle is now off the table, with real dilemma shifting to the trade-off between forex intervention and rupee tolerance. The war now introduces a supply-side stagflationary shock that complicates this benign trajectory. With war intensifying inflationary pressures, the RBI would face a stark trade off to allow for the transmission of its already delivered rate cuts or tighten to contain inflation risks choking growth. For banks, this means that (a) the margin tailwind from transmission of earlier rate cuts stalls; (b) the benign NIM trajectory reverses if the RBI is forced to signal tightening; and (c) demand for new credit, particularly housing and capex loans, moderates as borrowing costs plateau or rise.
- 2. Bond markets and Treasury books:** The 10-year G-Sec yield rose to 6.82% on 23rd Mar'26, up approximately 19 bps from pre-conflict levels and nearly 20 bps in just a week. In a rising yield environment, Mark-To-Market (MTM) losses on Available For Sale (AFS) and Held-For-Trading (HFT) portfolios erode profitability. PSBs, which typically carry a proportionally higher SLR portfolio relative to private banks, face greater MTM sensitivity.
- 3. Credit quality and sectoral stress:** While the aggregate GNPA headline is reassuring, the stress this time will manifest through specific sectoral and borrower-segment. Disruption of Gulf shipping routes, surging freight and insurance costs, and input price inflation will compress margins for exporters, importers, and small manufacturers. The proposed ₹1,000 crore war-risk insurance fund for maritime trade, while a positive structural step, is yet to be operationalised. In a stagflationary environment where real incomes are squeezed by rising energy and food costs, the slippage ratio in this segment could inch up. Airlines, shipping companies, and energy-intensive manufacturers face direct margin compression from elevated fuel costs. Credit quality in these segments warrants enhanced monitoring.

4. **Liquidity and Forex Intervention by RBI:** External sector pressures are spilling over into banking liquidity. A widening CAD and FPI outflows put pressure on the rupee, necessitating RBI intervention that drains rupee liquidity even as OMOs inject it, thus creating cross-currents. Foreign currency funding markets could tighten, particularly for banks with ECBs or trade finance books denominated in dollars. The LCR and NSFR will bear close watching.
5. **Deposit Mobilization:** Even before the conflict, the banking system was grappling with a structural deposit mobilisation challenge as Indian households increasingly channelled savings into mutual funds, equities, and insurance products. The credit deposit ratio had been elevated. In the current environment, weak deposit growth coupled with higher bulk deposit rates will strain traditional funding sources.

The Indian banking system is not facing an imminent solvency challenge. The capital and provisioning buffers built over the past five years provide meaningful shock-absorption capacity. However, the risk to earnings quality and growth trajectory is material if the conflict is prolonged.

For India's policymakers and the banking system, the imperative is to play to the structural strengths, while fortifying against the specific vulnerabilities this shock exposes. Maintaining macroeconomic stability, particularly through inflation management and external sector resilience; strengthening energy security via supply diversification and expanded strategic reserves; ensuring adequate capital and liquidity buffers across the banking system; and supporting trade finance, especially given surging insurance and shipping costs should be focused upon.

Virendra Prakash Bansal
Deputy General Manager

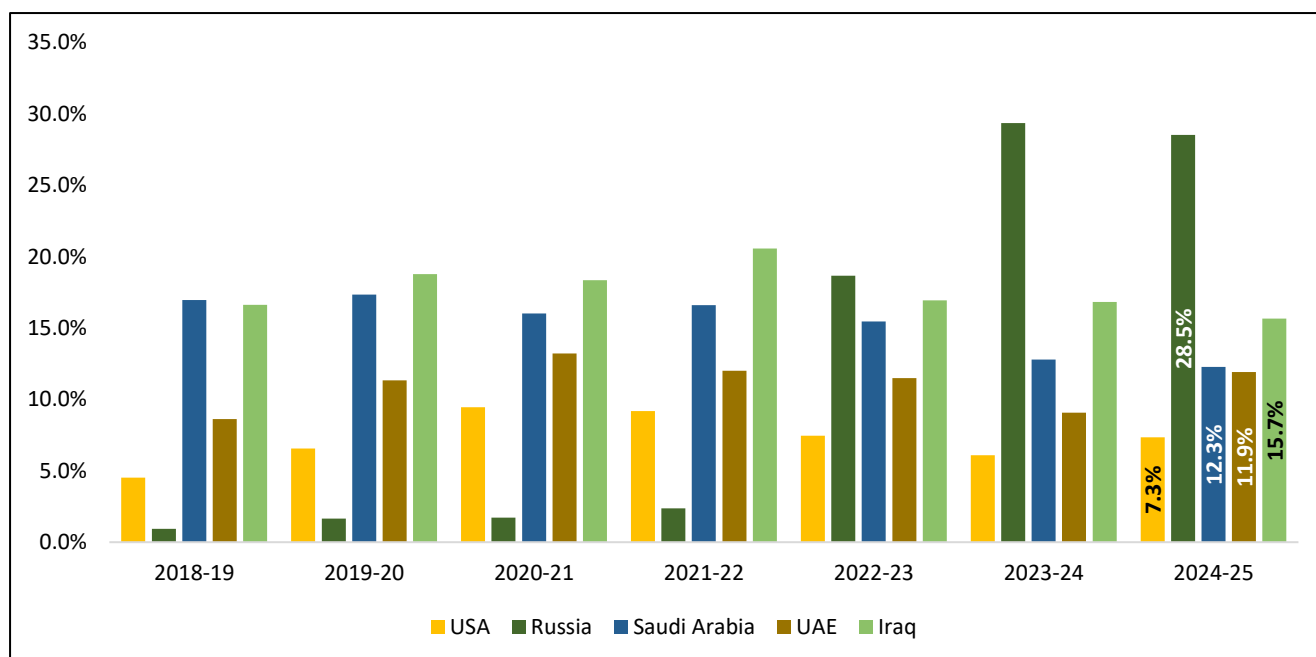
3. INDIA'S ENERGY DYNAMICS AMID WEST ASIAN TURMOIL

Global energy prices have shot up sharply amid escalating geopolitical tensions in West Asia, with the conflict involving Iran pushing Brent crude above USD 100 per barrel and heightening risks to global supply chains. Nearly 40–50% of India's crude and LNG imports transit through the Strait of Hormuz, exposing the country to significant risks of supply disruptions and price volatility. At the same time, India's energy mix remains heavily import-dependent, with nearly 85–88% of crude oil and 45–50% of natural gas requirements met through imports.

Crude Oil Dynamics

Over the years, India's crude oil sourcing has diversified, with Russia emerging as a dominant supplier, overtaking traditional Gulf nations. Its share in India's imports has risen sharply from about 0.9% in FY 2018–19 to nearly 28.5% in FY 2024–25. However, in response to sanctions following the Russia-Ukraine War, India has been further diversifying its import basket towards countries such as the United States, Nigeria and Brazil. Meanwhile ongoing tensions in West Asia has further intensified supply concerns, underscoring the urgency for India to spread its energy risks more widely.

Fig 1: Share of Petroleum crude & products (Petroleum, Oil & Lubricants) Imports from Major Countries



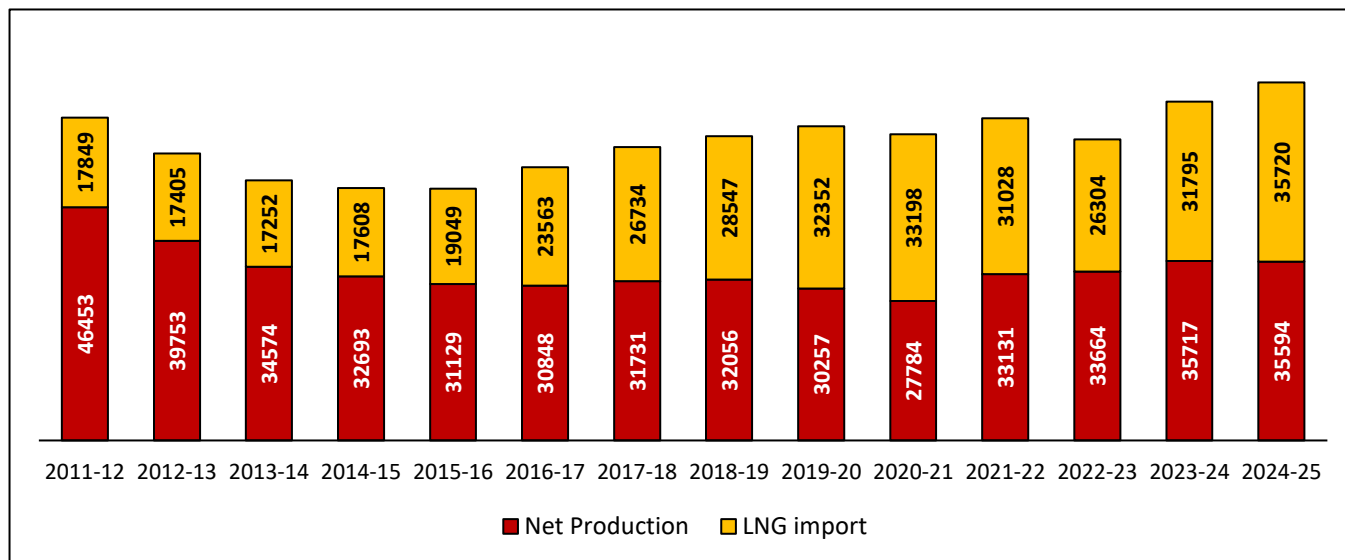
Natural Gas Dynamics

The natural gas sector is similarly exposed. Natural gas currently accounts for around 7% of India's energy mix (2023–24), with a target to increase its share to 15% by 2030. The share of LNG imports has been rising over time as domestic gas production is declining which is increasing dependence on imports to meet growing demand.

Sectorally, fertilisers, City Gas Distribution (CGD), and power generation together account for more than half of total LNG consumption, with the share of CGD nearly doubling over the past decade from

11.4% in FY 2015–16 to 23.3% in FY 2025–26 (till Jan '26). Any sustained increase in global gas prices could trigger fuel switching towards coal or liquid fuels, potentially undermining environmental objectives.

Fig 2: Supply of natural gas in India (in million standard cubic metres)



Implications

The broader economic impact is significant. Higher energy prices are inherently inflationary, pushing up transportation and logistics costs and feeding into both food and core inflation. A larger oil import bill widens the current account deficit and puts pressure on the rupee. At the micro level, rising fuel costs erode livelihoods, particularly in transport and gig economy segments where higher expenses directly reduce earnings.

These pressures are reflected in rising import costs, a widening trade deficit, and increased stress on oil marketing companies, along with higher input expenses for sectors such as aviation, logistics, and chemicals. At the same time, supply disruptions add to the burden through increased freight and insurance charges, higher landed crude costs, and squeezing refinery margins, affecting overall energy affordability.

In response, India has taken steps to strengthen energy resilience by diversifying supply sources and reducing reliance on vulnerable maritime routes such as the Strait of Hormuz. Measures such as operating refineries at higher capacity and enhancing domestic production provide some buffer against external shocks. Going forward, continued diversification, stronger logistics and infrastructure, and expansion of strategic reserves will be critical to manage volatility effectively.

Manse Wahi
Manager (Economics)
Head Office, SMEAD

4. EVOLVING GLOBAL CURRENCY LANDSCAPE

The global monetary system is often viewed through the enduring dominance of the US dollar, yet the reality in 2026 is one of gradual evolution rather than disruption. The dollar continues to anchor international trade, finance, and reserves, but a visible shift toward diversification is underway — reflecting a more balanced and resilient global economic structure emerging in response to changing geopolitical and economic dynamics.

The Dollar Still Rules

According to the IMF's latest data from the third quarter of 2025, the US dollar accounts for 56.92% of all global foreign exchange reserves — a commanding lead over the euro at 20.33% and the Chinese yuan at 1.93%.

The dollar's influence extends well beyond reserve holdings. It remains the dominant currency in global trade invoicing, accounting for nearly half of international trade transactions, even among countries without direct trade links with the United States.

In foreign exchange markets, the dollar's role is even more pronounced. According to the Bank for International Settlements, it is involved in close to 88% of all foreign exchange transactions worldwide.

This dominance is rooted in structural advantages: the United States offers the deepest and most liquid financial markets in the world, supported by strong institutions and transparency, while US Treasury securities remain the preferred safe-haven asset in times of uncertainty.

Although the dollar's share has declined from nearly 70% in the early 2000s to ~57% in Q3 2025, this trend reflects gradual diversification rather than a decisive shift away from the currency.

Why Countries Are Diversifying

The shift toward a broader mix of reserve currencies is less about moving away from the US dollar and more about adapting to evolving economic conditions. In recent years, fluctuations in the dollar's exchange rate have had a significant impact on global financial stability, particularly for emerging economies. As the dollar strengthens, it often leads to higher import costs, tighter financial conditions, and increased pressure on external balances — prompting central banks to diversify their reserve holdings.

Another important factor is the changing nature of global trade. With increasing regionalisation and the rise of new economic corridors, countries are finding value in holding currencies more closely aligned with their trading partners, improving transaction efficiency and reducing dependence on a single intermediary currency.

The result has been a steady shift toward "non-traditional" reserve currencies — the Australian dollar, Canadian dollar, South Korean won, and others. Together, these currencies now account for over 20% of global reserves, up from around 10% at the start of the century.

The Gold Rush

The most striking development in global reserve management is the return of gold. Central banks added over 1,000 tonnes annually in each of the three years preceding 2025 — roughly double the pace of the prior decade. Even in 2025, when purchases moderated to 863 tonnes, appetite remained historically

high. A record 43% of central banks surveyed by the World Gold Council planned to increase their gold holdings further, with none planning to reduce them.

Gold's appeal is simple: it cannot be sanctioned, frozen, or devalued by another country's policy decisions.

China's Yuan: Promising but Limited

The Chinese yuan is often cited as the most credible challenger to the dollar — and in some ways this is warranted. China is the world's largest trading nation, and the yuan is increasingly used in trade corridors across Asia, Africa, and the Middle East.

