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THE INFLUX OF FOREIGN FLOWS

At a time when global capital is turning increasingly selective, India's latest policy response signals a clear intent: to make the country a more attractive, predictable and competitive destination for foreign flows. The Government and the Reserve Bank of India have acted in tandem to ease access for overseas investors, deepen the domestic bond market and support the rupee amid persistent volatility in emerging-market capital flows.

To improve the returns on Indian Government Bonds, the Government has removed the tax friction by exempting eligible Foreign Portfolio Investors from tax on interest income and capital gains. This aligns India more closely with competing markets and can help draw long-term, stable capital into the government bond market.

The RBI has complemented this fiscal measure with regulatory liberalisation. It has expanded the Fully Accessible Route (FAR) by including new issuances of long-tenor government securities, including 15-year, 30-year and 40-year papers, thereby widening the investible universe for global investors. It has also removed certain short-term investment, concentration and security-wise limits for foreign portfolio investment in government securities under the general route. These changes reduce operational complexity and give global funds greater flexibility in India's debt market.

Equity flows have also been addressed. The investment limits for individual Persons Resident Outside India (PROIs) have been enhanced and access through the portfolio investment route has been broadened beyond Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs). This can enlarge the base of overseas investors in Indian listed equities, improve market depth and bring more diversified participation into domestic capital markets.

Alongside these measures, the RBI has introduced support for dollar inflows through concessional foreign-exchange swap facilities linked to external commercial borrowings by public sector undertakings and fresh FCNR(B) deposits. These steps are intended to mobilise foreign currency resources at a time when higher crude oil prices, geopolitical uncertainty and portfolio outflows have placed pressure on the rupee and the balance of payments.

These measures will benefit the overall economy. Higher foreign participation in government securities can lower borrowing costs over time, improve price discovery, attract stable systematic inflow of long-term foreign capital and boost foreign exchange inflows. Stronger capital inflows can add to foreign exchange reserves and provide the RBI greater room to manage liquidity. A more stable external account also reduces vulnerability to global shocks and strengthens investor confidence.

However, the success of these reforms will depend on more than tax relief and regulatory ease. Foreign investors will continue to assess India through the lens of macroeconomic stability, which includes growth, fiscal discipline, inflation management, currency risk and corporate earnings. The latest measures should be seen as an important enabling framework, in addition to sustained structural reforms.

Overall, the coordinated approach of the Government and the RBI reflect a pragmatic recognition of the importance of foreign capital in financing growth, stabilising the currency and integrating India more deeply with global markets.

Sunil Kumar Goel
Chief General Manager

2. MONETARY POLICY AND INDIA'S GROWTH STORY: OUTLOOK FOR FY 2026-27

India's growth story, entering FY 2026-27, remains one of resilience and relative outperformance among major economies. Despite global headwinds, India's growth remains fundamentally strong, supported by resilient domestic demand, a revival in the investment cycle, and the continued strengthening of the financial sector. Strong private consumption and services exports continue to anchor growth, with urban demand remaining robust, while rural demand is likely to be monsoon dependent. The government's capital expenditure push and healthier corporate balance sheets are supporting fixed investment and improving capacity utilisation suggesting room for further expansion. In addition to the fiscal policy, the Monetary policy has also been very supportive of growth.

India's monetary policy is increasingly influenced by global factors, particularly crude oil prices, currency movements, and external financial conditions. Since India depends on imports for nearly **85%** of its crude oil requirements, any sharp increase in global oil prices can transmit quickly into domestic inflation. At the same time, currency volatility and pressure on the rupee require cautious rate management. In this context, the RBI's neutral stance reflects a careful balancing act between supporting growth, protecting currency stability, and containing imported inflation.

In the current macroeconomic context for FY 2026–27, India's growth is expected to moderate but remain resilient. The RBI has projected India's GDP growth for FY 2026-27 at around **6.6%**, reflecting a moderation from **7.7% in FY 2026-27.** Inflation is expected to remain within a manageable range of **5.1%**, although risks are tilted upward due to energy prices and supply-side shocks. At the same time, the policy repo rate has been **maintained at 5.25%** with a **neutral stance**, indicating a data-dependent approach by the central bank.

The Monetary policy has gradually shifted from the aggressive easing phase of **2024–25** to a **pause-and-watch mode**. Pre-loaded rate cuts of up to **125 basis points since 2025** supported economic recovery, credit expansion, and investment sentiment. The Domestic Bank lending continued to outpace deposit growth and showed the growth of **17.6%** in the fortnight ended 31st May 2026. The **current stance** reflects prudence as inflation risks have begun to re-emerge, making it necessary to avoid overheating while ensuring that adequate credit continues to flow to productive sectors, consumption, and investment activity.

RBI's inflation-targeting framework of **4% (±2%)** plays a critical role in ensuring macroeconomic stability by anchoring inflation expectations and preserving public confidence in price stability. Despite global shocks, inflation has largely remained within the tolerance band, thereby reinforcing the credibility of monetary policy and supporting India's broader growth momentum.

Furthermore, structural reforms in monetary transmission have improved the effectiveness of policy actions and strengthened the linkage between policy rates and real economic activity. The adoption of external benchmark-linked lending has accelerated the pass-through of policy rate changes to borrowers, while liquidity measures and targeted operations have helped maintain financial system stability. As a result, monetary policy has become more effective in supporting credit growth and investment activity.

The outlook for India's growth in 2027 is subject to several important risks. Rising energy prices and global commodity volatility could push inflation closer to the upper tolerance band, while geopolitical tensions, particularly in West Asia, may continue to disrupt trade flows and supply chains. In addition, weather-related uncertainties, including monsoon variability and the possibility of El Niño conditions, could affect agricultural output and food inflation, thereby influencing rural demand. Further, global financial tightening may impact capital inflows and exchange-rate stability, creating additional external pressures for monetary policy management.

The Monetary Policy has been responsive to geopolitical turmoil and has taken bold steps to boost forex inflows and defending the rupee. In order to attract Debt and capital inflows the RBI has unleashed series of measures from removal of FPI restrictions, expanding the universe of specified securities to bearing the swap cost on ECB and hedging costs on FCNR deposits. The initiative is to counter the outflow and pre-empt any foreign exchange reserve crisis.

Monetary Policy in India is becoming increasingly **dynamic, calibrated, and forward-looking**, as it seeks to balance the complex trade-off between growth support and inflation control. As Indian economy moves ahead in FY 2026-27, RBI's credible inflation-targeting framework and neutral policy stance are reinforcing macroeconomic stability, while strong domestic demand and investment momentum continue to support relative outperformance among major economies. The growth narrative is therefore evolving from a phase of high-speed expansion to one of resilient, sustainable, and stability-oriented growth.

India's 2027 growth narrative is not just about GDP numbers, but also about **macro stability, policy credibility, and structural transformation**, with monetary policy playing as the critical anchor. Going forward the monetary policy will continue to play an anchor role in supporting growth while reigning in inflation and providing macroeconomic stability.

Ajay Kumar Singh
General Manager
SMEAD, Head Office

3. DECODING THE FPI EXODUS: INDIA'S RESILIENCE AMID GLOBAL CAPITAL REALLOCATION

Foreign Portfolio Investors (FPIs) have played a defining role in the evolution of India's financial markets over the past three decades. Their participation across equities, government securities, corporate bonds, REITs and InvITs has deepened market liquidity, improved price discovery and strengthened India's integration with global capital markets. For many years, rising foreign participation was viewed as a strong vote of confidence in India's economic prospects, corporate earnings potential and reform-oriented policy framework.

A Shift in Foreign Investor Sentiment

The recent behaviour of FPIs, however, signals a shift in global capital flows. During 2026 so far, FPIs have remained significant sellers in Indian equities, with cumulative outflows of about ₹2.87 lakh crore by mid-June, already exceeding the total outflows recorded during 2025. This reversal has been driven by a mix of factors, including elevated US bond yields, a strong US dollar, geopolitical tensions in West Asia, higher crude oil prices, rupee depreciation and concerns over stretched valuations in parts of the Indian equity market.

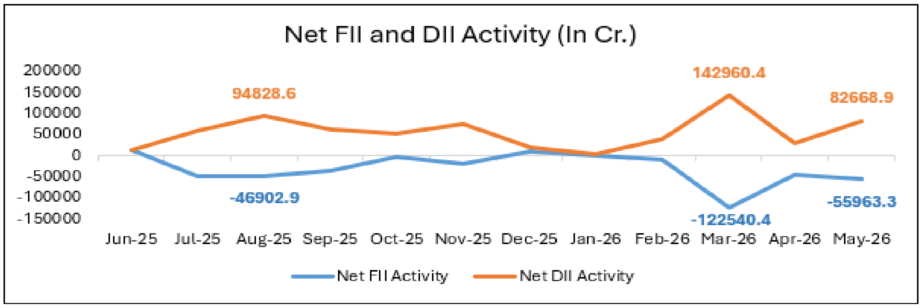
However, the current phase is not merely a conventional risk-off episode. It also reflects a broader reallocation of global capital towards technology-led opportunities such as artificial intelligence, semiconductors and advanced manufacturing, particularly in markets like the United States, Taiwan and South Korea. In this context, a part of the recent outflow from India appears to represent global portfolio reshuffling rather than any fundamental reassessment of India's long-term growth story.

Higher crude oil prices have further added to investor caution. As a major energy importer, India remains sensitive to movements in global oil prices, which influence inflation, the current account balance and currency stability. A weaker rupee also reduces dollar-denominated returns for foreign investors, thereby affecting near-term portfolio appetite. These factors have collectively contributed to the recent phase of foreign selling.

A More Resilient India

What makes the present episode different from earlier periods of capital outflow is the transformation within India's domestic capital market. In the past, foreign investors often had a disproportionate influence on market direction. Today, domestic institutional investors have emerged as a powerful stabilising force. The rapid growth of mutual funds, pension funds and insurance assets, supported by sustained Systematic Investment Plan (SIP) contributions of over ₹30,000 crore per month, has structurally strengthened the domestic investor base. During May 2026, monthly SIP contributions stood at ₹30,954 crore, reflecting the growing financialization of household savings and the increasing maturity of retail participation in capital markets.

This domestic depth has helped cushion the impact of external selling. In May 2026, Domestic Institutional Investors (DIIs) purchased equities worth about ₹82,669 crore, while Foreign Institutional Investors (FIIs) sold equities worth about ₹55,963 crore. The ability of domestic investors to absorb such selling pressure highlights a significant change in India's market structure. It has reduced vulnerability to external shocks and provided greater stability during periods of global uncertainty.



Source: Groww

India enters the current phase of global uncertainty from a stronger macroeconomic position than in earlier periods of stress. Growth remains resilient, inflation is more contained than during the Taper Tantrum period, fiscal consolidation is progressing and the external sector is stronger. As per recent RBI communication, India's foreign exchange reserves stood at around USD 671.6 billion as of June 12, 2026, providing about eleven months of import cover and a strong buffer against external volatility.

Unlike the Fragile Five phase, India today has lower inflation, manageable current account deficit, and greater policy flexibility. Supported by services exports and remittances, the economy is better placed to withstand external shocks, making the current phase of FPI outflows far less disruptive than in the past.

Opportunities Amid Shifting Global Capital

While portfolio flows have turned volatile, the changing global investment landscape presents new opportunities for India. Geopolitical uncertainties and supply chain diversification under the China+1 strategy are enhancing India's appeal as a long-term investment destination, particularly in electronics, engineering goods, auto components, defence manufacturing, pharmaceuticals and specialty chemicals.

India's integration with global financial markets is also deepening. Inclusion of government securities in major global bond indices, expansion of the Fully Accessible Route (FAR), and continued market reforms are expected to support foreign participation. Notably, FPI interest in Indian debt has remained resilient despite reduced equity exposure.

The challenge for India is not merely to attract foreign capital, but to ensure that flows remain stable, diversified and aligned with long-term development priorities. Continued focus on macroeconomic stability, infrastructure, manufacturing competitiveness, financial sector development and governance reforms will be key to sustaining investor confidence.

In conclusion, the recent FPI exodus should be viewed in the context of shifting global capital allocation rather than as a reflection of India's economic fundamentals. While global investors may continue to rotate capital across markets and asset classes, India's investment story remains supported by strong macroeconomic fundamentals, a large domestic market, rising domestic institutional participation and a progressively evolving financial ecosystem. The rise of domestic capital, coupled with continued reforms and deeper integration with global financial markets, has strengthened India's ability to absorb external shocks and sustain long-term growth. In an increasingly uncertain global environment, India's resilience may well become one of its strongest investment propositions.

Virendra Prakash Bansal
Deputy General Manager
SMEAD, Head Office

4. HIGHLIGHTS OF THE RBI'S MONETARY POLICY ANNOUNCED ON 05.06.2026

A. Policy Rate / Reserve Ratio	Previous	Now	Change
Policy Repo Rate	5.25%	5.25%	**No Change**
Standing Deposit Facility (SDF)	5.00%	5.00%	
MSF Rate	5.50%	5.50%	
Bank Rate	5.50%	5.50%	
B. Reserve Ratios			
Cash Reserve Ratio (CRR)	3.00%	3.00%	**No Change**
Statutory Liquidity Ratio (SLR)	18.0%	18.0%	

a. **Policy Rate:** Monetary policy Committee (MPC) kept **the repo rate unchanged at 5.25%** in its second bi-monthly monetary policy during the financial year 2026-27.
b. **Stance:** MPC decided to retain its stance at ***'neutral'***.
c. **Rationale:** There are considerable risks to the baseline assessment of inflation and growth due to the uncertainty about the duration and intensity of the West Asia conflict, magnitude of its spillover effects and the pace of restoration of supply chains. Additionally, the food outlook remains uncertain on account of the subnormal south-west monsoon forecast and El Niño.
d. Although risks of higher inflation have amplified, the MPC has decided to adopt a wait & watch approach, consequently keeping the repo rate unchanged and retaining the stance.

i. Economy and Inflation Outlook

Economy Outlook

- **Global economy:** The ongoing conflict in West Asia continues to disrupt global supply chains and drive-up energy costs. This double whammy of high input costs and logistics bottlenecks continues to hinder economic activity.
- Facing a tough balance between growth and sticky inflation, major advanced economy central banks are shifting back toward a tightening bias, signaling a prolonged period of high global interest rates.
- Heightened risk aversion is driving capital toward safe-haven assets. This is triggering significant volatility in foreign exchange markets and imparting depreciation pressure on Emerging Market Economy (EME) currencies.
- **Domestic Economy:** High-frequency indicators such as PMI, and robust fixed investment confirm that domestic economic activity remains steady despite the geopolitical conflict. However, profit margins face headwinds as the pass-through of escalating energy and input costs to retail products is already becoming visible.
- Urban consumption remains insulated by strong services and stable employment, but rising inflation threatens to drag down household purchasing power. On the trade front, while services exports remain healthy despite AI-related concerns, merchandise exports face severe headwinds from high logistics costs and weak global demand.
- A projected deficit in the south-west monsoon poses a direct threat to agricultural output and rural demand, though government climate-resilient initiatives are expected to mitigate the impact. Concurrently, while high capacity-utilization and steady bank credit support corporate capex, heightened global uncertainty and cost escalations could dampen investor sentiment.

- To counter external shocks, the government is actively pushing import diversification, supporting MSMEs, and ramping up domestic energy production. Taking all these factors into consideration, Real GDP projections have been revised as under:

RBI's GDP Projections	Q1 FY'27	Q2 FY'27	Q3 FY'27	Q4 FY'27	FY'27
08.04.2026	6.8%	6.7%	7.0%	7.2%	6.9%
05.06.2026	6.6%↓	6.3%↓	6.5%↓	6.8%↓	6.6%↓

Prolonged global supply chain disruptions, volatility in global financial markets, and weather-related shocks continue to pose downside risks to the domestic growth outlook.

Inflation Outlook

- Headline CPI inflation remained benign and below-target in March and April 2026 (3.4% and 3.5% respectively), supported by a stable core inflation of 3.7% (dropping to approx. 2.2% excluding precious metals). However, a sharp spike in April's WPI inflation, driven by escalating input and energy costs, signals a heavy build-up of upstream price pressures.
- The Indian crude basket averaged an elevated **US$110/barrel** during April–May 2026, substantially exceeding previous policy assumptions. The partial pass-through of these global prices to domestic retail fuel pumps commenced in May, effectively ending the period of muted fuel inflation.
- Looking ahead, consumer inflation is poised to face strong upward pressure. As firms begin passing on the increased costs of critical inputs including commercial LPG, industrial raw materials, chemicals, base metals, and plastics headline CPI is expected to climb in the coming months.

