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CONTENTS

1. EDITORIAL

Fiscal-end Review of the Indian Economy

As the fiscal year 2024-25 comes to a close, we draw a closer look at the performance of some of the major economic indicators during the year:

GDP

The Indian economy's performance in the three quarters of FY25 was somewhat muted compared to last fiscal. GDP grew by 6.7 per cent in Q1 FY25, 5.4 per cent in Q2 FY25, and 6.2 per cent in Q3 FY25. This also led the RBI to revise its GDP projection downward from 6.6 per cent to 6.4 per cent for the full year FY25 in its bi-monthly monetary policy meeting in Feb 2025. Slow urban spending due to high food inflation in the first half of the year and sluggish growth in manufacturing and mining sectors contributed to the slowdown.

However, green shoots were visible in the latest GDP figures for Q3 FY25. Improvement in private and government spending along with a good monsoon present a positive outlook for the economy. Manufacturing exports also displayed strength. Moreover, going ahead, household consumption is expected to gain ground aided by the tax relief announced in the Union Budget 2025-26 and the recent rate cut by the RBI.

Inflation

After breaching the RBI's upper tolerance level in October 2024, inflation has been cooling off since then. A bumper Kharif crop (food grain production grew 6.82 per cent in 2024-25 Kharif season) lowered food inflation with the CPI inflation moderating to 3.61 per cent in February 2025. With this the average inflation in the Apr'24-Feb'25 period came in at 4.74 per cent- well within RBI's tolerance band. Going ahead, food inflation is likely to witness significant softening due to favourable Rabi & Kharif production.

Public Finance

Government capex was muted during the first half of the year owing to the general elections. Monthly capex amounted to Rs. 76000 crore during 9M FY25. However, it accelerated during the latter part of the year with the Government revising its capex estimates upward for the next fiscal. Taking into account the remaining capex for FY25, the Government's monthly capex is estimated at Rs. 96000 crore (during Q4 FY25 and FY26). New project announcements continue to increase, with tendering activity and project awarding picking up in January 2025.

Banking sector

The quarterly results of Indian banks reflected robust performance with banks reporting strong credit growth and profitability numbers. Non-Performing Assets reached decadal lows, indicating proactive resolution mechanisms and improved credit quality. Following significant regulatory tightening in 2023 and 2024, the Reserve Bank of India shifted its stance in December 2024. The transition began with substantial liquidity injections to alleviate the liquidity deficit in the system, which was accompanied by a reduction in the Cash Reserve Ratio (CRR) and Repo Rate. Additionally, certain proposed regulatory measures, including the liquidity coverage ratio (LCR) and project financing norms, have been postponed. Recently, the RBI also lowered risk weights on bank loans to non-banking financial companies (NBFCs) and microfinance institutions (MFI).

Financial Markets

Mutual fund AUM hit an all-time high, crossing Rs. 68 trillion in November 2024- with sectoral and thematic funds having maximum interest from investors. Small-cap mutual funds witnessed remarkable growth in 2024. However, the Indian equity market has been under selling pressure over the past few months. Benchmark indices have been falling and Foreign Portfolio Investors (FPI) are largely flowing out of the country since October 2024 driven by slowing corporate earnings and shifts in US policy. Cumulatively from October'24 to March'25 (up to 19 March 2025), FPIs have been net sellers to the tune of USD 23.5 billion. Nonetheless, Domestic Institutional Investor (DII) inflows remain strong. Foreign outflows are also impacting the Indian Rupee's (INR) slide against the US Dollar (USD) As a result, forex reserves have been on a continuous downtrend after hitting a high of USD 704.9 billion in September 2024, owing to RBI's interventions to stabilize the INR.

Foreign Trade

On the trade front, India's performance has been mixed throughout the year with merchandise trade deficit widening while services trade surplus hitting a record high of USD 20.33 billion in January 2025. In February 2025, India recorded an overall trade surplus (merchandise & services) of USD 4.43 billion for the first time since May 2021. India's goods trade deficit fell to its lowest level since August 2021, at USD 14.05 billion in February 2025 on account of a steep decline in imports. India's foreign trade landscape is evolving rapidly, driven by active trade negotiations with key global players in order to deepen economic ties with nations amidst an uncertain global environment.

India recently resumed negotiations for a Free Trade Agreement (FTA) with New-Zealand after a decade. In February 2025, the UK government also announced resumption in trade negotiations with India with the aim of an FTA. India and the EU are also advancing their negotiations on an FTA. India and Oman are actively involved in formulating a Comprehensive Economic Partnership agreement (CEPA). India is also engaging with the US to form a Bilateral Trade Agreement.

Rural India

Rural economy exhibited mixed performance. Tractor sales have remained robust during the year with double-digit growth in sales in the past three months and only two months of contraction. Two-wheeler sales grew in double-digits for majority of the year with moderation beginning in November 2024. After contracting from July to October 2024, fertilizer sales witnessed growth during November'24 to January'25. A good monsoon bolstered Kharif production- boosting farm incomes and lowering food inflation. On the flip side, demand for work by individuals under MGNREGA witnessed a steady rise from October'24 to January'25 with a marginal moderation in the number seen in February'25.

Outlook

Consumer sentiments remain bright about the future with RBI surveys suggesting optimism on the part of consumers towards the general economic situation, employment, income and spending. While GDP growth has slowed compared to the previous fiscal, Indian economy remains resilient with strong fundamentals and is expected to benefit from the demographic dividend, a robust services sector, increasing thrust on manufacturing, and growing middle-class wealth which is also strengthening consumption demand. Additionally, healthy agricultural prospects and an expected recovery in industrial activity should support growth in FY26. Several announcements in the Union Budget to build rural prosperity and resilience also augur well for the economy going ahead.

V P Bansal
(Deputy General Manager)

2. TARIFF TURMOIL – GLOBAL ECONOMY AT CROSSROADS

The global economy is once again at a crossroads, as trade protectionism resurfaces in the form of the Trump administration's recent tariff policies. Over the past few decades, free trade has been the bedrock of economic growth and global prosperity, underpinned by the principles of comparative advantage and open markets. However, the resurgence of tariff barriers and trade restrictions threatens to disrupt this system, with wide-ranging consequences for inflation, economic growth, and global monetary stability. More critically, these measures could accelerate the shift away from US dollar dominance, harming the very economy they aim to protect.

The foundation of global economic progress in the modern era has been the adoption of free trade policies. David Ricardo's theory of comparative advantage has long been a guiding principle in international trade. The idea is for countries to export goods in which they have the greatest efficiency (comparative advantage) while importing goods where they have a relative cost disadvantage.

Trade liberalization has fostered economic efficiency, innovation, and higher living standards by allowing countries to specialize in industries where they hold a comparative advantage. However, the Trump administration's tariff policies—particularly targeting imports from China and even US allies like Canada, Mexico and EU—signal a significant departure from these principles.

Historically, tariffs have been used as protectionist tools, intended to shield domestic industries from foreign competition. While they may provide short-term benefits for certain sectors, such measures often lead to inefficiencies, higher production costs, and retaliation from trading partners. The recent spate of tariffs imposed by the US aims to reduce trade deficits and bring back manufacturing jobs, but in reality, such moves could end up harming American consumers and businesses by raising prices domestically and disrupting global supply chains.

One of the most immediate and concerning impacts of these tariff policies is inflation. When tariffs are imposed on imports, businesses face higher input costs, which are often passed on to consumers in the form of higher prices. This is particularly dangerous in the current global economic environment, where post-pandemic recovery remains fragile.

Central banks worldwide are already navigating a complex economic landscape, balancing inflation control with the need to support economic growth. The US Federal Reserve, the European Central Bank, and other monetary authorities have been cautiously adjusting interest rates in response to economic uncertainties. However, rising inflation caused by tariff-induced price increases could force central banks to maintain higher interest rates for longer than anticipated. This would further slow down economic recovery, leading to subdued investment and weaker consumer spending.

For emerging economies, the situation is even more precarious. Many developing nations rely on trade with the US and other major economies. Increased protectionism could reduce their export revenues, tighten financial conditions, and exacerbate economic volatility. Countries with high levels of external debt may also face difficulties in managing their currency stability, further straining their economies.

One of the unintended consequences of aggressive US trade policies is the growing trend of countries seeking alternative trade mechanisms. Historically, the US Dollar has been the primary global reserve currency, facilitating international trade and financial transactions. However, as the US becomes increasingly unpredictable in its trade policies, many nations are exploring alternatives.

Several countries have already started entering into bilateral trade agreements, bypassing the US Dollar in favor of local currency settlements. China and Russia have significantly increased trade using the Yuan and Ruble, while India has been actively negotiating trade deals using the Indian Rupee. Even US allies, such as the European Union, have been discussing mechanisms to reduce dependence on the US Dollar for international transactions.

This shift, while gradual, poses a long-term risk to the dollar's supremacy. If more countries establish trade networks that circumvent the dollar, it could reduce demand for US assets and weaken America's ability to influence global financial markets. A diminished dollar role would make it harder for the US to finance its fiscal deficits and could lead to higher borrowing costs over time.

While the Trump administration's tariff measures are designed to protect American jobs and industries, the broader economic implications suggest they may do more harm than good. By alienating allies, distorting markets, and accelerating the shift away from dollar-based trade, these policies could erode US economic leadership in the long run.

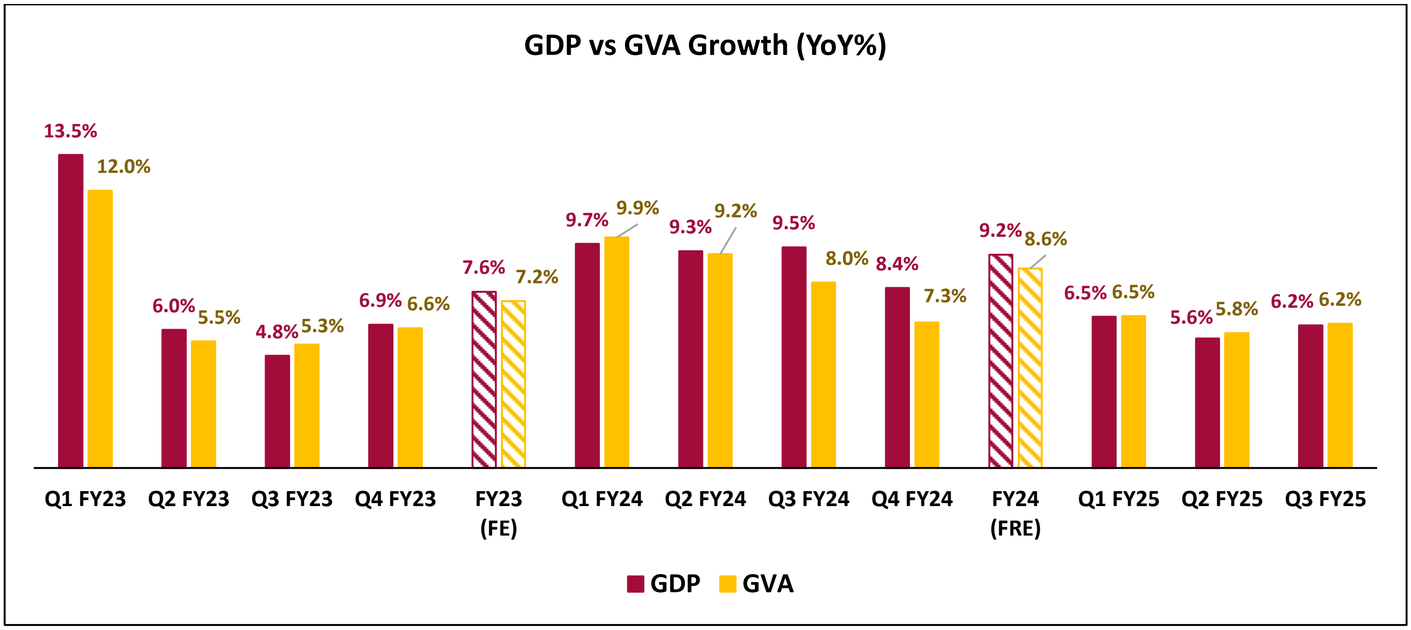
Moreover, history provides ample evidence that protectionism rarely delivers sustained economic benefits. The Smoot-Hawley Tariff Act of 1930, which was intended to protect US farmers and manufacturers, ended up deepening the Great Depression by triggering global retaliatory tariffs and trade wars. A similar pattern could emerge if current protectionist policies escalate, leading to broader economic stagnation.

Instead of restrictive trade policies, the US would be better served by focusing on policies that enhance its global competitiveness—such as investing in advanced manufacturing, research and development, and workforce upskilling. Protectionism may provide temporary relief for some industries, but in a highly interconnected global economy, long-term growth depends on cooperation, innovation, and open markets.

