



ECOCAPSULE

Indian Festivals Lighten Up Global Doom

November 2025



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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

A thaw in trade relations between US and China is promising for global growth

The global economy has shown remarkable resilience, with growth in CY25, though middling, projected to be not much worse than in CY24. Glut in traditional sectors has been offset by demand for AI and data centres. However, there are some early indicators that tariffs and the incessant bickering around them may be creating cracks. Jobs cuts reached a two-decade high in the US in Oct'25, while the same month saw Chinese exports falling for the first time since 'Liberation Day'. However, the US-China agreement which has reduced tariffs on China below 50% (with more cuts likely to come) and eased the flow of rare earths, may just be the booster shot which stops the descent into slowdown. In this mood of continued uncertainty compounded by the shutdown hiding crucial data, the US Fed remains a divided camp on the rate trajectory, adding another element of unpredictability for policymakers worldwide.

Commodity prices see volatility and sharp variance between individual goods

Prices of energy commodities remain soft on uneven demand and supply increases of crude. On the other hand, base metals are seeing consistent rises in costs owing to supply side curbs from China. Precious metals have risen sharply, with gold seeing almost a 50% y/y price gain. This rapid rise at a time when crude prices have remained soft is unprecedented. It indicates a role for gold as an asset class beyond inflation hedging in the new economic order – exemplified by Central Banks eschewing the USD to stock up on the yellow metal. Given most Central Banks are on a rate cut trajectory, any shocks from inflation could upset the apple-cart.

Festive fervour boosts consumption activity in India as the country emerges from monsoon dampness

Consumption based indicators showed buoyancy in Oct'25 on the back of multiple festivals and GST rate rationalisation. Vehicle retails grew by a whopping 41% y/y on Oct'25. UPI transactions hit a record of 2.7 mn during the month, with Diwali sales rising a whopping 25% y/y to over Rs. 6 trn as per CAIT. With PMI indicators maintaining their sanguinity and continued spending push from the government in terms of capex and revex, the softness seen due to heavy monsoons in Q2 seems to have made way for a sunny Q3. *We continue to expect nominal GDP growth at ~8.5% y/y, with real GDP supported by a low deflator and consumption pickup*

Bank credit revives on retail impetus in select segments even as the economy awaits corporate capex with bated breath

Credit-deposit ratio has crossed 80% once again. *We expect that fresh term deposit rates have bottomed out in near term, and this is coinciding with renewed drivers of credit growth.* Stocking before the festive season supported a spike in MSME credit in Sep'25, and record vehicle sales and huge consumption expenditure on consumer durables will aid in supporting growth Oct'25 onwards. The spike in gold prices is also providing impetus for gold loans by enhancing borrowing ability. *With the outlook for the rate trajectory remaining benign and hope of private large corporate capex still alive, we expect a sustainable pickup in credit growth in the medium term, with bank credit growth clocking 1.3-1.5x of nominal GDP growth in FY26*

External sector in a flux as RBI opens multiple fronts to guard the INR though CAD to remain in control

After the INR dropped to historical lows, the RBI opened its dollar purse, and has taken strong measures to defend the rupee. Outstanding net forward position remained exacerbated as of Aug'25 and the RBI sold USD 7.7 bn for this effect. FII flows have recovered in Oct'25 providing some succour, and the impact of hot money flows on the exchange rate will remain a monitorable. Moreover, trade deficit remains prey to change in India's crude basket and expected bump up in gold imports during the festive period. *The silver lining is that despite these challenges, CAD, at ~1% of nominal GDP in FY26, is expected to be well within historical levels.* Along with a USD 700 bn forex reserve, it presents a fortress to guard against global swings.

MACROECONOMIC OVERVIEW

GROWTH IN H2 COULD BE CUSHIONED BY CONSUMPTION BOOST

REAL GVA SECTORAL BREAK UP

Change (% y/y)	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	Q3FY24	Q2FY24	Q1FY24
GVA	7.6	6.8	6.5	5.8	6.5	7.3	8.0	9.2	9.9
Agriculture and allied	3.7	5.4	6.6	4.1	1.5	0.9	1.5	3.7	5.7
Industry	6.3	6.5	4.8	3.8	8.5	9.5	11.8	15.1	7.3
Mining and quarrying	-3.1	2.5	1.3	-0.4	6.6	0.8	4.7	4.1	4.1
Manufacturing	7.7	4.8	3.6	2.2	7.6	11.3	14.0	17.0	7.3
Electricity, gas & water supply	0.5	5.4	5.1	3.0	10.2	8.8	10.1	11.7	4.1
Construction	7.6	10.8	7.9	8.4	10.1	8.7	10.0	14.6	9.2
Services	9.3	7.3	7.4	7.2	6.8	7.8	8.3	7.5	12.5
Trade, hotel, transport & comm.	8.6	6.0	6.7	6.1	5.4	6.2	8.0	5.4	11.0
Finance, real estate and prof serv.	9.5	7.8	7.1	7.2	6.6	9.0	8.4	8.3	15.0
Public admin., defence & Other svcs	9.8	8.7	8.9	8.9	9.0	8.7	8.4	8.9	9.3

REAL GDP EXPENDITURE COMPONENTS

Change (% y/y)	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	Q3FY24	Q2FY24	Q1FY24
GDP	7.8	7.4	6.4	5.6	6.5	8.4	9.5	9.3	9.7
Private final consumption exp. (PFCE)	7.0	6.0	8.1	6.4	8.3	6.2	5.7	3.0	7.4
Govt. final consumption exp. (GFCE)	7.4	-1.8	9.3	4.3	-0.3	6.6	2.3	20.1	5.3
Gross capital formation (GCF)	7.3	7.8	4.9	7.7	6.2	9.1	12.4	11.9	8.9
Gross fixed capital formation (GFCF)	7.8	9.4	5.2	6.7	6.7	6.0	9.3	11.7	8.4
Exports	6.3	3.9	10.8	3.0	8.3	7.7	3.0	4.6	-7.0
Imports	10.9	-12.7	-2.1	1.0	-1.6	11.4	11.3	14.3	18.0

- Real GDP growth outpaced market estimates, with domestic anchors like strong consumption and robust capital formation driving domestic it. This was despite crosswinds from muted trade and global tariff turmoil. Notably, manufacturing took the reigns of industrial growth, with services, led by financials, outshining other sectors
- *Nominal GDP will remain challenged in FY26 as inflation sinks, and we expect an 8.5% y/y figure to register*

FESTIVE FIREWORKS BRIGHTEN DOMESTIC INDICATORS

INDICATOR	OCT'24	NOV'24	DEC'24	JAN'25	FEB'25	MAR'25	APR'25	MAY'25	JUN'25	JUL'25	AUG'25	SEP'25	OCT'25
INDUSTRY													
Manufacturing PMI	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2
IIP (%y/y)	3.7%	5.0%	3.7%	5.2%	2.7%	3.9%	2.6%	1.9%	1.5%	4.3%	4.1%	4.0%	
Eight Core (%y/y)	3.8%	5.8%	5.1%	5.1%	3.4%	4.5%	1.0%	1.2%	2.2%	3.7%	6.5%	3.0%	
Finished Steel Consumption (%y/y)	8.1%	9.5%	5.2%	10.9%	10.9%	13.6%	6.0%	8.1%	9.3%	7.3%	10.0%	8.9%	
2W Retail Sales (%y/y)	37.0%	15.8%	-17.6%	4.2%	-6.3%	-1.8%	2.3%	7.3%	4.7%	-6.5%	2.2%	6.5%	51.8%
PV Retail Sales (%y/y)	37.1%	-13.7%	-2.0%	15.5%	-10.3%	6.3%	1.6%	-3.1%	2.5%	-0.8%	0.9%	5.8%	11.3%
SERVICES/CONSUMPTION													
Services PMI	58.5	58.4	59.3	56.5	59	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9
Petrol Consumption (%y/y)	8.7%	9.6%	11.1%	6.7%	5.0%	5.7%	5.0%	9.2%	6.8%	5.9%	5.5%	8.0%	7.0%
Diesel Consumption (%y/y)	0.1%	8.5%	5.9%	4.2%	-1.3%	0.9%	4.2%	2.1%	1.5%	2.4%	1.2%	6.7%	-0.5%
Railway Freight Volume (%y/y)	1.4%	1.4%	1.7%	-1.6%	-3.0%	3.0%	3.6%	2.7%	0.9%	0.0%	8.5%	-0.8%	4.7%
Port Cargo Volume (%y/y)	-3.5%	-5.0%	3.4%	6.2%	7.4%	13.3%	7.0%	4.4%	5.5%	4.0%	2.5%	11.5%	
Electricity supply (% y/y)	0.8%	3.8%	5.2%	2.3%	-0.7%	6.4%	1.6%	-5.3%	-2.0%	1.6%	3.9%	3.0%	-5.9%
Total Airport Footfall (%y/y)	9.8%	13.2%	10.5%	13.5%	11.2%	9.3%	10.3%	3.0%	3.7%	-1.0%	1.0%	-0.7%	4.1%
Fastag revenues (%y/y)	10.4%	14.5%	13.3%	19.0%	18.3%	14.5%	21.6%	20.0%	17.5%	19.6%	25.7%	20.0%	9.3%
UPI transactions (%y/y)	37.0%	23.9%	27.5%	27.5%	20.2%	25.2%	21.9%	23.0%	19.8%	21.5%	20.6%	20.6%	16.1%
Gross GST Revenues (%y/y)	8.9%	8.5%	7.3%	12.3%	9.1%	9.9%	12.6%	16.4%	6.2%	7.5%	6.5%	9.1%	4.6%