  Considering these factors, the projections for Inflation have been revised as under:

RBI's Inflation Projections	Q1 FY'27	Q2 FY'27	Q3 FY'27	Q4 FY'27	FY'27
08.04.2026	4.0%	4.4%	5.2%	4.7%	4.6%
05.06.2026	4.2%↑	5.1%↑	5.9%↑	5.4%↑	5.1%↑

Core inflation is projected at 4.7% for FY26-27. Inflation forecast is subject to upside risks due to global supply chain disruptions, global commodity price shocks, uncertainty about the spatial and temporal distribution of the south-west monsoon and El Niño conditions.

ii. Liquidity and Financial Market Conditions

- System liquidity remained comfortably in a daily average surplus of ₹2.63 lakh crore, managed via proactive RBI interventions. Liquidity is expected to get a near-term boost from the drawdown of government cash balances (post-RBI surplus transfer) and the seasonal return of currency during the monsoon.
- While the call rate stayed within the policy corridor, short-term market rates (CPs and CDs) and G-Sec yields eased in April before firming up again in May due to renewed pressures.
- Credit from all sources accelerated significantly to 15.4% (y-o-y) in 2025-26 (up from 12.1% the previous year). Bank credit growth remains highly robust and broad-based, primarily driven by corporate borrowers shifting away from costlier market-based alternative funding sources.
- Going forward, the Reserve Bank will remain proactive and pre-emptive in liquidity management, ensuring adequate liquidity in the banking system to meet the productive requirements of the economy.

iii. Financial Stability

- The system-level financial parameters related to capital adequacy, liquidity, and asset quality of SCBs continue to remain healthy, although there is some moderation in profitability as compared to last year. Net profit growth of SCBs moderated from 14.7% in FY 2025 to 6.0% in FY 2026 on a y-o-y basis, alongside a 20-bps compression in NIM from 3.46% to 3.26%.

iv. External Sector

- While India's external sector successfully navigated trade turbulence in 2025–26, the current surge in energy prices and lingering global trade policy uncertainties pose upside risks to the Current Account Deficit (CAD) for 2026–27. However, a strong services trade surplus and resilient inward remittances are expected to act as vital structural buffers.
- Long-term global investor confidence remains highly robust, evidenced by buoyant gross and net FDI inflows in 2025–26, which continued into April 2026. Conversely, short-term foreign portfolio investment (FPI) has faced severe headwinds, recording net outflows of US$13.7 billion in 2026–27 so far (up to June 2), primarily concentrated in the equity segment due to global risk-off sentiments.
- As of May 29, 2026, foreign exchange reserves stand at a healthy **US$682.3 billion**, providing a powerful import cover of approximately 11 months and covering 89.1% of external debt. This external stability is being further reinforced by long-term policy interventions, including bilateral trade agreements, 100% FDI in insurance, the ethanol blending push, and a liberalized External Commercial Borrowing (ECB) framework. To attract foreign capital, a few measures have been announced, which are as follows: -

1. Liberalization of Debt and Equity Routes for Foreign Investors

i. **G-Sec Expansion (FAR Route):** The universe of 'specified securities' under the Fully Accessible Route (FAR) is being expanded to include all new **15, 30 and 40-year tenor** government securities. Combined with tax benefits announced by Govt. of India (exemption to FIIs on interest from G-sec and capital gains arising from their sale), this directly targets long-term foreign capital for government borrowing.

ii. **Removal of FPI Restrictions:** Under the General Route, previous FPI constraints, including **short-term investment limits, concentration limits, and caps on individual securities,** are completely removed to encourage frictionless debt inflows.

iii. **Equity Scope Broadening (NRI/OCI/PROI):** Equity investment limits via the stock market without SEBI registration are being hiked for NRIs and OCIs. Crucially, this simplified facility is now extended to all individual **Persons Resident Outside India (PROIs)** at par with NRIs.

2. Targeted Forex Incentives & Export Realization (Valid till Sept 30, 2026)

i. **PSU Borrowing Boost:** A concessional forex swap window will be operational until September 30, 2026, specifically to incentivize External Commercial Borrowings (ECBs) by Public Sector Undertakings.

ii. **FCNR(B) Deposit Push for Banks:** To help Authorized Dealer (AD) banks aggressively pull in foreign currency deposits, a facility **bearing the full hedging cost** will be provided until September 30, 2026, for raising fresh 3–5-year FCNR(B) deposits.

iii. **Export Realization Buffer:** The timeline for the realization and repatriation of export proceeds has been restored to **nine months**, easing liquidity management for exporters amid global supply chain delays.

- The RBI reiterated that it does not target a specific level or band for the INR; and that the exchange rate remains market determined. It only intervenes in the market to curb excessive volatility and disorderly movements.

5. WHAT EXACTLY ARE YOU CONTRIBUTING HANSA?

5th

THEME: WOMEN'S CONTRIBUTION TO ECONOMIC GROWTH

'No title can elevate what character has already made'.

Recently, while walking home from the office to my home, I was startled to overhear an argument between a woman and her husband, whose home lies in the 'kacchi basti' along my route. I heard her husband passing a scoffing remark to her, part of which was, "I'm working day and night at the factory and bringing the food on our table, what really are you contributing Hansa by staying at home all day?" She quietly bowed down her head and chose to remain silent, given the utterly patriarchal nature of the society in her locality – a world which mistakes her stillness for absence.

She probably doesn't hold any business degree (or any degree for that matter), no corporate designation, no LinkedIn profile. What she instead holds is a clay stove, a recipe passed down three generations, and the iron discipline to wake at four every morning to prepare tiffins for office workers in her neighbourhood. Not impressive enough, apparently. But here is what the smirk missed: that same discipline made her save, invest in a second stove, hire her neighbour's daughter, and eventually feed more households. Her money circulates. Her neighbour's daughter now earns. The dabbawala who carries her tiffins has work. The vegetable vendor she buys from every dawn has a loyal customer – i.e. an **entire ecosystem breathes because of her.** And **Hansa is not an exception, she is a pattern, repeated tens of millions of times across the nation**, in women who weave sarees in Kanchipuram, harvest paddy in Chhattisgarh, roll beedis in Murshidabad, and stitch footballs in Jalandhar.

If you were to speak to an economist, you'll hear words like fiscal policy, credit expansion, reforms, but 'her' name will never appear anywhere, in no economic survey. And yet, she, along with many others, is a key factor driving the economic growth. **Her contribution to the economy is like the salt you add to a vessel of rice so thoroughly dissolved that it becomes undetectable, yet so fundamental that without it, everything is diminished and tasteless**. No one will point it out on a balance sheet. But take it away, and the entire economy loses its taste. These women carry no titles. In fact, they need none. What they carry is the economy itself. They have always worked this way – not in headlines, but in the grain of the nation's daily life.

These women are like the seasoned drivers, who despite all the traffic and chaos around them, navigate their way through unscathed - the only difference being they do not honk.

An Invisible Engine – The Numbers Behind the Scenes

Hansa's story above is not just an emotional story, it's backed up by statistics. These stats evidently reveal how much the economy owes to women, who receive almost no acknowledgement in return.

According to the State Bank of India's ECOWRAP report, the total contribution of unpaid women to the economy is around ₹22.7 lakh crore ₹14.7 lakh crore from rural India and ₹8 lakh crore from urban areas which amounts to almost 7.5 per cent of India's GDP. [1] This is the cooking, the cleaning, the childcare, the caregiving work that begins before sunrise and ends long after the rest of the household has fallen asleep. Work that earns no salary, appears in no quarterly report, and yet without which the entire productive machinery of this nation would go for a toss.

As per the 2024, India Time Use Survey, carried out by National Statistics Office (NSO), women aged 15-59 spend about 305 minutes on unpaid domestic work, compared to just 88 for men. Women dedicate 16.4 per cent of their day to unpaid domestic work, while men spend just 1.7 per cent and beyond housework, women spend an additional 137 minutes per day in caregiving, tending to children and the elderly, compared to 75 minutes by men. The hours are not equal. The recognition is not equal. Only the silence is.

Yet here is the cruel irony: women currently contribute just 18 per cent to India's formal GDP, one of the lowest such proportions in the world. The gap between what women contribute and what gets counted is not an accounting error. It is a structural blindness, one that has been institutionalised over decades. When the work does not come with a wage, society has decided conveniently that it does not count. The need of the hour is to involve more women in the workforce; this gender parity can boost India's GDP by 27%.

The Self-Help Revolution – Small Savings, Large Economies

If Hansa is the face of India's invisible economy, then India's Self-Help Groups are its beating heart. And what a heart it is.

India's SHGs are today regarded as the world's largest microfinance project. As per PIB's data as of January 2025, India has 90.90 lakh SHGs with nearly 100 million women as members averaging 14 SHGs per village, with every eighth Indian woman being an SHG member. In 2023–24, up to February 2024, these groups disbursed loans amounting to ₹1.7 lakh crore. Think about that for a moment. Women who have never sat in a bank boardroom, who have no credit history recognised by any formal institution, who save fifty or a hundred rupees a week from household budgets already stretched thin, these women have built the world's largest microfinance operation between them. And they run it with extraordinary discipline. As per the Economic Survey 2022–23, SHGs maintain a loan repayment rate of over 96 per cent, a figure that puts most commercial borrowers to shame.

These are not passive beneficiaries of government schemes. These are architects of local economies, women who pool resources, share risk, train one another, and create ecosystems of micro-enterprise that sustain entire villages. According to official PLFS data, India's female labour force participation rate rose from 23.3 per cent in 2017–18 to 41.7 per cent in 2023–24, a dramatic shift driven largely by rural women. Women are not just entering the economy. They are, increasingly, building it from the ground up.

What the Global Map tells us

The story of Hansa is Indian, but the lesson it carries is universal. The most compelling evidence for women's economic contribution is not found in any single country, it is found in the contrast between nations that include women and nations that do not.

Where Women Work, Economies Soar

In the United States, women represent nearly 47 per cent of the total labour force, with prime-age women recording a participation rate of 78 per cent, an all-time high. The Hamilton Project's landmark publication, the 51 Percent, established that from the early 1950s through 2000, women's entry into the American workforce drove almost the entire increase in the country's aggregate labour force participation rate. Sweden tells an equally sharp story: with close to 80 per cent of women between 20 and 64 in employment — backed by subsidised childcare and parental leave designed for both parents equally — it consistently ranks among the world's most competitive economies. The message is unequivocal: when you unlock women, you unlock growth.

India’s Own Before-And-After

India's economic history offers a striking before-and-after of its own. The country's female labour force participation rate fell from 30.2 per cent in 1990 to an all-time low of 17.5 per cent in 2018, a period during which the economy grew but grew on one engine. As women began re-entering the workforce through SHGs, rural employment schemes, and the services sector, the trajectory shifted: India's GDP has grown from approximately $320 billion in 1990 to over $3.7 trillion today. The correlation is not coincidental. Researchers estimate that closing the gender participation gap could increase India's GDP by as much as 27 per cent. Every year that gap persists, India pays a price that never appears on any balance sheet.

Where Women Are Excluded, Economies Stagnate

Pakistan's female labour force participation rate stands at just 24.26 per cent against a world average of 51.13 per cent with men participating at 83 per cent, one of the starkest gender gaps anywhere. The economic consequences are visible: chronic underperformance despite a young population and abundant natural resources. Bangladesh, sharing the same region and many of the same starting conditions, chose differently. Its female participation rate surged from 26 per cent in 1991 to over 42 per cent by 2022, powered by a garment industry employing 4.4 million workers, the majority women contributing 11 per cent of national GDP. Bangladesh's economy grew from under $40 billion in the mid-1990s to over $416 billion in 2021. The women stitching garments in Dhaka are Bangladesh's Hansa's unglamorous, uncelebrated, and entirely load-bearing.

The conclusion(s) the global map draws is unavoidable: **no nation has ever achieved sustained economic growth while leaving its women behind. Not one. The debate is not ideological. It is arithmetic.**

The Rising Tide – And What Still Holds It Back

The progress in India is real and worth celebrating. The female labour force participation rate has climbed from 23.3 per cent in 2017–18 to 41.7 per cent in 2023–24, with rural female LFPR rising from 23.3 per cent to 47.6 per cent over the same period. And yet, the ceiling remains firmly in place. Over 90 per cent of employed women in India are in the informal sector, where there is little or no access to social security, maternity benefits, or legal safeguards. The burden of the home which the economy invisibly depends upon is precisely what prevents women from fully participating in the economy that depends on them.

The barriers are not merely structural. They are cultural. The husband in the kacchi basti who asked Hansa what she contributes is not just one man with one opinion. He is the living embodiment of a system, a system that has benefited from women's labour while refusing to acknowledge it.

Conclusion

The question, then, is not what women contribute. The question is why we keep asking. As we stand at the closure of the Indian financial year, my mind draws an analogy - **Women's contribution to the economy is like compound interest–small, silent, and invisible in the short run, but so foundational that without it, the entire sum simply does not add up**. And yet, for decades, we've been reading the final balance without aptly acknowledging the interest that built it.

India's women have been driving this economy on unpowered roads, in unmarked vehicles, with no GPS and no applause — and they have been arriving, every single time. The Hansas of this country do not need rescue. They do not need to be spoken for. What they need is for the system that profits from their invisible labour to finally open its eyes, square its accounts, and give credit where it has always been due.

The economy did not build itself. It was cooked, stitched, sown, saved, and carried largely by women. Women like Hansa. Women who never felt the need to honk.

Kajol Bhatia
Senior Concurrent Auditor
PLP Gurugram

6. CLASSROOM : FCNR(B) DEPOSITS AND THE RBI'S RUPEE SUPPORT FRAMEWORK

Defining FCNR(B) Deposits

Foreign Currency Non-Resident (Bank) deposits, commonly known as FCNR(B), are foreign currency-denominated deposits held by Non-Resident Indians (NRIs) within domestic commercial banks. From a macroeconomic perspective, these deposits serve as a vital mechanism for attracting foreign capital and diversifying a commercial bank's overall liability mix. Unlike standard domestic accounts, FCNR(B) allows NRIs to park and maintain their savings safely in foreign currencies (such as USD, GBP, or EUR etc..) without facing immediate exchange rate fluctuations.

The Operational Mechanism & The Hedging Friction

When a domestic bank accepts foreign currency deposits, it converts them to Rupees for local lending. At maturity (3 to 5 years), the bank must return the capital in the original foreign currency. If the Rupee depreciates in the meantime, the bank faces heavy exchange losses upon reconversion.

To eliminate this open asset-liability currency mismatch, banks utilize a financial technique called currency hedging, entering USD/INR forward contracts or currency swaps.

- Historically, the forward premium represents the cost of this hedge, incurred an annualized expense of 3.00% to 3.50% for commercial banks.
- Because banks had to bear this heavy operational friction, they could only afford to offer depositors a low interest rate of around 3.5% to 4.0%.
- An institutional consequence of this environment was that against a high global interest rate backdrop, FCNR(B) inflows dried up significantly.

The RBI's New Policy Announcement

To correct this structural market friction and mobilize counter-cyclical foreign capital, the Reserve Bank of India (RBI) enacted a targeted macro-prudential policy in June 2026.

Under this framework, the central bank announced it would fully subsidize and absorb the full currency hedging cost shall be provided till 30th September 2026 to AD banks for raising resh 3–5-year FCNR (B) deposits. By stepping in to absorb the 300 to 350 basis point swap cost onto its own sovereign balance sheet, the RBI synthetically removed the financial friction from commercial banks' P&L statements, entirely changing the pricing economics of foreign currency deposits.

How the Framework Actively Supports the Rupee

This regulatory intervention provides direct, multi-layered macroeconomic support to the Indian Rupee through the following transmission channels:

- **Aggressive Interest Rate Transmission:** Completely freed from the financial burden of hedging costs, commercial banks rapidly passed the operational savings onto depositors.
- **Massive Capital Mobilization**: Attracted by these highly competitive risk-free returns, NRIs are heavily redirecting foreign capital back into India, with statistical projections estimating fresh inflows between $20 billion and $45 billion.
- **Stabilising Foreign Exchange Reserves:** The influx of foreign currency deposits directly boosts India's forex reserves, providing the central bank with the necessary ammunition to defend the Rupee against global volatility, imported inflation, and external energy shocks.