However, its reserve share of around 1.93% highlights the gradual nature of its global adoption. Structural factors such as capital controls and evolving financial market transparency continue to shape its international role. As these frameworks develop, the yuan's role in the global financial system is expected to expand progressively over time.

India's Quiet Push

India has been gradually strengthening the international use of the rupee through measures that simplify rupee-based trade settlements and improve accessibility for foreign participants. Recent policy steps have made it easier for foreign banks to operate rupee trade accounts and invest surplus balances in Indian government securities.

At the same time, India's engagement in BRICS discussions reflects a broader effort to explore complementary payment mechanisms. While the idea of a common BRICS currency remains at an early stage, it signals growing interest in diversifying global financial arrangements. Bilateral currency arrangements with countries such as the UAE, Indonesia, and Bangladesh further support this transition by enabling trade in local currencies.

Overall, the internationalisation of the rupee remains a gradual process, dependent on continued financial market development and policy stability.

A More Balanced Global Framework

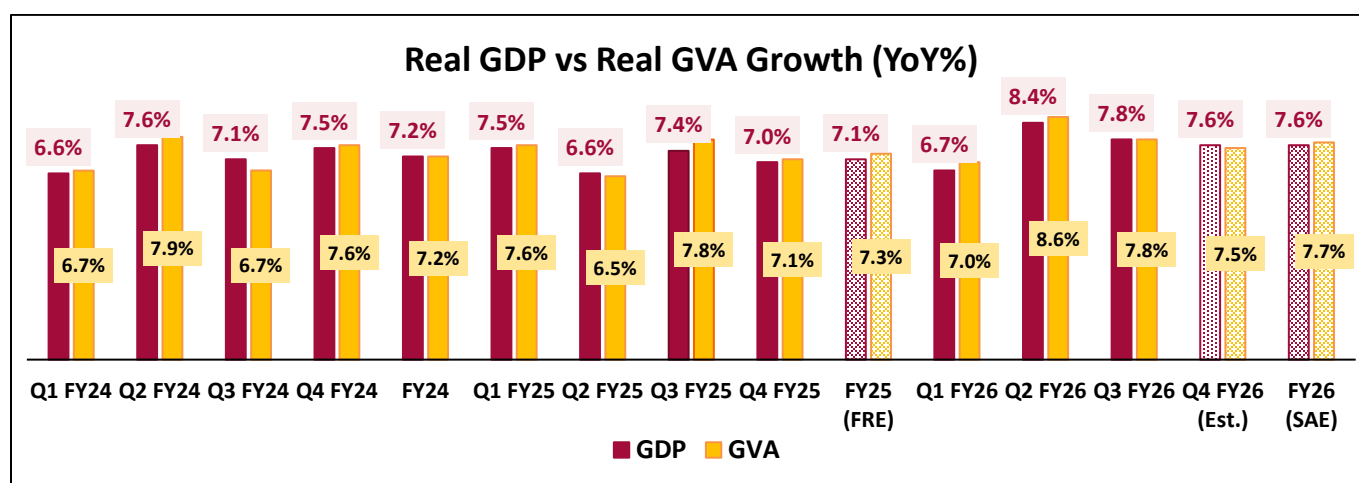
The global currency system is not undergoing a sudden transformation but rather a steady and structured evolution. The US dollar continues to provide stability and liquidity, remaining the central pillar of international finance.

This emerging multi-currency framework represents a more balanced global system—one that distributes risk more effectively and aligns with the realities of a multipolar world. Rather than signaling fragmentation, it highlights the adaptability of the global financial system in an era of change.

Shubham Kumar Singh
Officer (Economics)
Head Office, SMEAD

5. INDIA'S GDP & GVA - Q3 FY'26

- **India's Real Gross Domestic Product (GDP)** for Q3 FY'26 grew by 7.8%, against the growth rate of 8.4% recorded in Q2 FY'26. **Nominal GDP growth** stood at **8.9%**.
- **Real GVA** grew by **7.8%** while **Nominal GVA** grew at **8.2%** in Q3 FY'26.
- Agriculture Sector grew 1.4% in Q3FY'26 as against 5.8% in Q3'FY25.
- Secondary sector consisting of manufacturing and electricity industries recorded a growth of 10.1% against 8.4% in Q3 FY'25. Manufacturing Sector recorded the growth of 13.3% in Q3FY'26 as against growth 10.8% in Q3FY'25.
- The tertiary sector has shown the growth of 9.5% in Q3FY'26 against the growth of 8.2% in Q3FY'25.
- In tertiary sector highest growth was observed in Financial, Real Estate and Professional Services with 11.2% in Q3FY'26 against 11.1% in Corresponding period last year.



Source: MoSPI (NSO), PNB (EIC); FRE – First Revised Estimate, SAE – Second Advanced Estimate, Q4 FY26 is estimated from Annual SAE

Components of GDP

- **Growth in Private Final Consumption Expenditure**, which constitutes the highest share at 55.9% in GDP, grew by 8.7% in Q3 FY'26, higher than 8.0% in Q2 FY'26 and 6.0% in Q3 FY'25.
- **Government Final Consumption Expenditure** increased by 4.7% on YoY basis in Q3 FY'26, marking a significant decline from 6.6% growth in the previous quarter and 7.6% recorded in the same quarter of the previous fiscal year.
- **The growth in Gross Fixed Capital Formation**, which denotes investment in the economy, remained resilient at 7.8% in Q3 FY'26, though came lower than 8.4% in Q2 FY'26 but higher than Q3 FY'25 at 6.3%.
- **Exports growth** moderated to 5.6% in Q3 FY'26 from 10.2% in Q2 FY'26 and 10.5% in Q3 FY'25. It was due to the imposition of a 50% US tariff on certain Indian goods, effective August 27, 2025. It is because of impact of tariff recorded for full quarter in Q3 FY'26.

Components of GVA

- **India's agricultural GVA growth** moderated to 1.4% in Q3 FY'26, down from 2.3% in Q2 FY'26 and 5.8% in Q3 FY'25.
- **The growth in the Industry Sector** was robust at 10.1% in Q3 FY'26, from 8.4% in Q3 FY'25.

- **Growth in Services sector** rose to 9.5% in Q3 FY'26, higher than the 8.2% recorded in the same period last fiscal.

Views

- The first in the series of revised GDP base (2022-23) came higher than the estimates.
- The growth in **Gross Value Added (GVA)**, a measure of economic activity excluding subsidies and taxes, at 7.8% in Q3 FY'26, however lower than the 8.6% recorded in Q2 FY'26.
- The robust growth was driven by the Service and Manufacturing sector, benefitting from festive demand and tax reforms.
- According to the new series, the real Gross Domestic Product (GDP) is estimated to grow at 7.6% during FY'26, as against 7.4% in the advance estimates released in January 2026.
- Nominal GDP growth for 2025-26 at 8.6% continues to remain below 9%, implying that while real activity is robust, the nominal backdrop, crucial for revenue buoyancy and profit growth is relatively contained.
- The India's economy size is estimated at \$3.8 trillion for 2025-26. Projections indicate India will become the world's third-largest economy by 2030, crossing \$7 trillion in nominal GDP. The country also aims to reach a \$5 trillion economy by 2027-28, supported by ongoing momentum and economic reforms.

Table 1

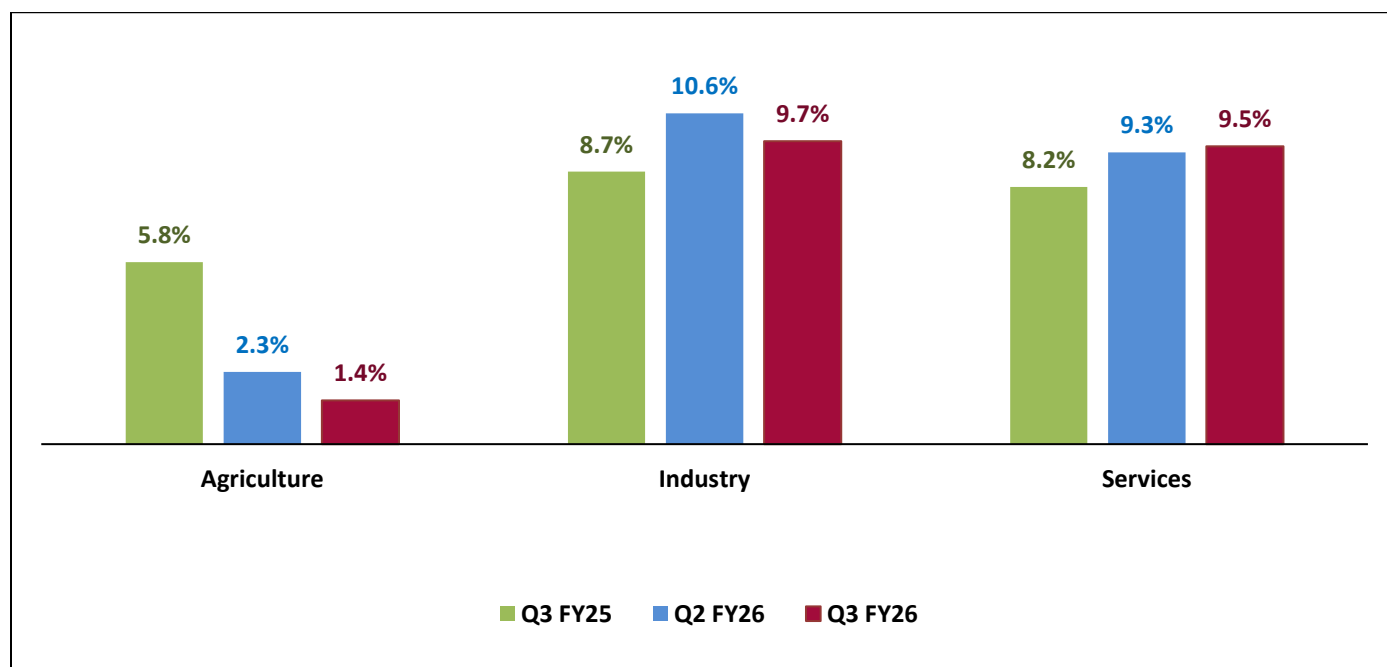
Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	Q3 2024-25	Q2 2025-26	Q3 2025-26
Private Final Consumption Expenditure (PFCE)	6.0	8.0	8.7
Government Final Consumption Expenditure (GFCE)	7.6	6.6	4.7
Gross Fixed Capital Formation (GFCF)	6.3	8.4	7.8
Change in Stocks	-1.1	12.8	17.2
Valuables	14.5	-28.4	-2.8
Exports	10.5	10.2	5.6
(Less) Imports	2.9	5.9	8.6
Discrepancies	1.2	1.2	1.7
GDP	7.4	8.4	7.8

Table 2

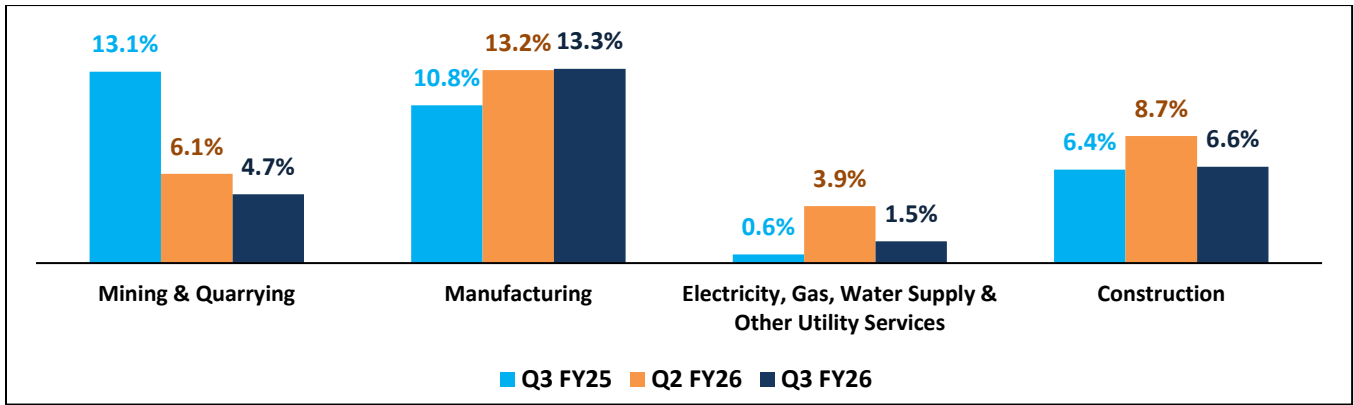
Quarter-wise - Change of the Share of Major Components in GDP				
Item		Share in GDP (%)		
		Q3 2024-25	Q2 2025-26	Q3 2025-26
A	Private Final Consumption Expenditure (PFCE)	56.5	53.7	57.0
B	Government Final Consumption Expenditure (GFCE)	9.9	11.0	9.6
C	Gross Fixed Capital Formation (GFCF)	30.7	34.7	30.7
D	Change in Stocks	1.2	1.3	1.3
E	Valuables	1.3	1.2	1.2
F	Exports	22.1	23.1	21.6
G	(Less) Imports	22.9	26.1	23.1
H	Discrepancies	1.2	1.2	1.7
GDP (A+B+C+D+E+F-G+H)		100.0	100.0	100.0

Source: MoSPI (NSO)