GST RATIONALISATION BASED DEMAND PROPS UP ALL SECTORS

Festive crackers sparked by GST rate rationalisation aiding consumption demand

- Auto retail sales rose 40.5% y/y to all time highs, as GST rate cuts spurred affordability and first-time buying. 2W surged 52% y/y to 3.1 mn units in Oct'25, supported by rural demand and festive rush leading to stronger footfalls and conversions. PV sales hit all-time highs in Oct'25 while 18% y/y expansion in CVs aided freight movements.
- Festive season fervour was evident in strong rise in petrol consumption in Oct'25. Resurgence in airport footfalls and ATF consumption further corroborate on festive season travels
- UPI rose 16% y/y to all time highs of Rs. 27.3 bn in value terms in Oct'25. CAIT reckons that festive purchases crossed Rs. 6 trn, up 25% y/y
- FasTag collections rose 9% y/y despite introduction of annual passes that shaved off 43.3 mn trips

Manufacturing sings along with consumption despite unseasonal showers

- Manufacturing PMI expanded sharply to 59.2 in Oct'25, with faster increase in new orders underpinning buoyant demand due to GST relief and productivity gains. Strong demand led to producers raising output prices at 12-year high pace, while slowing input price inflation means expansion of margins
- IIP maintained its pace in Sep'25, driven by resurgent manufacturing growth. Sharpest upticks were noted in infrastructure goods and there was a revival in consumer durables, indicative of demand for discretionary goods. Cement and steel continue to drive Core sector growth, while energy-based sectors contracted on moderate demand
- Unseasonal downpours post Sep'25 led to rainfall exceeding normal by ~44% (as of 6 Nov'25), leading to average maximum temperatures falling by over ~1° C across the country in Oct'25. Consequently, power demand fell 6% y/y due to limited use of cooling equipment. NR had particularly low consumption as higher minimum temperatures reduced heating load

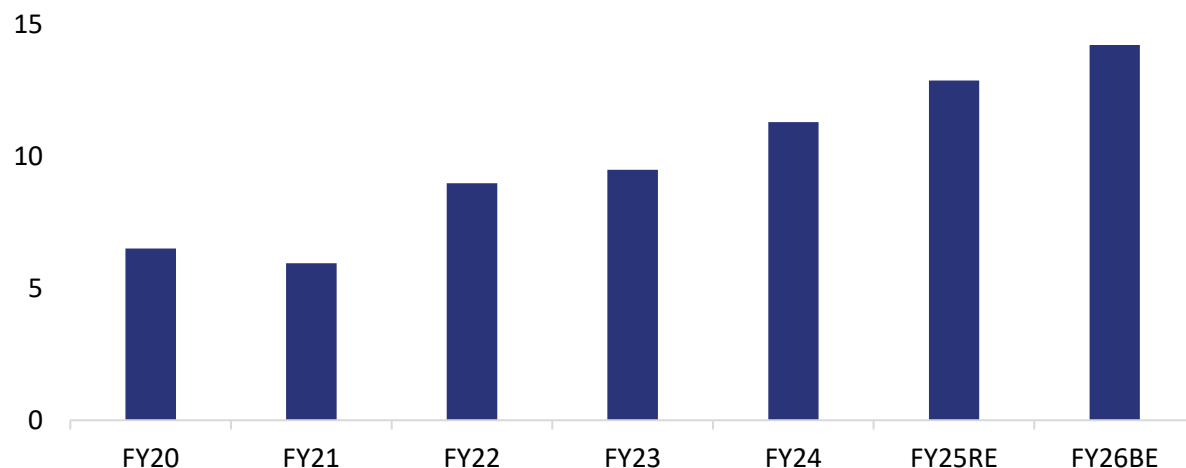
UNION FISCAL SITUTATION IN CONTROL DESPITE MODERATION IN TAX RECEIPTS

ITEM (Rs. bn)	FY24A	FY25RE	FY26BE	GROWTH FY26BE/FY25RE	H1FY25	H1FY26	GROWTH H1FY26/H1FY25	H1FY26/FY26BE
Corporation Tax	9,111	9,868	10,820	9.7%	4,615	4,666	1.1%	43.1%
Income Tax	10,447	11,830	14,380	21.6%	5,645	5,910	4.7%	41.1%
Customs Duty	2,331	2,329	2,400	3.1%	1,130	1,071	-5.2%	44.6%
Excise Duty	3,054	3,003	3,170	5.6%	1,285	1,389	8.1%	43.8%
Service Tax	4	0	1		1	-3		
GST	9,572	10,316	11,780	14.2%	5,163	5,331	3.2%	45.3%
Other Taxes	39	50	50	0.0%	38	26		
Gross tax revenue	34,655	37,952	42,702	12.5%	18,138	18,654	2.8%	43.7%
(-) Transfer to States, UTs	11,295	12,869	14,224	10.5%	5,448	6,318	16.0%	44.4%
Net tax revenue	23,273	24,987	28,374	13.6%	12,652	12,294	-2.8%	43.3%
Non-Tax Revenue	4,018	5,375	5,830	8.5%	3,572	4,661	30.5%	79.9%
Non-debt Capital Receipts	598	418	760	81.7%	146	348	138.1%	45.8%
Total Receipts	27,888	30,781	34,964	13.6%	16,370	17,302	5.7%	49.5%
Revenue Expenditure	34,943	36,035	39,443	9.5%	16,965	17,226	1.5%	43.7%
Capital Expenditure	9,492	10,520	11,211	6.6%	4,150	5,807	40.0%	51.8%
Total Expenditure	44,434	46,555	50,653	8.8%	21,115	23,033	9.1%	45.5%
Revenue Deficit	7,652	5,671	5,238	-7.6%	742	271	-63.4%	5.2%
Fiscal Deficit	16,546	15,773	15,689	-0.5%	4,745	5,731	20.8%	36.5%
Nominal GDP	2,95,357	3,27,718	3,56,979	8.9%				
Fiscal Deficit (% of Nominal GDP)	5.6%	4.8%	4.4%					

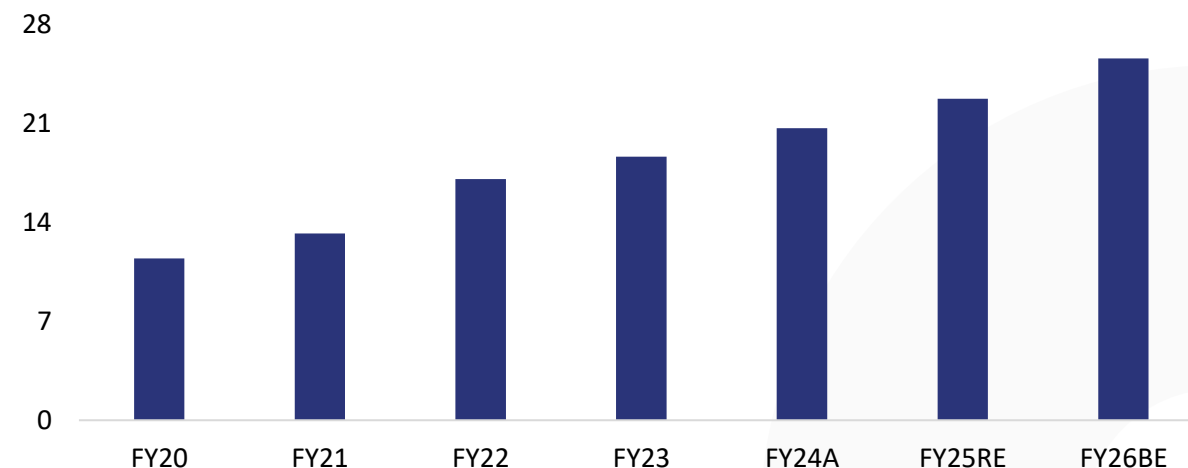
- Net direct tax revenue growth eased to 6.3% y/y, reaching Rs. 11.9 trn as of YTD FY26 (as on 12 Oct'25). This was despite a decline in refunds as gross collections rose sluggishly. Growth remains below run rate required to achieve FY26BE
- 9% y/y rise in total expenditure was led by 40% rise in capex in H1FY26, with rising pace of spends on roads and defence

STATES RECEIVE EXTRA DEVOLUTION FROM THE UNION

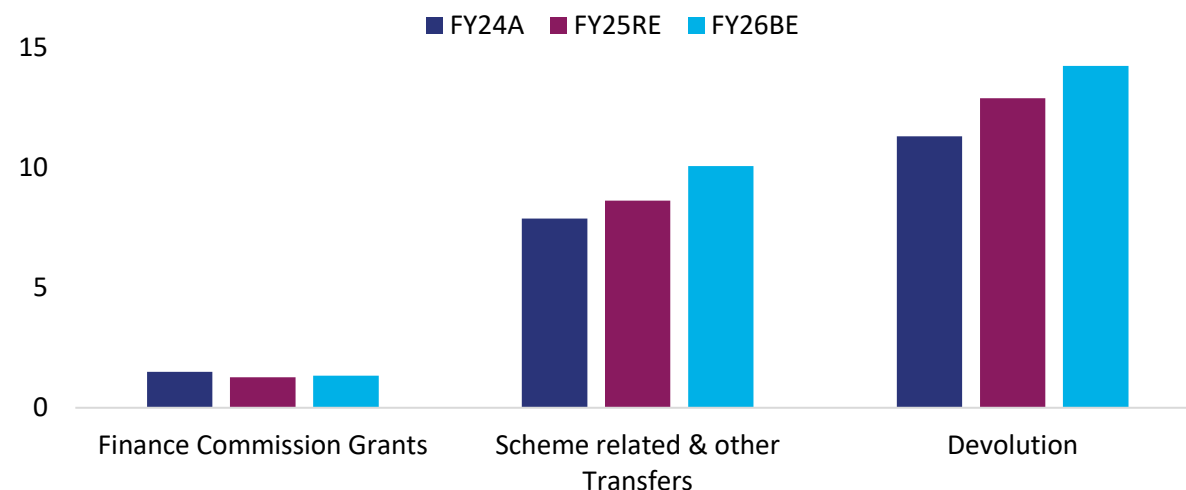
STATES SHARE IN UNION TAXES (Rs. trn)