Anoop Varghese
Manager (Economics)
SMEAD, Head Office

7. GIST OF RBI CIRCULARS

Date of the circular	June 8, 2026
Ref No.	RBI/2026-27/99 FMOD.MAOG.No.S-56/01.06.016/2026-27
Subject	Swap Facility for FCNR (B) Deposits

The RBI circular dated June 8, 2026 (FMOD.MAOG.No.S-56/01.06.016/2026-27), "Swap Facility for FCNR (B) Deposits," lets banks offer a special dollar-swap deal to attract more NRI deposits, following the Governor's June 5, 2026 statement. Banks can take fresh FCNR(B) deposits (3 to 5 year tenor, including renewals) and swap the dollars with RBI: they sell the dollars to RBI now at the official reference rate, and buy back the same amount at the same rate when the deposit matures. Since the buy-back rate is unchanged, the bank carries no currency risk on this money, which makes it cheaper for them to offer NRIs better interest rates.

Each bank can use this facility only once a week, and only up to the amount of new FCNR(B) money they raised the previous week. These deposits must stay locked in for at least one year, though banks can choose to allow early withdrawal after that; either way, the bank's swap deal with RBI itself can't be cancelled. The deposits are also exempt from the CRR/SLR-type requirement under para 402 of RBI's Credit Facilities Directions, 2025, though banks still must keep deposit pricing within RBI's normal rate ceiling. The scheme started immediately and covers deposits raised up to September 30, 2026, with banks able to use the swap window until October 16, 2026. In short, it's RBI making it easier and cheaper for banks to pull in NRI dollar deposits, to support the rupee and boost foreign-currency inflows.

Date of the circular	June 5, 2026
Ref No.	RBI/2026-27/97 A.P. (DIR Series) Circular No.11
Subject	Investments by Foreign Portfolio Investors in Government Securities – Amendments to the regulatory framework

The RBI circular dated June 5, 2026 (A.P. (DIR Series) Circular No. 11) eases rules for Foreign Portfolio Investors (FPIs) buying Indian government bonds via the General Route. Earlier, FPIs had to follow three caps: a short-term investment limit, a security-wise limit, and a concentration limit. All three have now been scrapped, along with the related minimum residual maturity requirement, making it much simpler for foreign investors to buy and hold Indian government securities.

The separate 'general' and 'long-term' FPI investment limits have also been merged into one single limit each for Central and State government securities, with the FY 2026-27 limits revised to ₹4,62,490 crore (Centre) and ₹1,53,043 crore (states) for April-September, rising further from October. Separately, RBI has expanded the Fully Accessible Route (FAR), adding all new 15, 30, and 40-year government bonds, all new Sovereign Green Bonds (5 to 40-year tenors), and three specific existing securities, to the list FPIs can invest in without any restrictions. Overall, this is a clear push to attract more foreign money into Indian government debt.

8. GIST OF RBI SPEECHES

Resilience by Design: Lessons from India's Banking Sector

(Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India, on June 1, 2026, at the School of International and Public Affairs (SIPA), Columbia University)

Speaking at Columbia University's School of International and Public Affairs on June 1, 2026, the RBI Deputy Governor built his remarks around the theme "Resilience by Design," tracing how India's banking sector arrived at its current strength and where the next set of challenges lie.

India's banks sit on a broadly favourable macroeconomic footing: steady industrial and services activity, inflation within RBI's comfort band, manageable external vulnerabilities, and a sector carrying healthier balance sheets, comfortable capital buffers, and non-performing assets at multi-decade lows. The central caution was against complacency. Resilience needs to be built precisely when conditions look good, since risk tends to accumulate quietly during upswings and only becomes visible once conditions turn.

Five reinforcing dimensions ran through the speech. Transparent recognition of stress came first, anchored in the post-2015 Asset Quality Review, described as more than an accounting correction; it reshaped incentives across banks, owners, borrowers, and supervisors by forcing an honest reckoning with hidden losses, even though such recognition is rarely welcomed by bank boards in the near term. Balance sheet strengthening followed as the second theme, with recognition needing to be matched by real repair through provisioning, recapitalisation, write-offs, and recoveries, backed by government action including the Insolvency and Bankruptcy Code, public sector bank recapitalisation and consolidation, and broader financial-inclusion infrastructure.

The third dimension concerned an evolution in supervisory practice, moving from compliance-driven, point-in-time inspections toward a holistic, forward-looking model that probes governance, technology risk, conduct, and the root causes of weaknesses, supported by tools such as stress testing, off-site surveillance, and thematic reviews, alongside deeper engagement with bank boards.

Calibrated and adaptive regulation formed the fourth theme, addressing how modern credit and payments activity now spans banks, NBFCs, and fintechs, which calls for rules that are both entity-aware and activity-aware. Examples cited included scale-based NBFC regulation, tiered urban cooperative bank norms, digital lending guidelines, and the Covid-era use of sunset clauses, all framed as ways to support markets without permanently diluting prudential discipline, alongside RBI's newer institutional mechanisms for periodic regulatory review.

The fifth dimension turned to resilience within banks themselves, noting a structural shift away from concentrated, large corporate exposures toward more granular, diversified portfolios across retail, MSME, and better-rated corporate segments, with a caveat that retail and unsecured credit carry their own risks demanding careful monitoring.

The path ahead will be less about resolving known legacy stress and more about navigating complexity and unpredictable shocks, spanning cyber risk, AI, climate-related disruptions, and geopolitical tension, alongside the expanding footprint of digital and microfinance lending.
The closing thought framed resilience not as a fixed achievement but as an ongoing institutional project, resting on capital and technology as much as on governance, judgment, and an institutional capacity to keep learning from each successive shock.

9. ESG UPDATES

1. **China and India emerge as global leaders in wind energy capacity growth, driving record installations worldwide**

- China added more than 120 GW of new wind capacity in 2025, representing nearly three-quarters of global installations.
- India installed 6.3 GW of wind power in 2025, an 85% increase from the previous year, reclaiming its position as the world's third-largest wind market.
- Together, China and India drove the majority of the 165 GW global wind additions, pushing worldwide capacity beyond 1,300 GW.

2. **Tata Motors delivers first Prima E.55S electric trucks to Billion E Mobility, advancing zero-emission freight transport in India**

- Tata Motors handed over the first batch of Prima E.55S electric prime movers to Billion E Mobility in April 2026.
- Billion E Mobility placed an additional order for 250 electric trucks, with plans to scale up to 1,500 units in the next 18 months
- The Prima E.55S comes with India's largest in-class 450 kWh battery, offering up to 350 km range, dual fast-charging ports, and advanced driver-assist systems for long-haul logistics.

3. **India shifts carbon market focus to farm-based credits, boosting agriculture's role in climate action**

- India is redirecting its carbon market strategy toward farm-based credits, emphasizing soil health, crop diversification, and sustainable practices.
- The move aims to bring millions of farmers into the carbon trading system, enabling them to earn revenue from climate-friendly agricultural practices.
- By focusing on farm-based credits, India aligns its carbon market with international sustainability goals while strengthening rural economic resilience.

4. **Apple invests ₹100 crores in clean energy projects in India**

- Apple committed ₹100 crores to expand renewable energy and recycling initiatives in India to strengthen its supply chain sustainability.
- The investment focuses on clean energy generation, circular economy projects, and green enterprise development.
- This move aligns Apple's India operations with its global target of achieving carbon neutrality across all supply chains.

5. **IFCI launches ESG PRAKRIT platform for corporates**

- IFCI introduced ESG PRAKRIT, a digital platform to help banks and corporates with ESG assessment and compliance reporting.

- The platform provides advisory services, data analytics, and transparency tools for ESG disclosures.
- It aims to strengthen India's corporate governance and align reporting with global sustainability standards.

6. **NLC India pivots from methanol to nuclear energy investments**

- NLC India announced a strategic shift from methanol projects to nuclear energy investments to diversify its clean energy portfolio.
- The move reflects India's broader push to expand non-fossil fuel energy sources beyond solar and wind.
- Nuclear energy is expected to play a key role in meeting India's long-term decarbonisation goals.

7. **India targets 25% steel emissions cut under new policy**

- The draft National Steel Policy 2025 sets a target to reduce sector emissions by 25% while expanding production capacity to 400 million tons by 2035.
- The policy balances industrial growth with India's climate commitments under the Paris Agreement.
- It emphasizes adoption of green hydrogen, carbon capture, and energy-efficient technologies in steelmaking.

8. **Survey Shows 92% of Indian Investors interested in Sustainable Investing Despite Greenwashing Concerns**

- The Sustainable Signals: Individual Investors *2026* survey was released on May 7, 2026 by the Morgan Stanley Institute for Sustainable Investing, in partnership with iResearch**.** It covered 2,250 investors globally**,** including respondents from India.
- 92% of investors expressed interest in sustainable investing, up from 88% in 2025. This reflects growing demand for credible ESG disclosures and impact-driven portfolios among Indian investors

9. **Global CSR & ESG Awards 2026 Held in New Delhi to recognize Corporate Sustainability Leaders**

- The event, hosted on May 8, 2026 at Hyatt Regency, New Delhi, brought together 400+ delegates, 250+ brands, and 500+ nominations, making it one of India's biggest CSR & ESG gatherings.
- Discussions centered on CSR impact analysis, sustainability mandates**,** and ESG integration into corporate strategy, highlighting how Indian companies are aligning with global sustainability frameworks.
- Awards were presented to leading organizations and NGOs for innovative ESG initiatives**,** showcasing best practices in corporate responsibility and sustainable development.

10. **SEBI Launches Review of ESG Rating Providers to Strengthen Transparency and Investor Confidence**

- SEBI has constituted a multi-stakeholder working group including issuers, investors, ESG rating users, domestic and global providers, analysts, legal experts, and academia to review the current framework.

- The review aims to enhance transparency, reliability, and confidence in ESG ratings, addressing concerns about inconsistent methodologies and disclosure practices.

***ESG Brain Teaser*-** The Draft **National Steel Policy 2025** aims to reduce emissions intensity in the steel sector by ___________ percent by 2035.

Smart Green Tip - Share your green habit with a colleague — inspiration spreads faster than carbon.

11. Corporate Governance & ESG Awards

- The FPJ-Care Edge Annual Report Awards honoured Indian companies for excellence in ESG reporting and governance.
- Firms like Apollo Hospitals, Adani Ports, and Bharat Electronics were recognized for transparency and sustainability practices.
- The event emphasized that annual reports now serve as comprehensive ESG disclosures, not just financial statements.

12. PepsiCo to Deploy Green Hydrogen-Based Fertilizer to Decarbonize European Food Supply Chain

- PepsiCo signed a multi-year agreement with Fertiberia to supply up to 150,000 tons annually of Impact Zero fertilizer by 2030, covering 400,000 acres (~162,000 hectares) of farmland used for potatoes, corn, sunflower, sugar beet, and rapeseed — key ingredients for Lay's, Doritos, Ruffles, and Cheetos.
- Fertiberia's fertilizer, made using green hydrogen instead of natural gas**,** can reduce manufacturing emissions by up to 63%**.**
- This initiative supports PepsiCo's global target to implement regenerative practices across 10 million acres by 2030 and cut Scope 3 FLAG (forest, land, agriculture) emissions by 30% compared to a 2022 baseline.

13. IBM Launches GHG Emissions Calculation Solution for Spreadsheet Users

- IBM introduced a **greenhouse gas (GHG) emissions calculator** that integrates directly with **spreadsheet tools**, making it easier for businesses to track and report emissions without complex software.
- The solution is aimed at **small and mid-sized enterprises (SMEs)**, helping them comply with ESG reporting requirements and avoid costly sustainability platforms.
- By simplifying emissions tracking, IBM is promoting **wider adoption of ESG practices**, reducing barriers for companies to measure and disclose their carbon footprint

Ask Yourself – How mindful am I about conserving water in daily routines and supporting water-positive initiatives?

***Ans. to ESG Brain Teaser*:** 25%

ESG Cell
SMEAD, Head Office

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

10. CLIMATE NEWS

1. India Emerges as World's Second-Largest Solar Growth Market in 2025:

India has emerged as the world's second-largest solar growth market in 2025, adding over 37 GW of solar capacity during the year and surpassing the United States, which added 34 GW, according to official reports. The country's total installed solar capacity has now crossed 155 GW, while non-fossil fuel sources account for 51.93% of India's total installed power capacity as of December 2025. With this rapid expansion, India now ranks third globally in overall renewable energy installed capacity, after China and the United States, as highlighted in the Renewable Energy Statistics 2026.

The government credited this progress to a series of focused initiatives, including the PM Surya Ghar: Muft Bijli Yojana, which has enabled rooftop solar installations across more than 40 lakh households. Large-scale infrastructure development such as 55 sanctioned solar parks with a combined capacity of 40 GW and the Phase-II expansion of the Green Energy Corridor has strengthened power evacuation systems. Policy measures like strict enforcement of the Approved List of Models and Manufacturers (ALMM) have supported indigenous manufacturing, while India's leadership in the International Solar Alliance continues to promote global solar adoption. Officials noted that the growth in solar energy is accelerating India's energy transition, helping achieve its 50% non-fossil fuel capacity target ahead of schedule, fulfilling Paris Agreement commitments early, and driving socio-economic benefits through job creation, lower electricity costs, and improved energy security. *(newsonair.gov.in)*

2. India Accelerates Shift to Cleaner Mobility with Launch of Flex-Fuel Vehicles

India has taken a significant step toward cleaner transportation with Hero MotoCorp introducing its first flex-fuel motorcycle and Maruti Suzuki launching its first flex-fuel passenger vehicle. The move highlights the growing push toward alternative fuels as part of the country's broader decarbonisation strategy in the transport sector. Flex Fuel Vehicles (FFVs) are designed with upgraded internal combustion engines that can operate on petrol-ethanol blends ranging from E20 to E85 (85% ethanol), offering greater fuel flexibility and reduced dependence on fossil fuels.

According to official estimates, flex-fuel technology can cut carbon monoxide emissions by up to 77% while also delivering substantial economic benefits, including potential foreign exchange savings of ₹1.44 lakh crore. Since the rollout of India's Ethanol Blending Programme in 2014–15, the country has already achieved savings of ₹1.84 lakh crore in forex, replaced 302 lakh metric tonnes of crude oil, and reduced carbon dioxide emissions by 909 lakh metric tonnes. Officials say the expansion of FFVs will further strengthen India's clean energy transition and reduce its carbon footprint in the coming years. *(pib.gov.in)*

3. Haryana Proposes ₹100 Crore Green Climate Resilient Fund to Boost Sustainability Efforts

In a significant step toward addressing climate change and promoting sustainable development, the Haryana government has proposed the creation of a Haryana Green Climate Resilient Fund with an initial allocation of ₹100 crore in the 2026–27 state budget. The announcement was made by Haryana

Forest and Environment Minister Rao Narbir Singh, who highlighted that climate change has become a major global challenge, driving governments and international organisations to invest in research, innovation, and long-term sustainable solutions.

The proposed fund will support a wide range of climate-focused initiatives, including the promotion of zero-emission vehicles, renewable energy adoption, energy efficiency measures, water conservation, urban greening, climate-resilient agriculture, and nature-based solutions. The minister also announced that the state-level World Environment Day programme will be held in Gurugram on June 5, showcasing Haryana's ongoing environmental conservation and green development initiatives. He noted that this year's theme emphasises ecosystem restoration, clean energy transition, sustainable lifestyles, and global cooperation to tackle climate change.