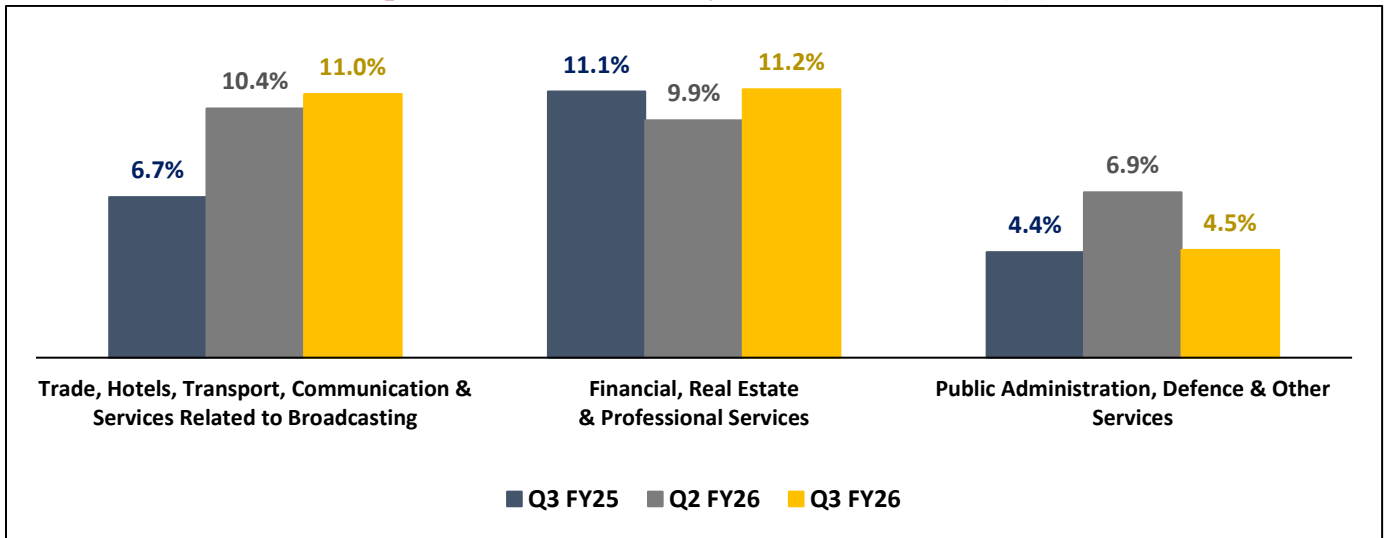
Graph 1: Gross Value Added – Component-wise YoY Growth (%)



Graph 2: Industry - Activity-wise YoY Growth (%)

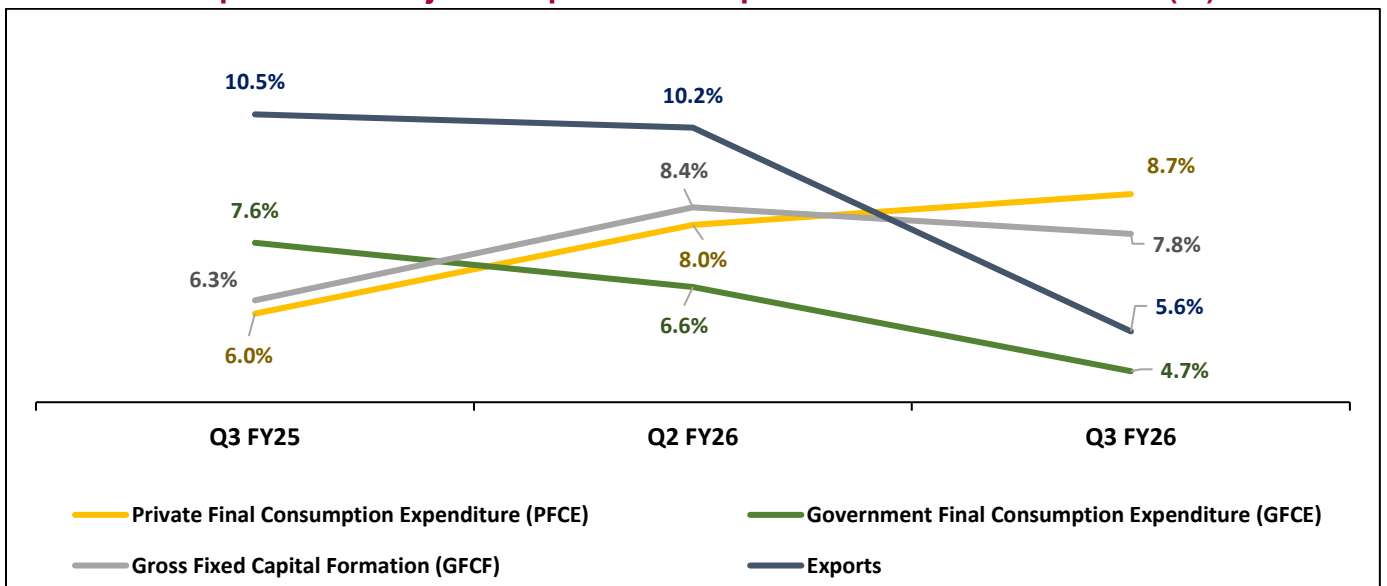


Graph 3: Services - Activity-wise YoY Growth (%)



Source: MoSPI (NSO)

Graph 4: GDP Major Components - Expenditure-wise YoY Growth (%)



Source: MoSPI (NSO)

Key Changes in New GDP Series vs Old GDP Series

S.No.	Specification	GDP Old Series	GDP New Series
1.	Base year	2011-12	2022-23
2.	Segregation of activities in case of multi-activity enterprises	Entire Gross Value Added (GVA) allocated to one “major” activity	Activity wise segregation: activity wise revenue share for a company available in the MGT data is being used to segregate economic activities and consequently the value added by each business activity of the enterprise.
3.	Use of multipliers at disaggregated level	Multiplier based on Paid-up Capital (PUC) was used to derive the estimates of the non-reporting companies at overall level	Multipliers at disaggregated level are being used to account for the differences in capital intensity across industries and size classes.
4.	Household Sector	Indicator based extrapolation approach	Use of ASUSE and Periodic Labour Force Survey on annual basis.
5.	Data Source Enhancement	-	New data sources like GST Data for Quarterly National Accounts, use of Public Financial Management System data, e-vahan data
6.	Improved deflation method	Limited deflator/single aggregate deflator	More appropriate price indices used to derive real GVA
7.	Expanded Institutional Coverage	Partial NBFC and insurance coverage	Expanded coverage using RBI, MCA data
8.	Benchmarking	Prorata benchmarking was used	Shift towards proportional benchmarking, with internationally recommended Denton-proportional Benchmarking Method

6. CLASSROOM : RISK BASED PREMIUM (RBP) FRAMEWORK

Deposit insurance is a critical pillar of financial stability, designed to protect depositors and sustain confidence in the banking system. In India, the Deposit Insurance and Credit Guarantee Corporation (DICGC) performs this function, insuring deposits up to ₹5 lakh per depositor per bank.

Currently, this protection is funded through a uniform premium of 12 paise per ₹100 of assessable deposits (AD) per annum, paid by banks regardless of their financial health or risk profile. While simple to administer, this flat-rate approach created a structural distortion where well-managed banks effectively subsidised riskier counterparts, thereby weakening incentives for prudent risk management.

Improving upon this, the DICGC is introducing a Risk-Based Premium (RBP) framework effective from 1st April 2026. Under this system, the premium payable by each bank is linked directly to its risk profile. Banks with stronger balance sheets, better asset quality, and sound governance will pay lower premiums, while riskier banks will continue to pay higher rates.

The framework evaluates banks using a combination of financial and supervisory indicators including capital adequacy, asset quality, profitability, and liquidity based on the latest available audited financial year-end data.

Structure of the New RBP Framework

The RBP system utilizes a two-tier rating methodology to categorise banks: **Tier 1** for Scheduled Commercial Banks (excl. Regional Rural Banks) and **Tier 2** for RRBs and Cooperative Banks.

- **Rating Categorisation:** Each Bank will be assigned to one of four categories (A, B, C and D) based on the Corporation's internal risk assessment scores.
- Category A banks with lowest risk will receive a 33.3% discount, with an effective premium as low as 8 paise per ₹100 of AD, while Category B & C will get discounts of 16.67% and 8.33% with premium of 10 paise and 11 paise, respectively. Category D will continue at the 12 paise Card Rate.
- Banks with a long record of stable performance (up to 25 years without major distress) can receive an additional vintage incentive of up to 25%.
- The effective rate of premium will be = Card Rate^b * (1 – Risk model incentive) * (1 – Vintage incentive); where *b* is Present Card Rate of 12 paise per ₹100 of AD per annum

The RBP framework aligns insurance costs with institutional behaviour, yielding three key benefits: -

- (i) It strengthens market discipline by incentivising better governance and risk management
- (ii) It improves the financial sustainability of the Deposit Insurance Fund
- (iii) It enhances systemic stability by discouraging excessive risk-taking

Moreover, it is expected to improve the Return on Assets (RoA) and Net Interest Margins (NIMs) of strong banks with a long operating history as differentiated premium outflows reinforcing cost efficiency for banks while exerting pressure on weaker balance sheets.

In essence, this move marks a structural progression in India's deposit insurance architecture from a compliance-driven system to an incentive-based, risk-aligned framework that actively promotes adoption of global best practices and overall, a healthier banking ecosystem.

Kartik Khandelwal
Officer (Economics)
SMEAD, Head Office

7. GIST OF RBI CIRCULARS

Date of the circular	Mar 10, 2026
Ref No.	RBI/2025-26/387 DOR.ACC.REC.No.427/21.02.067/2025-26
Subject	Reserve Bank of India (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittances of Profits) Directions, 2026

The Reserve Bank of India has issued new Directions under Section 35A of the Banking Regulation Act, 1949, governing the declaration of dividends and remittance of profits by commercial banks, effective from FY 2026-27. These Directions apply to all scheduled commercial banks, including SBI and foreign banks operating in India, but exclude SFBs, LABs, PBs, and RRBs. The framework introduces the concept of Adjusted Profit After Tax (PAT) and sets prudential norms to ensure dividend payments and profit remittances are aligned with banks' capital adequacy, asset quality, and long-term growth plans.

Eligibility requires compliance with regulatory capital requirements, positive adjusted PAT, and absence of restrictions from RBI or other authorities. Dividend payouts are capped at 75% of PAT, with specific limits linked to CET1 capital ratios, while foreign banks may remit net profits subject to audit and compliance. Extraordinary gains, overstated profits, and unrealized fair value gains are excluded from distribution. Banks must report dividend declarations and remittances to RBI within a fortnight, and non-compliance may attract supervisory or enforcement action. The Directions also repeal earlier circulars but preserve rights, liabilities, and penalties under them, while clarifying that these provisions operate in addition to other applicable laws. RBI retains authority to issue clarifications and impose restrictions to safeguard prudential norms and public interest.

Date of the circular	Feb 16, 2026
Ref No.	RBI/2025-26/220 FIDD.CO.LBS.BC.No.13/02.08.001/2025-26
Subject	Formation of new district in the State of Haryana – Assignment of Lead Bank Responsibility

The Government of Haryana has notified the creation of a new district, Hansi, effective December 19, 2025. In line with this, the Reserve Bank of India has assigned Punjab National Bank as the Lead Bank for the district, with the working code 02V (to be read as numeral zero, numeral two, and alphabet V). Importantly, there is no change in the Lead Bank responsibilities for other districts in the state. This reassignment ensures continuity in banking services and effective coordination under the Lead Bank Scheme for the newly formed district.

Date of the circular	Mar 10, 2026
Ref No.	RBI/2025-26/238 DOR.MRG.REC.No.433/21-01-002/2025-26
Subject	Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026

The RBI has issued the Prudential Norms on Capital Adequacy – Third Amendment Directions, 2026, to refine the treatment of counterparty credit risk (CCR) exposures and align with international standards. The amendment clarifies that CCR exposures of all consolidated entities must be included in capital requirement calculations. It revises add-on factors for market-related off-balance sheet items, with differentiated percentages across interest rate, exchange rate, equity, precious metals, and commodity contracts based on maturity.

For contracts with periodic resets, residual maturity is set to the next reset date, subject to a floor of 0.50% for longer-term interest rate contracts. The Directions specify that add-on factors apply to all outstanding CCR exposures, and clearing members of SEBI-recognised exchanges must maintain capital charges for equity and commodity derivatives. Precious metals now explicitly include silver, platinum, and palladium, while “other commodities” cover energy, agriculture, and base metals. Additionally, a 2% risk weight is prescribed for banks acting as clearing members of QCCPs, with exemptions allowed if legal opinions confirm no liability for client losses. These amendments strengthen clarity, consistency, and prudential oversight in capital adequacy norms.

Date of the circular	Feb 18, 2026
Ref No.	RBI/2025-26/222 CO.FMRD.MIOD.No.8/11.01.057/2025-26
Subject	Unique Transaction Identifier for OTC Derivative Transactions

The RBI has mandated the use of Unique Transaction Identifiers (UTIs) for all OTC derivative transactions from January 1, 2027. This applies to rupee interest rate derivatives, government securities forwards, foreign currency and credit derivatives, all reported to CCIL-TR. UTIs, based on CPMI-IOSCO guidance, will be unique 52-character codes ensuring consistency across a contract’s lifecycle. A waterfall mechanism defines responsibility for UTI generation, with CCIL-TR stepping in if needed. For cross-border trades, UTIs must follow the earliest reporting timeline, with interim identifiers allowed temporarily. Amendments to contracts won’t require new UTIs unless they create fresh reportable deals. CCIL will issue operating guidelines, and market participants must ensure compliance. This framework enhances transparency, reduces duplication, and strengthens oversight of India’s derivatives market.

8. ESG UPDATES



1. India accelerates Compressed Biogas (CBG) Development to Boost Clean Energy Transition

- Union Budget 2026 announced excise-duty exemption on CBG blended with CNG, aimed at promoting renewable gas and reducing dependence on fossil fuels.
- India has commissioned 132 CBG plants with a production capacity of about 920 tonnes per day, supporting clean energy transition and waste-to-fuel initiatives.
- Government is strengthening the CBG ecosystem through blending mandates and new policy frameworks, which will increase CBG use in gas networks and transport fuels in the coming years.

2. India begins trial run of First Hydrogen-Powered Train

- Indian Railways started trial runs of India's first hydrogen-powered train on the Jind–Sonipat route in Haryana, marking a major step toward green and sustainable rail transport.
- The train operates using hydrogen fuel-cell technology, which generates electricity and emits only water vapour and steam, making it a zero-emission alternative to diesel trains.
- During initial testing, the train ran about 20 km at a speed of around 70 km/h, and further trials are being conducted before starting passenger services.