TOTAL TRANSFER TO STATES AND UTs (Rs. trn)



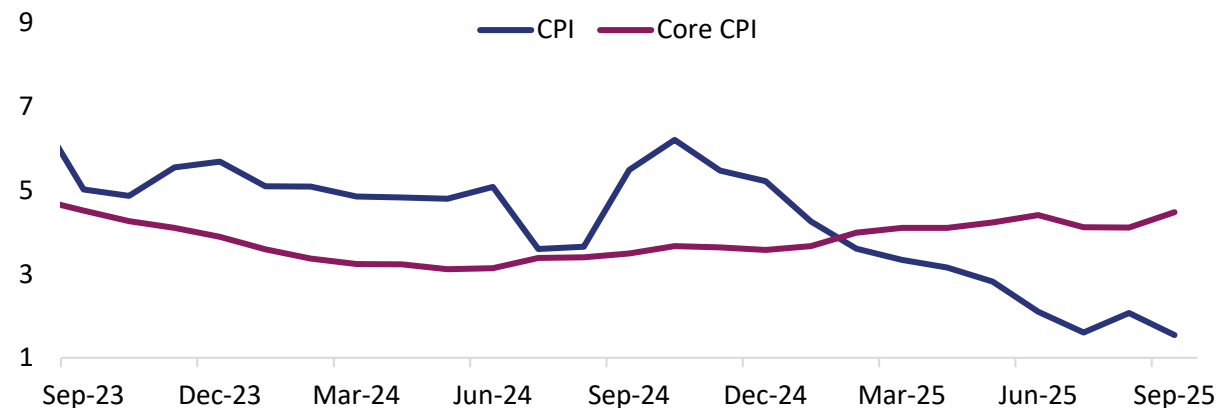
COMPOSITION OF TRANSFERS TO STATES (Rs. trn)



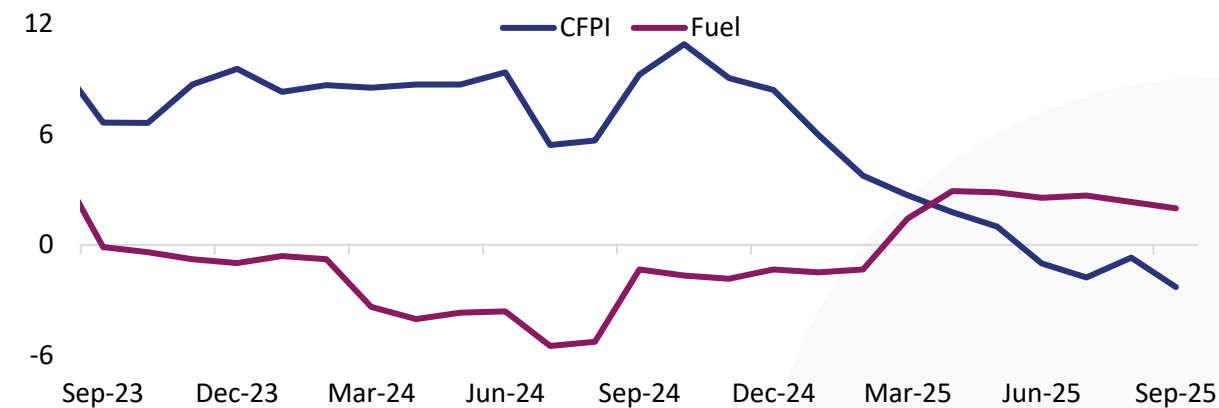
- Union released an additional tax devolution of Rs. 1.01 trn to State governments. This is in addition to normal monthly devolution due to be released on 10 Oct'25. UP received the highest allocation at Rs. 182 bn, followed by Bihar at Rs. 102 bn
- As per media sources, the Union is planning a new scheme to revitalise DISCOMs, in which the options involve either privatising or listing DISCOMs. Six states – UP, MP, Maharashtra, TN, AP, and Rajasthan have apparently agreed to privatisation

SHARPLY RECEDING FOOD PRICES HOLD BACK INFLATION IN SEP'25

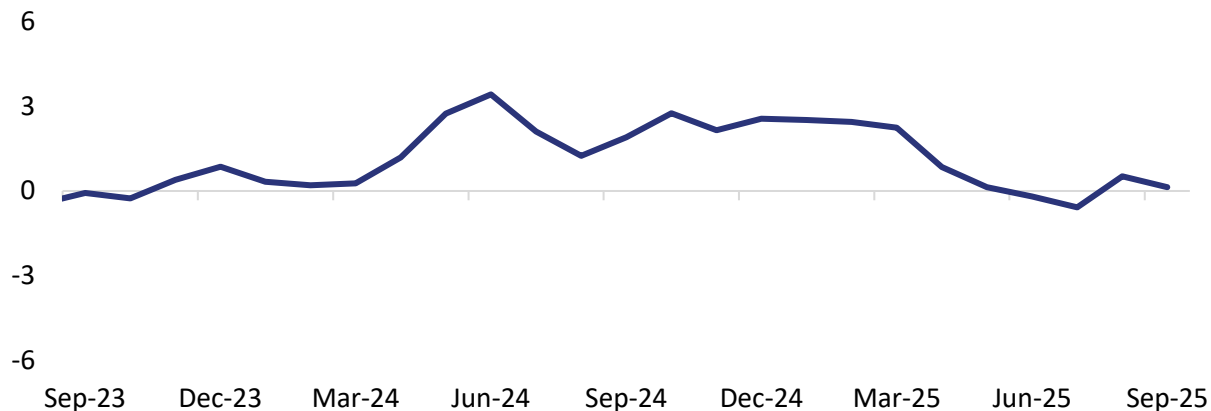
CONSUMER PRICE INDEX (CPI) & CORE CPI (% Y/Y)



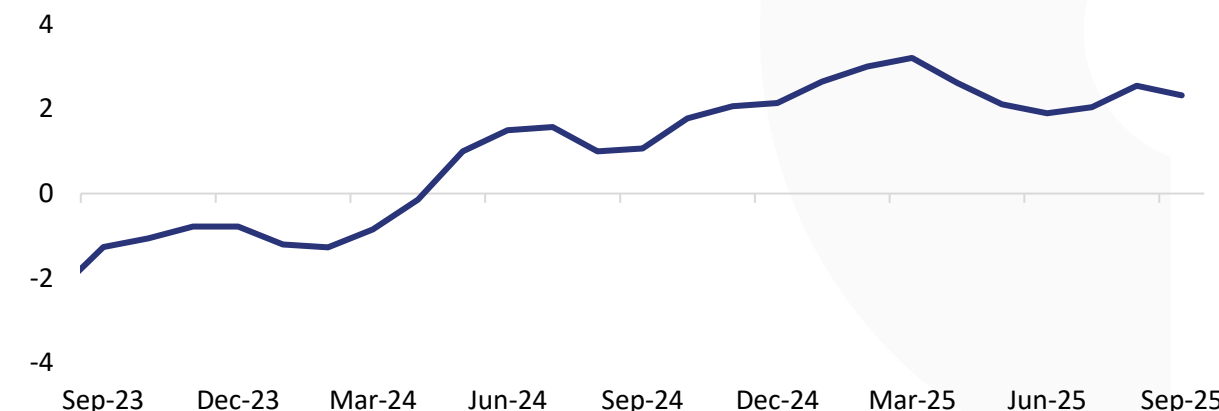
CFPI AND CPI: FUEL (% Y/Y)



WHOLESALE PRICE INDEX (WPI) (% Y/Y)



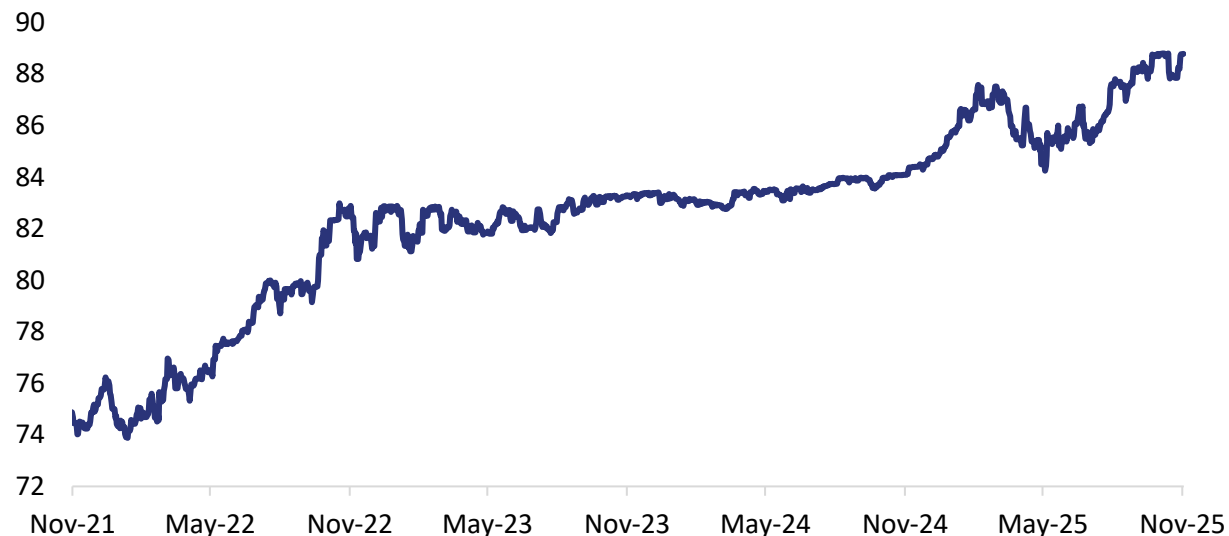
WPI: MANUFACTURED PRODUCTS (% Y/Y)