Additionally, the state has launched a mission-mode programme to make the 313-km stretch of the Yamuna River in Haryana pollution-free, under the leadership of Chief Minister Nayab Singh Saini. The initiative will focus on expanding sewage treatment capacity, preventing untreated waste discharge, monitoring industrial pollution, conserving riverbanks, developing green belts, and promoting groundwater recharge. The minister expressed confidence that these measures will accelerate Haryana's transition toward sustainable development while urging citizens to avoid single-use plastics and actively participate in environmental protection efforts. *(timesofindia.com)*

4. **Bengaluru, Mumbai, Hyderabad and Chennai Among Global Cities Facing High Heat Risk: Oxford Study**

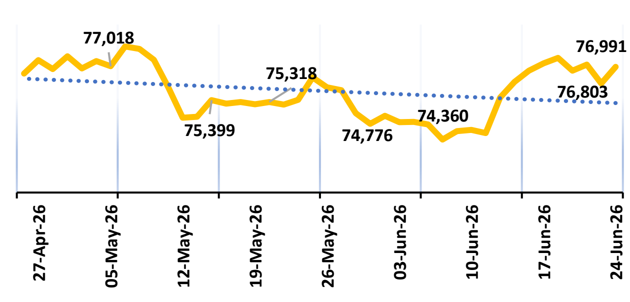
A University of Oxford study released on 10 June 2026 has ranked Bengaluru, Mumbai, Hyderabad, and Chennai among the world's top 50 urban centres facing significant heat risk. Published in the journal *Sustainable Cities and Societies*, the study evaluated cities based on three key factors: heat hazard exposure, population vulnerability, and coping capacity. It highlights how urbanisation, dense populations, and limited adaptive infrastructure are intensifying climate-related risks in major Indian metros.

According to the findings, Hyderabad was placed among the top 30 most heat-vulnerable cities globally with a heat-risk score of 0.68, while Mumbai ranked 46th with a score of 0.63. Bengaluru and Chennai also featured in the top 50, with scores of 0.69 and 0.64 respectively. The study noted that 14 Indian cities appear in the global top 50 heat-risk list, reflecting the widespread nature of urban heat stress across the country.

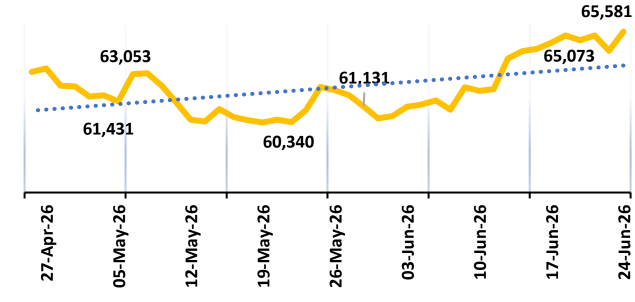
The report further underscores rising heat extremes in India, with Hyderabad recording at least 47 days above 40°C between 1 April and 5 June 2026 - its highest in a decade. Supporting research from the University of East Anglia published in the *Proceedings of the National Academy of Sciences* found that Indian urban areas are warming about 45% faster than surrounding rural regions, while a 2025 study in *Nature Cities* recorded an urban warming trend of 0.53°C per decade. Experts, including the Council on Energy, Environment and Water, warn that over 76% of India's population is now exposed to high to very high heat risk, underscoring the urgent need for resilient urban planning and climate adaptation measures. *(newindianexpress.com)*

11. DAILY ECONOMIC INDICATORS

SENSEX

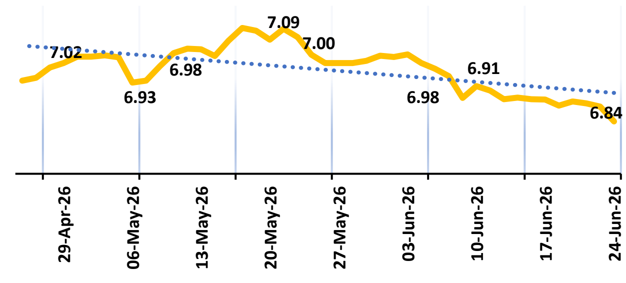


BANKEX

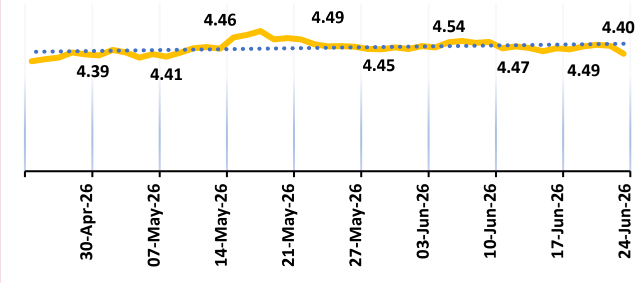


G SEC YIELD (10 Yr)

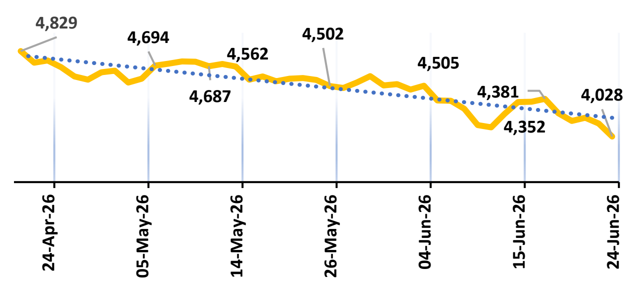
6.33 GS 2035



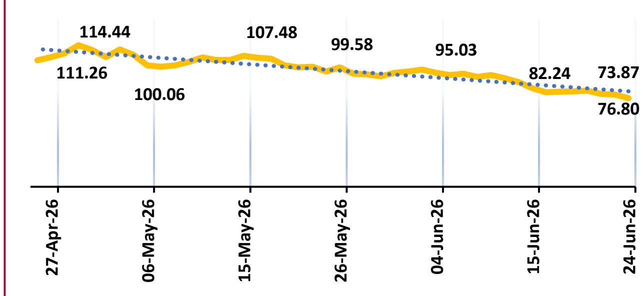
US TREASURY YIELD (10 Yr)



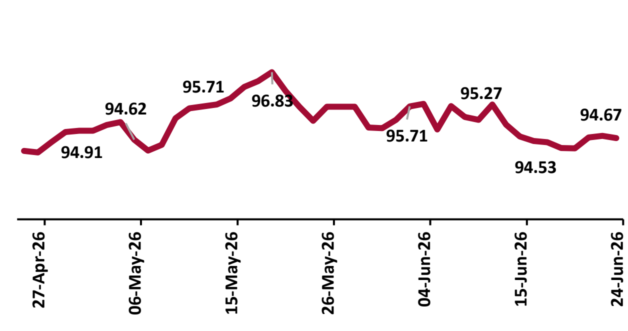
GOLD Futures ($)



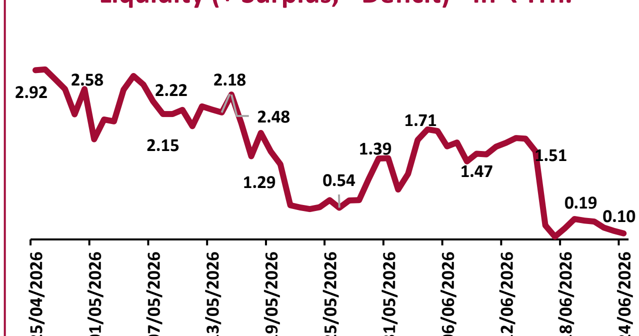
BRENT Oil Futures ($)



USD/INR



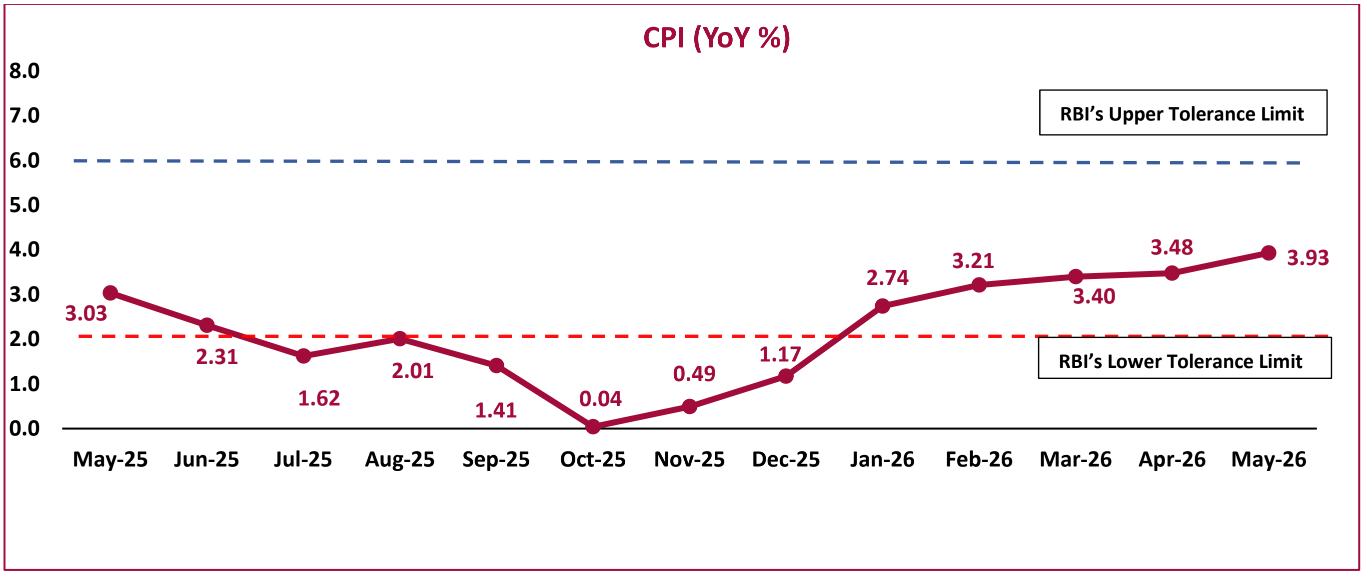
Systemic Liquidity under LAF - Net Liquidity (+ Surplus, - Deficit) - In ₹ Trn.

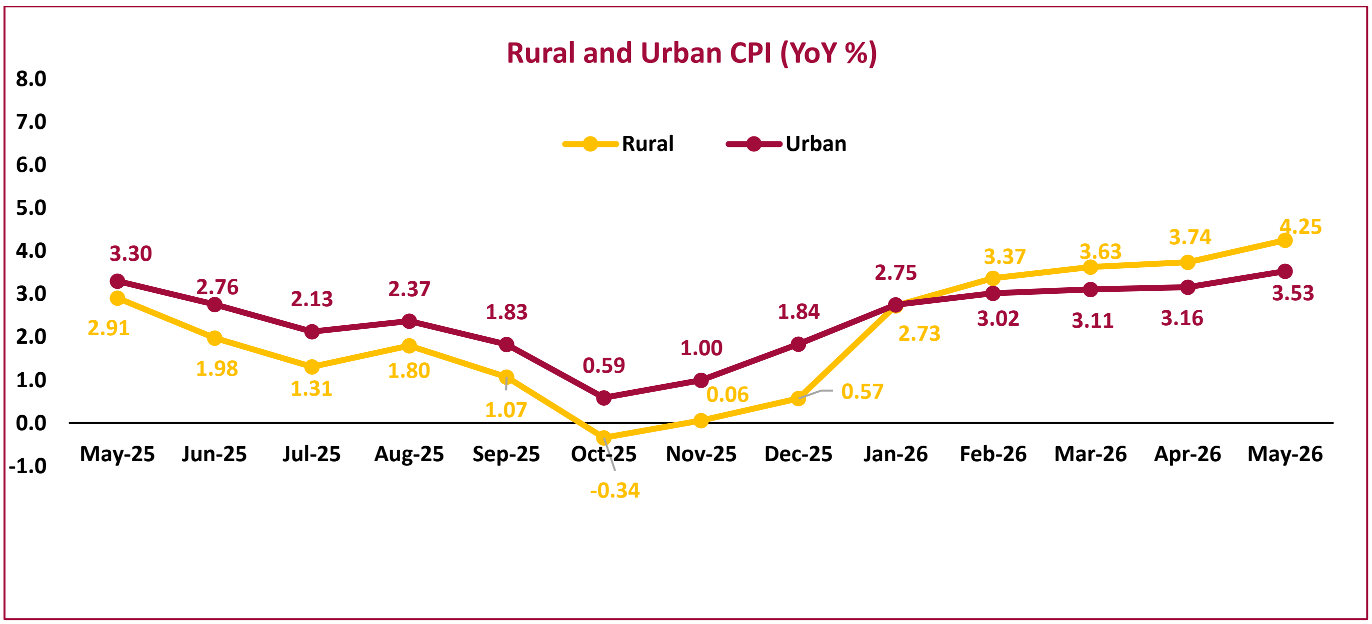


12. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI) – New Base Year 2024

CPI increased to 3.93% in May 2026

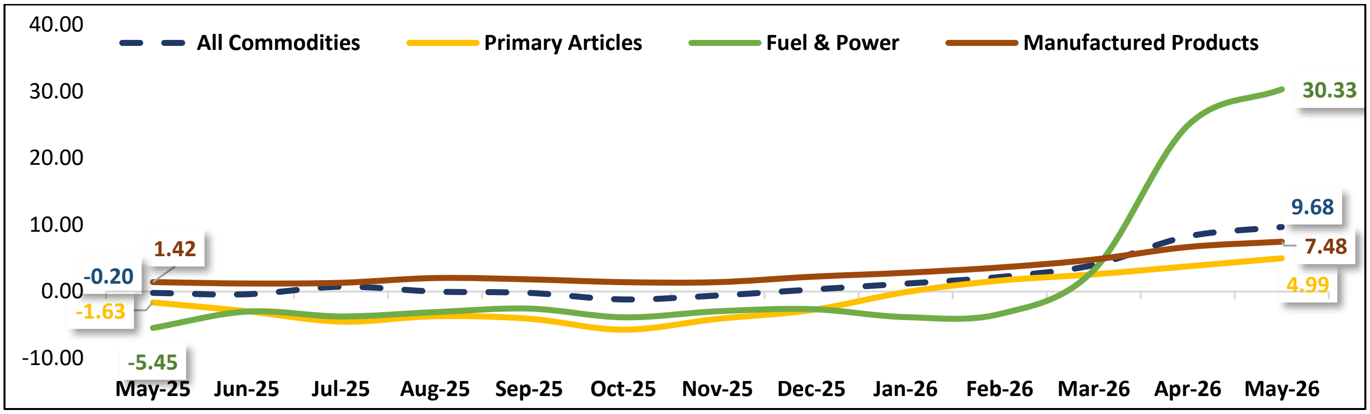




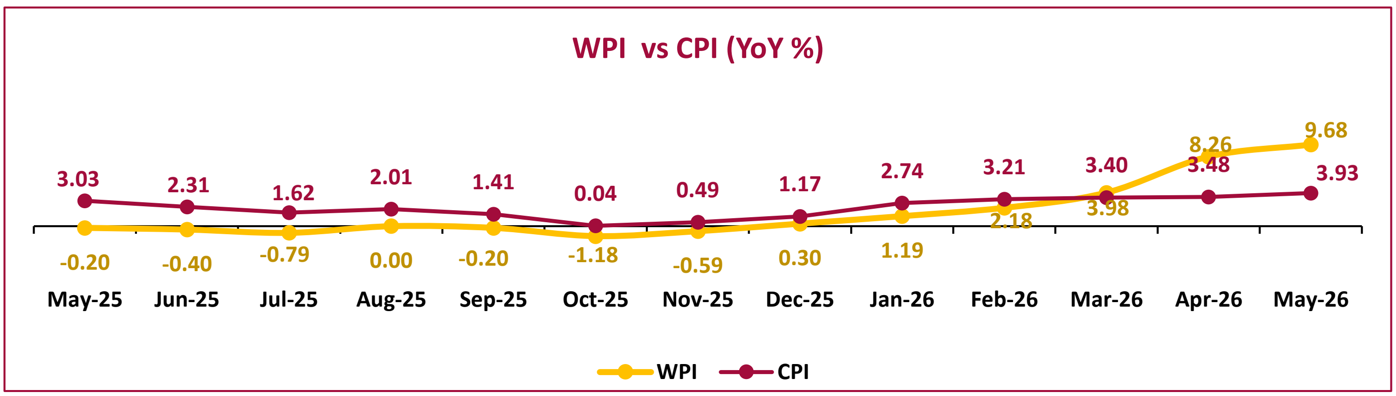
India's consumer inflation rose to 3.93% in May'26, up by 45 bps from 3.48% in April'26. Rural Inflation has increased to 4.25% in May'26 as compared to 3.74% in the previous month, while Urban inflation has increased to 3.53% as compared to 3.16% for the same period. Food Inflation has accelerated to 4.78% in May'26 as compared to 4.20% for April'26. Housing inflation rate for the month of May'26 is 2.12% and the corresponding inflation rates for rural and urban are 2.73% and 1.91% respectively. Top 5 items which recorded highest inflation in the month of May'26 are Silver jewellery, Tomato, Gold/Diamond/Platinum Jewelry, Ginger and Raisins & Monacca.