3. India's Energy shift through the Green Ammonia Route

- India is promoting green ammonia (produced using green hydrogen and renewable energy) as a key fuel to decarbonise sectors like fertilisers, shipping, power generation and heavy industries.
- Through the National Green Hydrogen Mission and SECI auctions, India has discovered competitive prices for green ammonia and created demand across 13 fertiliser plants for about 724,000 tonnes annually.
- Green ammonia will help reduce ammonia imports, cut carbon emissions and position India as a global exporter of clean fuels in the future energy market.

4. India's Ethanol supply surges to 328 Crore Litres in 2025

- India's ethanol supply for blending with petrol has reached around 328 crore litres, reflecting strong progress under the Ethanol Blended Petrol (EBP) programme.
- The increase in ethanol supply has significantly helped raise the ethanol blending rate in petrol and reduce dependence on crude oil imports.
- The government continues to support ethanol production through expanded feedstock's such as sugarcane, maize and surplus grains, strengthening India's biofuel ecosystem.

5. Mangroves hold a secret that could supercharge Carbon Storage

- Researchers discovered that mangrove soils accumulate *black carbon*—a tough, fire- and fossil-fuel-linked carbon form that resists breakdown, making it a long-term storage mechanism.
- Dissolved black carbon can move from mangrove soils into coastal waters, meaning mangroves not only store carbon but also regulate its transfer between land and ocean.
- This hidden carbon pathway suggests mangroves may play a much larger role in global carbon sequestration than previously estimated, strengthening the case for mangrove conservation and restoration.

6. India Federation CBG Conclave 2026 Held at YASHADA, Pune

- The Indian Federation of Green Energy (IFGE) organised the Compressed Biogas (CBG) Conclave 2026 on March 6–7, 2026 at YASHADA, Pune, themed “*Moving Towards an Efficient & Robust CBG Production Ecosystem.*”
- Union Minister Nitin Gadkari emphasized that CBG can transform agricultural waste into clean fuel, reducing pollution while boosting rural income.
- The conclave focused on scaling up CBG (Compressed Biogas) plants, strengthening the SATAT (Sustainable Alternative Towards Affordable Transportation) initiative, and promoting waste-to-energy solutions to accelerate India’s clean energy transition.

7. Global Greenhouse Gas (GHG) emissions hit All-time High in 2025

- Global greenhouse gas emissions reached a record 60.63 billion tonnes of CO₂ equivalent in 2025, increasing about 0.5% compared to 2024, according to Climate TRACE data.
- Methane emissions also hit a new record, rising 1.03% to about 412.6 million tonnes, reversing the slight decline seen in 2024.
- China remained the largest emitter, followed by the United States and India, while fossil fuels (coal, oil and gas) continued to be the biggest driver of global emissions growth.

8. JP Morgan backs Clean Iron Start-up Electra

- JP Morgan has provided \$30 million in venture debt financing to clean-iron start up Electra, supporting the company’s efforts to scale low-carbon iron production.
- Electra uses a low-temperature electrochemical process powered by renewable electricity to produce about 99% pure iron, replacing coal-based ironmaking used in traditional steel production.
- The funding will help Electra prepare for its first commercial facility and expand clean-iron production, which could significantly reduce emissions from the global steel industry.

9. EV Four-wheeler registrations grow 50% YoY

- Electric four-wheeler (E4W) registrations in India increased about 50% year-on-year in February, showing rapid growth in the electric passenger vehicle segment.
- The surge was largely driven by strong sales from major manufacturers like Tata Motors, which continues to dominate the electric car market.
- Rising consumer demand, new EV model launches and supportive government policies are accelerating the adoption of electric cars in India.

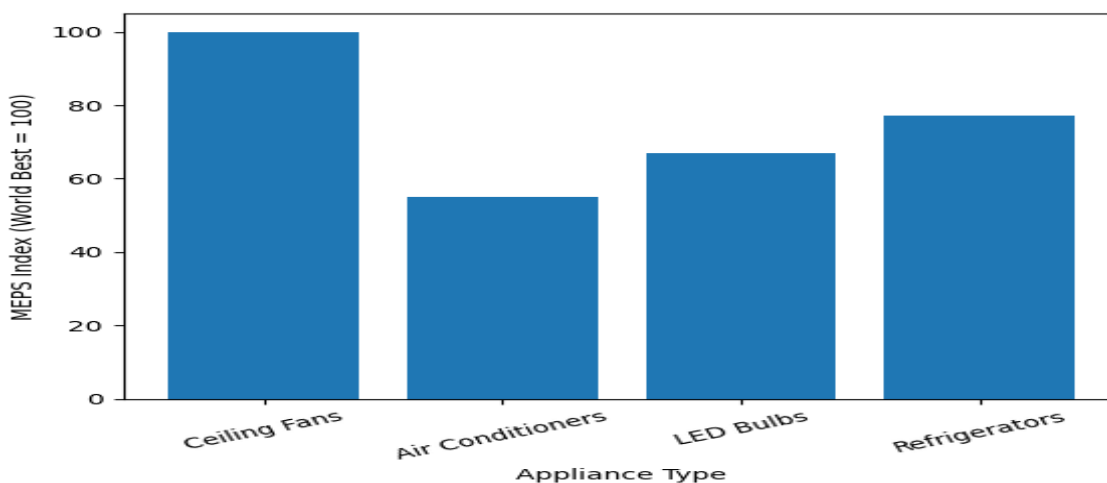
10. India's Carbon Trading Platform Likely to be Functional by September 2026

- India's carbon trading platform is expected to become operational by September 2026, according to officials from the Central Electricity Authority, to support the country's energy transition.
- It is expected to boost renewable energy adoption, particularly in the commercial and industrial sectors, and support India's target of 500 GW non-fossil fuel capacity by 2030.

ESG Brain Teaser- I turn waste into energy and help reduce landfill. Farmers love me and cities need me. I am part of the circular economy. Who am I?

Smart Green Tip - Keep AC temperature at 24 °C — it saves up to 10% electricity.

India Appliance Minimum Energy Performance Standards (MEPS) Index Comparison



Source: NITI AAYOG REPORT, FEBRUARY 2026

The graph compares India's Minimum Energy Performance Standards (MEPS) for major household appliances with the global best technology benchmark (index = 100). It shows that ceiling fans in India already meet global efficiency standards, while other appliances still have scope for improvement. Air conditioners have the largest efficiency gap (55 index), followed by LED bulbs (67) and refrigerators (77). Strengthening efficiency standards for these appliances can help reduce electricity consumption, lower energy costs, and support India's climate and net-zero goals.

Ask Yourself – Am I just aware of ESG, or am I actively practicing it in my daily life?

ESG Cell
SMEAD, Head Office

Ans. to ESG Brain Teaser: Compressed Biogas (CBG).

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

9. CLIMATE NEWS

1. US Tariffs Slash India's Solar Exports by 35%

India's solar module exports to the United States have dropped sharply by around 35% following steep tariffs imposed by the US, according to a report by Bengaluru-based think tank Climate Risk Horizons. Once a rapidly growing market for Indian photovoltaic (PV) modules, the US has long been India's dominant export destination, accounting for nearly 95% of its solar module shipments. The tariffs, which currently reach 126%, have made Indian solar panels significantly more expensive, causing exports to fall from \$134 million in August 2025 to roughly \$80 million by September. The sudden disruption underscores the Indian solar industry's heavy dependence on a single export market.

The report highlights the risks of such over-reliance, particularly amid global trade volatility. From FY22 to FY24, India's solar exports to the US had surged nearly tenfold, reflecting the country's growing manufacturing capacity. Yet the recent tariff fluctuations and price increases up 31% in the US market have squeezed profit margins and exposed vulnerabilities in export strategy. Analysts stress that diversifying export destinations, including the European Union, which currently imports heavily from China, is critical to reduce dependency and safeguard the sector's growth.

To strengthen domestic resilience, the report recommends boosting India's internal solar demand. Policy measures like reduced GST on solar equipment, renewable purchase obligations (RPOs) for heavy industries, and expanded industrial and commercial solar installations could create a stable market for homegrown panels. Meeting existing RPO requirements alone could generate roughly 19 billion units of renewable electricity annually, requiring 10 GW of solar PV capacity, with potential to expand further if industries fully adopt renewable sourcing. Such steps would not only stabilize demand but also lower industrial energy costs, positioning India for long-term growth in renewable energy.

(downtoearth.org)

2. Carbon Emissions Now More Than Double Earth's Safe Limit, Study Finds

A new analysis has found that current global carbon emissions exceed the Earth's safe operating limits by more than double, raising urgent concerns about the stability of the planet's climate and ecosystems. Scientists have long used the concept of Planetary Boundaries to define thresholds beyond which environmental damage becomes increasingly dangerous. The latest research, led by Professor Haewon McJeon of KAIST in collaboration with researchers from the Pacific Northwest National Laboratory, shows that humanity has already crossed those limits for carbon emissions by a significant margin.

Published in Nature Sustainability, the study introduces a new way of measuring climate impact. Traditionally, climate change has been assessed based on cumulative carbon dioxide in the atmosphere, while other environmental issues like nitrogen pollution are measured annually. To create a fair comparison, the researchers recalculated carbon emissions using the same "flow" framework applied to nitrogen and phosphorus pollution. Their findings show that to limit global warming to 1.5°C, annual CO₂ emissions should remain between 4 and 17 gigatons. However, current emissions stand at roughly 37 gigatons per year far exceeding the safe threshold.

The findings highlight the urgent need for faster and more coordinated global action. Researchers emphasize that tackling climate change in isolation is no longer sufficient, calling instead for integrated strategies that address carbon, nitrogen, and phosphorus pollution together. Despite the availability of many climate solutions, their slow implementation has allowed the crisis to deepen. The study underscores that accelerating decarbonization efforts and scaling up existing technologies will be essential to restoring balance and achieving long-term environmental sustainability. *(phys.org)*

3. Oxford Study Warns Overreliance on Carbon Removal Could Violate International Law

A new study led by researchers at the University of Oxford warns that countries relying too heavily on future carbon dioxide removal (CDR) to meet climate targets risk breaching international legal obligations. While CDR including both technological solutions and nature-based methods will be essential for achieving net-zero goals, the study cautions that treating it as a substitute for rapid emissions reductions could contravene established legal principles. The research highlights that states must prioritize near-term mitigation and take a precautionary approach to the uncertainties surrounding large-scale CDR deployment.

The study draws on “legal guardrails” from international law, including the harm prevention principle and standards of due diligence clarified by the International Court of Justice’s 2025 climate advisory opinion. According to the authors, these legal standards require governments to minimize the risk of overshooting the Paris Agreement’s 1.5°C target and avoid passing climate risks onto future generations. Professor Lavanya Rajamani of Oxford’s Faculty of Law emphasized that near-term emissions cuts, alongside feasible CDR strategies, are not just ethical imperatives they are legal requirements.

The research also distinguishes between substantive and procedural guardrails. Substantive measures include prioritizing emissions reductions over removals, ensuring CDR approaches are technically and socially feasible, and limiting reliance on international credits. Procedural measures stress transparency in emissions projections, CDR types, and modelling assumptions. Published in *Climate Policy* and co-authored with Imperial College London and other European institutions, the study concludes that many national plans fall short of these standards. Aligning climate strategies with international law, the authors argue, will require greater emphasis on immediate emissions reductions and realistic, transparent deployment of carbon removal (downtoearth.org)