Smriti Behl
Officer (Economics)
SMEAD, HO

3. KEY HIGHLIGHTS: GROSS DOMESTIC PRODUCT Q3 FY25

- GDP for Q3 FY25 grew by 6.2%, increasing from 5.6% growth recorded in the previous quarter (Q2 FY25), but lower than 9.5% in Q3 FY24. Also, GVA in Q3 FY25 grew by 6.2% as compared to a growth of 5.8% in the previous quarter (Q2 FY25) and a growth of 8.0% in Q3 FY24.
- The faster growth of India's Gross Domestic Product (GDP) to 6.2% during Q3 FY 2024-25 was supported by improvement in rural consumption following a good monsoon and pick up in government spending.
- However, growth is still lower than 9.5 per cent growth in the same period last year.
- Real GDP has been estimated to grow by 6.5% in FY 2024-25, revised upwards from First Advance Estimates.
- Gross Value Added (GVA) – which is GDP minus net taxes – grew at 6.2% in Q3 FY 2024-25.



FE: Final Estimates FRE: First Revised Estimates

Components of GDP

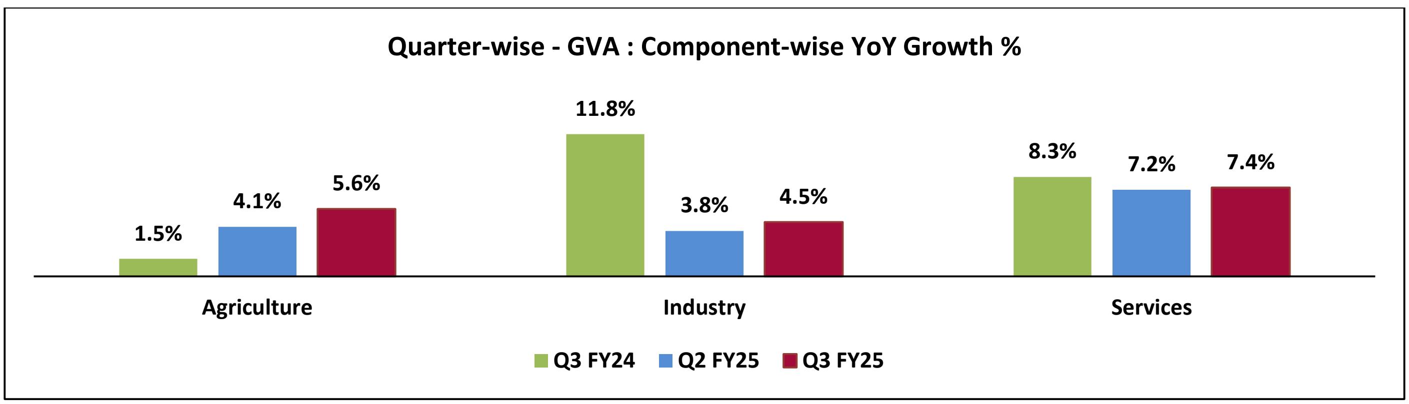
- Growth in Private Final Consumption Expenditure, which constitutes the highest share in GDP, grew by 6.9 per cent in Q3 FY25 as against 5.9 per cent in the previous quarter and 5.7 per cent in Q3 FY24.
- Government Final Consumption Expenditure increased to 8.3 per cent in Q3 FY25, marking a significant uptick from 3.8 per cent in Q2 FY25 and 2.3 per cent in the same quarter of the previous fiscal year.
- The growth in Gross Fixed Capital Formation, which denotes investment in the economy, remained broadly in line with previous quarter at 5.7 per cent in Q3 FY25 as against a growth of 9.3 per cent in Q3 FY24.
- Exports witnessed robust growth of 10.4 per cent growth in Q3 FY25 as against growth of 2.5 per cent in Q2 FY25 and 3.0 per cent in Q3 FY24.

Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	**Q3 2022-23**	**Q3 2023-24**	**Q3 2024-25**
Private Final Consumption Expenditure (PFCE)	2.4%	5.7%	6.9%
Government Final Consumption Expenditure (GFCE)	2.5%	2.3%	8.3%
Gross Fixed Capital Formation (GFCF)	6.7%	9.3%	5.7%
Change in Stocks	21.1%	55.8%	3.5%
Valuables	-36.6%	54.7%	-6.5%
Exports	8.2%	3.0%	10.4%
(Less) Imports	2.9%	11.3%	-1.1%
Discrepancies	-	-	-
GDP	**4.8%**	**9.5%**	**6.2%**

Change of the Share of Major Components in GDP

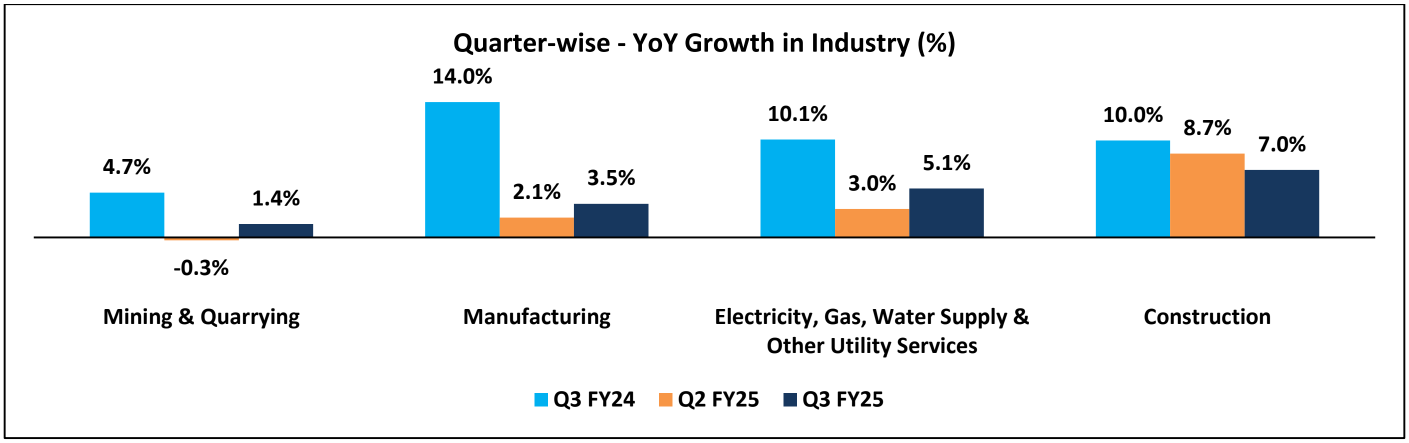
Item	**Share in GDP (%)**		
	Q3 2022-23	**Q3 2023-24**	**Q3 2024-25**
Private Final Consumption Expenditure (PFCE)	61.3	59.2	59.6
Government Final Consumption Expenditure (GFCE)	8.3	7.8	7.9
Gross Fixed Capital Formation (GFCF)	32.1	32.1	31.9
Change in Stocks	1.1	1.6	1.6
Valuables	1.2	1.7	1.5
Exports	22.6	21.2	22.1
(Less) Imports	23.6	24.0	22.3
Discrepancies	-3.1	0.4	-2.2
GDP	**100.0**	**100.0**	**100.0**

Components of GVA

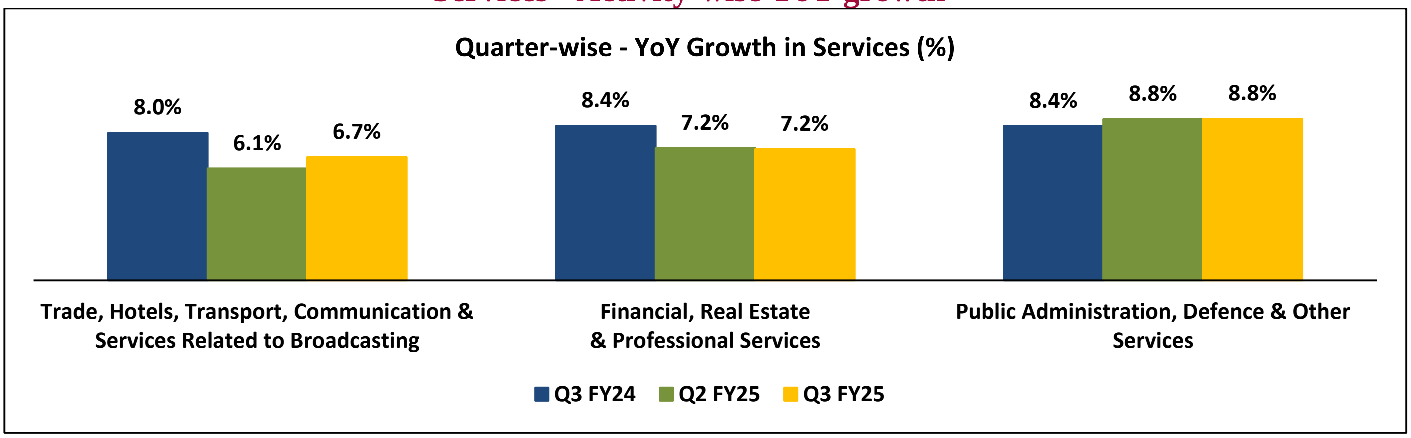


- The GVA growth in the Agriculture sector continued to increase to 5.6 per cent in the third quarter of FY25 compared to 4.1 per cent in the previous quarter and 1.5 per cent in Q3 FY24 supported by favourable monsoon conditions.
- The growth in the Industry Sector stood at 4.5 per cent in Q3 FY25, recovering from 3.8 per cent in the previous quarter, but significantly slowing from 11.8 per cent recorded in Q3 FY24.
- The growth rate of Services sector also registered a marginal increase to 7.4 per cent in Q3 FY25 from 7.2 per cent in the previous quarter. However, the growth was still lower than the 8.3 per cent recorded in the same period last fiscal.

Industry - Activity-wise YoY growth



Services - Activity-wise YoY growth



Views

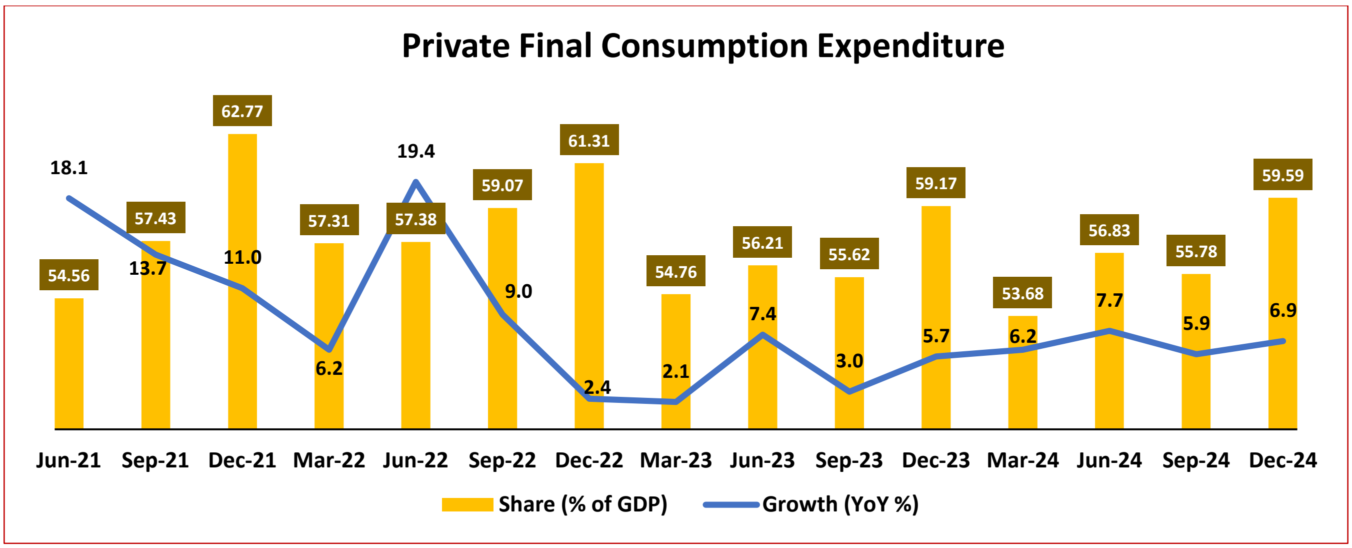
- The growth rate for GDP was broadly **in line with market expectations**, coming in at 6.2 per cent for Q3 FY25. This increase came after GDP fell to a seven quarter low of 5.6 per cent in Q2 FY25. However, this was below RBI's projection of 6.8% in the December meeting of the Monetary Policy Committee.
- The acceleration was supported by **stronger rural consumption, aided by a favourable monsoon, and increased government expenditure**.
- The growth in **Agriculture & Allied sector** (5.6% in Q3 FY25) witnessed a recovery from the 1.5% growth recorded in the same period last year, supported by robust Kharif output.
- Meanwhile, the **manufacturing sector growth** slowed down significantly to 3.5% in the current quarter compared to 14% in Q3 FY24. The construction sector grew at 7% YoY, marking a decrease from the 10% growth seen in the previous year.
- After a slowdown in the first quarter, owing to general elections, Government Expenditure picked up significantly in the third quarter of FY24-25.
- Private Consumption has staged a recovery owing to improvement in rural demand following a softening of food prices and increased spending during the festive season.
- Going forward, the Indian economy is on track to achieve the 6.5% growth for the full year FY24-25, supported by strong domestic demand. However, external risks continue to exist particularly regarding changes in global trade dynamics.