WHOLESALE PRICE INDEX (WPI)- YOY %

WPI inflation accelerated to 9.68% in May 2026



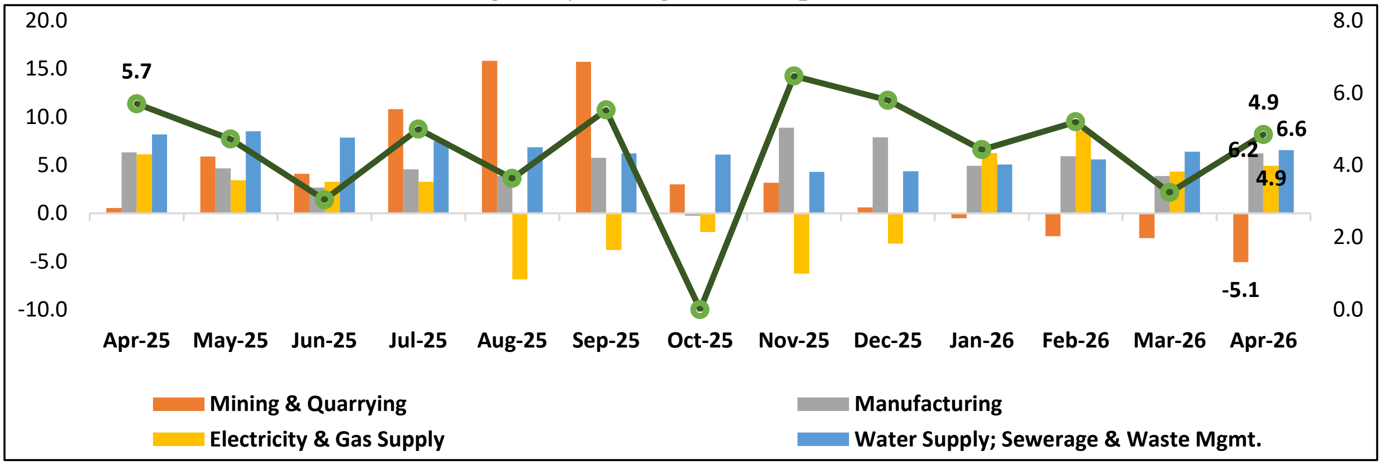
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Index *(Part of Primary Articles & Manufactured Products)*		All Commodities	
Weights	22.76%		14.11%		63.13%		24.99%		100%	
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
March	0.46	2.58	-2.89	3.20	2.25	4.80	2.92	1.92	1.21	3.98
April	-0.28	3.78	-3.48	24.89	1.83	6.68	1.58	3.11	0.60	8.26
May	-1.63	4.99	-5.45	30.33	1.42	7.48	0.09	4.49	-0.20	9.68



Wholesale Price Index rose to a high of 9.68% in May'26 as against 8.26% in Apr'26 as measured by new base year 2022-23. The acceleration in WPI was primarily due to a sharp increase in prices of crude petroleum & natural gas, mineral oils, basic metals, manufacture of chemicals and chemical products etc.Fuel & Power escalated to 30.33% YoY in May'26 from 24.89% in Apr'26 driven by a sharp rise in crude petroleum & natural gas (61.51% YoY) and mineral oils (49.82% YoY). Manufactured Products, which carry the highest weight in the WPI basket, recorded an increase in inflation to 7.48% in May 2026 from 6.68% in April 2026. Food inflation also edged up, rising to 4.49% in May 2026 compared to 3.11% in April 2026.

INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP grew by 4.9% growth in April 2026



IIP Growth YoY % (Usage-wise)

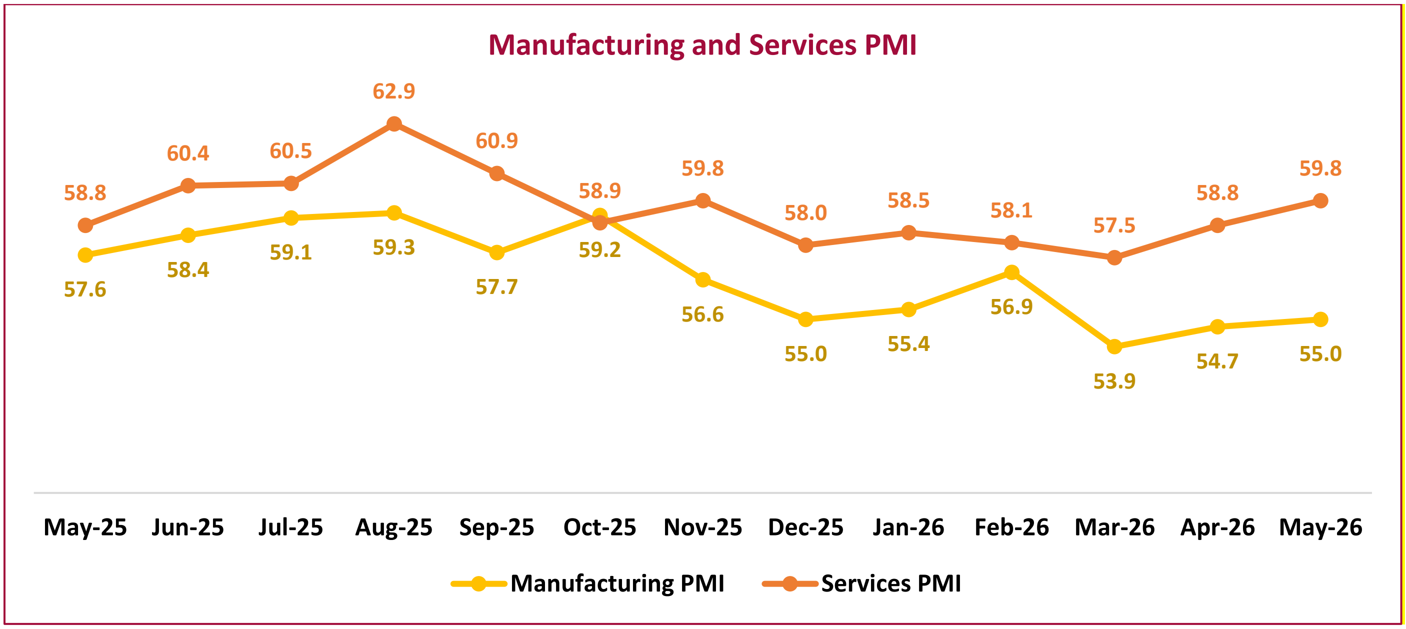
Sector	Base Year 2011-12		Base Year 2022-23	
	Weight (%)	Item Groups	Weight (%)	Item Groups
Mining & Quarrying	14.4	1	11.0	3
Manufacturing	77.6	405	76.1	455
Electricity & Gas Supply	8.0	1	10.9	3
Water Supply, Sewerage & Waste Management	-	-	2.0	2
Total	100.0	407	100.0	463

Component	Weight (%)	Apr'25	Mar'26	Apr'26
Primary Goods	31.1	3.2	1.3	0.8
Capital Goods	8.1	13.8	11.2	16.0
Intermediate Goods	22.4	7.6	4.1	7.7
Infra/Construction Goods	10.9	6.4	5.8	7.1
Consumer Durables	11.3	7.2	2.4	4.3
Consumer non-durables	16.2	4.1	-0.9	2.8

Industrial output, as measured by Index of Industrial Production recorded a 4.9% expansion in Apr'26 compared to 3.2% growth in Mar'26. It was, however, lower than 5.8% growth in Apr'25. On a sequential basis, IIP declined by 9.0% in Apr'26, with the index declining to 118.9 compared to 130.7 in Mar'26. IIP growth was driven by expansion in three out of four sub-segments, barring mining activity which declined for the fourth straight month. The new IIP series with base year 2022-23 has factored in several changes including a revision of the item basket, changes in sectoral weights, and an increase in the number of reporting factories.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI increased to 59.8 and Manufacturing PMI increased to 55.0 in May 2026

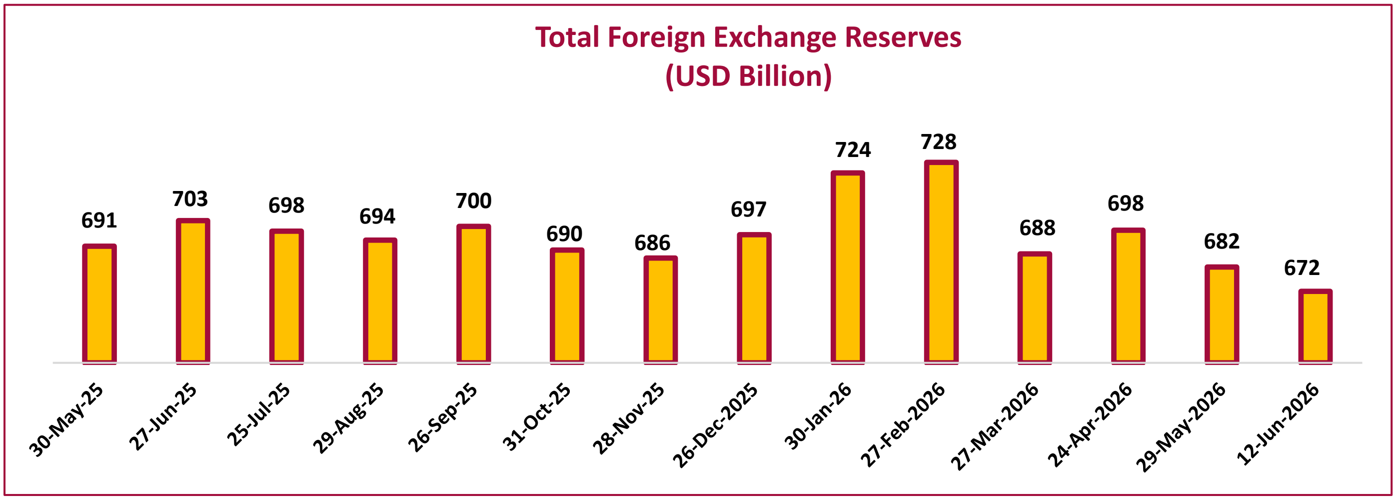


India's Manufacturing PMI increased to 55.0 in May'26 from 54.7 in Apr'26, indicating a strengthening in manufacturing sector conditions and marking the strongest improvement in 3 months. The expansion was primarily driven by resilient domestic demand, higher output levels and increased stock-building activity amid persistent geopolitical uncertainties. India's Services sector witnessed a further strengthening in growth momentum during May'26, with the HSBC Services PMI rising to 59.8 from 58.8 in Apr'26, marking the strongest expansion since Nov'25. Strong demand for freight, IT services, digital solutions, e-commerce & entertainment services supported the upturn in activity and new business.

PERFORMANCE OF OTHER LEADING INDICATORS

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Bank deposit (YoY%)	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	16.2	13.3	12.2
Bank credit (YoY%)	9.0	9.5	10.0	10.1	10.8	12.0	11.5	14.5	13.4	14.0	17.1	16.5	17.7
Coal production (YoY%)	2.9	-6.9	-12.3	11.5	-1.0	-8.5	2.1	3.6	3.4	2.2	-4.1	-9.0	-9.5
Electricity generation (YoY%)	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.0	4.4	2.2	-1.5	-1.1	2.3	7.4
Consumption of petroleum products (YoY%)	1.1	0.5	-4.4	4.8	7.0	-1.5	0.6	4.5	0.3	4.5	3.2	-3.8	-6.5
Cargo handled at major ports (YoY%)	4.3	5.6	4.0	2.5	11.5	11.9	14.5	12.7	7.6	5.1	0.6	2.4	-
Cement production (million tonnes)	38.6	39.5	35.7	34.2	34.4	36.3	37.3	44.6	45.3	43.3	47.5	-	-
Steel consumption (million tonnes)	13.1	13.2	13.4	13.7	13.4	13.3	13.0	14.4	14.9	13.4	16.3	13.0	14.3
Two-wheelers sales (Nos. in Lakhs)	20.4	19.5	20.0	22.7	25.9	26.4	24.2	20.1	23.8	23.6	24.0	23.8	24.0
Tractors sales (Nos. in Thousand)	99.4	121.6	72.8	73.2	154.4	173.6	102.0	79.7	97.7	88.5	112.5	114.7	118.4

FOREIGN EXCHANGE RESERVES

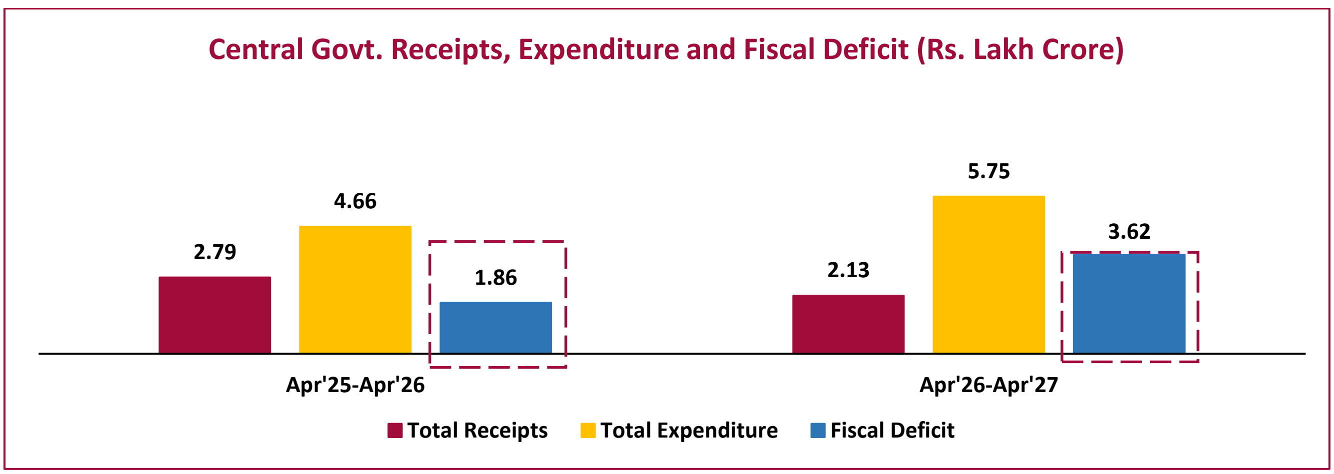


India's foreign exchange reserves stood at $672 billion in the week ending June 12, 2026.