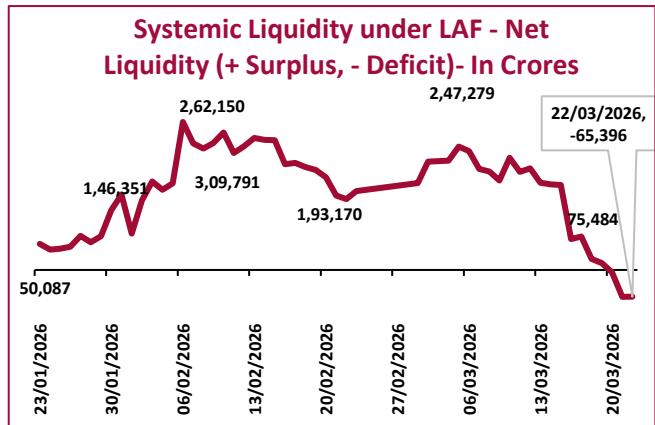
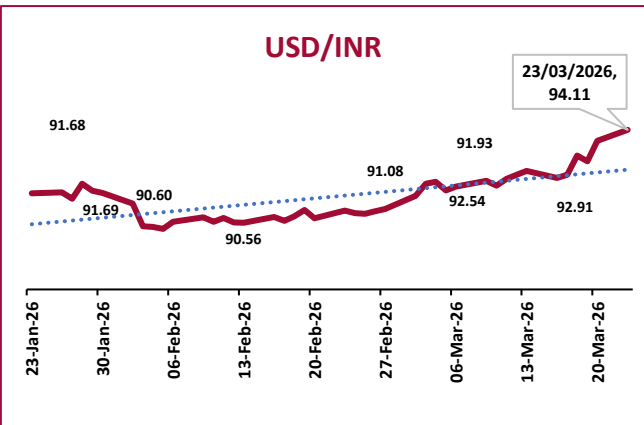
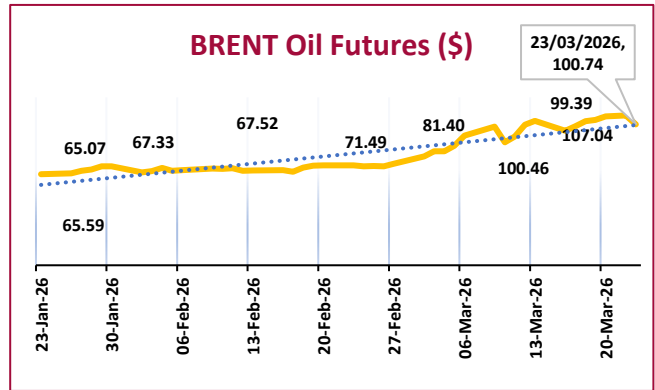
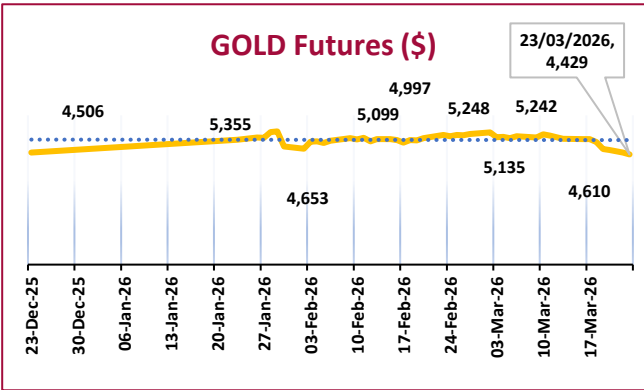
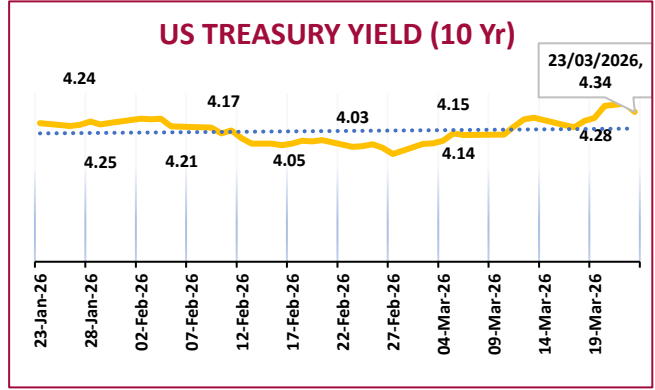
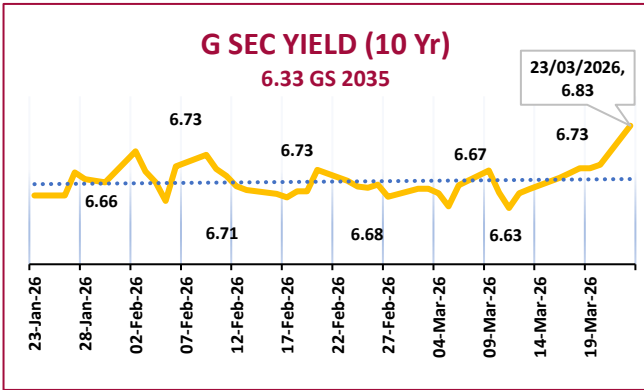
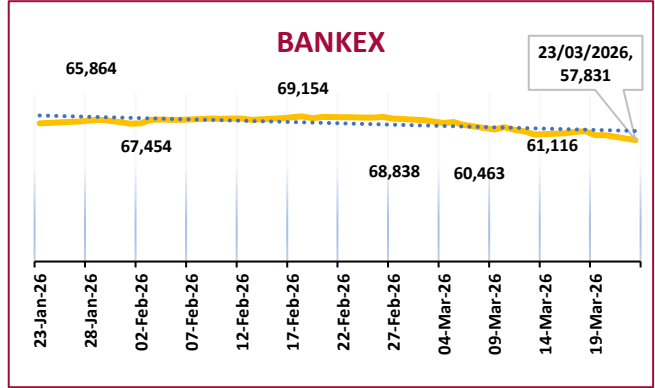
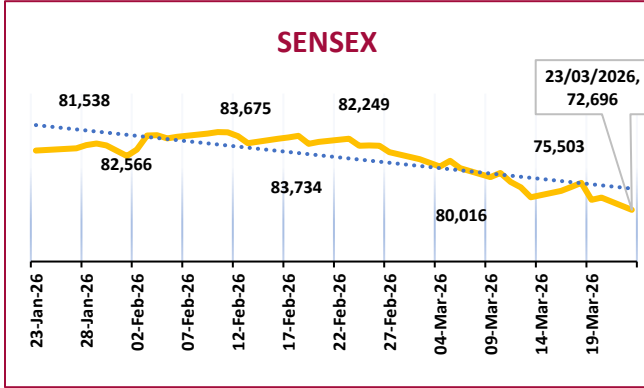
4. Flipkart Study Finds Strong Interest in EV Adoption Among Delivery Partners, Highlights Ecosystem Gaps

A new white paper by Bengaluru-based e-commerce giant Flipkart, titled “The Last-Mile Leap: Empowering Delivery Fleets to Accelerate India’s Electric Mobility Transition,” reveals significant enthusiasm for electric vehicle (EV) adoption among delivery partners. The study, surveying over 6,000 Wishmasters across India, found that approximately 46% of respondents are willing to transition to EVs. Despite this interest, adoption remains limited, with more than 94% of delivery partners still using petrol-powered two-wheelers. Flipkart attributes this gap to structural barriers, including high vehicle costs, limited EV availability, charging infrastructure challenges, and concerns over range and performance.

The research highlights that delivery operations in India are well-suited to the capabilities of current electric two-wheelers. Many partners travel between 40–80 kilometres daily well within EV range while fuel costs constitute a substantial expense, with nearly 90% spending ₹2,000–₹5,000 per month on petrol. Industry insights suggest EVs could cut energy costs by 70–80% and improve delivery partner income by 15–20% due to lower maintenance requirements. Flipkart emphasizes that with proper ecosystem support financing, charging infrastructure, servicing networks, and delivery-optimized vehicles EV adoption can scale quickly, benefiting both livelihoods and the environment.

The report underscores last-mile delivery as a strategic entry point for India’s broader EV transition, given its high-utilisation, urban-centric routes, and short daily distances. Flipkart’s EV Mela in Bengaluru brought together OEMs, financiers, and delivery partners to explore practical adoption pathways, including leasing, low-cost loans, charging-as-a-service models, and structured training programs. (saurenergy.com)

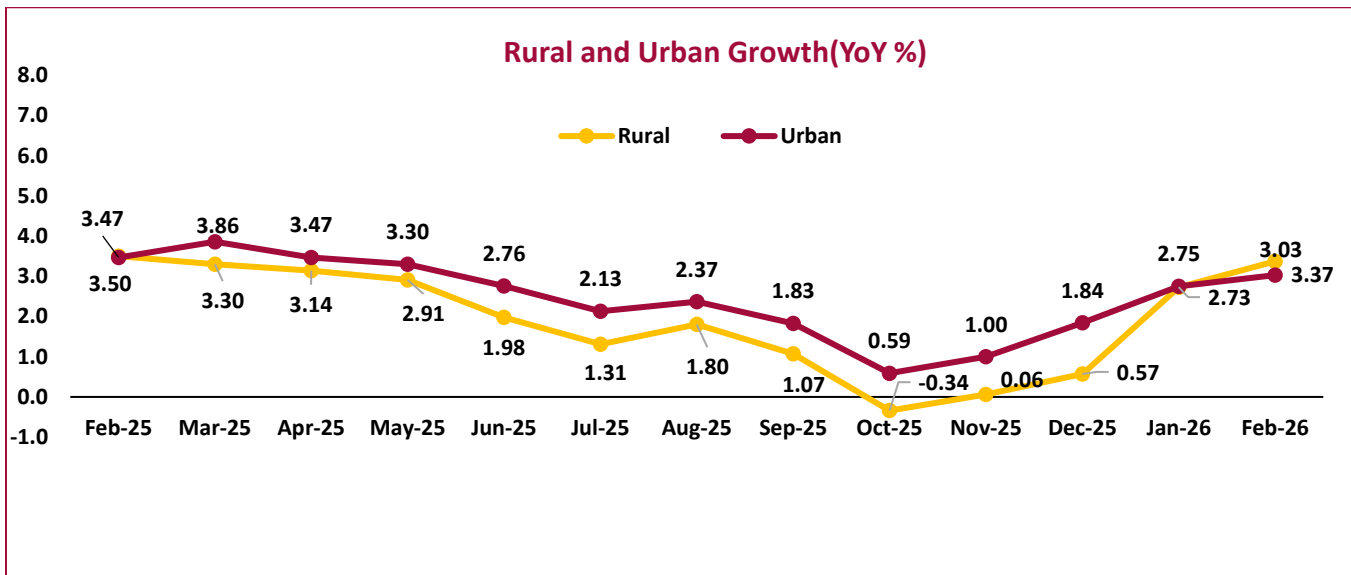
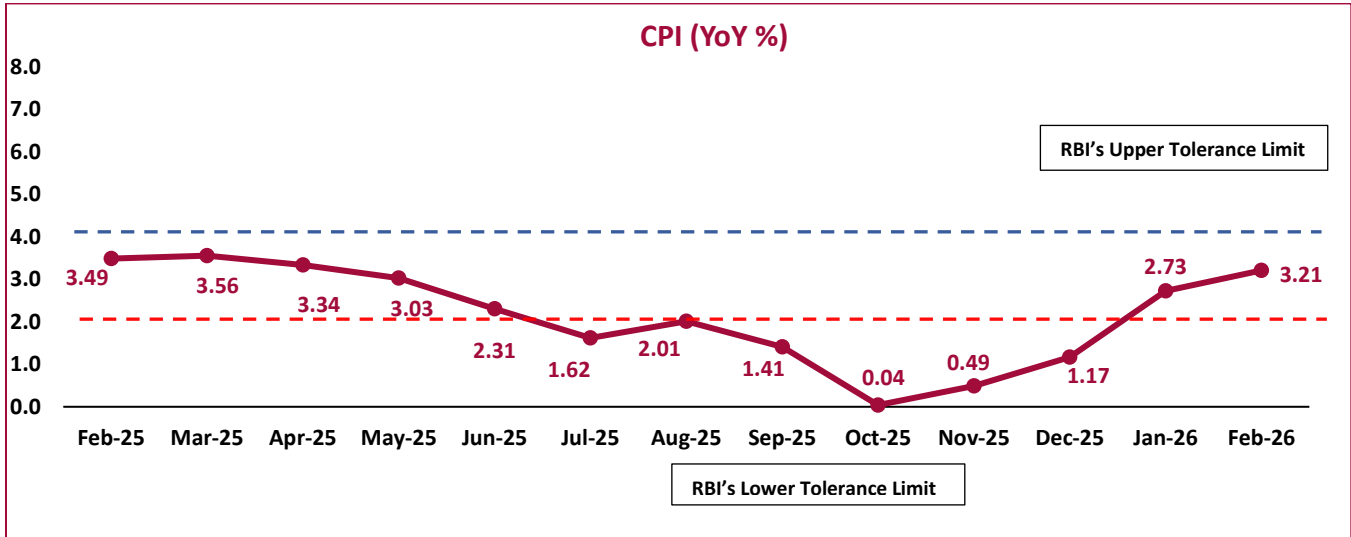
10. DAILY ECONOMIC INDICATORS



11. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI) – New Base Year 2024

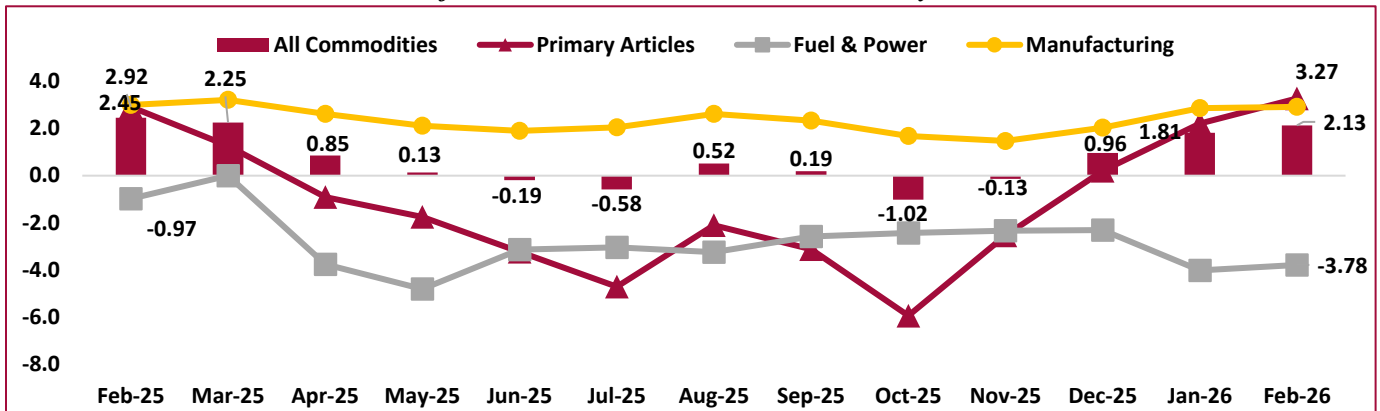
CPI increased to 3.21% in February 2026



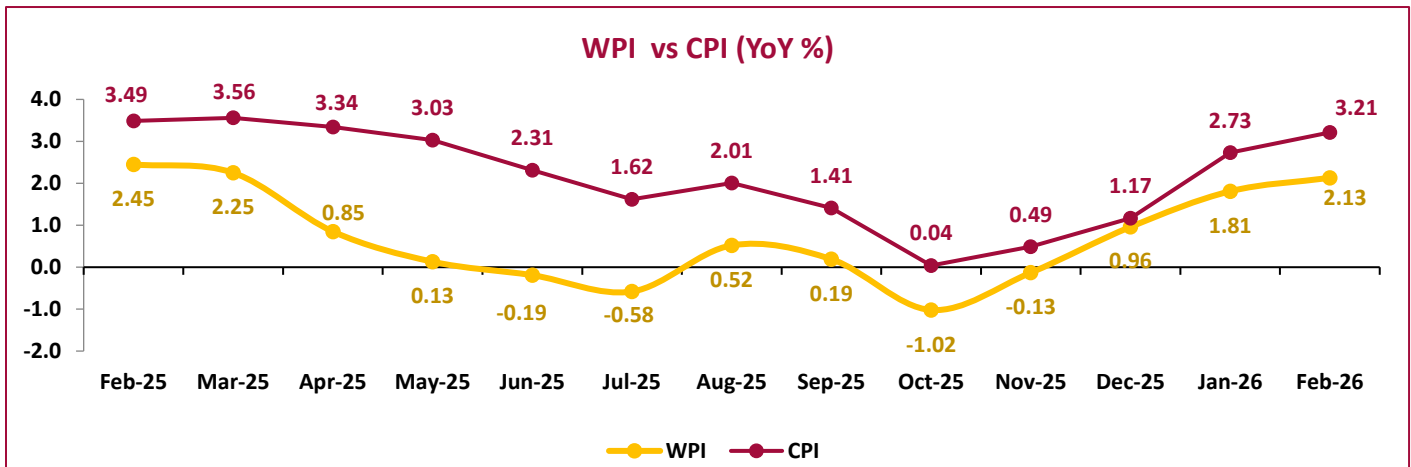
India's consumer inflation rose to 3.21% in Feb'26 accelerating from 2.73% in Jan'26. Rural Inflation has increased to 3.37% in Feb'26 as compared to 2.73% in the previous month, while Urban inflation has increased to 3.03% as compared to 2.75% for the same period. Housing inflation rate for the month of February'26 is 2.12% and the corresponding inflation rates for rural and urban are 2.43% and 2.0% respectively. Top 5 items which recorded highest inflation in the month of February'26 are Silver, Gold jewelry, Coconut, Tomato and Cauliflower. Top five States (having more than 50 lakhs population as per Census 2011) with highest inflation in February 2026 are Telangana, Rajasthan, Kerala, Andhra Pradesh and West Bengal.