4. INDIA'S GROWTH TRAJECTORY IN FY26: PRIVATE CONSUMPTION AND INVESTMENT

India's Q3 FY25 GDP data highlights a promising recovery from the cyclical slowdown witnessed in the first half of the fiscal year. As the nation moves toward FY26, private consumption and investment emerge as pivotal drivers of economic growth. Encouragingly, the Union Budget 2025-26 has laid out a growth-focused framework, complemented by the Reserve Bank of India's monetary easing measures. Together, they signal a forward-looking roadmap designed to bolster economic momentum.

Private consumption, contributing approximately 57% to India's total GDP and serving as the fastest-growing segment of the economy, has faced challenges in the past two years reflected in slowing growth and falling share in the total GDP. This is attributed to the fading momentum of post-pandemic pent-up demand, combined with inflationary pressures and elevated borrowing costs.

Nevertheless, the recovery initiated in the private consumption from Q3 FY25 (6.9% YoY growth from 5.9% in Q2) owing to a sustained momentum in rural consumption and a revival in urban consumption, signalling a strong consumer confidence and sustained demand going ahead in FY26.

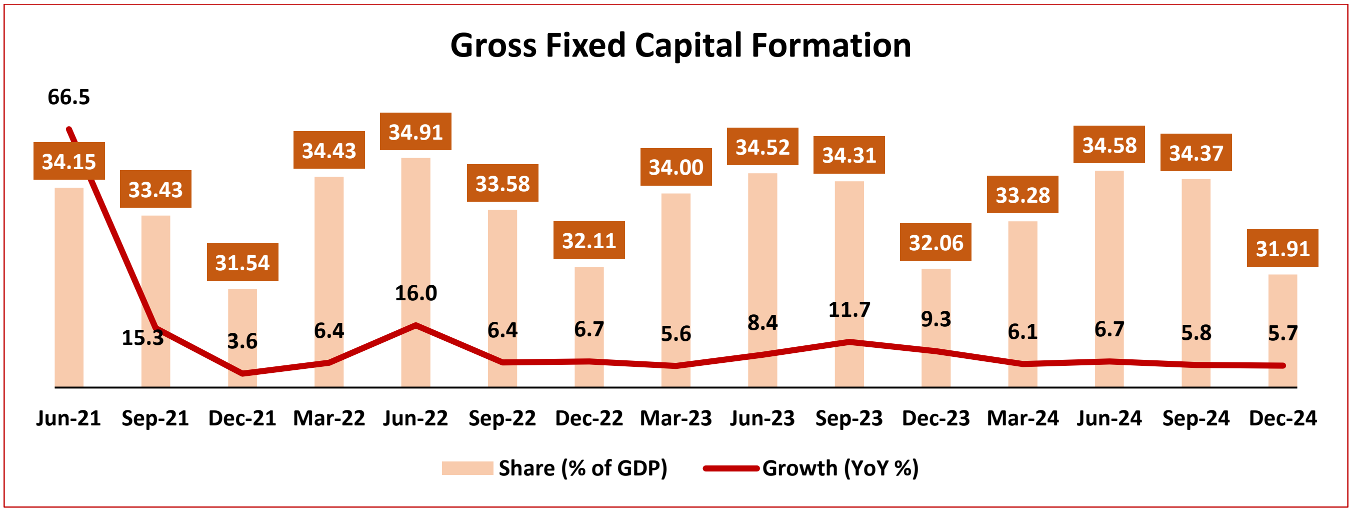


In this context, the revised income tax slabs under the new regime worth ₹1 lakh crore of tax savings, alongside easing inflation (4.7% Apr-Feb'25 down from 5.4% Apr-Feb'24) and reduced interest rates (25 bps in Feb'25 and 50 bps expected in April & June 2025), are expected to provide a major relief to middle-income category that drives private consumption. These conditions are expected to boost the incremental consumption of around ₹3.3 lakh crore or around 1% of the GDP (assuming the multiplier effect of 3.3x and marginal propensity to consume at 0.7).

After accounting for the savings or debt repayment, sectors like consumer durables, two-wheelers, and retail are poised for higher discretionary spending in FY26 and RBI's rate cuts will push higher demand in interest-sensitive sectors such as housing and automobiles. Building on the optimism in urban demand, rural consumption is also poised to sustain its positive trajectory in FY26, backed by a normal monsoon, healthy farm incomes, and continued government schemes such as MGNREGS and PM-Kisan. The enhanced loan limit under the Kisan Credit Card, will also improve cash flow for around 8 crore farmers, enabling investments in better farming practices and higher crop yields.

Shifting focus to **private investment**, its share in total fixed investment has seen a decline over the years, falling from over 40% in FY16 to 34% in FY24. The composition of private corporate investment has also shifted, described by the Economic Survey 2023-24 as an "unhealthy mix." Reviving private corporate investment will require a stronger emphasis on capacity expansion through machinery and equipment investments and fostering innovation via intellectual property creation.

Encouragingly, healthy corporate balance sheets, sustained credit demand, and rising business optimism provide a solid foundation for recovery, especially after subdued growth in FY25. The reduction of the fiscal deficit target to 4.4% for FY26 from 4.8% in FY25 signals a move toward private sector-led investments taking center stage. The government's unwavering focus on infrastructure, maintaining its Capex target at 3.14% of GDP, along with targeted policy measures, further enhances the outlook for FY26.



The Production Linked Incentive (PLI) schemes, with a remarkable 108% budget increase for FY26 to ₹19,483 crore, are set to spur investments in sectors like electronics, textiles, automobiles, and manufacturing. Policy-driven deregulation is expected to minimize bureaucratic hurdles, improving the ease of doing business and encouraging capital expenditure. Easing monetary policy will likely reduce corporate borrowing costs, driving private investments, while wholesale credit growth is projected to rise to 10% annually, backed by improved asset quality and robust bank balance sheets.

The uneven recovery in consumption demand has kept businesses cautious. Post-pandemic, consumption has been slow to bounce back, with rural demand improving steadily but urban demand restrained by tighter lending norms and high interest rates. Manufacturing capacity utilization remains stagnant at approximately 74% since FY23, while global policy uncertainties stemming from geopolitical tensions and trade disruptions continue to hinder investment decisions.

Despite these challenges, private investment, coupled with steady private consumption, is expected to lead India into a nuanced economic landscape. Investments are likely to take the forefront in driving growth, supported by targeted fiscal and monetary policies. This rebalancing demonstrates the economy's resilience and adaptability, laying the groundwork for sustained progress in year ahead.

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5. KEY HIGHLIGHTS:
TREND & PROGRESS OF HOUSING IN INDIA-NHB

Housing Sector

- The Housing sector is regarded as an engine of economic growth which can give a big push to the economy through its strong 'backward' and 'forward' linkages.
- The sector has gained paramount importance in Government policies and private investments. Government initiatives and policy support play a pivotal role in driving the growth of India's Housing market.
- Government policies with easing of regulations and provision of incentives are propelling the demand as well as supply of residential housing.

Housing Loan Portfolio of SCBs and HFCs

- Housing loans as a percentage of GDP increased from 3.20 per cent in 2001-02 to 6.60 per cent in 2011-12 and further to 11.29 per cent in FY 2023-24.
- The share of outstanding Housing Loans in Total Loans outstanding for Scheduled Commercial Banks increased to 16.57 per cent in March 2024 from 9.41 per cent in March 2010.
- **Global House Price Movement**- In the first quarter of 2024, the global real house prices moderated by 1.0 per cent Y-o-Compared with 1.2 per cent in the last quarter of 2023.
- **Indian Housing Scenario-** The demand for housing in Tier-II and Tier- III cities is driven by infrastructure development, talent availability and affordability. The growth in housing finance is supported by Banks and Housing Finance Companies.
  - ✓ **As of September 2024,** out of the total outstanding individual housing loan portfolio of ₹34 lakh crore the share of HFCs and Banks (Public Sector Banks, Private Sector Banks and Regional Rural Banks) stood at 19.0 per cent and 81.0 per cent respectively.
  - ✓ **The individual housing loan portfolio of primary lending institutions grew by 14.08 per cent during September 2024 over the same period of last year.**

Credit Flow to Housing Sector by Primary Lending Institutions (PLIS)

- The Individual Housing Loan (IHL) outstanding as on 30th September 2024 is Rs. 33.53 Lakh Crore. This comprises 18.7 per cent share by HFCs, 43.8 per cent by PSBs and 37.5 per cent by PVBs.
- As on September 30th, 2024, share of Rural Housing Loans in Total IHL outstanding in respect of HFCs, PSBs and PVBs stood at 7.52 per cent, 7.64 per cent and 7.66 per cent respectively.
- The national average of Outstanding Individual Housing Loan to GSDP ratio stood at 10.93 per cent (including pool buyout outstanding amount of Rs. 50,836 Crore the ratio stands at 11.10 per cent) as on March 2024.
- The state-wise distribution of IHL to Gross State Domestic Product (GSDP) ratio shows that Maharashtra ranked the highest with a share of 18.49 per cent followed by Telangana (18.44 percent) and Karnataka (14.28 per cent).

Housing Initiatives

- The government plays a crucial role in regulating and shaping the real estate sector. Housing scarcity in India is concentrated in economically weaker sections (EWS) and low-income groups (LIG). Various policies have been introduced to promote affordable housing, including:
  - ✓ National Urban Housing and Habitat Policy (NUHHP) in 2007
  - ✓ Rajiv Awas Yojana (RAY), Rajiv Rinn Yojana (RRY), and Credit Linked Subsidy Scheme (CLSS)
  - ✓ PMAY-Urban (PMAY-U) 2.0 scheme, announced in the Union Budget 2024-25, to provide financial assistance to 1 crore urban poor and middle-class families.
- **In the Union Budget 2024-25,** Hon'ble Finance Minister announced the Pradhan Mantri Awas Yojana-Urban (PMAY-U) 2.0 scheme under which financial assistance will be provided to 1 crore urban poor and middle-class families through States/Union Territories (UTs)/PLIs to construct, purchase or rent a house at an affordable cost in urban areas in 5 years.
- **Affordable Rental Housing Complexes (ARHCs) for Urban Migrants/Poor Housing Sector:** Ministry of Housing & Urban Affairs launched the Affordable Rental Housing Complexes (ARHCs) scheme, a sub-scheme under Pradhan Mantri Awas Yojana-Urban (PMAY-U) to a reverse migration of urban migrants/poor in India, who often live in slums or informal settlements to save on housing costs after COVID.
- **Global Housing Technology Challenge-India (GHTC-India)-** was launched by the Ministry of Housing & Urban Affairs in 2019 to identify and mainstream innovative construction technologies for sustainable, eco-friendly, and disaster-resilient housing.
- **Objectives:**
  - ✓ Identify globally available innovative construction technologies through a challenge process
  - ✓ Demonstrate and deliver high-quality, affordable, and sustainable housing
  - ✓ Promote research and development in the country through incubation support and accelerator workshops.
- **Key Initiatives:**
  - ✓ **Light House Projects (LHPs):** Six model housing projects with 1,000 houses each, built using distinct technologies, to showcase innovative construction method.
  - ✓ **Demonstration Housing Projects (DHPs):** Model housing projects built with new/alternate technologies to provide on-site orientation and promote widespread learning
  - ✓ **Green Housing-** The Government of India aims to reduce emissions and become carbon neutral by 2070. **The Pradhan Mantri Awas Yojana – Urban (PMAY-U) project promotes affordable green housing, supporting sustainable development goals and environmentally conscious urban growth.**

PATH AHEAD FOR HOUSING SECTOR: TOWARDS A VIKSIT BHARAT

- The government and regulators are working to increase mortgage penetration in underserved areas, with initiatives like the co-lending model aiming to combine the liquidity of banks with the reach of HFCs to extend housing credit to underserved populations.
- The economic changes in Tier-2 and Tier-3 cities are driving housing demand, prompting primary lending institutions to design tailored products to meet this demand.
- The Union Budget for 2024-25 has introduced several measures to boost the housing sector, including the announcement of PMAY 2.0, which aims to address the housing needs of 1 crore urban poor and middle-class families over the next five years.

CHALLENGES AND OPPORTUNITIES FOR HOUSING SECTOR

Challenges

- **Regional Disparity in Housing Finance:** The Southern, Western and Northern States of the country account for 35.02 per cent, 30.14 per cent and 28.73 per cent share respectively, of the cumulative disbursements done during H1FY 2024-25 whereas the share of Eastern states (inclusive of the north-eastern states) is 6.10 per cent. The North-eastern states account for 0.68 per cent of the total IHL disbursements during the H1FY 2024-25.
- Vulnerability to climate-related risks, such as floods, fires, and extreme weather events. There is a growing need to make buildings more resilient and energy efficient.
- At present, there are limited number of institutions providing green building certifications and there is no equivalence of rating certifications provided by different agencies.
- The higher cost of green materials for construction is challenging.