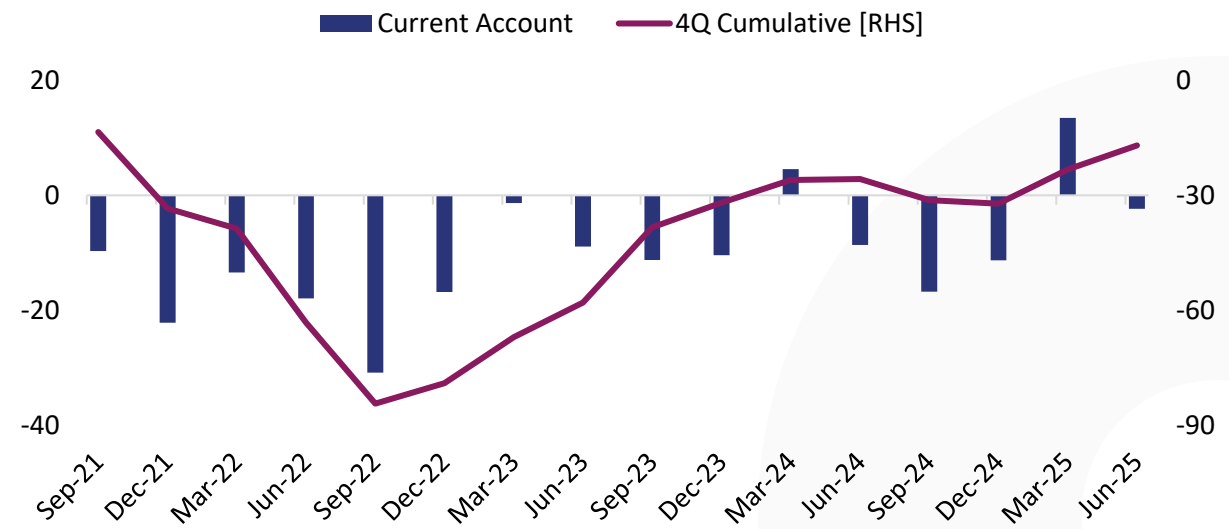
- CPI fell to a 99-month low in Sep'25, dragged by sharp disinflation in food prices, despite broad-based uptick. Notably, core rose to its highest in 2 years, with rising metal prices
- WPI dipped to 0.1% y/y in Sep'25 largely due to falling food and manufactured goods prices. Inflation in fuel and power was deflationary, despite input price volatility, while that in manufactured products eased, supported by textile and food products

THE DEPRECIATION OF THE RUPEE: RBI RISES IN FULL ARMOUR

USD/INR EXCHANGE RATE (Rs. per USD)



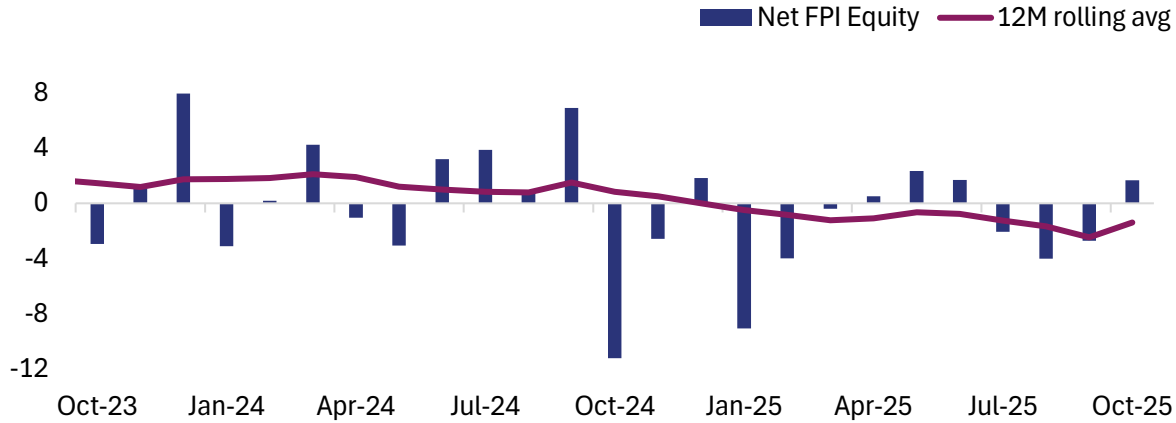
CURRENT ACCOUNT BALANCE (USD bn)



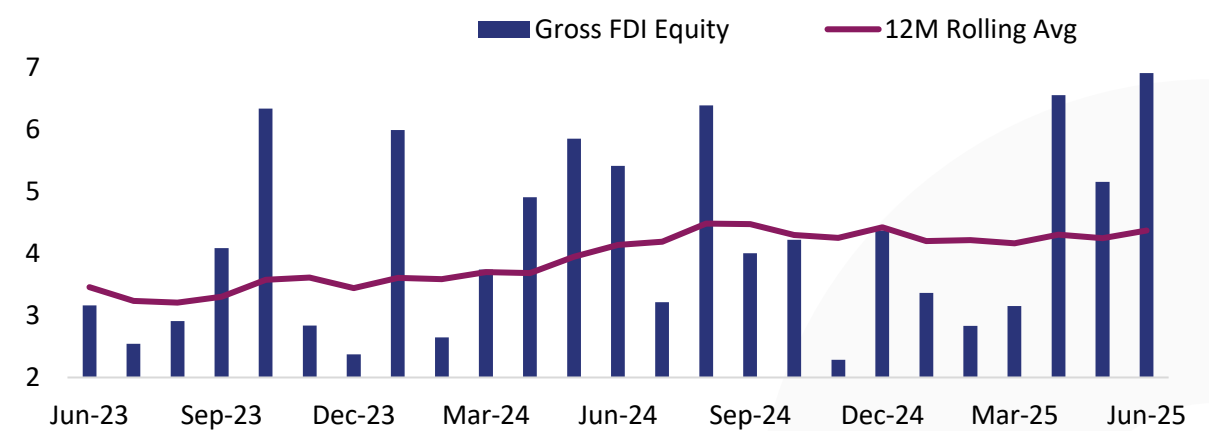
INDICATOR	OCT'24	NOV'24	DEC'24	JAN'25	FEB'25	MAR'25	APR'25	MAY'25	JUN'25	JUL'25	AUG'25	SEP'25	OCT'25
Forex Reserves (USD Bn)	682.1	659.4	635.7	630.6	638.7	668.3	688.4	691.3	698.1	690.1	690.7	690.7	695.4
Goods Imports (%y/y)	3.2%	16.8%	2.7%	10.7%	-14.8%	12.1%	20.0%	-1.3%	-3.4%	8.7%	-10.1%	16.7%	
Oil Imports (%y/y)	17.0%	6.5%	-9.0%	-13.4%	-29.6%	16.3%	25.5%	-26.2%	-8.4%	7.5%	9.4%	-5.9%	
Non-oil Imports (%y/y)	-1.5%	20.6%	6.9%	20.5%	-9.0%	10.4%	17.6%	10.6%	-1.6%	9.1%	-14.3%	24.4%	
Goods Exports (%y/y)	16.6%	-5.3%	-1.5%	-2.6%	-10.9%	0.9%	-3.8%	-1.2%	-1.3%	13.5%	6.7%	6.8%	
Oil Exports (%y/y)	-25.0%	-52.4%	-31.6%	-59.6%	-30.4%	-9.6%	-36.5%	-23.8%	-24.3%	8.5%	5.9%	15.1%	
Non-oil Exports (%y/y)	25.5%	7.8%	5.1%	14.5%	-6.0%	2.4%	9.1%	3.9%	3.3%	14.2%	6.8%	5.6%	
Goods Trade Balance (USD Bn.)	-26.1	-32.0	-20.7	-23.1	-14.1	-21.5	-27.1	-22.6	-19.1	-27.6	-26.5	-32.2	
Services Exports (%y/y)	22.7%	14.2%	16.9%	12.1%	11.7%	18.7%	8.9%	9.6%	12.0%	10.3%	2.8%	12.6%	
Services Imports (%y/y)	28.0%	26.1%	13.9%	12.6%	-4.7%	5.3%	1.0%	-1.0%	5.1%	8.5%	-5.3%	7.8%	
Overall Trade Balance (USD Bn)	-8.9	-17.1	-1.5	-5.1	3.1	-3.3	-11.2	-6.8	-2.9	-11.1	-10.9	-13.3	

IMPROVED SENTIMENT GETS FOREIGN INVESTORS TO DOMESTIC SHORES

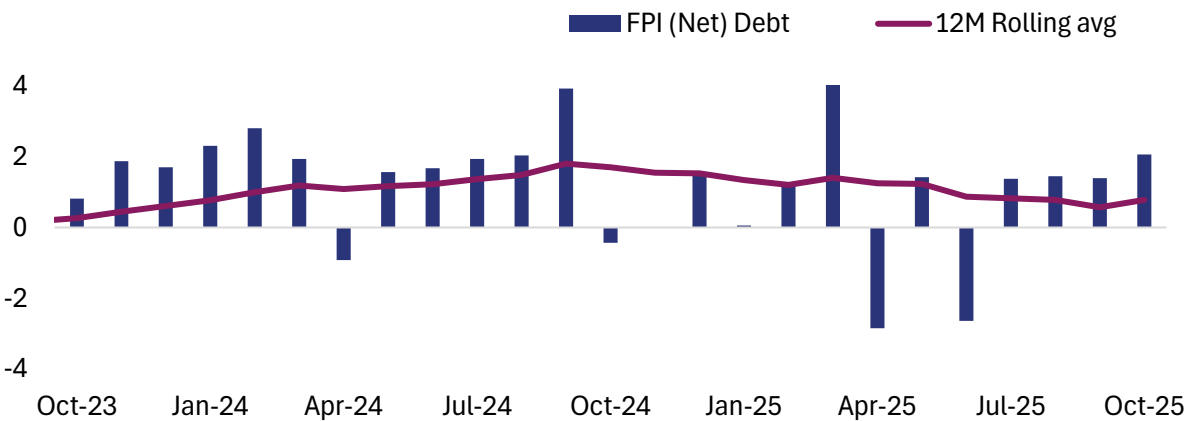
NET FPI EQUITY INFLOW (USD bn)