WHOLESALE PRICE INDEX (WPI)- YOY %

WPI inflation accelerated to 2.13% in February 2026



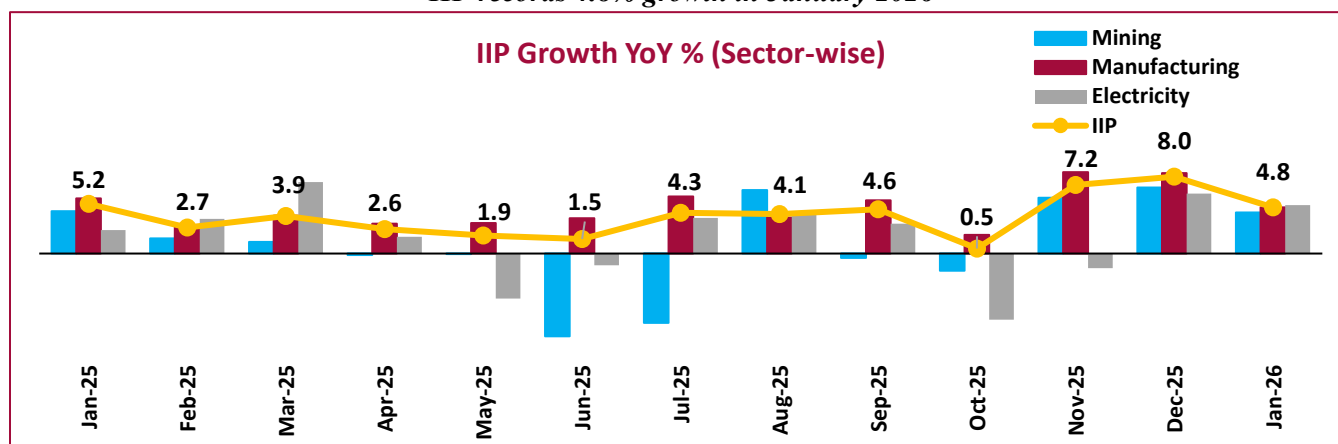
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Group		All Commodities	
Weights	22.62%		13.15%		64.23%		24.38%		100%	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
December	6.02	0.21	-2.57	-2.31	2.14	2.03	8.95	-0.05	2.57	0.96
WPI Inflation YoY (%)	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
January	4.58	2.21	-1.87	-4.01	2.65	2.86	7.52	1.41	2.51	1.81
February	2.92	3.27	-0.97	-3.78	3.00	2.92	6.17	1.85	2.45	2.13



Whole Price Index rose to an eleven-month high of 2.13% in Feb'26 as against 1.81% in Jan'26. Index showed an expansion of 0.25% Month over Month in Feb'26. The acceleration in WPI was primarily due to an increase in prices of other manufacturing, manufacture of basic metals, non-food articles, food articles and textiles etc. Inflation accelerated in Primary Articles and Manufactured Products, while Fuel & Power continued to witness a deceleration compared with January 2026. Manufactured Products, which carry the highest weight in the WPI basket, recorded a marginal increase in inflation to 2.92% in February 2026 from 2.86% in January 2026. Within the 22 manufacturing product groups, 11 groups recorded a month-on-month increase in prices, while 10 groups witnessed a decline.

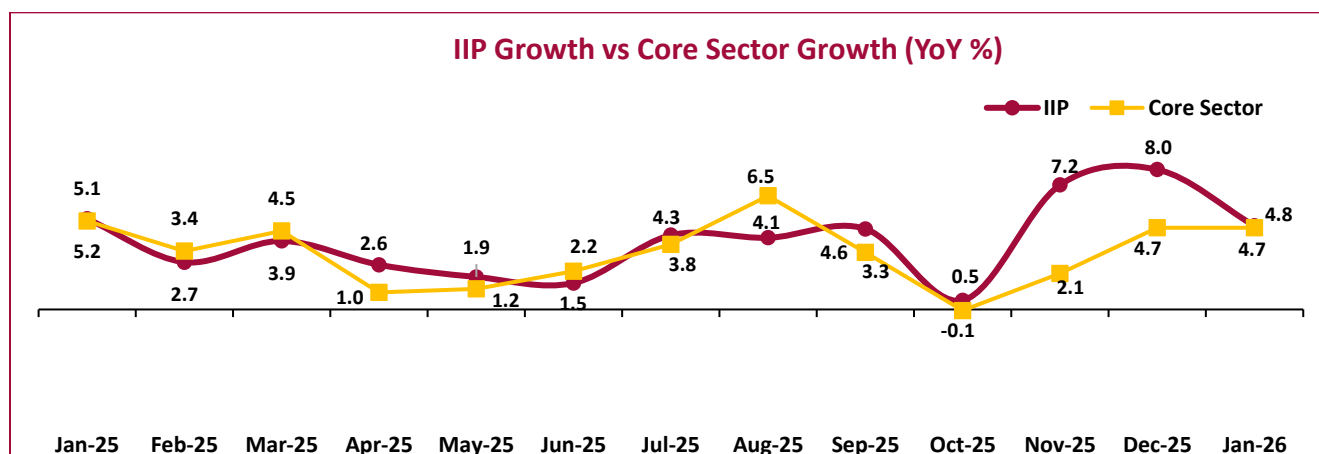
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP records 4.8% growth in January 2026



IIP Growth YoY % (Usage-wise)

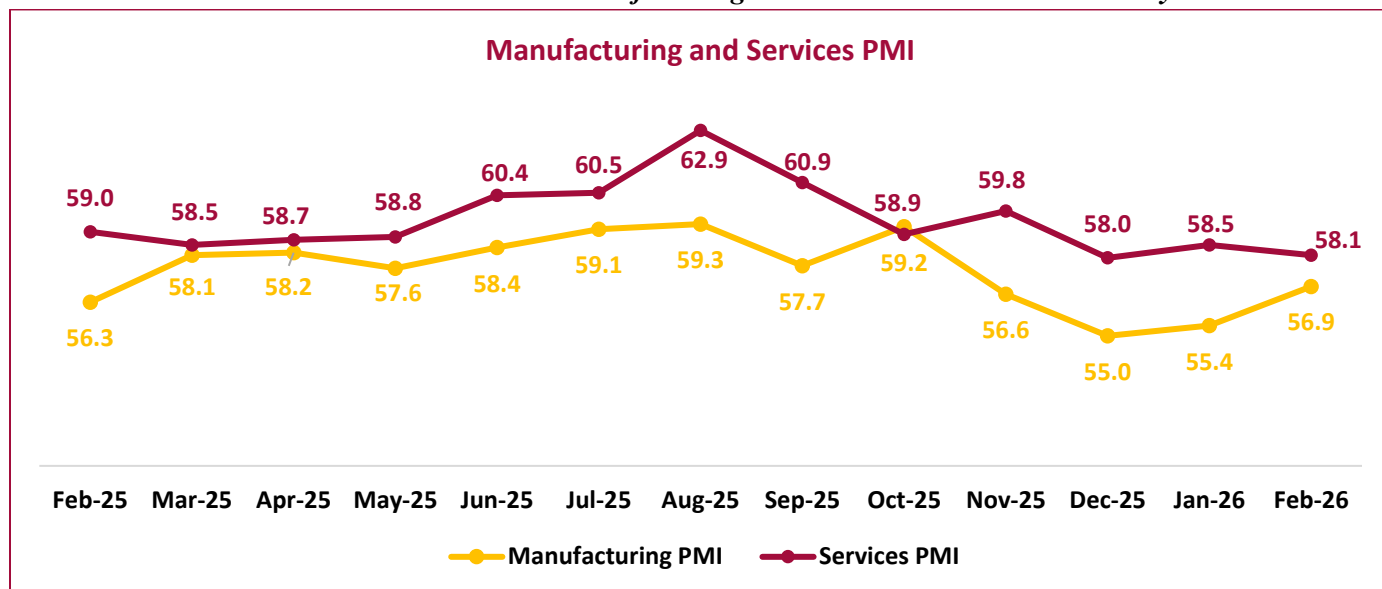
	Weight (%)	Jan'25	Jan'26	Apr-Jan (FY24-25)	Apr-Jan (FY25-26)
Primary Goods	34.05	5.5	3.1	4.1	1.1
Capital Goods	8.22	10.2	4.3	5.6	7.0
Intermediate Goods	17.22	5.3	6.0	4.6	5.6
Infra/Construction Goods	12.34	7.3	13.7	6.4	10.0
Consumer Durables	12.84	7.1	6.3	8.6	5.7
Consumer Non- Durables	15.33	0.1	-2.7	-1.2	-0.1



Industrial activity, as indicated by Index of Industrial Production was recorded at 3-month low of 4.8% in Jan'26 from 8.0% growth in Dec'25. It stood at 5.2% in Jan'25. On a sequential basis, IIP declined by 0.7% in Jan'26, with the index declining to 169.4 compared to 170.7 in Dec'25. Moderation in IIP growth was driven by a broad-based slowdown across manufacturing, mining, electricity, and consumer-based sectors. Growth slipped from a 26-month high of 7.8% in Dec'25, which was subsequently revised upwards to 8.0%. Under use-based classification, Infrastructure and construction sector recorded strong growth at 13.7% in Jan'26. It was the only sector where growth had shown acceleration vis-à-vis the previous month.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI decreased to 58.1 and Manufacturing PMI increased to 56.9 in February 2026

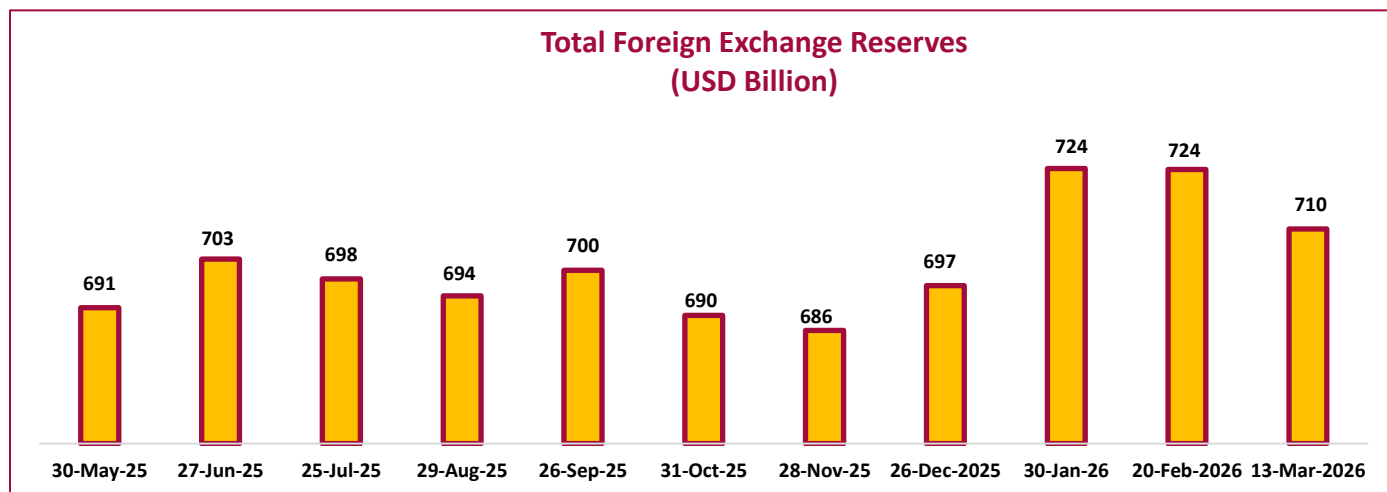


HSBC India Manufacturing PMI rose to 56.9 in Feb'26 from 55.4 in Jan'26. This marked a four-month high and signals a notable improvement in operating conditions. Factory output expanded at the fastest pace in four months, supported by strong domestic demand and rising new orders, although growth in new export orders slowed to the weakest in 17 months. HSBC India Services PMI was revised slightly down to 58.1 in Feb'26 from 58.5 in Jan'26. While new order growth slowed to a 13-month low due to rising competition, international sales rose at the fastest pace since last August. The HSBC India Composite PMI Index rose to 58.9 in February 2026, up from 58.4 in January 2026.