Opportunities

- Technological advancements in construction, such as 3D printing reduce costs and speed up project timelines.
- Government initiatives like Pradhan Mantri Awas Yojana (PMAY), Goods and Services Tax (GST), the Real Estate (Regulation and Development) Act (RERA), and the Insolvency and Bankruptcy Code (IBC) have contributed to increased transparency and investor confidence in the sector.
- Digitisation of land records and GIS mapping will aid in modernizing real estate administration, leading to greater transparency and efficiency.
- Use of AI, data analytics, and predictive modelling can provide investors, developers, and homebuyers with better foresight.
- REITs provide an opportunity for smaller investors to participate in large-scale real estate developments and offer more liquid investment options in the housing sector.
- The announcements made in the Union Budget 2025-26 viz., Special Window for Affordable and Mid-Income Housing (SWAMIH) Fund II, Urban Challenge Fund and National Geospatial Mission will provide the much-needed opportunities for the Housing sector.

6. Gist of Speech: Climate Change Risks and Finance

Keynote Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the Policy Seminar on Climate Change Risks and Finance organized by Reserve Bank of India, March 13, 2025, New Delhi

- Climate change is a significant issue affecting the real economy, financial system, and daily lives. It is intensifying and threatening ecosystems, livelihoods, and economies. Collective responsibility is necessary to mitigate associated risks and ensure financial system resilience.
- There are two dimensions to climate change related risks – facilitative (capacity building, ecosystem development, financing of green transition) and prudential (risk management).
- Central Banks in Advanced Economies have traditionally followed an asset neutral approach. Central Banks in Emerging Markets and Developing Economies (EMDEs), on the other hand, have adopted directed lending policies.
- In India, priority sector lending facilitates credit for renewable energy. Climate change influences credit, market, and operational risks, leading to losses from extreme climate events, stranded assets, investment losses, and operational challenges.
- The mitigation of climate change risks, therefore, rests – firstly, on realistic and comprehensive assessment of the frequency and severity of climate risks and secondly, estimating their financial impact, which is no easy task.
- RBI focuses on capacity building and a conducive regulatory framework for green finance. Higher credit risk in green financing requires regulated entities to develop suitable capacity and technical know-how to better appraise risks in financing projects.
- The Reserve Bank's approach with respect to climate related financial risks is oriented not just for the short-term but also the medium-term, emphasizing scenario analysis and stress testing exercises.
- The risk management framework in Regulated Entities is evolving, building technical expertise and competencies for comprehensive assessment and mitigation of climate related financial risks.
- Climate risk modelling is data-intensive but constrained by limited data and the lack of benchmark sectoral transition pathways and country specific carbon emission database. To address this, RBI announced the RB-CRIS in October last year which provides standardized datasets for physical and transition risk assessment.
- International organizations such as International Sustainability Standards Board (ISSB) and the Basel Committee on Banking Supervision (BCBS) are influencing disclosure standards, with RBI finalizing its own guidelines and developing stress testing frameworks.
- Technology and finance have a critical role in the transition towards a low-carbon economy, and there is a need to build innovative solutions and capabilities in these areas.
- The Reserve Bank has been facilitating innovations through its Regulatory Sandbox and Hackathon initiatives in the Fintech space and now proposes to set up a dedicated "on Tap" cohort on climate change risks and sustainable finance under RBI's Regulatory Sandbox initiative and plan to conduct a special "Greenathon" on climate change and related aspects.
- A major challenge in climate finance is the lack of bankable projects, and creating a common pool will benefit all regulated entities.
- To conclude, the Network for Greening the Financial System (NGFS) continues to provide valuable guidance, and RBI remains committed towards building a financial system that withstands climate shocks while supporting India's sustainable future.

7. Gist of Speech: Transforming Grievance Redress: The AI Advantage

Inaugural Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India - March 17, 2025 - at the Annual Conference of the RBI Ombudsmen, Mumbai

- Significant strides have been made in improving consumer services, including internet banking, mobile banking, and digital transactions. RBI has enabled opening of accounts using video KYC.
- While RBI has enhanced customer experience over the years, the high number of customer grievances continues to be a matter of serious concern. Last year (2023-24), the 95 Scheduled Commercial Banks alone received over 10 million complaints from their customers and higher Regulated Entities (REs).
- One may argue that this amounts to only four complaints per thousand accounts per year as there are about 2.5 billion bank accounts. With 10 million complaints and with the rapidly growing customer base and expanding suite of products, this may grow, if we do not get our act together.
- When a consumer files a grievance – whether for a disputed transaction, a lapse in service, inappropriate pricing or charges or an unfair practice – it is a signal that our system has fallen short.
- The number of complaints received under RBI's Integrated Ombudsman Scheme increased at a compounded average growth rate of almost 50 per cent per year over last two years to 9.34 lakh in 2023-24.
- The number of complaints processed at the Office of RBI Ombudsman increased by 25 per cent from about 2,35,000 in 2022-23 to almost 2,94,000 in 2023-24.
- With large number of complaints getting escalated, the Governor strongly urges all the MD & CEOs, Zonal and Regional Managers and the Branch Managers to spend some time every week, if not every day on grievance redressal.
- Each unresolved grievance is a missed opportunity for regulated entities to reaffirm customer trust and loyalty. Today, complaints often surface on social media even before reaching official channels, highlighting the need for proactive measures.
- KYC processes must avoid repeated document submissions. Rising digital frauds, mis-selling, and aggressive recovery practices remain key concerns.
- AI can also help in optimizing complaint routing. AI-driven chatbots and voice recognition tools can eliminate language barriers by operating in local languages.
- Moreover, the implementation of conversational AI in chatbots, voicebots, and advanced IVR systems can handle routine queries round the clock, thereby freeing people to focus on cases that require empathy and complex problem-solving.
- AI presents opportunities but also presents challenges such as data privacy, algorithmic bias, and complexity.
- Banks should invest in human resources dedicated for customer service and grievance redressal. RBI as a facilitator provides various services, approvals, clarifications, etc. to regulated entities in a timely manner.
- The use of PRAVAAH, RBI’s secure and centralized web-based portal, will be mandatory.
- As India moves towards Viksit Bharat, the financial sector must focus on enhancing customer service and protection to fulfill its critical role.

8. GIST OF LATEST RBI CIRCULARS FOR BANKS

Date of the Circular	20-March-2025
Ref No.	RBI/2024-25/126 DOR.ACC.REC.No.66/21.04.018/2024-25
Subject	Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Clarifications

Gist: RBI has issued following clarification on certain aspects of disclosures in the notes to accounts to the financial statements as well as on the notes and instructions for compilation of balance sheet specified in the Annex II Part A of the Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021:

- Lien marked deposits shall continue to be classified under Schedule 3: Deposits with suitable disclosures.
- Advances to the extent they are covered by CGTMSE and CRGFTLIH and individual schemes under NCGTC, which are backed by explicit Central Government Guarantee, shall also be disclosed under Schedule 9 (B) (ii) i.e. 'Advances Covered by Bank/Government Guarantee'.
- Disclosures on repo/ reverse repo transactions shall be done in market value terms as well as face value terms.

Date of the Circular	25-February-2025
Ref No.	RBI/2024-25/120 DOR.STR.REC.61/21.06.001/2024-25
Subject	Exposures of Scheduled Commercial Banks (SCBs) to Non-Banking Financial Companies (NBFCs) – Review of Risk Weights

Gist: In the circular 'Regulatory measures towards consumer credit and bank credit to NBFCs' dated November 16, 2023, the risk weight on the exposures of SCBs to NBFCs was increased by 25 percentage points (over and above the risk weight associated with the given external rating). On a review, it has been decided to restore the risk weights applicable to such exposures and the same shall be as per the external rating, as specified in Paragraph 5.8.1 of the 'Master Circular – Basel III Capital Regulations' dated April 1, 20242, with effect from April 01, 2025.

Date of the Circular	25-February-2025
Ref No.	RBI/2024-25/119 DOR.CRE.REC.63/21.06.001/2024-25
Subject	Review of Risk Weights on Microfinance Loans

Gist: In the circular 'Regulatory measures towards consumer credit and bank credit to NBFCs' dated November 16, 2023, risk weights on consumer credit, including personal loans, but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery, was increased to 125 per cent. On a review, it has been decided that microfinance loans in the nature of consumer credit shall also be excluded from the applicability of higher risk weights specified in the circular. Further, in terms of para 5.9.1 of 'Master Circular on Basel III – Capital Regulations' dated April 01, 2024, claims (including both fund-based and non-fund based) that meet all the four criteria listed in paragraph 5.9.3 of the Master Circular may be considered as retail claims for regulatory capital purposes and included in a regulatory retail portfolio (RRP), attracting a risk weight of 75 per cent.

9. CLASSROOM: BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING (BRSR)

India has emerged as a conscious aspirant and shown promise and capability to take great initiative in combating climate change and meeting the Sustainable Development Goals (SDGs) of the United Nations in many of its regulatory schemes. The evolving climate consciousness has led to ESG reporting gaining significance globally. In tandem, SEBI in 2021 had also introduced Business Responsibility and Sustainability Reporting (BRSR) in India. It is a sustainability reporting format based on nine principles of National Guidelines for Responsible Business Conduct (NGRBC) introduced by SEBI. The 1000 largest listed companies by market capitalisation must mandatorily file BRSR reports as part of the annual reports from FY 2022-23 onwards and all the other listed companies can adopt BRSR reporting on a voluntary basis. It requires companies in India to respond to 140 questions, divided into 98 essential indicators (mandatory) and 42 leadership indicators (voluntary).

The underlying intent of the BRSR can be said to be seamless integration and alignment of the various regulatory frameworks and compliance requirements in terms of environmental, social and governance parameters to be followed by companies operating within India, for the purpose of responsible conduct of business and transparent disclosure of their non-financial parameters and sustainability goals of the company.

The BRSR format acts as one standard for all in India for ESG related disclosures and it will be intertwined with the financial performance of the companies as well, as the BRSR report will be published alongside their annual report as an integral part. This will be a standardized alignment of financial and non-financial disclosures of a company to truly represent its business operations in a transparent form.

The BRSR report format consists of three sections:

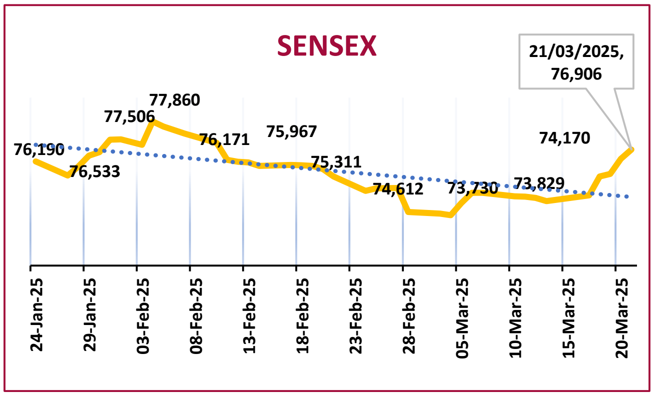
1. **General disclosures**: The objective of this section is to obtain basic information about the company – size, location, products, number of employees, CSR activities, etc.
2. **Management disclosures**: In this section, the company is required to disclose information on policies and processes relating to the NGRBC Principles concerning leadership, governance, and stakeholder engagement.
3. **Principle-wise disclosures**: Responses to this section indicate how a company is performing in respect of nine Principles and Core Element of the NGRBCs. This section requires companies to demonstrate their intent and commitment to responsible business conduct through actions and outcomes.

With the BRSR reporting, companies require to highlight sustainability-related challenges faced by them and further delve in their ESG related targets, goals, and achievements while also mapping the probable risks and opportunities they will potentially face in their ESG journey.

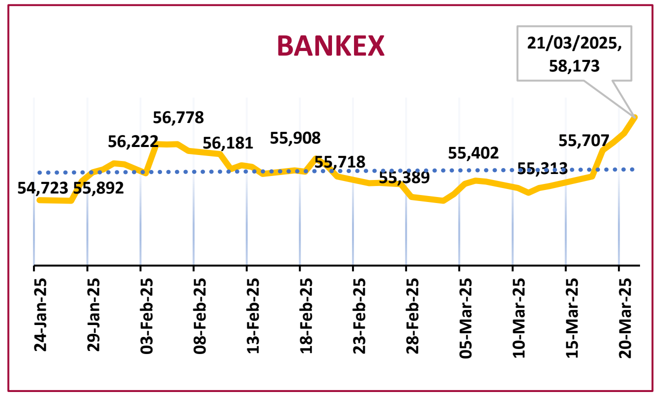
In the context of shifting sustainability environments, adopting BRSR reporting can be a win-win situation for businesses and society. Businesses that incorporate ESG factors and establish sustainability at their core are more likely to gain investors' trust, employees' loyalty, and build businesses that are resilient and adapted to future challenges.