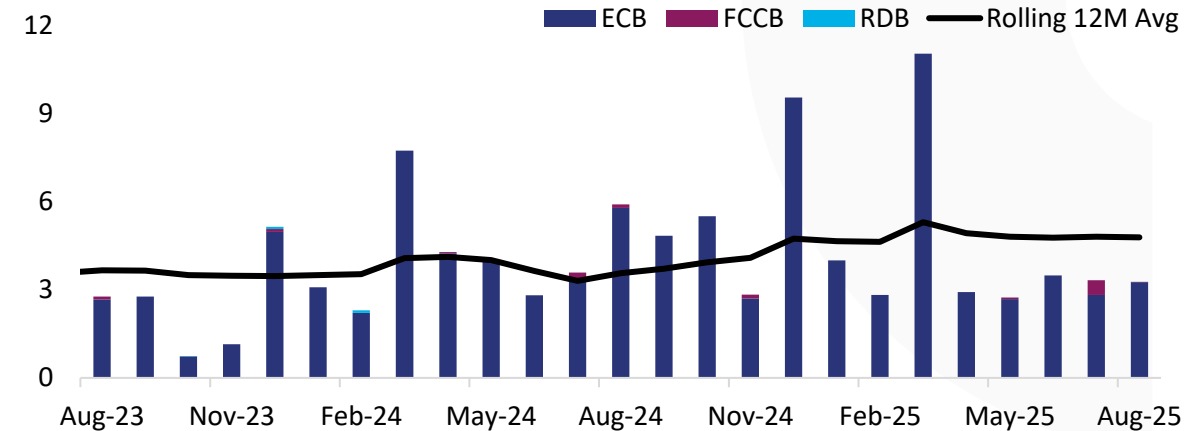
GROSS FDI EQUITY INFLOWS (USD bn)



NET FPI DEBT FLOWS (USD bn)



GROSS ECB ISSUED (USD bn)



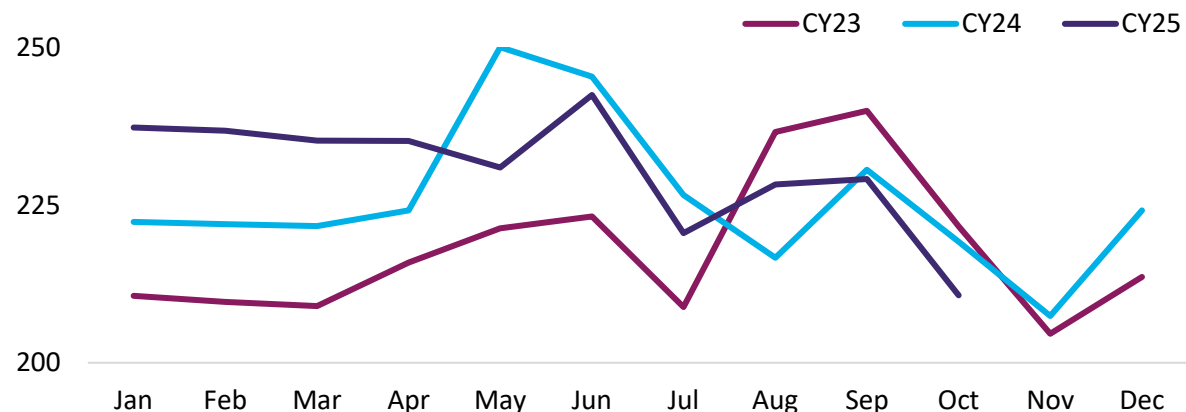
- FPIs reversed their 3-month withdrawal streak from domestic equities, driven by participation in big-ticket IPOs and select sectoral bets.
- Debt segment witnessed modest growth in inflows driven by flows into FAR securities, while outflows through VRR route is reflective of investor caution on duration risks

SECTORAL UPDATES

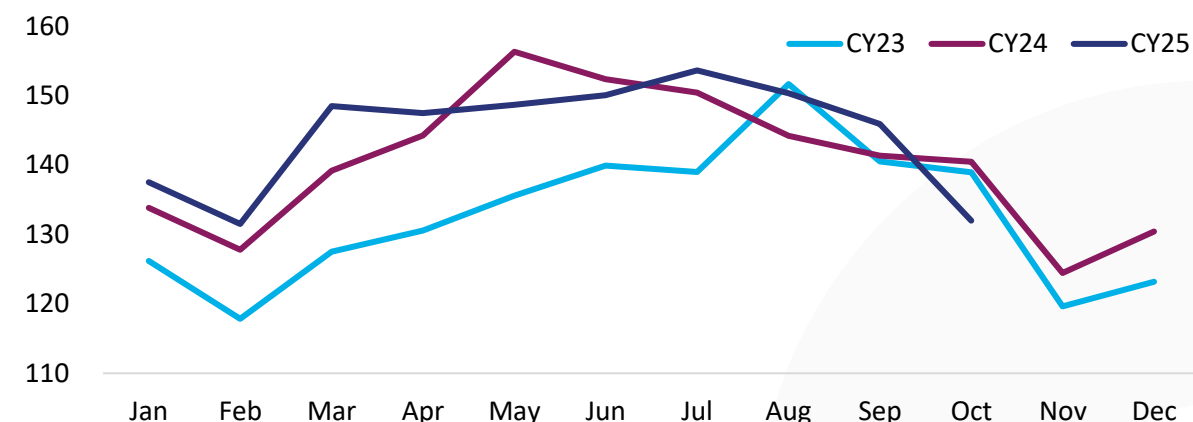


POWER DEMAND TANKS ON COOL WEATHER, DRAGS DOWN EXCHANGE PRICES

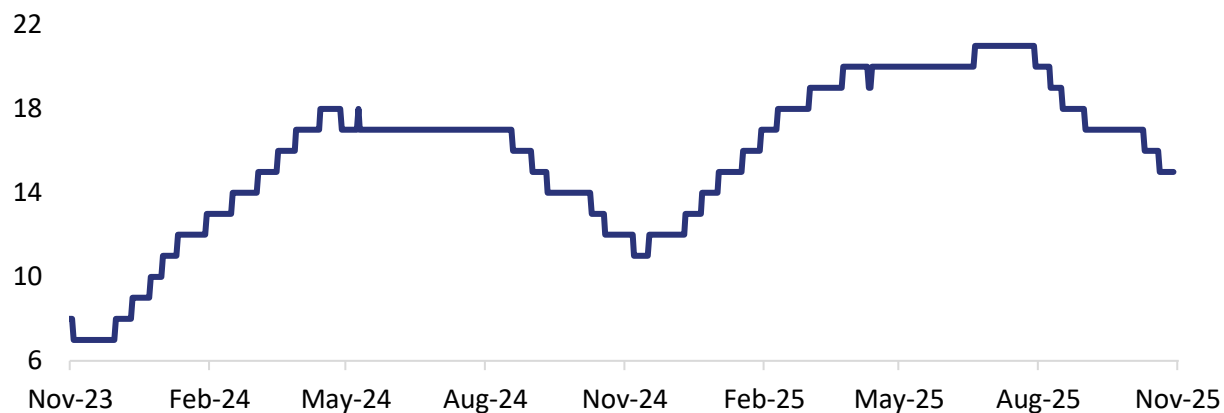
PEAK POWER DEMAND (GW)



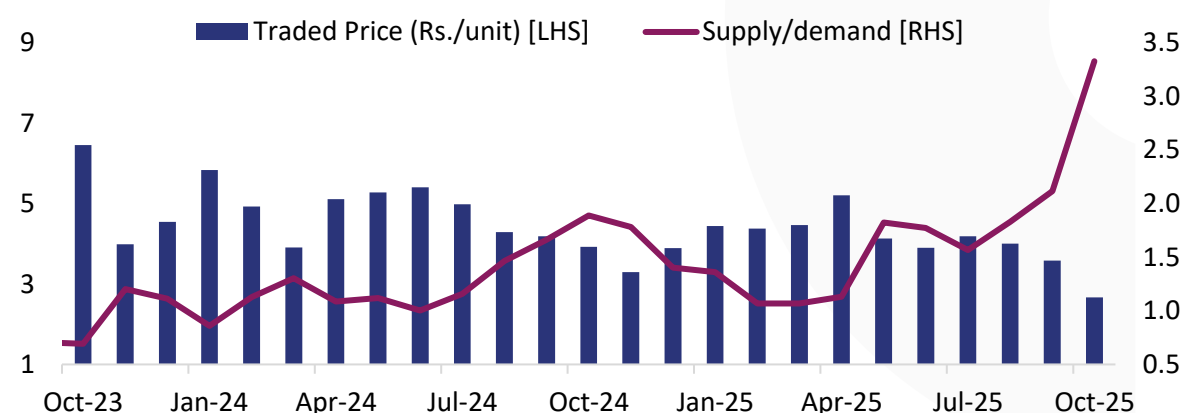
POWER SUPPLY (BU)



COAL STOCKS WITH POWER SECTOR (NUMBER OF DAYS)