PERFORMANCE OF OTHER LEADING INDICATORS

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Coal production (YoY%)	1.7	1.6	4.1	2.8	-6.8	-12.4	11.6	-1.0	-8.5	2.1	3.6	3.2	2.3
Electricity generation (YoY%)	2.3	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.0	4.4	2.2	-1.5
Consumption of petroleum products (YoY%)	-5.2	-3.1	0.2	1.1	0.5	-4.4	4.8	7.0	-1.5	0.6	4.6	2.8	5.8
Cargo handled at major ports (YoY%)	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5	11.9	14.5	12.7	7.6	5.1
Cement production (million tonnes)	39.8	45.7	38.0	38.6	39.5	35.7	34.2	34.4	36.3	37.3	44.6	45.0	-
Steel consumption (million tonnes)	12.4	14.3	12.0	13.1	13.2	13.4	13.7	13.4	13.3	13.0	14.4	14.7	13.5
Two-wheelers sales (Nos. in Lakhs)	17.8	20.2	18.3	20.4	19.5	20.0	22.7	25.9	26.4	24.2	20.1	23.8	23.6
Tractors sales (Nos. in Thousand)	67.8	90.7	90.3	99.4	121.6	72.8	73.2	154.4	173.6	102.0	79.7	97.7	88.5

FOREIGN EXCHANGE RESERVES

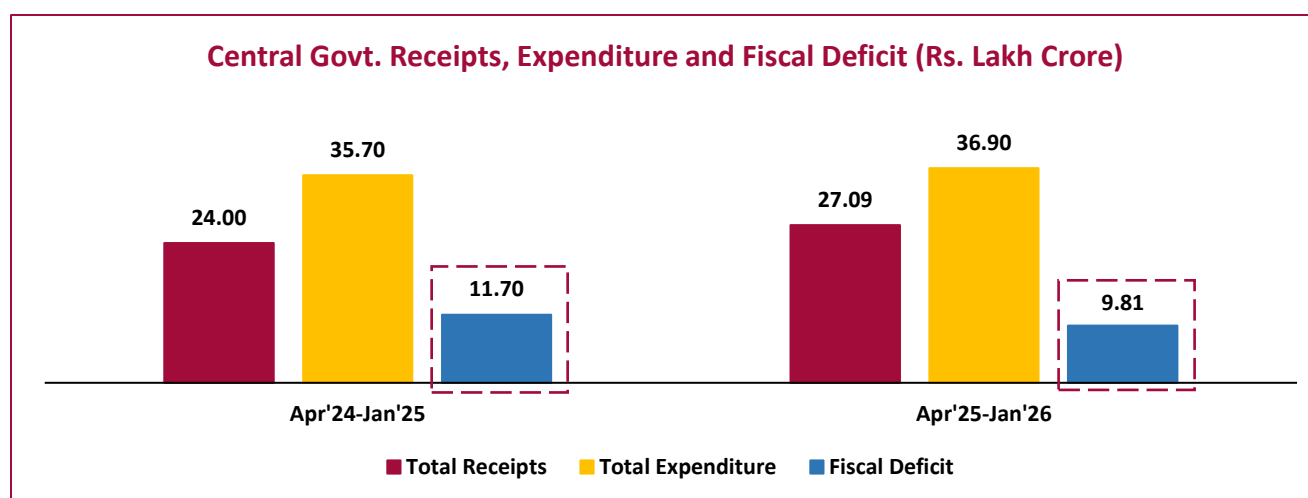


India's foreign exchange reserves stood at \$710 billion in the week ending March 13, 2026.

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

	Feb -25	Mar -25	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct -25	Nov -25	Dec -25	Jan -26	Feb -26
E-way bill Generation	11.2	12.5	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3

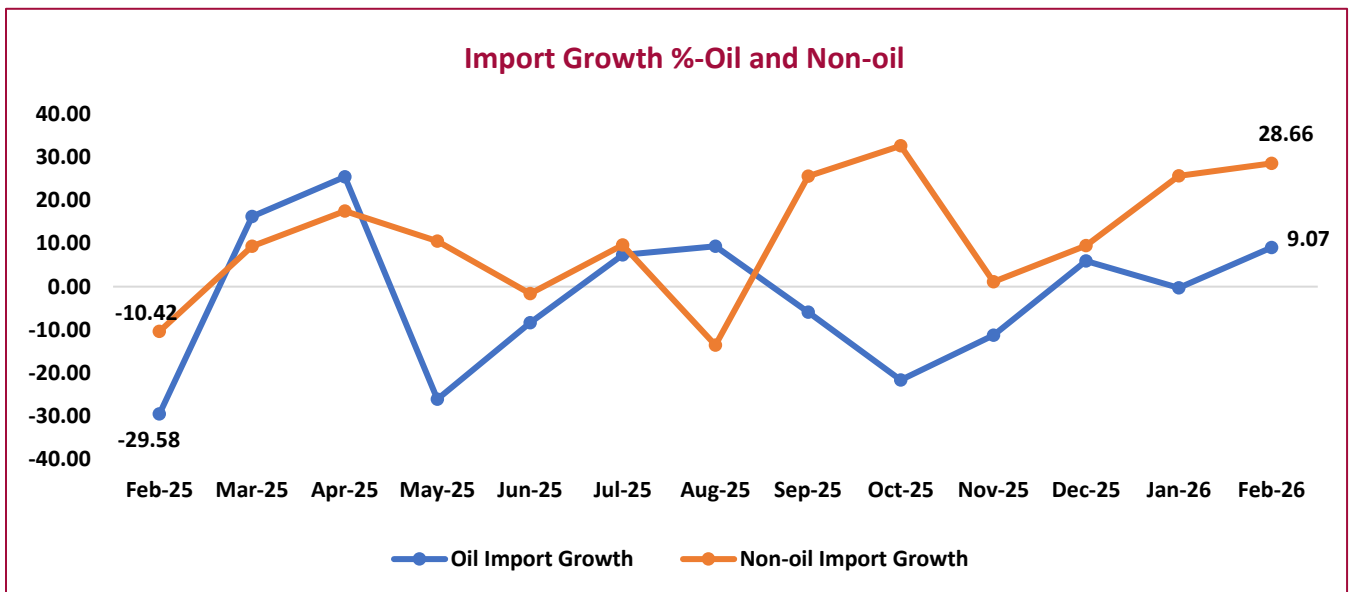
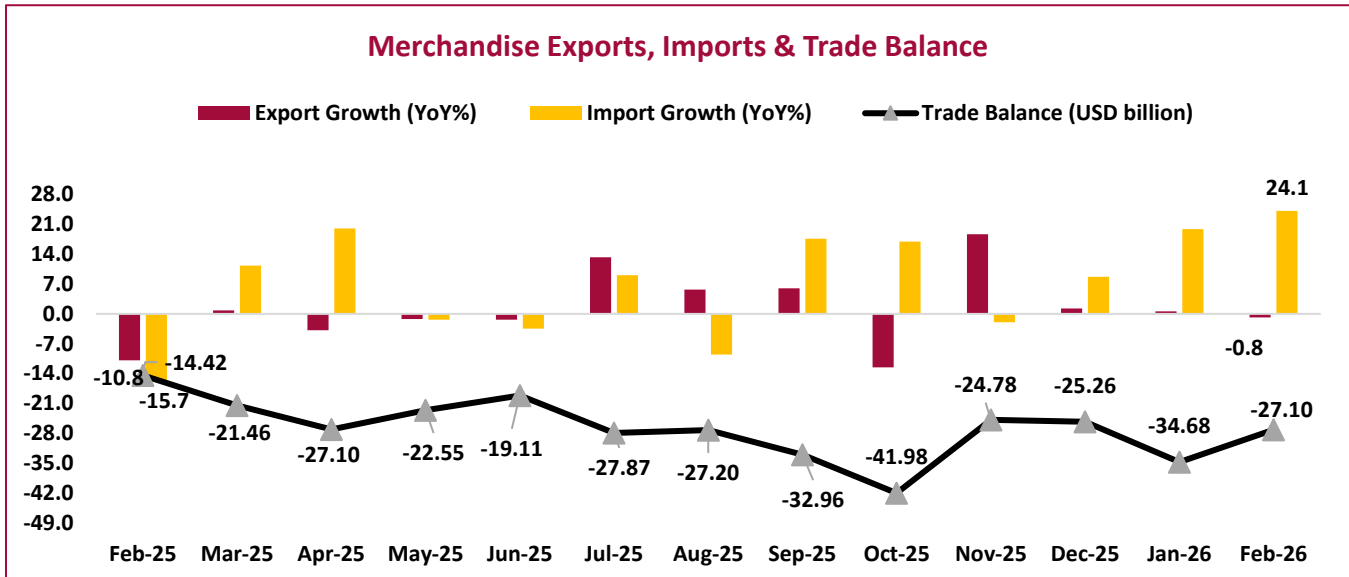
FISCAL DEFICIT



India's fiscal deficit for the first ten months of current fiscal year through Jan'26 stood at Rs 9.81 lakh crore, or 63% of annual estimates. Total receipts stood at Rs 27.09 lakh crore, while overall expenditure in April to January was at Rs 36.90 lakh crore. Revenue receipts stood at Rs 26.52 lakh crore, of which tax revenue was Rs 20.94 lakh crore and non-tax revenue was Rs 5.57 lakh crore. Tax and non-tax revenues were 78.3% and 83.5% of the budgeted estimate. Revenue deficit was at Rs 1.96 lakh crore or 37.3% of the fiscal year's budget target.

FOREIGN TRADE

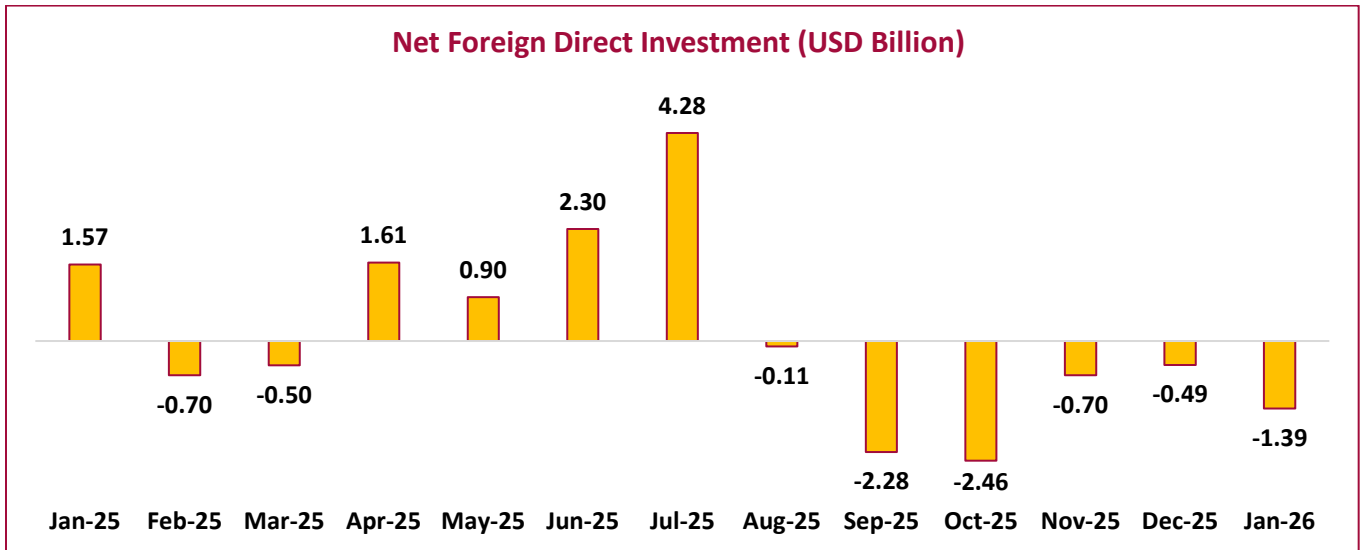
Trade Deficit narrows to 27.1 USD billion in February 2026



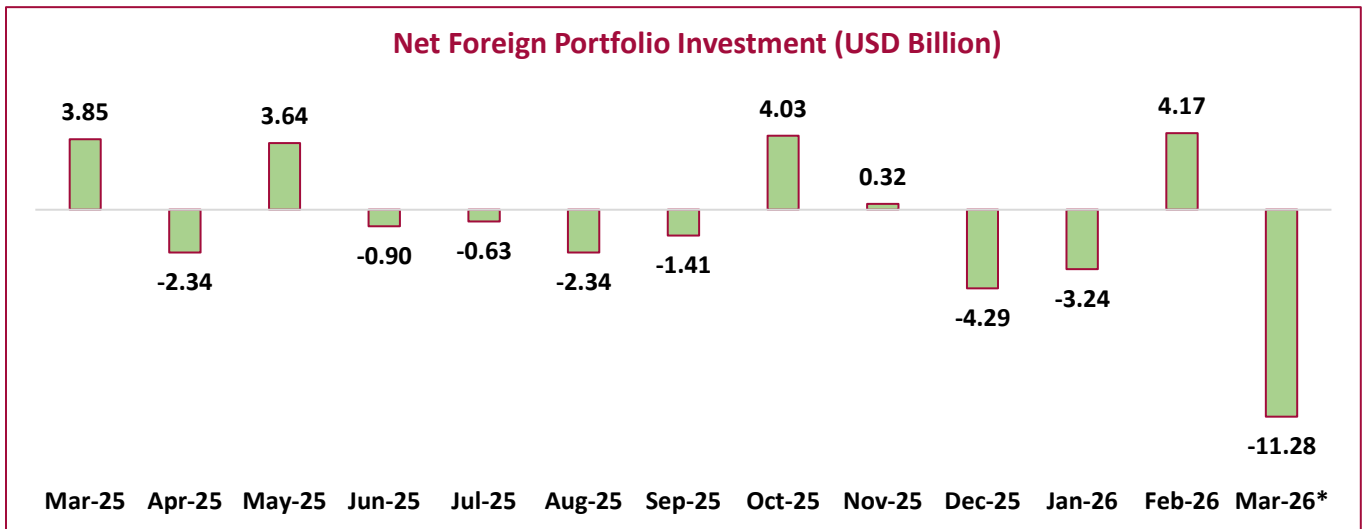
The difference between imports and exports of goods stood at \$27.1 billion in February 2026. It widened from \$14.4 billion in February 2025. It was recorded at \$34.7 billion in January 2026. Merchandise exports edged down to \$36.61 billion in February 2026 from \$36.91 billion in February 2025, registering a YoY decline of 0.82%. Exports of non-petroleum products increased to \$33.18 billion in February 2026, registering a YoY growth of 6.38%.

In contrast exports of petroleum products declined sharply by 40.09% YoY, amounting to \$3.43 billion. Meanwhile, merchandise imports surged by 24.12% YoY to \$63.71 billion in February 2026. However, imports declined from \$71.22 billion in January 2026.

FOREIGN INVESTMENTS



India’s net foreign direct investment (FDI) remained in negative territory since Aug’25, with outflows exceeding inflows by about USD 1.4 billion in Jan’26. This persistent trend reflects a surge in repatriation by foreign investors and higher outward investments by Indian companies, despite strong gross FDI inflows into the country. Outward direct investment by Indian companies increased by 5.4% in January 2026 to \$2.1 billion, with high activity directed towards the U.S., Singapore, the UK, and the UAE.