10. DAILY ECONOMIC INDICATORS

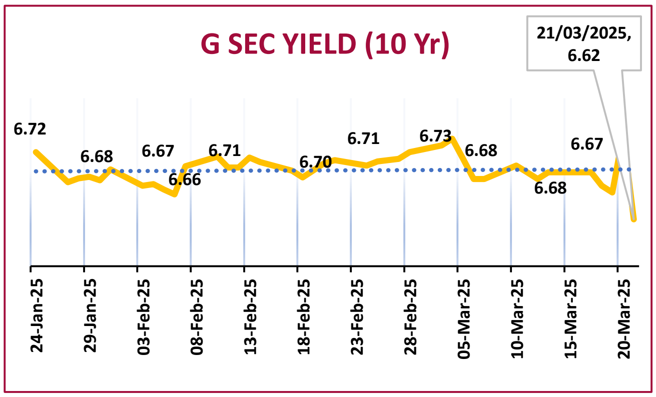
SENSEX



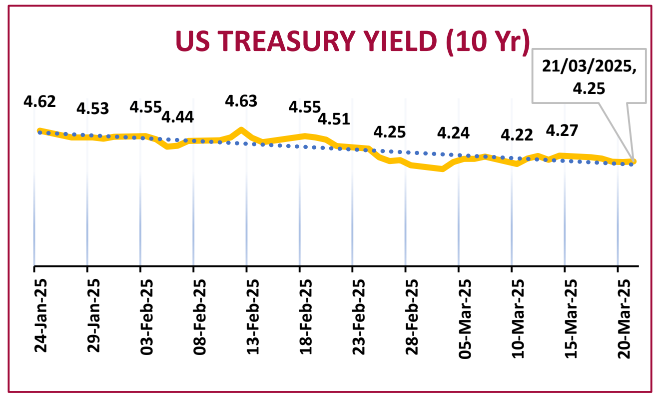
BANKEX



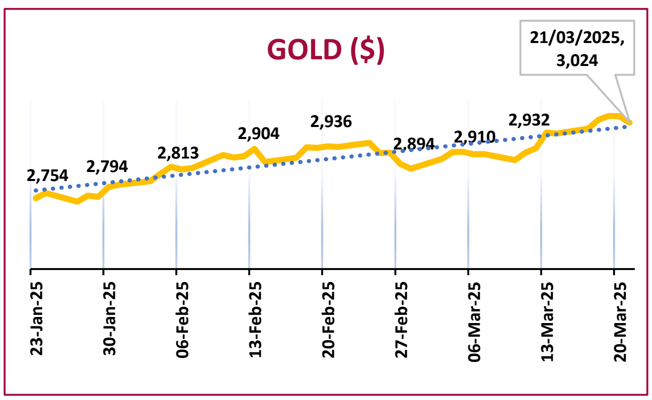
G SEC YIELD (10 Yr)



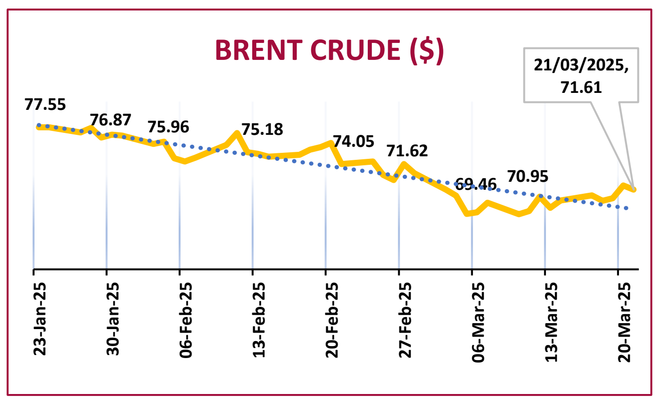
US TREASURY YIELD (10 Yr)



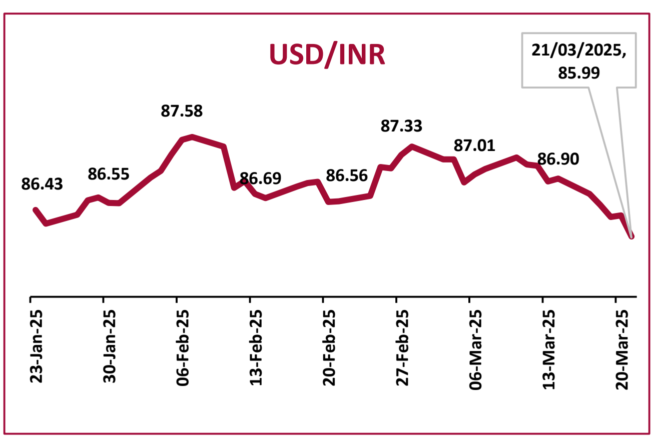
GOLD ($)



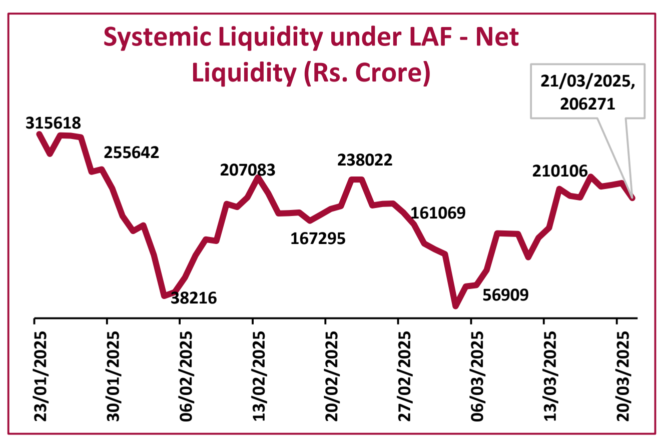
BRENT CRUDE ($)



USD/INR



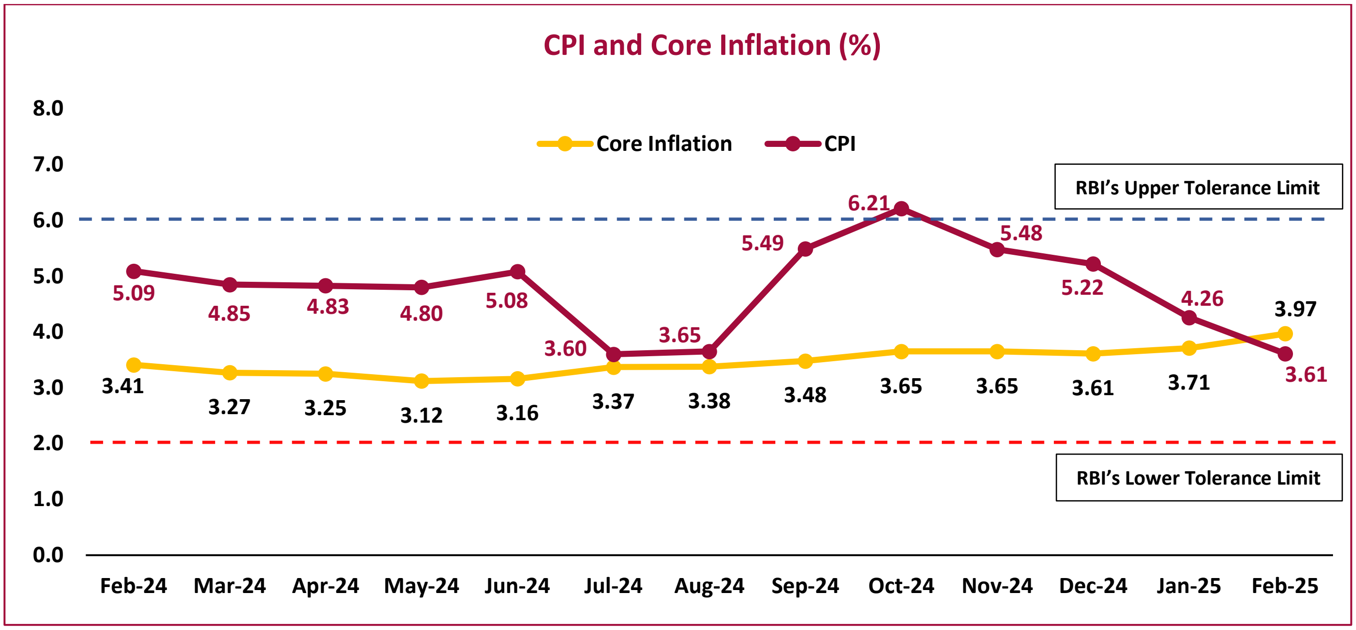
Systemic Liquidity under LAF - Net Liquidity (Rs. Crore)

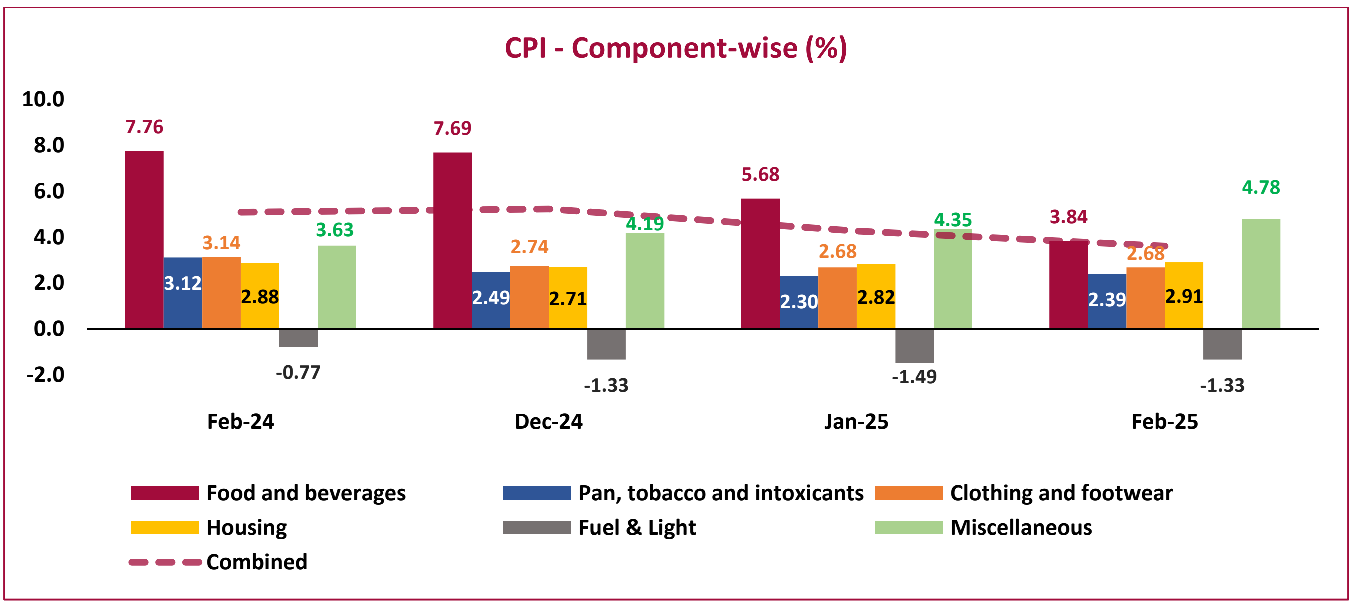


11. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation falls to seven-month low of 3.61% in February 2025