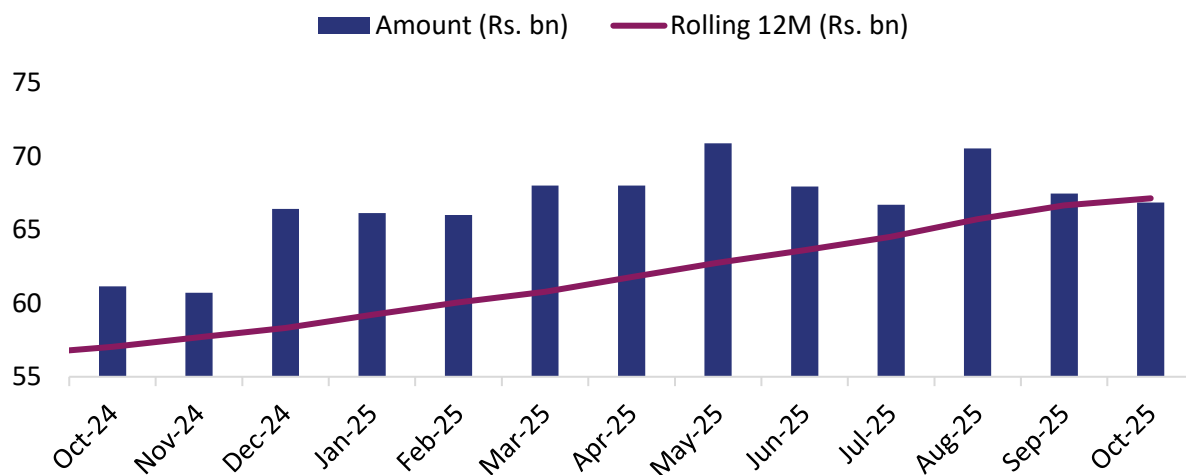
SPOT PRICE (Rs./UNIT) VS. SUPPLY-DEMAND IN DAM



- Power consumption fell 6% y/y in Oct'25, with unseasonal monsoon dampening demand for cooling appliances. Notably, the fall was steeper for Northern and Western regions where rainfall was ample and temperatures were conducive
- DAM prices fell 32% y/y to Rs. 2.67/unit in Oct'25 with ample hydro generation boosting supply side liquidity. Prices recovered in early Nov'25 to above Rs. 3/unit

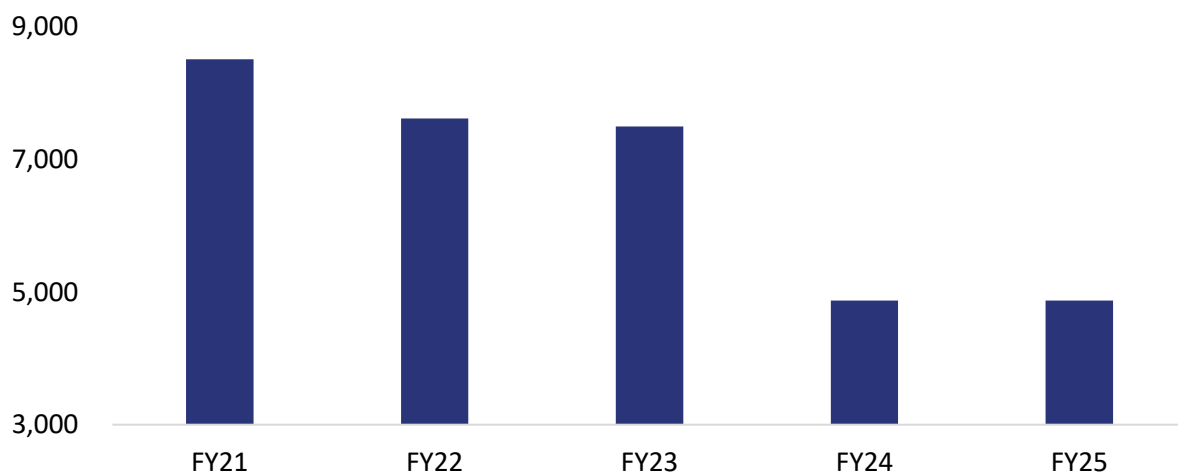
HIGHWAY FASTAG ROUND-UP SHOWS IMPACT OF ANNUAL PASS

FASTAG COLLECTIONS

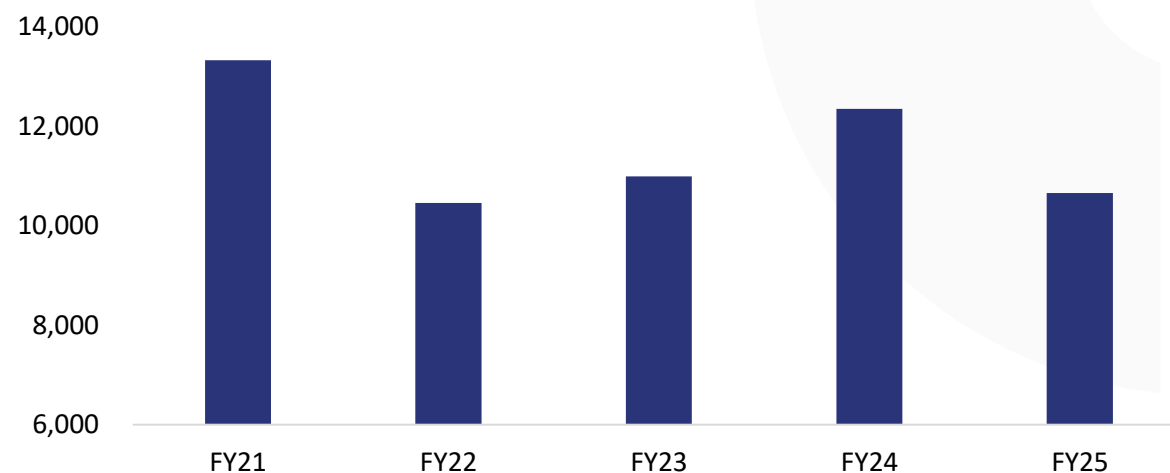


- FasTag collections pace slowed to 9.3% y/y in Oct'25, a seasonal low, with 43.3 mn trips via annual passes denting collections
- Union is mulling sweeping reforms in PPP highway projects including extending VGF cap beyond 40% through annuity payments, ensuring 95% land acquisition before constructions, usage of sustainable materials, etc.
- To mitigate project delays and cost overruns, MoRTH has introduced tighter financial eligibility criteria for HAM and EPC contractors.

NATIONAL HIGHWAY AWARDING (km) – 11MFY



NATIONAL HIGHWAY CONSTRUCTION (km)



CREDIT GROWTH ON REDEMPTION PATH

INDICATOR	NOV'24	DEC'24	JAN'25	FEB'25	MAR'25	APR'25	MAY'25	JUN'25	JUL'25	AUG'25	SEP'25	OCT'25
CREDIT												
Non-food credit growth (%y/y)	10.6%	11.1%	11.4%	10.9%	11.0%	10.2%	8.8%	9.3%	9.9%	9.9%	10.2%	10.3%
Industry credit growth (%y/y)	8.0%	7.2%	8.0%	7.1%	7.7%	6.6%	4.8%	5.5%	6.0%	6.5%	7.3%	
Services credit growth (%y/y)	13.0%	11.7%	12.5%	12.0%	12.4%	10.5%	8.7%	9.0%	10.6%	10.6%	10.2%	
Personal credit growth (%y/y)	13.3%	12.0%	11.8%	11.7%	11.7%	11.9%	11.1%	12.1%	11.9%	11.8%	11.7%	
DEPOSITS												
Total Deposits (%y/y)	11.2%	11.5%	10.8%	10.6%	10.3%	9.9%	10.0%	10.4%	10.1%	10.1%	9.8%	9.5%
Time Deposits (%y/y)	11.5%	11.4%	11.0%	11.0%	10.7%	10.4%	8.9%	9.2%	9.5%	9.1%	8.8%	8.5%
Demand Deposits (%y/y)	8.9%	12.3%	9.4%	7.7%	7.0%	6.4%	18.0%	19.6%	14.6%	17.9%	17.7%	16.8%
KEY RATIOS												
C/D Ratio (%)	79.5%	80.4%	80.4%	80.8%	80.7%	80.8%	79.6%	78.9%	78.9%	79.2%	79.3%	80.3%
Investment/Deposit Ratio (%)	29.7%	29.6%	29.9%	30.0%	29.9%	29.7%	29.3%	28.9%	28.6%	28.8%	28.8%	29.1%
KEY RATES												
1Y MCLR (Median-All SCB)	9.00%	9.00%	9.00%	9.05%	9.00%	9.00%	8.95%	8.90%	8.75%	8.60%	8.60%	8.55%
WALR – fresh (%)	9.40%	9.25%	9.33%	9.40%	9.35%	9.26%	9.20%	8.62%	8.81%	8.74%	8.50%	
WALR – o/s (%)	9.87%	9.85%	9.87%	9.80%	9.77%	9.68%	9.67%	9.44%	9.38%	9.32%	9.26%	
WADTDR – fresh (%)	6.46%	6.57%	6.62%	6.55%	6.72%	6.34%	6.11%	5.75%	5.61%	5.56%	5.60%	
WADTDR – o/s (%)	6.98%	7.00%	7.09%	7.10%	7.11%	7.11%	7.07%	7.00%	6.92%	6.87%	6.82%	
Repo Rate	6.50%	6.50%	6.50%	6.25%	6.25%	6.00%	6.00%	5.50%	5.50%	5.50%	5.50%	5.50%

RBI'S REGULATION REVAMP TO AID CREDIT GROWTH RESURGENCE

Democratisation of credit means that personal loans and MSMEs drive credit demand as large corporates flock to capital markets