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

	May -25	Jun -25	Jul -25	Aug -25	Sep -25	Oct -25	Nov -25	Dec -25	Jan -26	Feb -26	Mar -26	Apr -26	May -26
E-way bill Generation	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3	14.1	13.3	13.6

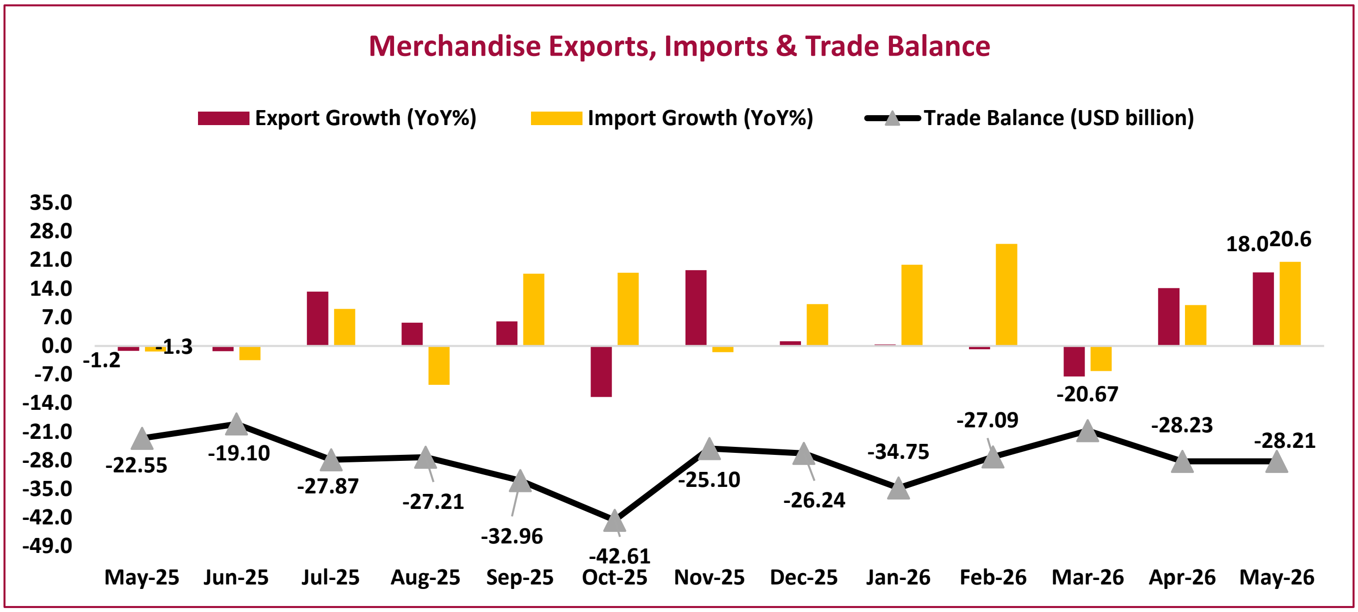
FISCAL DEFICIT

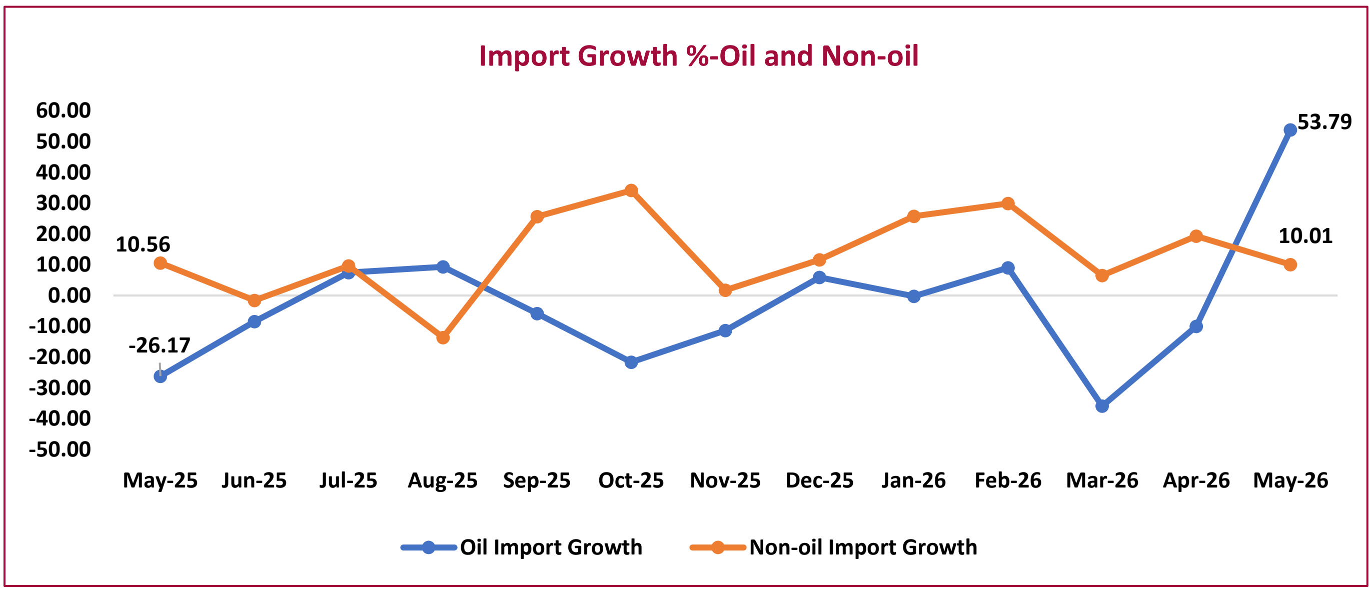


The government's fiscal deficit in April 2026 came in at ₹3.62 lakh crore amounting to 21.4% of the Budget Estimates (BE) vis-à-vis ₹1.86 lakh crore i.e. 11.9% of BE during the same period last year. Govt.'s total expenditure stood ₹5.75 lakh crore reaching 10.8% of the BE in April 2026. This compares to ₹4.66 lakh crore recorded in the same period last year i.e. 9.2% of estimate. Total revenue receipts of ₹2.03 lakh crore accounted for 5.7% of the BE, marginally down from 7.5% last year during the same period.

FOREIGN TRADE

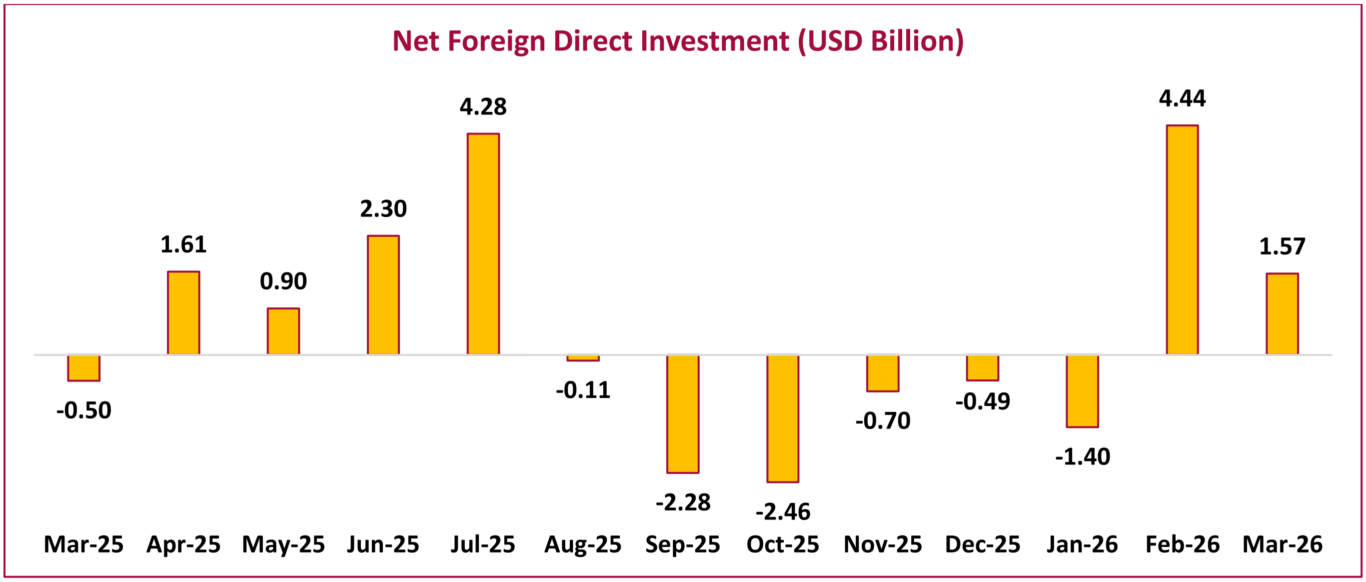
Trade Deficit widens to 28.21USD billion in May 2026



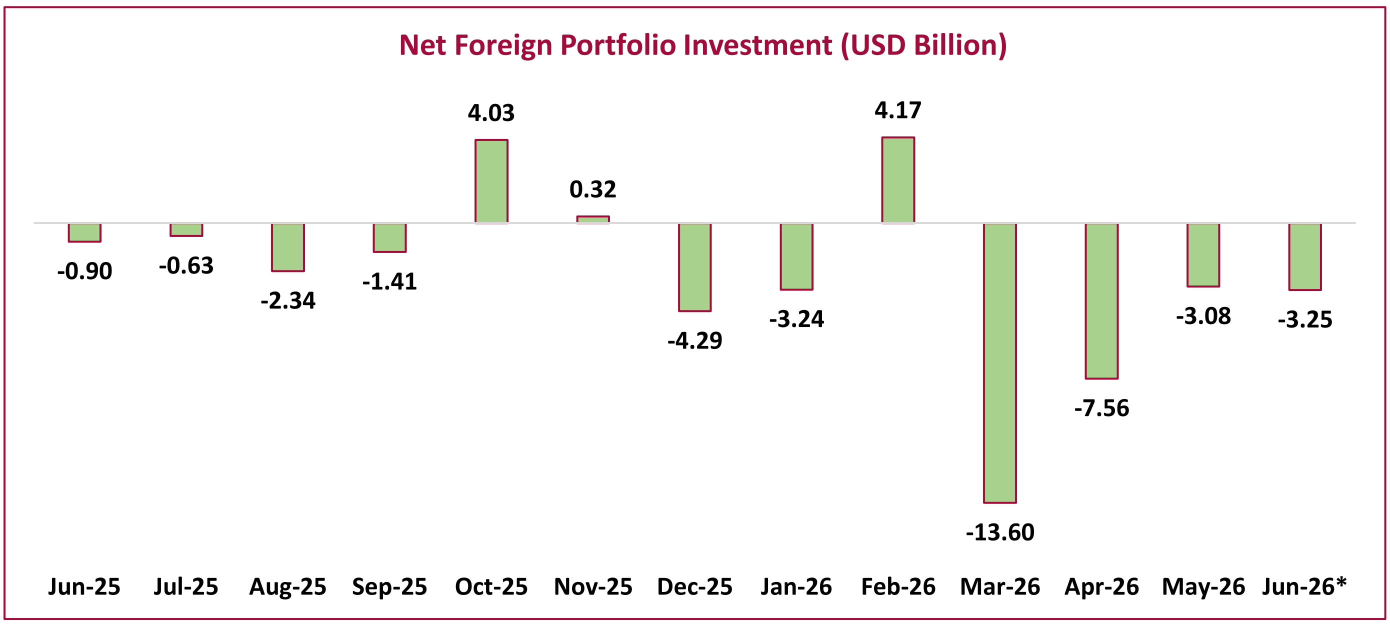


The difference between imports and exports of goods stood at $28.21 billion in May 2026. It increased from $22.55 billion in May 2025. It was recorded at $28.23 billion in April 2026. Merchandise exports increased to $45.20 billion in May 2026 from $38.30 billion in May 2025, registering a robust YoY growth of 18.0%. Exports of non-petroleum products rose by 11.9% YoY to $36.78 billion, while petroleum product exports surged 54.9% YoY to reach $8.42 billion. Merchandise imports grew by 20.6% YoY to $73.41 billion in May 2026, largely driven by higher imports of crude oil and electronic goods. Gold imports jumped 34.0% YoY, however, on sequential basis import value moderated to $3.42 billion in May'26 from $5.63 billion in Apr'26.

FOREIGN INVESTMENTS



Net foreign direct investment (FDI) into India in Mar'26 stood at $1.6 billion. This marked the second consecutive month of positive net FDI. For FY 2025–26, net FDI inflows into India stood at US$7.6 billion.



**upto 19th June 2026*

Foreign portfolio investors (FPIs) have remained persistent sellers in the Indian stock market this year. Up to 19th June 2026, sustained FPI outflows continued amid rising global bond yields, uncertainty surrounding the US-Iran war, subdued domestic earnings growth, and continued global capital allocation toward artificial intelligence (AI)-focused companies.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	30.04.2025	31.03.2026	15.05.2026	31.05.2026	YoY Growth (%)	Fortnightly Growth (%)
Deposits	231.73	262.30	256.89	260.02	12.21	1.22
Advances	182.87	213.60	211.87	215.16	17.65	1.55
Business	414.60	475.90	468.76	475.18	14.61	1.37

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

Parameter* (Rs. Lakh Crore)	Apr-25	Feb-26	Mar-26	Apr-26
Total Non-food	**182.2**	**206.7**	**212.9**	**211.1**
Agriculture and allied activities	**23.1**	**25.4**	**26.5**	**26.3**
Industry	**39.4**	**44.5**	**45.8**	**45.4**
Of which				
Micro & small	8.1	10.3	10.6	10.5
Medium	3.7	4.3	4.4	4.4
Large	27.7	29.9	30.8	30.5
Personal loans	**60.0**	**68.0**	**69.4**	**69.6**
Of which				
Housing (Including priority sector housing)	30.1	33.1	33.6	33.5
Credit card outstanding	2.9	2.9	2.9	3.0
Education	1.4	1.6	1.6	1.6
Vehicle loans	6.3	7.3	7.4	7.4
Services	**50.2**	**58.1**	**60.6**	**59.5**
Of which				
Computer software	0.3	0.5	0.5	0.5
Tourism, hotels & restaurants	0.8	1.0	1.0	1.0
Shipping	0.1	0.1	0.1	0.1
Aviation	0.5	0.5	0.5	0.5
Retail trade	5.4	5.8	6.0	5.9
Commercial real estate	5.4	6.1	6.3	6.4

Non-Food bank credit grew by 15.3% y-o-y in Apr’26 as compared to 9.8% in Apr’25. Credit to agriculture and allied activities registered a y-o-y growth of 13.7% in Apr’26 as compared to 9.2% in Apr’25. Credit to industry recorded a y-o-y growth of 15.1% in Apr’26 as compared to 7.0% in Apr’25. Credit to services sector registered a growth rate of 18.6% y-o-y in Apr’26 as compared to 10.1% in Apr’25, supported by robust growth in segments such as ‘non-banking financial companies’ (NBFCs),‘commercial real estate’,‘trade’ and ‘professional services’. Credit to personal loans segment recorded a y-o-y growth of 16.0% in Apr’26 as compared to 11.9% in Apr’25. While segments such as ‘vehicle loans’ and ‘housing’ sustained robust credit growth, ‘credit card outstanding’ moderated.

13. QUARTERLY ECONOMIC INDICATORS

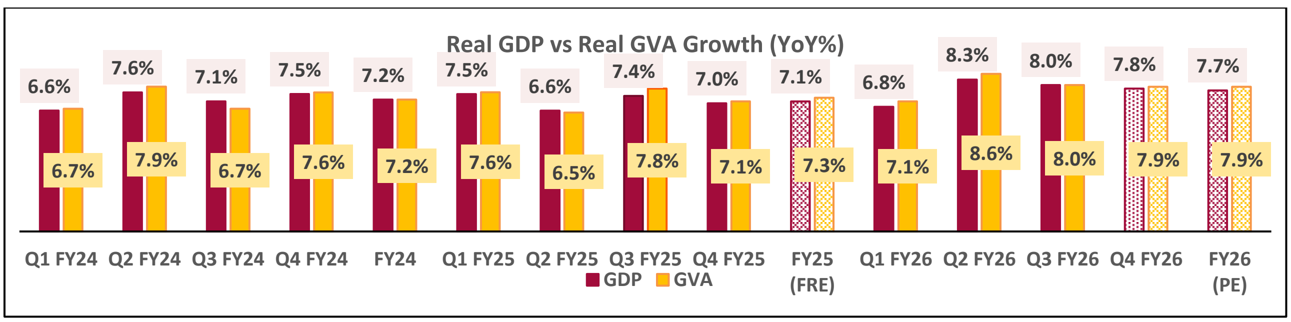
INDIA'S GDP GROWTH FOR FY 2025-26 AND Q4 FY 2025-26

Key Points:

- **Real GDP growth for FY26** stood at **7.7%** as compared to **7.1%** in FY25
- **Real GDP growth for Q4FY26** (January–March 2026 quarter) expanded at **7.8%.**
- **Real GVA** grew at **7.9%** in FY26 as compared **to 7.3%** in FY25**.**
- **Real GVA** in Q4 FY'26 has grown by 7.9% as compared to 7.1% in FY25

Highlights

- The Indian economy clocked a real GDP growth rate of 7.7% for the entire 2025-26 fiscal year. This outperformed FY25 growth rate of 7.1% and the estimate of 7.6% for FY'26 given by NSO.
- FY'26, real GDP is estimated to attain Rs 323.12 Lakh Crore, compared with the First Revised Estimate of Rs 299.89 Lakh Crore in FY'25, reflecting a growth rate of 7.7 per cent.
- Gross Value Added (GVA), has grown by 7.9 per cent in FY'26, In the fourth quarter, real GVA growth stood at 7.9 per cent.
- Per capita GDP increased to Rs. 2.27 lakh in FY'26 from Rs.2.13 Lakh in FY'25.