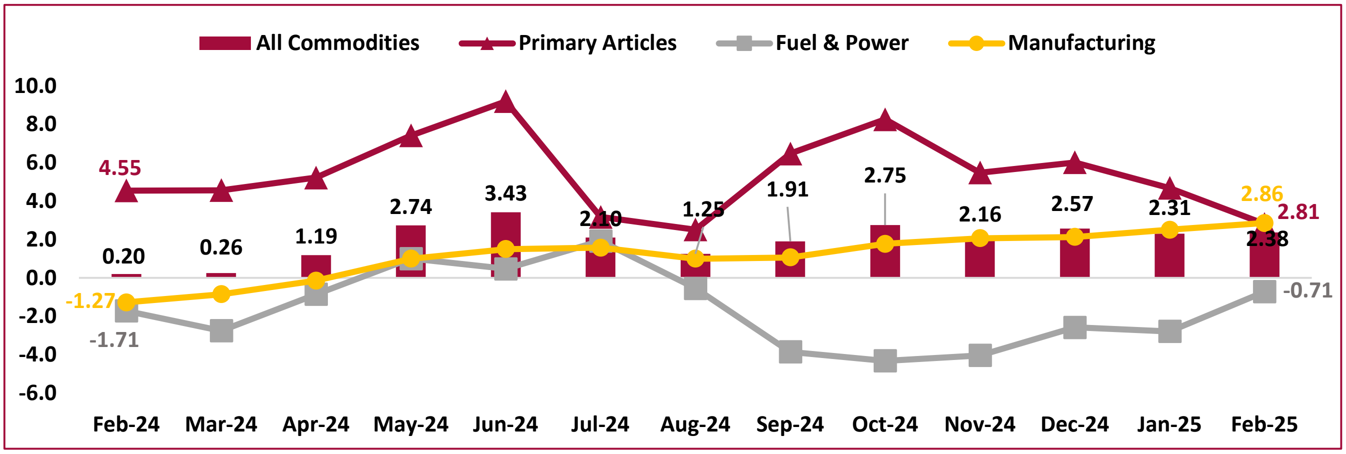




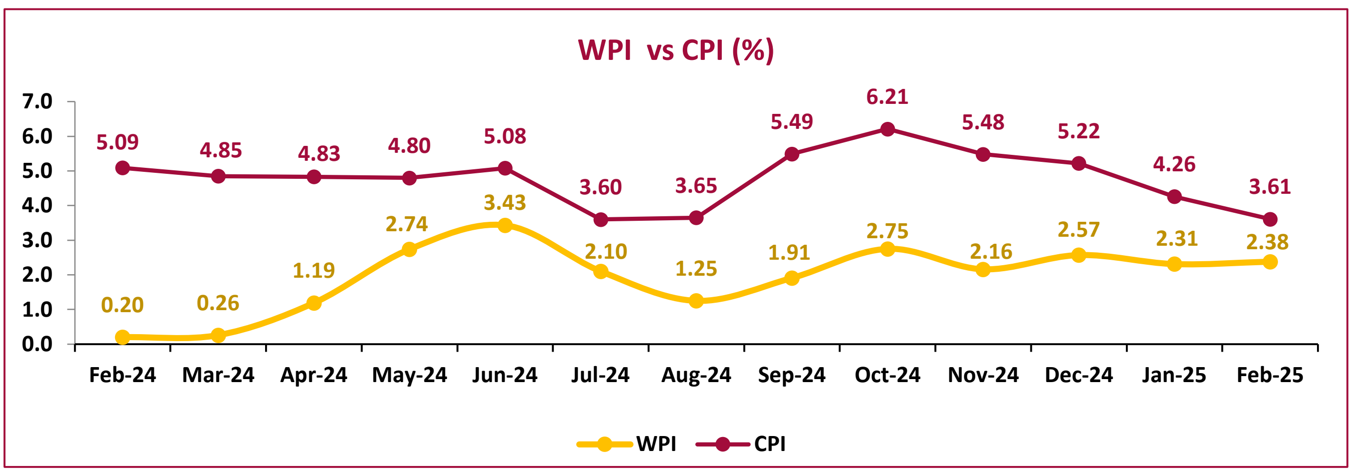
India's retail inflation cooled further to 3.61 per cent in February 2025, driven by a decline in food inflation which fell from 5.97 per cent in January to 3.75 per cent in February 2025. Urban inflation fell from 3.87 per cent in January to 3.32 per cent in February 2025, while rural inflation fell from 4.59 per cent in January to 3.79 per cent in February 2025. The significant decline in headline inflation (of 65 bps) and food inflation (of 222 bps) in February over January 2025 is mainly attributable to a continued decline in inflation of Vegetables, Cereals & Products, Egg, Fish & Meat, Milk & Products and Pulses & Products.

WHOLESALE PRICE INDEX (WPI)

WPI inflation rises to 2.38% in February 2025



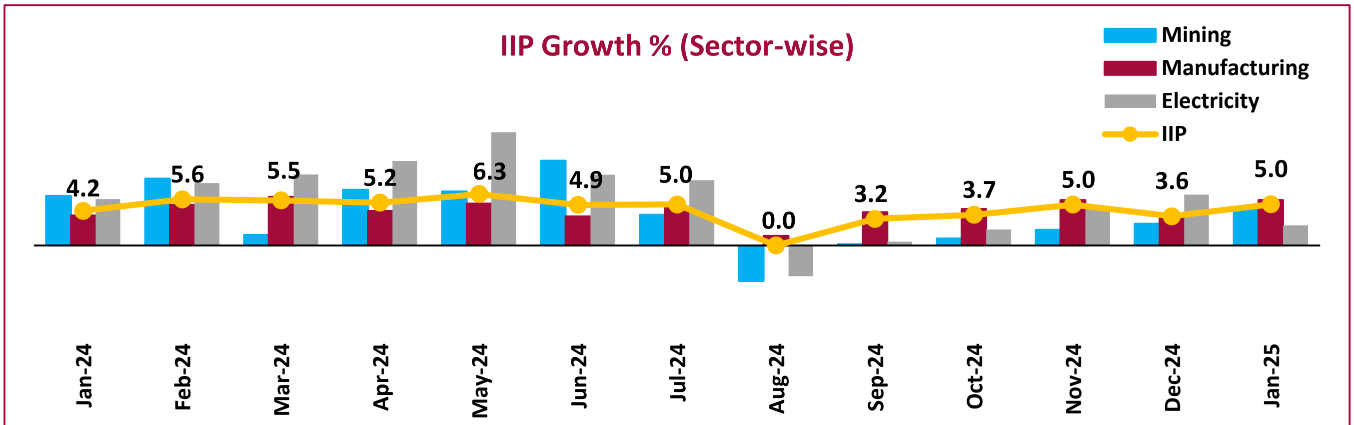
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
December	5.73	**6.02**	-1.39	**-2.57**	-0.78	**2.14**	9.32	**8.53**	0.86	**2.57**
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
January	4.07	**4.69**	-0.45	**-2.78**	-1.20	**2.51**	6.91	**5.88**	0.33	**2.31**
February	4.55	**2.81**	-1.71	**-0.71**	-1.27	**2.86**	7.07	**3.38**	0.20	**2.38**



Wholesale inflation recorded a marginal increase to 2.38 per cent in February 2025 on a YoY basis, compared to 2.31 per cent in January 2025. Wholesale inflation in February 2025 showed a mixed trend. Inflation in primary articles experienced a significant drop, while deflation in the Fuel & Power category slowed down compared to both the previous month and the same period last year. Meanwhile, inflation in Manufactured Products increased on both YoY and MoM basis. Lower inflation in primary articles was majorly led by food articles (vegetables with highest decline), followed by crude petroleum & natural gas, minerals, and non-food articles.

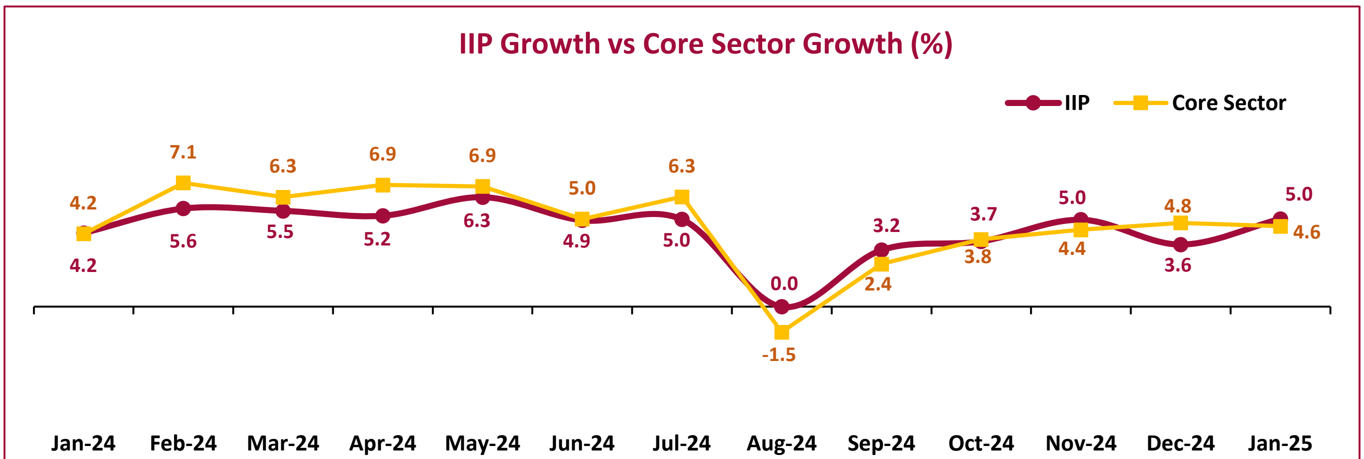
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth rises to 5.0% in January 2025



IIP Growth % (Usage-wise)

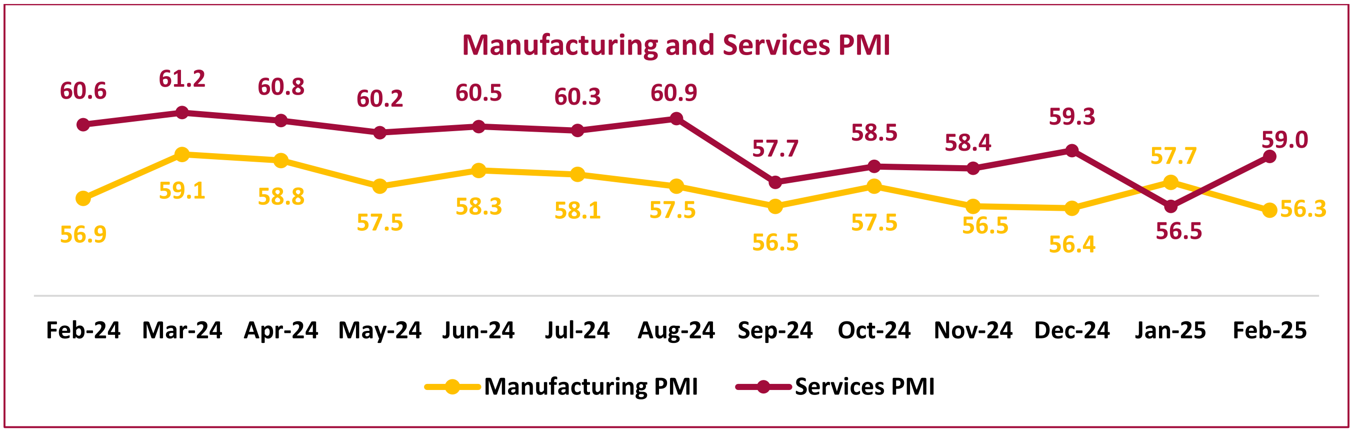
Component	Weight	Jan'24	Dec'24	Jan'25		Apr-Jan'24	Apr-Jan'25
Primary Goods	34.05%	2.9	3.8	5.5		6.5	4.0
Capital Goods	8.22%	3.2	10.4	7.8		6.8	5.4
Intermediate Goods	17.22%	5.3	6.4	5.2		4.8	4.6
Infra/Construction Goods	12.34%	5.5	7.4	7.0		10.1	6.3
Consumer Durables	12.84%	11.6	8.3	7.2		2.1	8.6
Consumer Non- Durables	15.33%	0.3	-7.5	-0.2		4.8	-1.3



IIP grew by 5.0 per cent in Jan'25 which is higher than the growth seen in Jan'24 of 4.2 per cent. IIP for the period of Apr'24-Jan'25 showed a growth of 4.2 per cent this year compared to 6.0 per cent during the same period last year. IIP has moderated in comparison to last year, as seen by 4.2 per cent growth in Apr'24 -Jan'25 in comparison to 6.0 per cent growth seen in Apr'23-Jan'24. IIP started to expand post August'24, when IIP growth was flat, however the growth in Jan'25 increased due to performance of manufacturing. The rise in IIP was driven by an uptick in manufacturing, which grew on an annual basis at 5.5 per cent, compared to 3.4 per cent in the preceding month.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI rises from a 26-month low in February 2025

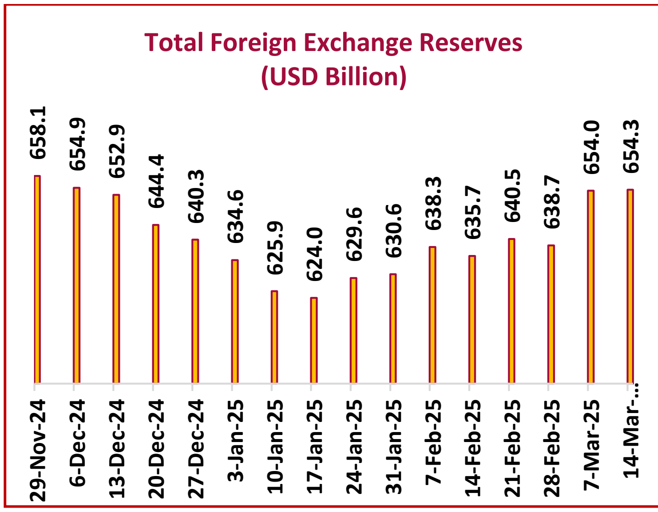


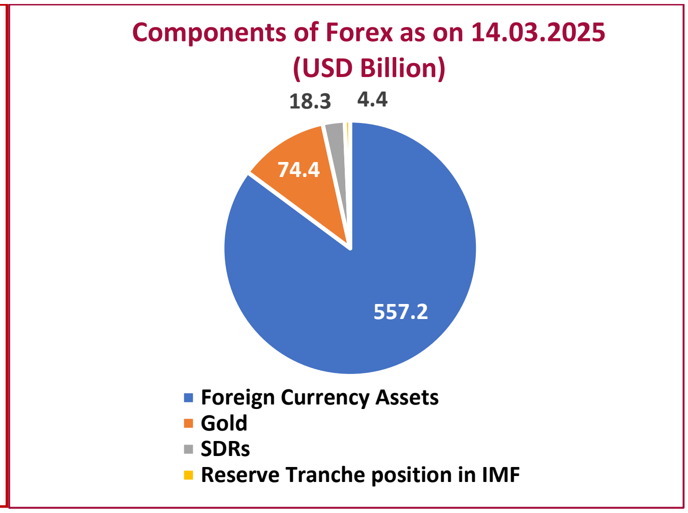
The HSBC Manufacturing Purchasing Managers' Index (PMI) fell from a reading of 57.7 in January 2025 to 56.3 in February 2025. New orders and production saw mild loss of growth momentum. The rate of expansion eased to the weakest since December 2023. India's Services PMI rose from its 26-month low of 56.5 in January 2025 to 59.0 in February 2025. Growth was boosted by improving domestic and international demand, with growth in new orders placed with Indian services companies. India's Composite PMI rose sharply from 57.7 in January 2025 to 58.8 in February 2025- being driven by an acceleration in services PMI.