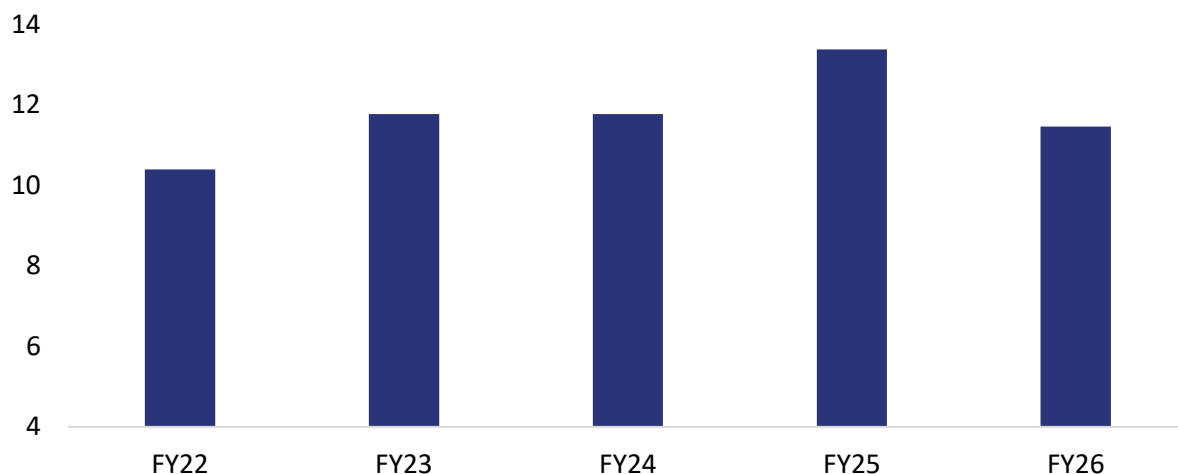
- MSMEs led the credit bandwagon with 19% y/y growth in Sep'25, with tariff-exempt sectors such as electronics growing strongly, while textile, rubber and wood display resilience. Large industries rose only 2.4% y/y; however, removal of large borrower framework promises credit offtake to large conglomerates, amidst recent rebound in infrastructure lending.
- Services credit growth rose at a constant pace, aided by Union's push in the shipping industry, along with resilience in CRE and Trade. NBFCs credit continues to remain morose
- Despite slower growth than fiery pandemic era, personal loans drive credit demand dictated by glittery gold loans and LAS, combined with stability in housing and vehicle loans

Transmission to deposit rates fuller than lending, as banks avoid NIM squeeze; Union targets global ambitions for domestic banks:

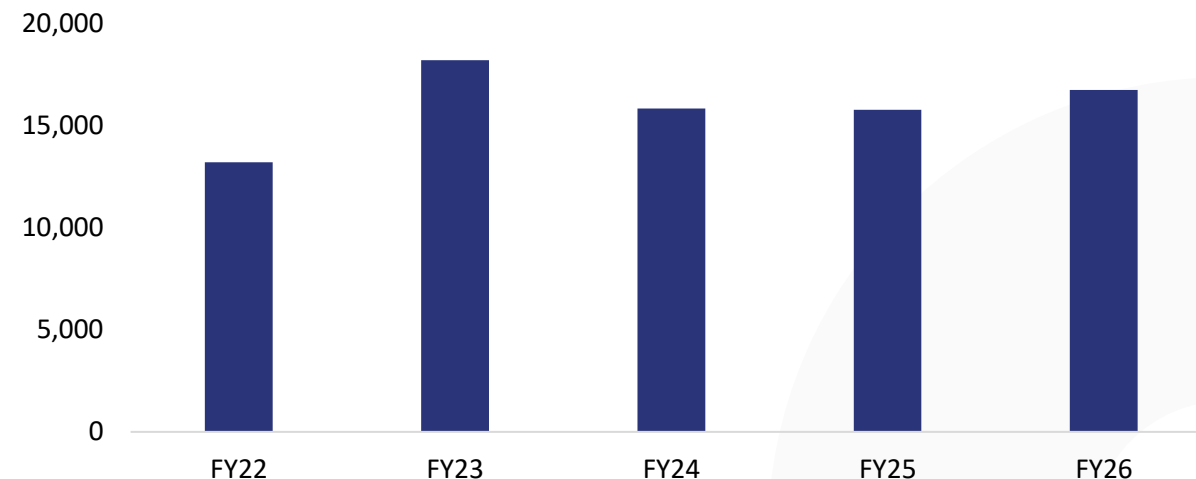
- Deposit growth has held the ~10% y/y mark for most of CY25, with a seasonal low in Oct'25 due to festive cash leakage, amidst changing catalysts. Growth in demand deposits, faster than time deposits, is indicative of banks preference to raise low-cost CASA share, as ample profits and availability of cheap capital has helped banks to ease down on deposit fervour
- Transmission to both lending and deposit rates is excellent in the current rate cycle due to high share of EBLR. It is likely that deposit rates have bottomed out. Bank MCLR to Union G-sec spread is now low compared to historical levels. This means a pickup in bank credit could ensue
- RBI is mulling increasing the limit for foreign investments in PSBs to 49% from current 25%, attracting strategic partners. A Middle-East based foreign bank has already displayed intent for 60% stake in mid-sized domestic PVB, while PE firms raised 10% stake in another one. Union is further mulling amalgamation of several PSBs in hopes of creating a large global bank.

INSURANCE SECTOR BOOSTED BY GST RATIONALIZATION IN SEP'25

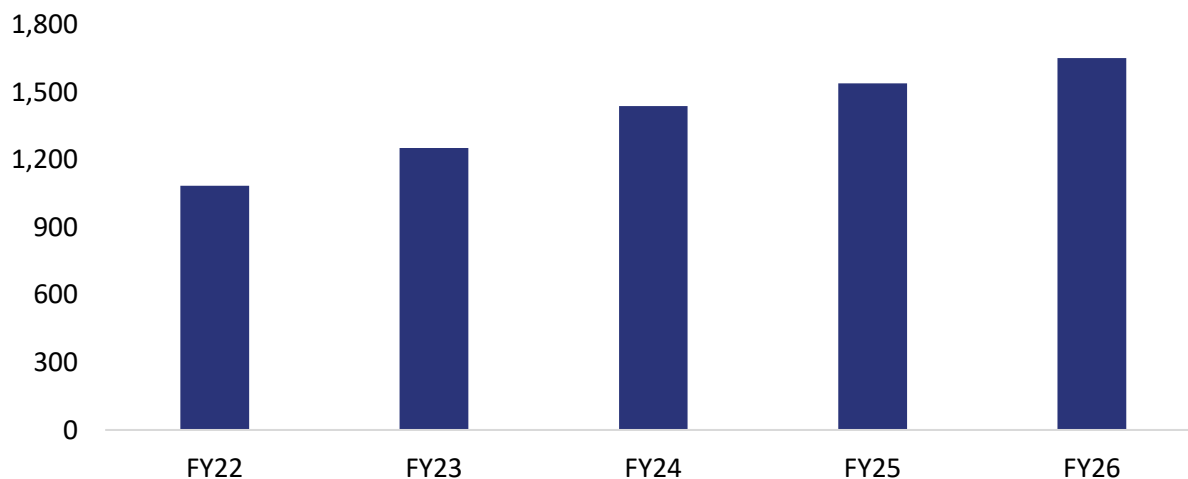
NEW LIFE INSURANCE POLICIES – H1FY (mn units)



FIRST YEAR PREMIUM- LIFE INSURANCE – H1MFY (Rs. bn)



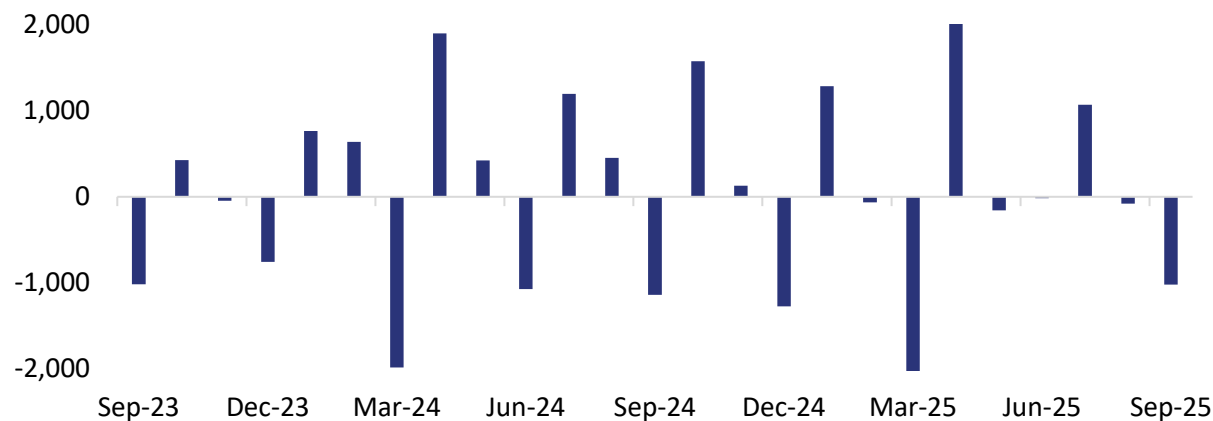
GROSS DIRECT PREMIUM- NON- LIFE INSURANCE – H1FY (Rs. bn)