Source: MoSPI (NSO), PNB (EIC); FRE – First Revised Estimate, PE– Provisional Estimate, Q4 FY26

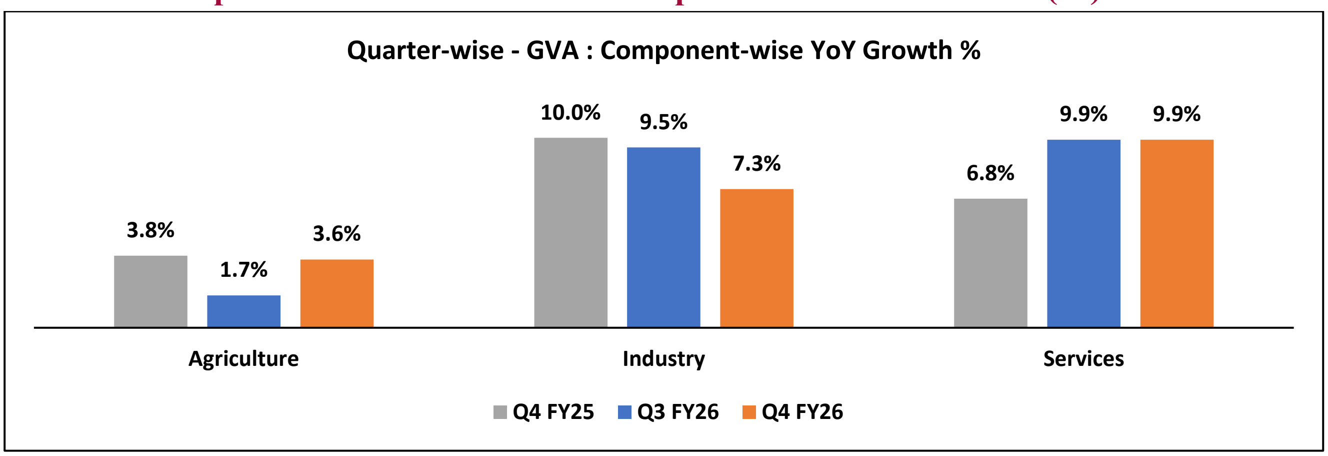
Components of GDP

Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	**Q4 2024-25**	**Q3 2025-26**	**Q4 2025-26**
Private Final Consumption Expenditure (PFCE)	5.6	8.2	7.1
Government Final Consumption Expenditure (GFCE)	3.6	4.6	4.9
Gross Fixed Capital Formation (GFCF)	6.2	8.2	10.8
Change in Stocks	-5.8	14.7	10.3
Valuables	-32.9	-2.8	41.3
Exports	5.4	5.8	3.7
(Less) Imports	5.5	7.2	1.9
Discrepancies	0.5	1.7	-0.3
GDP	7.0	8.0	7.8

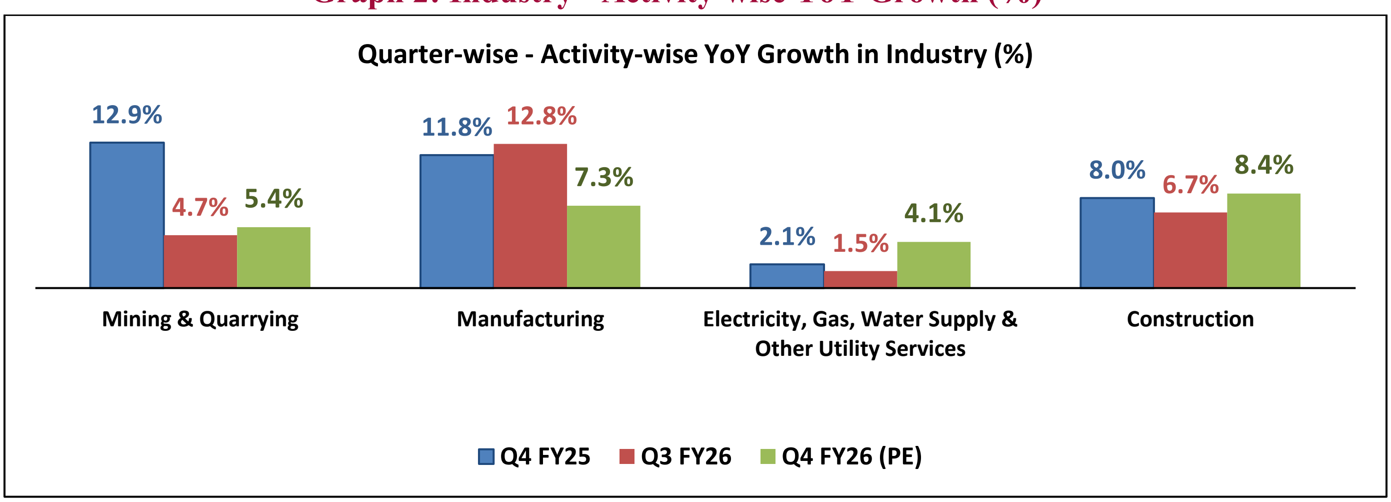
- **Growth in Private Final Consumption Expenditure**, which constitutes the highest share at 56.6% in GDP, grew by 7.1% in Q4 FY26, lower than 8.2% in Q3 FY26 and 8.7% in Q4 FY25.
- **Government Final Consumption Expenditure** increased by 4.9% on YoY basis in Q4 FY26, improving from 4.6% in previous quarter. The growth of 5.8% was 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 10.8% in Q4 FY26, improving from 8.2% in Q3 FY26 and 6.2% in Q4 FY25.
- **Exports** have come down to 3.7% in Q4FY'26 from 5.8% in Q3FY'26, also declined from 5.4% in Q4FY'25. Q4FY'26 has been hit by geopolitical disruptions.

Components of GVA

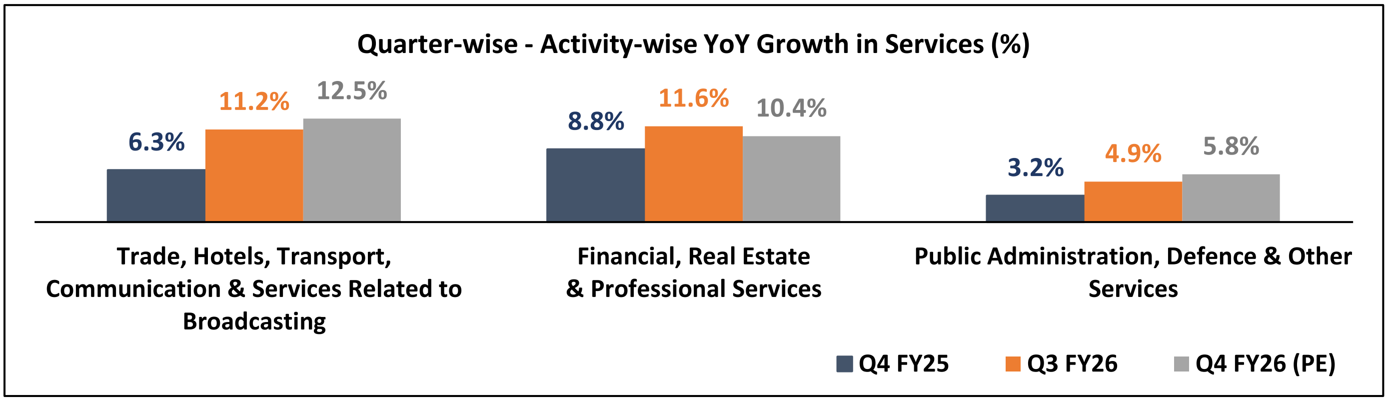
Graph 1: Gross Value Added – Component-wise YoY Growth (%)



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



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



- The GVA growth in the **Agriculture Sector** stood at 3.6 per cent in the fourth quarter of FY26 compared to 1.7 per cent in the previous quarter and 3.8 per cent in Q4 FY25.
- The growth in the **Industry Sector** has come down from 9.5% in Q3 FY'26 to 7.3% in Q4FY'26, it was 10.0% in Q4FY'25.
- The growth rate of **Services Sector** was broadly in line with the previous quarter. It grew at 9.9 per cent in Q4 FY26 compared to 9.9 per cent in the previous quarter. However, the growth was higher than 6.8 per cent recorded in the same period last fiscal.

14. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	1.00%	Jun 16, 2026 (25bp)	Jul 31, 2026
European Central Bank	Europe	2.40%	Jun 11, 2026 (25bp)	Jul 23, 2026
Federal Reserve	U.S.A	3.75%	Dec 10, 2025 (-25bp)	Jul 29, 2026
Bank of England	U.K	3.75%	Dec 18, 2025 (-25bp)	Jul 30, 2026
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	5.25%	Dec 05, 2025 (-25bp)	Aug 05, 2026

15. MACRO ECONOMIC INDICATORS OUTLOOK

- **GDP Growth** – India achieved robust real GDP growth of 7.7% in FY26 and is projected to remain the **world's fastest-growing major economy in FY'27**, despite an anticipated moderation to 6.6% according to the RBI. This outlook is supported by the IMF and World Bank, which forecast growth between 6.5-6.6%, reflecting strong domestic demand fundamentals despite a weakening global backdrop. Key growth drivers include robust govt. capex, improving rural demand, healthy bank credit & a resilient services sector. However, elevated crude oil prices, supply-chain bottlenecks, weather uncertainties & prolonged geopolitical tensions remain significant downside risks.
- **Inflation** – Inflation pressures are re-emerging in FY'27 following a multi-year low of 2.1% in FY26, which was comfortably below the RBI's medium-term target of 4.0%. It was led by escalating food & fuel prices amid geopolitical disruptions and rising energy costs. In May'26, retail inflation edged upward to 3.93% though it remains within the RBI's tolerance band, persistent risks including elevated crude oil prices, weather-related threats to agricultural output, and supply-chain bottlenecks could intensify price pressures in the coming months. *Consequently, the **RBI has upwardly revised its FY27 inflation projection to 5.1%** from the previously anticipated 4.6%.*
- **Current Account Deficit (CAD) –** India recorded a CA surplus of 0.7% of GDP in Q4 FY26, driven by robust services exports & strong remittance inflows. While the deficit for FY26 remained flat at 0.6% of GDP, mirroring FY25 level. Higher crude oil prices and a widening merchandise trade deficit are likely to push the CAD higher in the range of 1.5% to 2.0% in FY27 as per the various assessments. Although, the deficit may remain within a manageable range owing to RBI measures on FCNR (B) deposits and ECB/OFCB swaps along with continued strength in software exports, business services and remittance receipts, that act as crucial buffers against external shocks.
- **G-Sec Yield** – The 10-year G-Sec benchmark yield moderated to a near three-month low around 6.8% in mid-June. This relief rally was driven by a sharp drop in global crude oil prices below $80/barrel (Brent) and recent RBI policy shifts, including the temporary removal of the interest-rate ceiling on fresh FCNR(B) deposits. These measures attracted strong foreign currency inflows, with foreign investors injecting $2.2 billion net into domestic bonds by 17th June. However, further gains were capped as a hawkish Federal Reserve pushed US two-year Treasury yields to four-month high, cooling expectations for a continued Indian bond rally.
- **External Sector -** India's external sector outlook remains mixed. Services exports and remittance inflows continue to provide a strong cushion, while merchandise exports face headwinds from slowing global growth and trade disruptions. Foreign Portfolio Investors (FPIs) continues to remain net sellers in Jun'26. Driven by higher U.S. Treasury yields and a flight to safer assets, FPIs pulled out around **$4.3 billion in 1-15th Jun'26**, bringing total equity capital flight in calendar year 2026 to a staggering **$27.6 billion** driving foreign ownership in Indian equities to a 14-year low.
- **Industrial Production (IIP) -** Industrial activity is expected to maintain a steady expansion during FY27, supported by infrastructure spending, improving rural demand and sustained govt capex. Manufacturing activity continues to benefit from PLI schemes and robust domestic consumption, although export-oriented sectors may face challenges from weaker global demand and ongoing supply-chain disruptions.

16. INDUSTRY OUTLOOK

ETHANOL INDUSTRY

India's ethanol industry is entering a decisive phase with the nationwide rollout of the **E20 mandate from April 2026**, requiring 20% ethanol blending in petrol. This policy marks a major step toward reducing crude oil imports, enhancing energy security and cutting carbon emissions. India's Ethanol blending has increased from 1.53 per cent in 2014 to 20 per cent today, with the target achieved five years ahead of schedule. The ethanol blending program of Government of India, since 2014-15 has saved India **₹1.84 lakh crore in foreign exchange, resulted in 302 lakh metric tonnes crude oil substitution and 909 lakh metric tonnes reduction in CO_2 emissions**. The government has signaled its intent to move toward **E25-E30 blending by 2028-2030**, which will demand significant scaling up of production capacity and feedstock diversification.

On the supply side, ethanol production is being supported through multiple channels. At present, nearly **70% of ethanol is derived from grains, while the remaining 30% comes from sugar-based sources**. Surplus rice allocated by the Food Corporation of India is being channeled into ethanol manufacturing, preventing wastage and creating a productive outlet for excess stocks. Similarly, significant quantities of sugar are being diverted from the food supply chain to ethanol production, which not only supports the blending program but also helps stabilize sugar prices during surplus years. Incentives such as interest subvention schemes and GST reduction to 5% under the Ethanol Blended Petrol Programme further strengthen the ecosystem.

However, challenges remain. While India's ethanol production capacity has expanded rapidly, utilization depends on **feedstock stability, logistics and pricing**. Older vehicles may experience mileage drops and component wear with E20 fuel, raising consumer concerns. Additionally, balancing food security with ethanol demand is critical, as large-scale diversion of grains could affect availability and prices. Logistics and storage infrastructure also need strengthening to ensure smooth distribution across India's vast geography.

The industry's growth trajectory is further influenced by global energy trends. With countries increasingly adopting biofuels to meet climate commitments, India's ethanol program positions it as a potential leader in renewable energy adoption. Export opportunities may also emerge if domestic production exceeds blending requirements, though this will depend on consistent feedstock supply and competitive pricing. Even 1**% adoption of annual petrol vehicle sales** in India during Ethanol Supply Year (ESY) 2026-27 would generate a demand for 4 crore litres of ethanol in which payments of about ₹266 crore will be made to distilleries and save us ₹195 crore in foreign exchange.

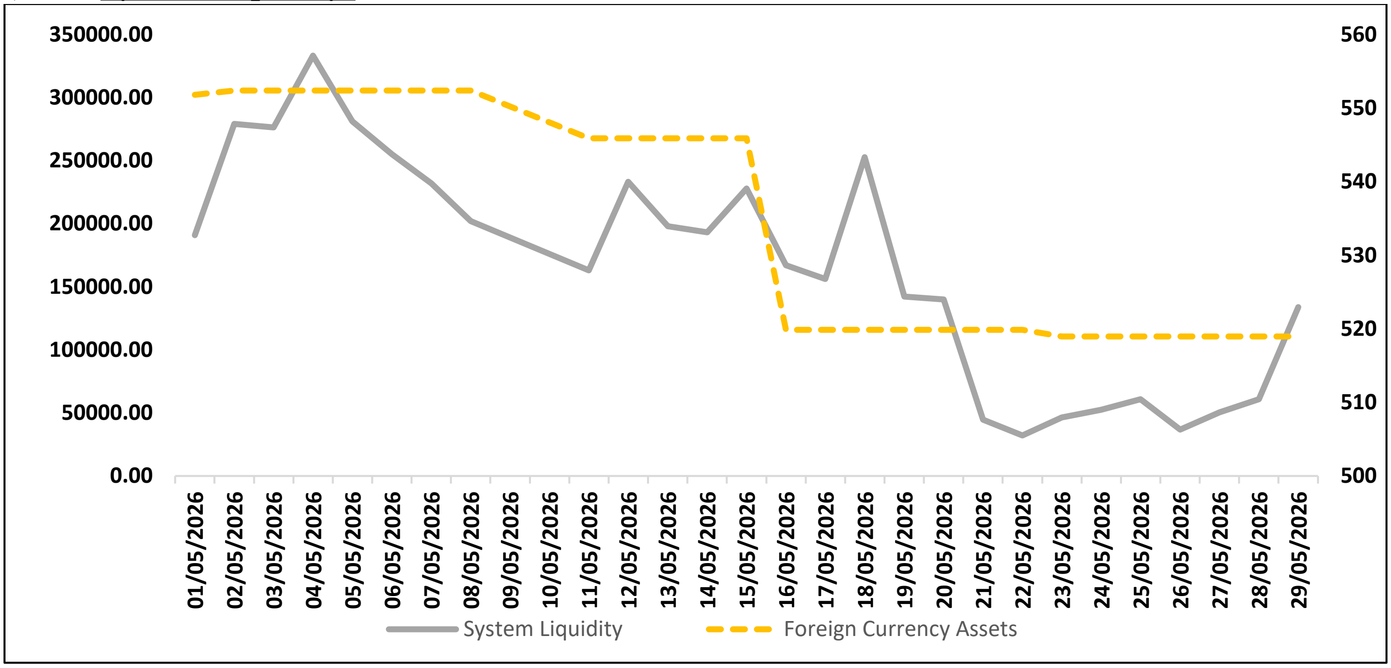
Looking ahead, the ethanol industry's outlook is promising but hinges on **policy consistency, technological adaptation and sustainable feedstock management**. Global experience, including Brazil's successful adoption of higher ethanol blends, demonstrates that flex-fuel mobility is proven, scalable and reliable. If blending norms are steadily raised and supply chains are reinforced, India could achieve both environmental and economic gains, transforming ethanol into a pillar of its clean energy future while simultaneously strengthening rural economies through agricultural diversification.