*upto 20th March 2026

As of mid-March 2026, India’s foreign portfolio investment (FPI) flows continue to reflect heightened volatility, though early signs of stabilisation have emerged after a prolonged phase of outflows. Following persistent selling pressure during the closing months of 2025, FPI behaviour in early 2026 has been shaped by a mix of global monetary conditions, domestic policy signals, and geopolitical developments.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	07.03.25	21.03.25	15.02.26	28.02.26	YoY Growth (%)	YTD Growth (%)	Fortnightly Growth (%)
Deposits	225.10	225.81	247.74	251.90	11.91%	11.56%	1.68%
Advances	181.25	182.44	204.32	207.54	14.50%	13.76%	1.58%
Business	406.36	408.25	452.05	459.44	13.06%	12.54%	1.63%

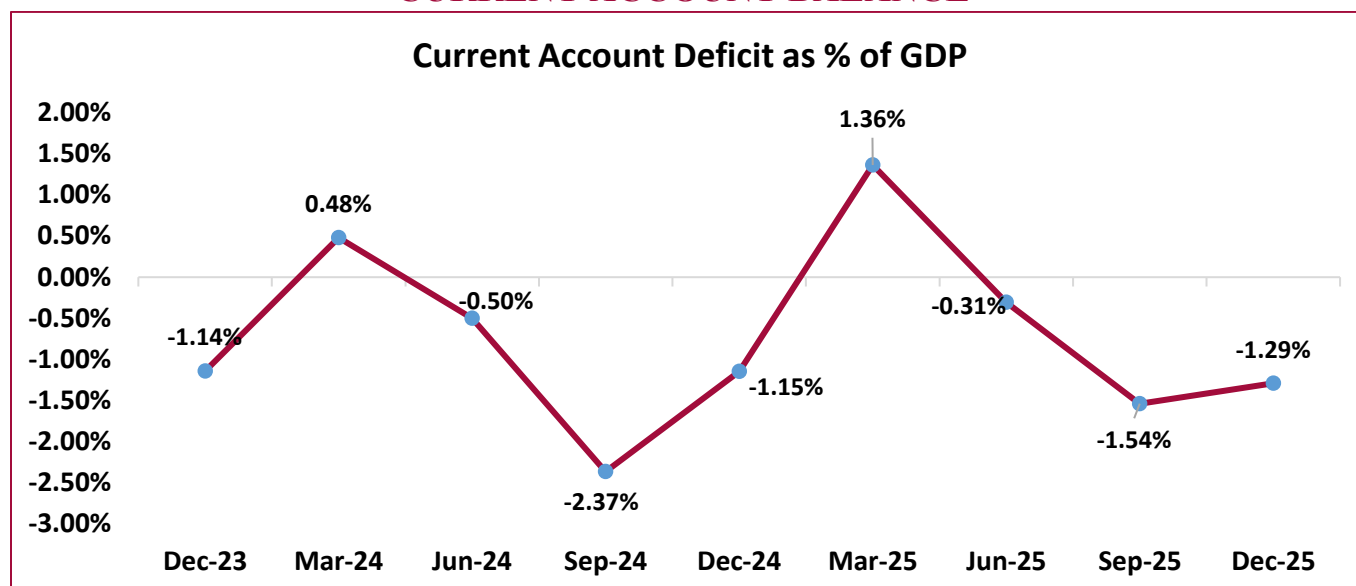
SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

Parameter* (Rs. Lakh Crore)	Jan-25	Mar-25	Dec-25	Jan-26
Total Non-food	178.1	182.1	202.3	203.9
Agriculture and allied activities	22.5	22.9	25.1	25.1
Industry	39.1	39.9	44.1	43.9
<i>Of which</i>				
Micro & small	7.9	8.0	10.2	10.3
Medium	3.5	3.6	4.2	4.3
Large	27.8	28.2	29.7	29.3
Personal loans	58.5	59.7	66.5	67.2
<i>Of which</i>				
Housing (Including priority sector housing)	29.5	30.1	32.6	32.8
Credit card outstanding	2.9	2.8	2.9	3.0
Education	1.4	1.4	1.5	1.5
Vehicle loans	6.2	6.2	7.1	7.2
Services	49.6	50.9	56.5	57.2
<i>Of which</i>				
Computer software	0.3	0.3	0.4	0.4
Tourism, hotels & restaurants	0.8	0.8	1.0	1.0
Shipping	0.1	0.1	0.1	0.1
Aviation	1.9	0.5	0.5	0.5
Retail trade	5.2	5.4	5.9	5.9
Commercial real estate	5.1	5.2	5.9	6.0

Non-food bank credit grew by 14.4% y-o-y in Jan'26 as compared to 11.3% in Jan'25. Credit to agriculture and allied activities registered a y-o-y growth of 11.4% in Jan'26 vis-à-vis 12.2% in Jan'25. Credit to industry recorded a y-o-y growth of 12.1% in Jan'26 as compared with 8.3% in Jan'25. Credit to 'Micro and Small' and 'Medium' industries continued to exhibit sharp expansion. Credit to services sector registered a growth rate of 15.5% y-o-y in Jan'26 as compared to 12.3% in Jan'25, supported by higher growth in segments such as 'Non-Banking Financial Companies (NBFCs)', 'trade' and 'commercial real estate'.

12. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's current account deficit increased to US\$ 13.2 billion (1.3 per cent of GDP) in Q3FY26 from US\$ 11.3 billion (1.1 per cent of GDP) in Q3FY25. The current account deficit represents the gap between the value of a country's exports and imports of goods and services. It serves as a crucial indicator of the country's external sector. Merchandise trade deficit at US\$ 93.6 billion in Q3FY26 was higher than US\$ 79.3 billion in Q3FY25.

13. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.75%	Dec 19, 2025 (25bps)	Apr 28, 2026
European Central Bank	Europe	2.15%	Jun 5, 2025 (-25bp)	Apr 17, 2026
Federal Reserve	U.S.A	3.75%	Dec 10, 2025 (-25bp)	Apr 29, 2026
Bank of England	U.K	3.75 %	Dec 18, 2025 (-25bp)	Mar 19, 2026
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	5.25%	Dec 05, 2025 (-25bp)	Apr 09, 2026

14. MACRO ECONOMIC INDICATORS OUTLOOK

Liquidity Scenario

- Banking sector liquidity remained in a comfortable surplus during 1st -15th March 2026, averaging approximately ₹2.46 trillion. This was largely supported by robust government spending and sustained liquidity measures by the RBI. However, the liquidity position shifted to a deficit between March 20th and 22nd. This tightening was driven by a combination of corporate advance tax outflows and currency market interventions, both of which drained system cash balances.
- This moderation in surplus liquidity pushed overnight rates, such as the Weighted Average Call Rate (WACR), above the 5.25% repo rate starting March 16th. To address this transient tightness, the RBI intervened by injecting approximately ₹2.08 lakh crore through four Variable Repo Rate (VRR) auctions (7-day, 3-day, and overnight) and conducting two Open Market Operations (OMO) purchase of ₹50,000 crore each on March 9th and 13th.
- As of the fortnight ended February 28, 2026, bank credit growth at 14.5% (YoY) continued to outpace deposit growth at 12.0%. This structural mismatch, compounded by the late-month liquidity squeeze, kept overnight borrowing costs elevated above the repo rate.
- Looking ahead, liquidity stress is expected to be short-lived, as the system returned to a surplus on March 23rd following renewed government spending and RBI interventions. The regulator is expected to maintain system liquidity at approximately 1% of Net Demand and Time Liabilities (NDTL) around ₹2.5 trillion to support ongoing credit growth.
- The RBI remains focused on keeping the Tri-Party Repo (TREPS) rate above the Standing Deposit Facility (SDF) rate and aligning the WACR closely with the policy repo rate to ensure effective monetary policy transmission.

Interest Rate Scenario

- The 10-year G-sec yield has surged to a 16-month high, reaching 6.84% as of March 23, 2026. This represents a significant jump from the 6.66% levels seen in end-February, driven by escalating geopolitical tensions in the Middle East and a sharp spike in crude oil prices.
- Domestic yields are facing additional pressure from a volatile US Treasury market with the 10-year Treasury yield climbing above 4.40% (on March 22), its highest in nearly 8 months prompting a sell-off in emerging market debt. The rupee's slide to record lows has added to the pressure, heightening concerns over capital flows & contributing to the rise in yields. While the recent 5-day pause signals in geopolitical conflicts briefly eased crude prices, the overall outlook remains cautious.

10 Year G-Sec/Treasury/Bond Yield of Major Countries (23.03.2026)

COUNTRY	Yield (%)
United States	4.34
United Kingdom	4.90
Japan	2.29
China	1.84
India	6.84

Source: Investing

- Looking ahead, the 10-yr G-sec yield is expected to remain sticky or elevated due to heavy debt supply, with Indian states set to raise record funds through bond sales this quarter. While the system returned to a slight liquidity surplus on March 23rd, the mismatch between high credit growth and lagging deposit growth continues to keep borrowing costs high.

15. INDUSTRY OUTLOOK

AGRICULTURE

As of 2026, the Indian agriculture sector is undergoing a profound structural shift. While it remains bedrock of the economy, it is transitioning from a traditional manual method model to a high value, tech driven and climate resilient ecosystem.

❖ **Present Position**

Agriculture is the backbone of rural India, employing nearly 46% of the workforce and contributing 15% to India's total Gross Value Added (GVA). The sector has maintained a steady **decadal growth of 4.45%** (FY16-25). For the current fiscal year (FY26), growth is projected at approximately **3.1% to 3.5%**.

86% of the farmers are small and marginal with average landholding of around 1.08 hectares, resulting in low mechanization, high input costs, low returns and meager income for farmers. Irrigation is still heavily dependent on the monsoon, making the sector highly vulnerable to climate change. The sector is marred with low productivity and disguised unemployment.

India is one of the top 10 agricultural exporters in the world, with a goal of becoming a global “food basket”. India accounts for approximately **2.4% to 2.5%** to the world's agriculture trade. Unlike many other sectors, agriculture consistently maintains a **trade surplus** (exports exceeding imports), which stood at approximately **\$13.4 billion** in 2024-25. India is world's largest exporter of rice and maintains top position in exports of spices, marine products, cotton, vegetables, fruits etc.

❖ **Challenges faced by the Sector**

While there have been notable advancements in Indian agriculture, challenges that impact productivity and incomes still need to be fully addressed. Fragmented landholdings, inadequate marketing and storage infrastructure, limited access to quality inputs, relatively low levels of investment and uneven quality of extension services are among the prominent reasons for the low productivity levels. These factors collectively affect resilience and farmer's income.

Addressing these issues will require a comprehensive approach such as further ongoing policy reforms, fostering the adoption of climate resilient technologies, empowering Farmer Producer Organizations (FPOs), fortifying cooperatives, optimizing markets and logistics and enhancing risk management frameworks.

❖ **Structural Shift in Agriculture**

While food grain production has increased in recent years, higher-value allied sectors, such as livestock, fisheries and horticulture are playing an increasingly important role in enhancing income opportunities and strengthening rural livelihoods.

Further, farmers are diversifying crops from just staples to high yielding crops. The horticulture sector, which accounts for approximately 33% of agriculture GVA, has emerged as a bright spot in the country's agricultural growth trajectory. In 2024-25, horticulture production reached 362.08 MT, surpassing the estimated food grain production of 329.68 MT.

The Union Budget 2026-27 has provided support to this shift by announcing a dedicated and targeted programme for horticulture, high value agriculture and loan linked capital subsidy support scheme for animal husbandry. The budget outlay announced for the sector is Rs.1.63 lakh crores.

There is also a shift towards **Large Scale Farming**. Small farmers are pooling their land and resources to act as a single large entity. This allows them to buy seeds in bulk, use heavy machinery and negotiate better prices with big retailers. Large corporations are also partnering with thousands of small farmers. The company provides the tech and seeds, while the farmers provide the land and labor, creating a decentralized “large farm”.

❖ **Tech Driven Transformation**

The sector is undergoing technological transformation. This shift combines AI, robotics, digital platforms, remote sensing and Internet of Things (IoT) to improve productivity, sustainability and farm economics.

AI/ML algorithms analyze data from satellites, drones and field sensors to predict weather patterns and optimal sowing times, detect pest infestations and crop diseases early, recommend fertilization and irrigation schedules. Smartphones and apps are bringing advisories in local language, weather and pest alerts and information on government schemes. Drones with cameras and sensors are being used for crop health monitoring, targeted spraying of pesticides and fertilizers and mapping field for moisture, nutrient levels or plant health.

To further support the tech driven growth in agriculture, Government has launched **Bharat – VISTAAR** (Virtually Integrated System to Access Agricultural Resources) an AI-powered Digital Public Infrastructure (DPI) that is viewed as “**UPI for Agriculture**”. This intelligent gateway unifies weather, market prices, and government schemes in one place. Integrated with AgriStack, it offers tailored advice based on farm’s land, soil health and local weather. Further, government aims to generate unique **digital IDs for 11 crore farmers** by the end of FY’27 to streamline subsidy delivery.

Future Outlook

With continued investment and innovation, the agricultural sector can achieve greater resilience, competitiveness and income growth. Strengthening private sector engagement in areas such as food processing, cold chain infrastructure and the development of high value agricultural products will be essential to boosting competitiveness in both domestic and international markets. Moreover, scaling up high growth segments including horticulture, agroforestry, dairy, poultry and fisheries has the potential to drive inclusive economic development and generate employment opportunities, particularly within rural communities.

India is building a sustainable, inclusive and technologically advanced agricultural ecosystem that aims not only to ensure national food security for about 1.5 billion people but also position India as a leading global food supplier.

Chhavi Sachdeva
Senior Manager (Economics)
SMEAD, Head Office

16. DATA SOURCES

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

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QUOTE OF THE MONTH

*“In the end we retain from our studies only
that which we practically apply.”*

— Johann Wolfgang Von Goethe

”



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