PERFORMANCE OF OTHER LEADING INDICATORS

	Feb -24	Mar -24	Apr -24	May -24	Jun -24	Jul -24	Aug -24	Sep -24	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25
Coal production (YoY%)	11.9	8.2	7.5	10.2	14.6	6.4	-7.6	2.5	7.7	7.4	5.3	4.4	1.7
Electricity generation (YoY%)	6.5	8.0	10.0	14.6	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	1.9
Consumption of petroleum products (YoY%)	8.2	1.7	7.8	1.9	2.3	10.7	-3.1	-4.4	4.1	10.6	2.4	3.0	-5.5
Cargo handled at major ports (YoY%)	2.1	2.7	1.3	3.8	6.8	5.9	6.7	5.8	-3.4	-5.0	3.4	7.6	-
Cement production (million tonnes)	36.4	41.2	36.0	35.7	37.2	31.3	32.1	32.4	34.0	32.1	36.8	40.5	-
Steel consumption (million tonnes)	11.2	12.4	11.3	12.0	12.2	12.2	12.6	12.3	13.0	12.3	13.8	13.7	12.4
Fertiliser sales (YoY%)	-13.5	0.6	-3.7	10.5	7.3	-1.4	-9.4	-7.7	-7.8	4.6	12.1	8.2	-
Two-wheelers sales (Nos. in Lakhs)	18.5	18.1	20.7	19.3	19.0	17.7	20.5	24.0	25.3	19.7	14.8	19.1	17.8
Tractors sales (Nos. in Thousand)	51.8	74.5	84.4	91.8	110.3	68.0	58.7	108.0	151.8	78.3	59.1	69.8	67.8

FOREIGN EXCHANGE RESERVES



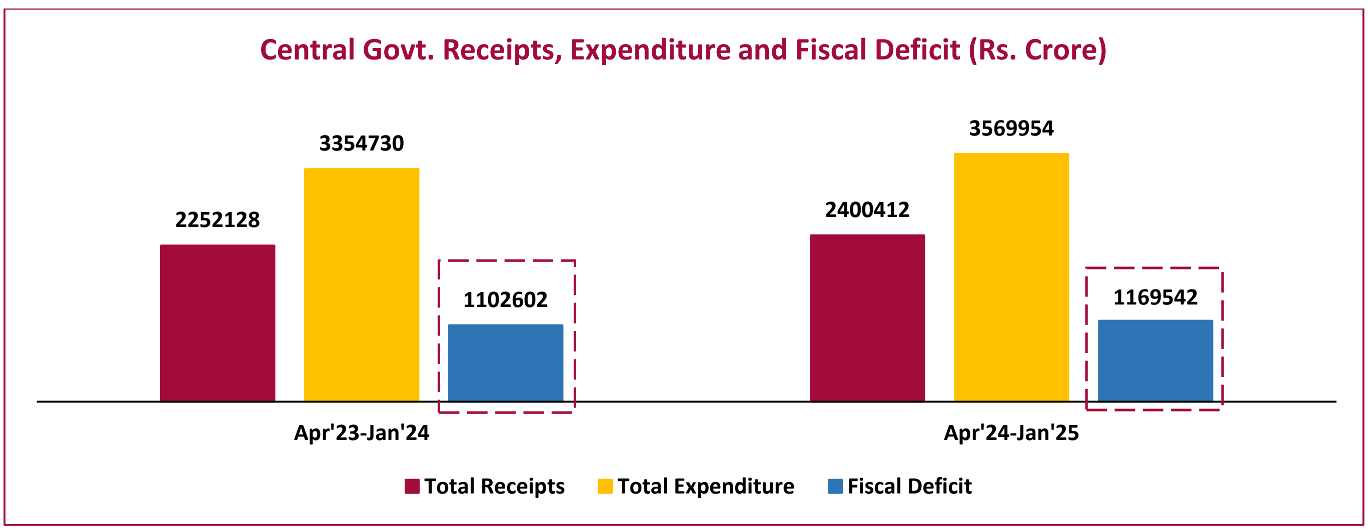


India's foreign exchange reserves increased by USD 0.3 billion in the week ended 14th March 2025 to settle at USD 654.3 billion from the week ended 7th March 2025.

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

	Feb -24	Mar -24	Apr -24	May -24	Jun -24	Jul -24	Aug -24	Sep -24	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25
E-way bill Generation	9.7	10.4	9.7	10.3	10.0	10.5	10.5	10.9	11.7	10.2	11.2	11.8	11.2

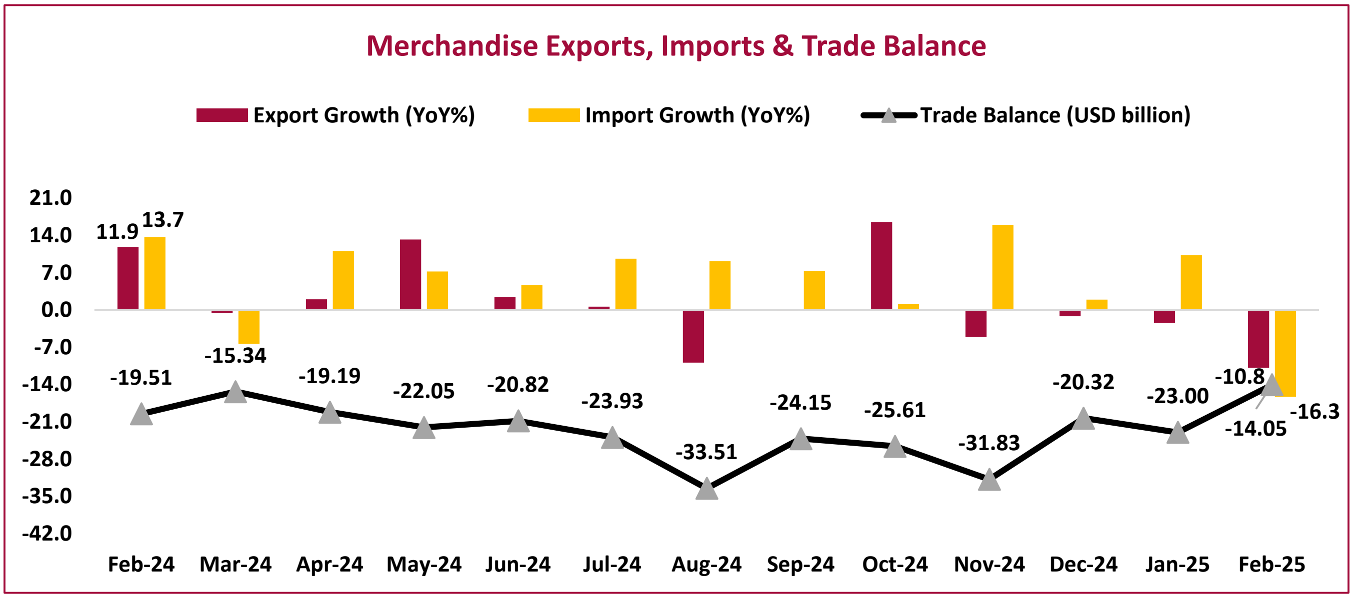
FISCAL DEFICIT

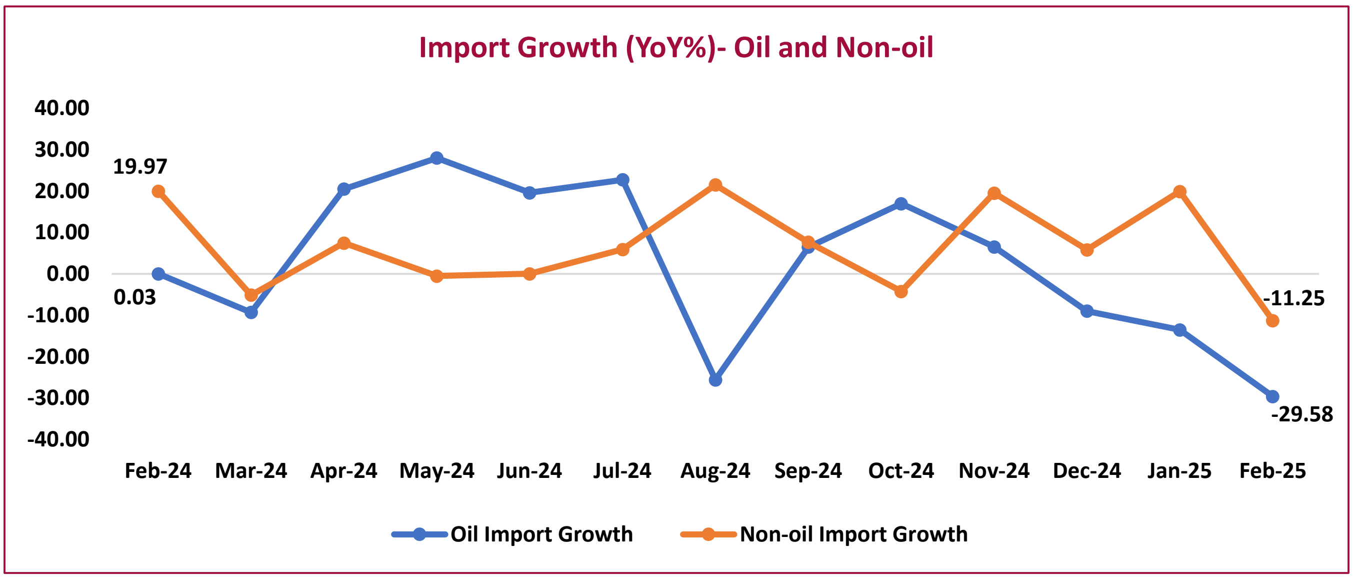


The central government's fiscal deficit in Apr-Jan'25 period came in at Rs.11.70 lakh crore amounting to 74.5% of the budget estimates vis-à-vis 63.6% of BE reached during the same period last year. Capital expenditure during Apr'24-Jan'25 was higher compared to last year at Rs. 7.57 lakh crore amounting to 74.4% of BE. During the same period last year, capex amounted to Rs. 7.21 lakh crore.

FOREIGN TRADE

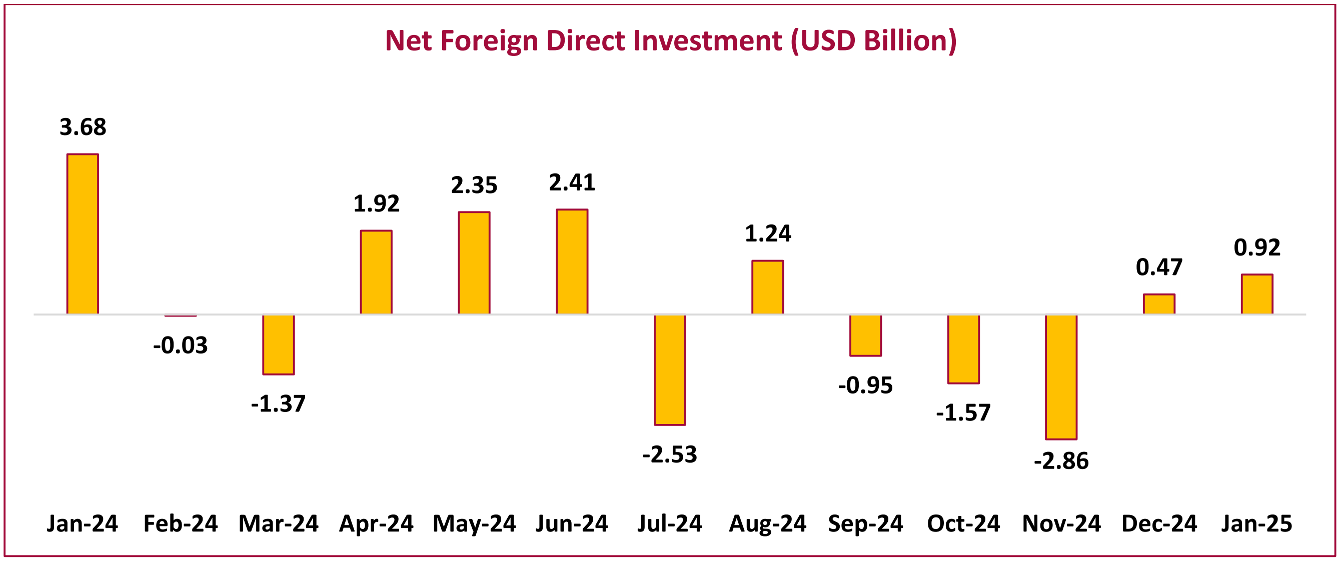
Merchandise Trade Deficit narrows to three and half year low at USD 14.05 billion