Ayesha Bhati
Senior Manager (Economics)
SMEAD, Head Office

17. MARKET INSIGHTS

Outlook:

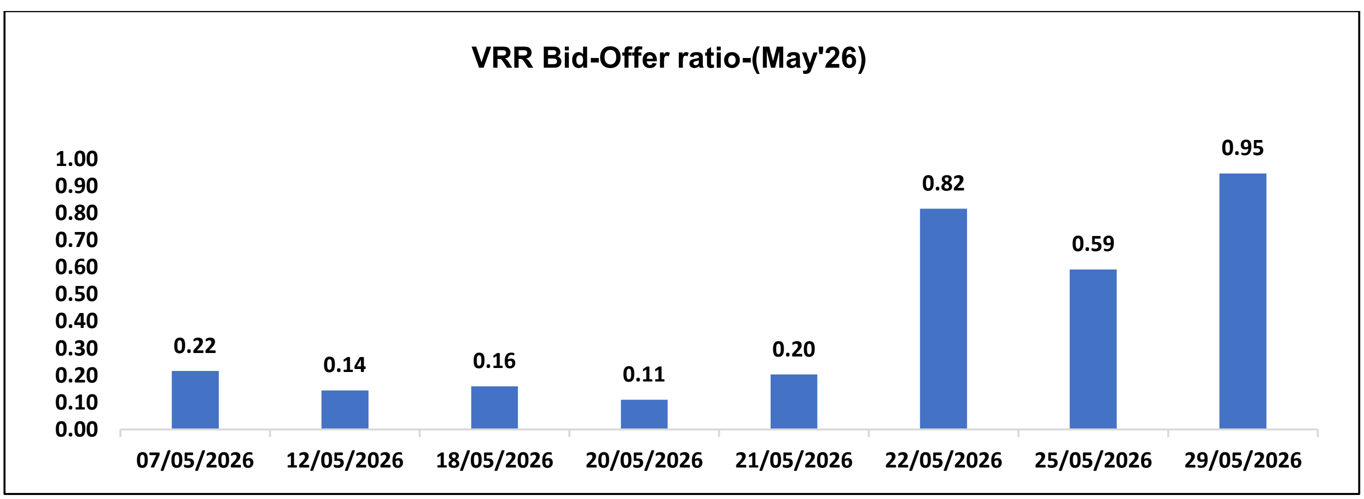
i) System Liquidity:



Source: RBI

During May'26, system liquidity witnessed moderation compared to April'26, hovering in the range of 0% to 1% NDTL. RBI's FX intervention during the phases of high volatility was likely the major drag on system liquidity. Seasonal currency leakage and lower GOI Capital Expenditure offtake trend in first quarter also contributed to the moderation.

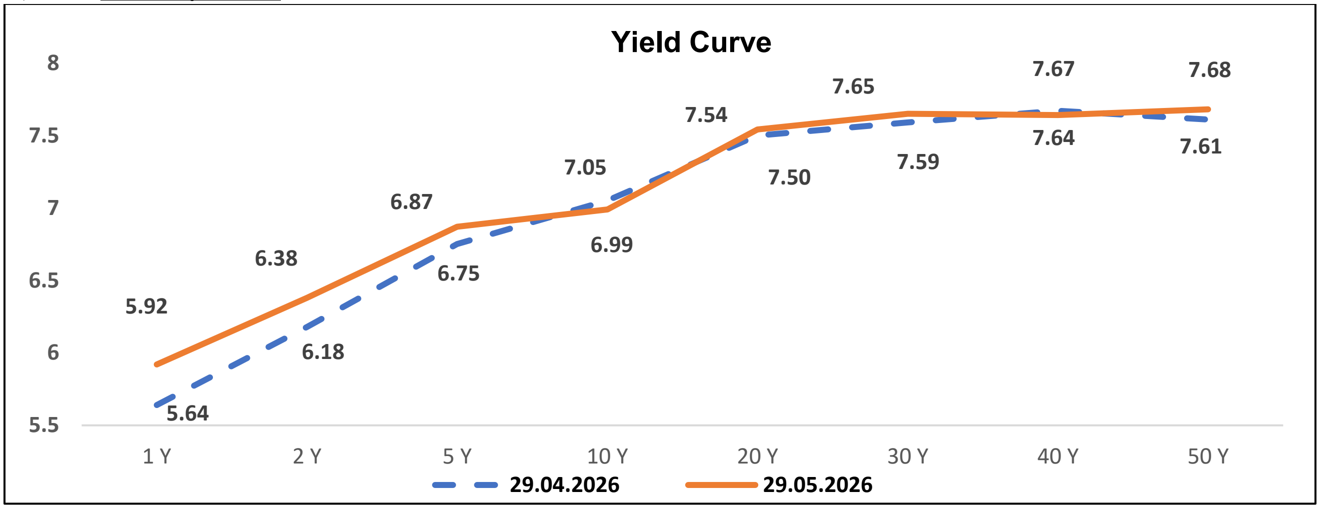
RBI conducted eight VRR auctions and one USD/INR Buy-sell swap as liquidity infusion. Majority of VRRs witnessed low bid cover ratio as market participants resorted to tapping funds parked in SDF.



Outlook-June'26

Headwinds	Tailwinds
Post ceasefire period, developments on U.S.-Iran conflict would be key determinant. Any negative news could likely increase the Dollar sales.	Seasonal impact of currency leakage is expected to decline post May'26. Further, Capital Expenditure would also pick up pace and support liquidity.

ii) G-sec yields:



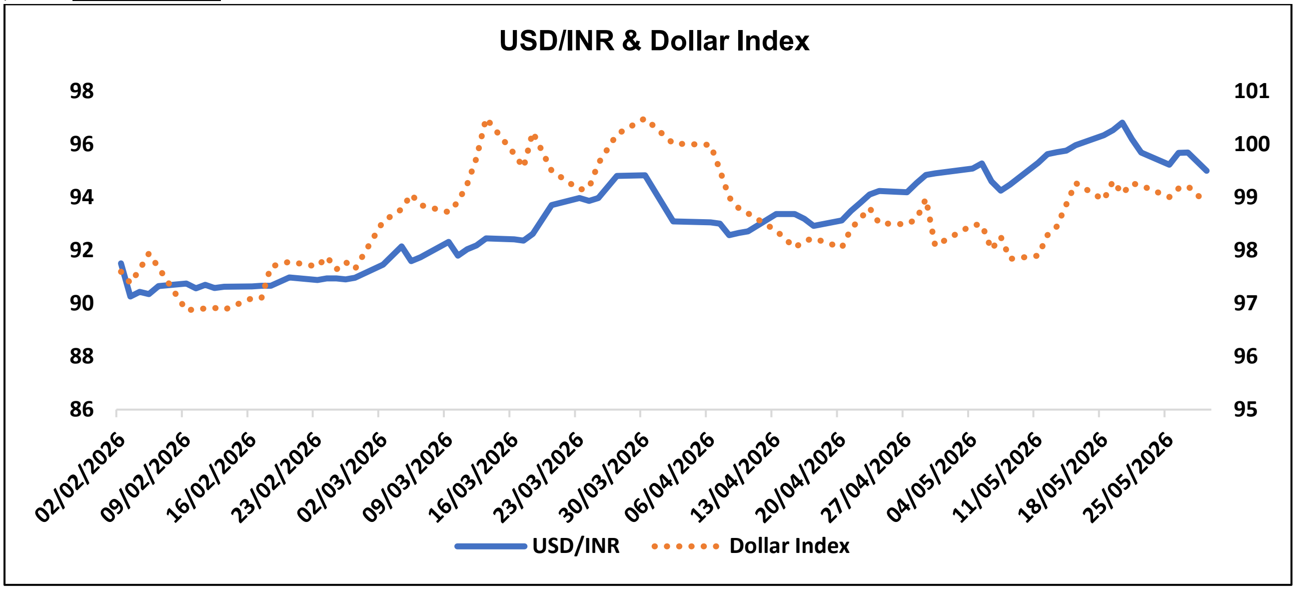
During May'26, yield curve witnessed steepening due to rise in shorter tenor amidst geopolitical turmoil and liquidity stress. The 10 -yr. benchmark traded in the range of 6.90% to 7.14% and closed at 7.00%. Yields tracked brent oil movement and news surrounding U.S.-Iran negotiations while liquidity infusion measures by RBI supported the 10-yr. yields.

Near term Outlook:

Current inflation growth dynamics point towards higher inflation expectations with CPI projected at 5.10% (FY27) compared to 2.12% (FY26) is weighing on yields. Higher inflation would shrink monetary space to support growth.

Parameter	Analysis	Impact on Yields
Crude Oil	Market expects crude prices to average higher at $90-95 per barrel in FY27.	⬆
Demand & Supply	Although demand from longer tenor State Development Loans by insurance and pension funds has been observed, weak market sentiments may impact demand in near term.	⬆
Foreign inflows	Measures related to inclusion of new issuances of 15, 30 and 40 yrs. tenors under FAR and exemption of FPIs from capital gains are likely to support inflows.	⬇

iii) USD/INR:



- During the month, USD/INR pair traded in a wide range of 94.05 to 96.96 and closed at 95.00 as on 29.05.2026. While Dollar demand by OMCs and banks weighed on INR, RBI likely Dollar sales capped losses. Further, FII outflows and rise in brent oil led to INR depreciation.

- INR is expected to remain under pressure, though the pace of depreciation may moderate if crude oil prices soften and support from multiple measures introduced by RBI to attract Dollar flows.

- In the current scenario, crude prices are not expected to come down to pre-crisis USD 65/barrel level even if the middle east crisis were to disappear immediately. Further, market is assuming crude prices for FY27 at around $90-95/barrel Currency is therefore expected to bear the brunt of these factors and INR is expected to be around 98.00 levels or higher by Sept'26.

- Leadership transition at Fed does not look enough to guide and convert the remainder of Committee to turn dovish. War is expected to spike inflation concerns amidst a resilient labour market. On the other hand, a quick resolution of the Middle East issue could provide RBI enough room to remain at the 'lower for longer' stance.

Pragya Rani
Manager
Treasury

18. BOOK REVIEW

THE STRANGER IN THE LIFEBOAT BY MITCH ALBOM

The book has three interconnected vantage points that unfold simultaneously.

The Sea, which tracks the raw, increasingly desperate struggle for survival among the castaways.

The Land, following a lonely island inspector who discovers the empty lifeboat and a survivor's notebook a year later

The News, which captures the cynical global media frenzy surrounding the luxury yacht's sudden disappearance.

Every vantage depicts different aspects of life.

The sea – When hunger and dehydration push the survivors to the edge of physical and mental collapse, the sheer desperation of the lifeboat transforms into an agonizing equalizer where wealth and status no longer matter. It is at this absolute rock bottom that a profound ray of hope emerges when the rescued stranger quietly announces, ***"I am the Lord,"*** creating an unexpected, sacred space that invites these broken individuals to finally strip away their masks and speak their hearts out. Instead of offering immediate physical rescue, he grants them the rare freedom to voice their rawest grievances, confessions, and anger against the universe, forcing them into a state of spiritual surrender; ultimately, when they accept the reality of their helplessness and embrace his message, they discover that true salvation isn't about surviving the open sea, but about finding peace, connection, and healing within their own souls before the journey ends.

The Land - We meet an inspector completely hollowed out by the agonizing loss of his daughter, having lost all hope and purpose in life. However, when he discovers the washed-up, empty lifeboat a year later, he uncovers the survivor's notebook detailing the extraordinary events at sea. Witnessing the castaways' journey from bitter skepticism to spiritual surrender reawakens his deadened faith, making him believe in God once more. By immersing himself in their struggles, he gains a quiet, transformative peace that helps him release his crushing sorrow. Ultimately, this incredible story of survival and faith allows him to forgive the universe and find the strength to truly live again.

The News - Utilizing television transcripts and news articles to track the tragedy from the outside world. While the global media hyper-focuses on the billionaire's wealth and sensationalized conspiracy theories about the explosion, they completely miss the spiritual transformation happening on the water. This commentary highlights how modern society quantifies human tragedy through material status.

Ultimately, ***The Stranger in the Lifeboat*** is a beautifully woven book that uses three distinct perspectives to explore the depths of human suffering and faith. By confronting the realities of grief both at sea and on land, Mitch Albom delivers a comforting reminder that true salvation is found in spiritual surrender and connection. It is a deeply moving, thought-provoking read that offers a gentle beacon of hope for anyone navigating their own dark waters.

Usha Gori
Senior Manager
Head Office, DA & SI

19. READERS' FEEDBACK

PNB ECOLENS is an insightful and well-curated publication that offers a compact yet meaningful view of banking, finance, ESG and the evolving economic landscape. By linking key economic indicators with industry trends, it helps readers understand broader macroeconomic developments and their relevance for the banking sector.

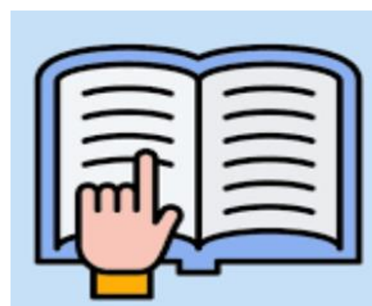
Udaya Kumar Mahapatra, Dy. General Manager, Circle Head, CO: Etawah

PNB ECOLENS continues to be an insightful knowledge resource, offering a balanced perspective on emerging economic trends, sustainable finance, and technology-driven banking. The content is relevant, informative, and highly useful for banking professionals. The publication enhances professional awareness and supports informed decision-making in an increasingly dynamic financial environment.

Shwetank Kumar, DGM & Circle Head Circle Office: Alwar

PNB ECOLENS offers well-structured routine updates that keep readers consistently informed. Its rich content serves as an excellent resource for group discussion topics, especially valuable for promotion aspirants.

Ritesh Garg, Chief Manager, International Banking & Trade Finance Division



PNB ECOLENS is a very useful and informative monthly magazine. It presents economic and banking news in a simple and easy-to-understand manner. The magazine helps us stay updated on important developments in the economy, financial markets, and the banking sector. The articles are well-organized, relevant, and supported by facts and data. It is especially helpful for bank employees, students, and anyone interested in economic affairs. Overall, PNB Eco Lens is an excellent initiative by Punjab National Bank that enhances knowledge, promotes awareness, and provides valuable insights into current economic and financial trends.

Geetanjali, Senior Manager-IT, CPPD Division

20. 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*
- *State of Working India 2026, PFLS*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *Press Articles*
- *CMIE*
- *Statista*

QUOTE OF THE MONTH

"Knowledge has to be improved, challenged, and increased constantly, or it vanishes."

— Peter Drucker

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