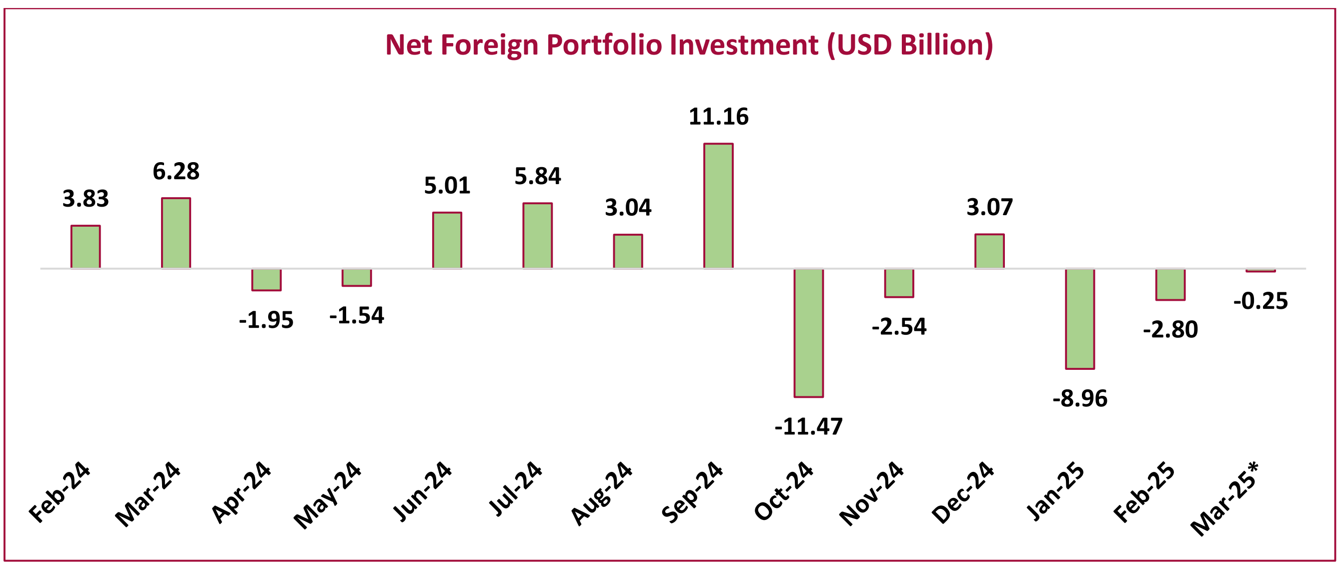


India's merchandise trade deficit narrowed to a three and half year low of USD 14.05 billion in February 2025 from USD 23.0 billion in January 2025. Merchandise exports contracted sharply for the fourth consecutive month in Feb'25 by 10.8 per cent YoY to USD 36.9 billion, largely due to a 29.2 per cent YoY decline in petroleum and crude product exports. Meanwhile, merchandise imports declined by 16.3 per cent YoY – the first drop in 10 months, driven by 64.8 per cent decline in gold and silver imports and 29.6 per cent fall in imports of crude oil and petroleum products. Goods exports have shown a decrease in the month of February due to base effect and growing uncertainty surrounding reciprocal tariff measures to be imposed on trading partners by the US. On a cumulative basis, merchandise exports were flat at USD 395.8 billion for April-February 2025 compared to USD 395.4 billion in the same period last year.

FOREIGN INVESTMENTS



After three successive months of decline, net Foreign Direct Investment (FDI) inflows in India have been rising since December 2024. January 2025 recorded a further increase in net FDI inflow of USD 0.92 billion, from USD 0.47 billion in December 2024. Gross inflows in equity, however, fell by approx. USD 1.0 billion in January 2025 compared to December 2024.



**upto 20th March 2025*

Foreign Portfolio Investors (FPI) are largely flowing out of the country since October 2024 driven by slowing corporate earnings and shifts in US policy. Cumulatively from October 2024 to March 2025 (up to 20th March 2025), FPIs have been net sellers to the tune of USD 22.96 billion. Foreign outflows are also impacting the Indian Rupee's (INR) slide against the US Dollar (USD) As a result, RBI has been increasingly intervening in the forex market in order to stabilize the INR which is impacting the country's forex reserves.

BANK DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	08.03.2024	22.03.2024	21.02.2025	07.03.2025	YoY (%)	YTD (%)	Fortnightly (%)
Business	367.34	369.07	402.74	406.39	**10.63%**	**10.11%**	**0.90%**
Deposits	204.20	204.75	222.84	225.10	**10.24%**	**9.94%**	**1.01%**
Advances	163.14	164.35	179.90	181.29	**11.13%**	**10.30%**	**0.77%**

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

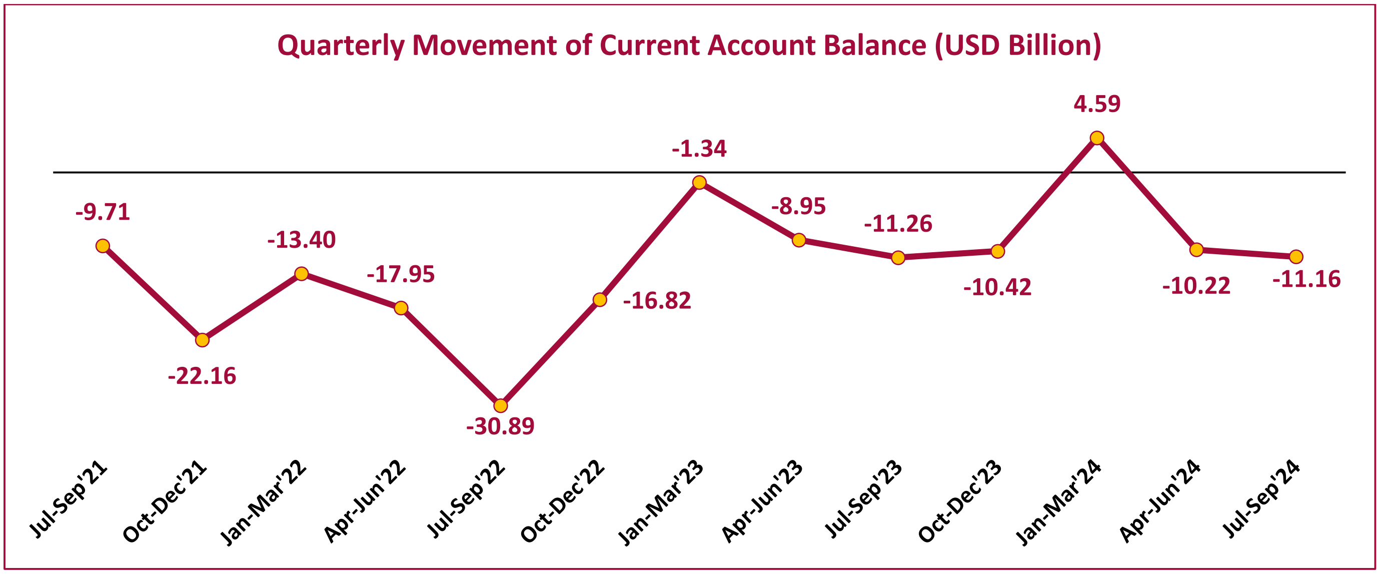
Parameter* (Rs. Lakh Crore)	Jan-24	Nov-24	Dec-24	Jan-25
Total Non-food	**160.0**	**174.6**	**176.9**	**178.2**
Agriculture and allied activities	**20.1**	**22.2**	**22.4**	**22.5**
Industry	**35.9**	**38.1**	**38.5**	**38.7**
Of which				
Micro & small	7.1	7.6	7.7	7.8
Medium	2.9	3.4	3.5	3.5
Large	25.8	27.2	27.4	27.5
Personal loans	**52.1**	**57.3**	**57.9**	**58.3**
Of which				
Housing (Including priority sector housing)	26.6	29.1	29.3	29.5
Credit card outstanding	2.6	2.9	2.9	2.9
Education	1.2	1.3	1.3	1.4
Vehicle loans	5.6	6.1	6.1	6.2
Services	**44.6**	**48.5**	**49.6**	**50.1**
Of which				
Computer software	0.3	0.3	0.3	0.3
Tourism, hotels & restaurants	0.8	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.1
Aviation	0.4	0.5	0.5	0.4
Retail trade	4.7	5.1	5.3	5.2
Commercial real estate	4.6	5.1	5.2	5.2

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

On a year-on-year (YoY) basis, non-food bank credit in January 2025 grew at 11.38 per cent, slightly higher than December 2024's growth of 11.11 per cent, but lower than growth witnessed in January last year at 20.40 per cent. Credit growth to agriculture and allied activities was at 12.17 per cent (YoY) in January 2025, compared with 19.99 per cent during January last year. Credit to industry grew 8.04 per cent (YoY) in January 2025 almost at par with last year's growth of 7.97 per cent. Credit growth in services slowed to 12.49 per cent in January 2025 compared to 24.20 per cent growth in January 2024. Personal loan growth also moderated from 28.61 per cent in January 2024 to 11.84 per cent in January 2025.

12. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's Current Account Deficit (CAD) decreased from 1.3 per cent of GDP in Q2FY24 to 1.2 per cent of GDP in Q2FY25. In absolute terms, the deficit marginally decreased to USD 11.16 billion in Q2FY25, from USD 11.26 billion during the same period a year ago. The impact of a growing merchandise trade deficit on CAD during Q2FY25 was mitigated by strong increase in services exports and remittance receipts. A net accretion of foreign exchange reserves (excluding valuation effects) of US$ 18.6 billion occurred in Q2FY25 as a result of net capital inflows exceeding CAD, with significant flows under FPIs, ECBs, and non-resident deposits.

13. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Federal Reserve	U.S.A	4.50%	Dec 18, 2024 (-25bp)	May 07, 2025
Bank of England	U.K	4.50%	Feb 06, 2025 (-25bp)	May 08, 2025
Reserve Bank of India	India	6.25%	Feb 07, 2025 (-25bp)	Apr 07, 2025
Bank of Japan	Japan	0.50%	Jan 24, 2025 (25bp)	May 01, 2025
European Central Bank	Europe	2.65%	Mar 06, 2025 (-25bp)	Apr 17, 2025
Peoples Bank of China	China	3.10%	Oct 21, 2024 (-25bp)	-

14. INDUSTRY OUTLOOK

RENEWABLE ENERGY

India's energy landscape has undergone a profound transformation, shifting its focus towards renewable energy sources in the era of sustainability. As the world aligns itself with sustainable practices, India's renewable sector unlocks new scope of opportunities.

Over the past decade, India has made notable progress in diversifying its energy mix, gradually reducing its reliance on conventional fossil fuels. At the Conference of Parties 26 (COP26) summit, India set an ambitious target of achieving 500 GW of non-fossil fuel-based energy by 2030. At COP26, India announced its goal of achieving net-zero emissions by 2070.

India's installed non-fossil fuel capacity has surged by 396 per cent over the last 8.5 years, reaching 205.52 GW, accounting for approximately 42 per cent of the country's total capacity. Solar power has experienced a remarkable 30-fold growth, with installed capacity soaring from 2.5 GW in 2014 to 94.16 GW as of November 2024. Additionally, wind energy capacity has more than doubled since 2014, reaching 47.95 GW, with plans to expand to 99.9 GW by 2029-30.

The government's commitment to sustainability is evident in initiatives like the International Solar Alliance, which aims to harness solar power in collaboration with over 120 countries. Furthermore, 100% Foreign Direct Investment (FDI) is permitted under the automatic route for renewable energy generation and distribution projects.

The government has launched several initiatives, including the development of solar parks, with 50 parks sanctioned across 12 states. The Sustainable Alternative Towards Affordable Transportation (SATAT) initiative aims to promote Compressed Bio-Gas (CBG) production and use in automotive fuels. The 100 Smart City project also incorporates renewable energy provisions.

The financial sector is increasingly recognising its role in the transition to a low-carbon economy. Net-zero banking, integrating financial services with sustainability goals, is crucial. Banks currently both support decarbonisation and finance carbon-emitting business, making them key catalyst for climate change. The sustainable finance market is projected to grow significantly, from USD 3.6 trillion in 2021 to USD 23 trillion by 2031.

In conclusion, India's renewable energy sector has made significant strides, and with the government's commitment to sustainability, it is poised to play a vital role in shaping the country's energy future.

Akansha Chauhan
Officer (Economics)
SMEAD, HO

15. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department of Commerce, DGFT*
- *S&P Global*
- *Press Information Bureau*
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QUOTE OF THE MONTH

"An investment in knowledge pays the best interest."

- Benjamin Franklin

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