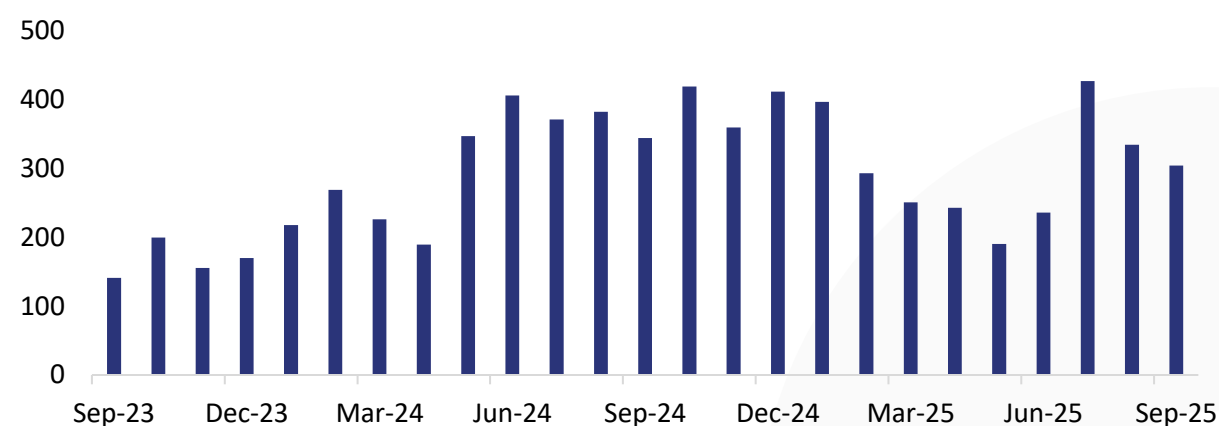
- Life insurance new business premiums surged 14.8% y/y to Rs. 402 bn in Sep'25, driven by rise in group policies and steady single premiums. Public sector insurer NBP grew 12.7% y/y, while private insurers grew 17.8% y/y, displaying broad-based rise
- Non-life insurers' premia rebounded at 13.2% y/y to Rs. 311 bn in Sep'25 supported by strong renewals in motor, crop and fire insurance. Standalone health insurers grew 7.7% y/y aided by GST reductions

CAUTIOUS OPTIMISM IN EQUITIES, LIQUIDITY-LED REDEMPTION IN DEBT MF

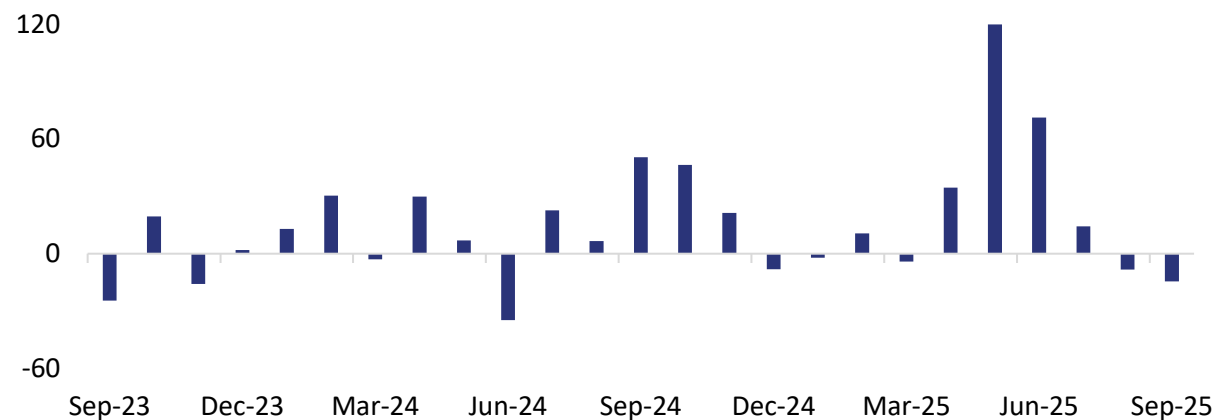
OPEN ENDED SCHEME: INCOME/DEBT MF NET INFLOW (Rs. bn)



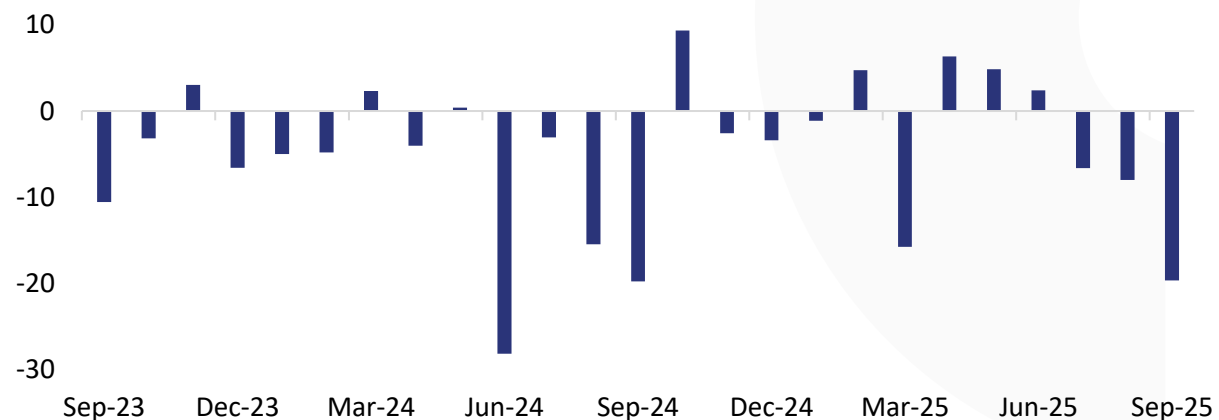
OPEN ENDED SCHEME: EQUITY MF NET INFLOW (Rs. bn)



CORPORATE BOND NET INFLOW (Rs. bn)



BANKING AND PSU FUND NET INFLOW (Rs. bn)



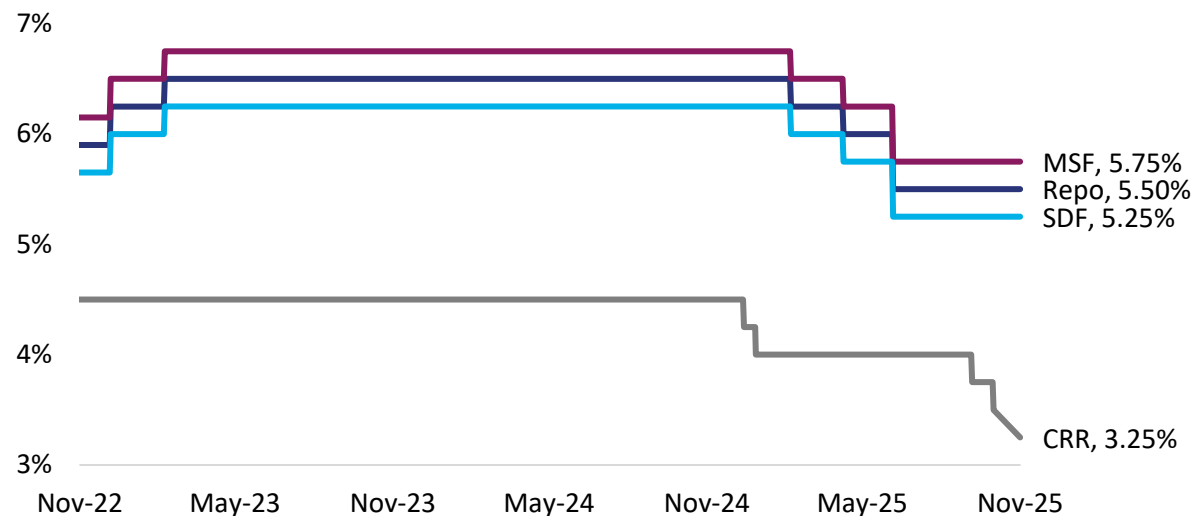
- Debt funds saw steep outflow, with corporate treasury related outflows and reduced liquidity plaguing liquid funds, with modest flows in longer duration funds.
- Equity fund flows moderated in Sep'25 due to volatile macro environment, with tailwinds in flexi-cap, mid cap and large & mid cap funds where there is earnings expectations.
- SEBI has revised mutual funds fees structures, standardizing exit loads and reducing fees, while proposing introduction of performance-linked fees structure.

MONETARY POLICY AND YIELDS



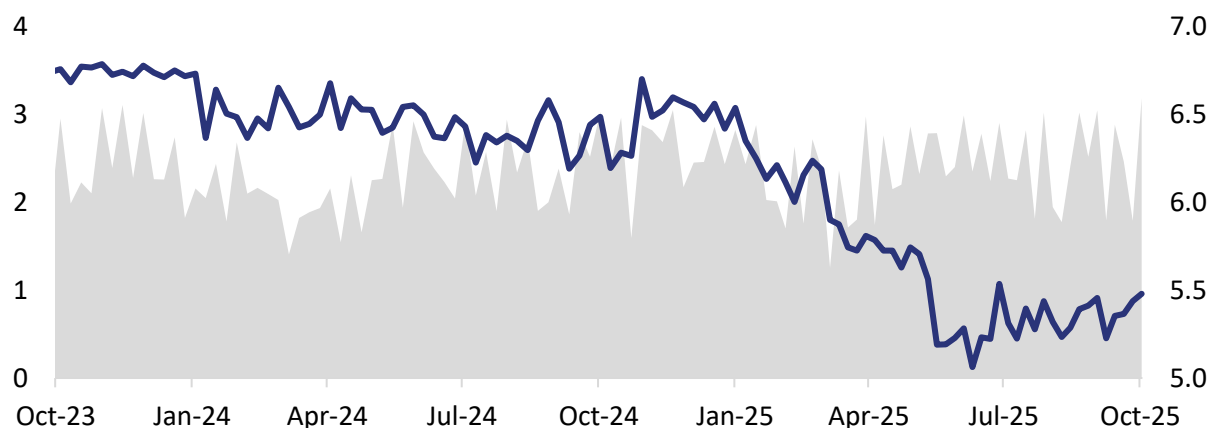
STATUS QUO ON KEY MONETARY POLICY PARAMETERS

KEY RATES (%)



TREPS DAILY AVG VOLUME (Rs. Bn.) AND RATE (%)

TREPS Amount TREPS Rate [RHS]



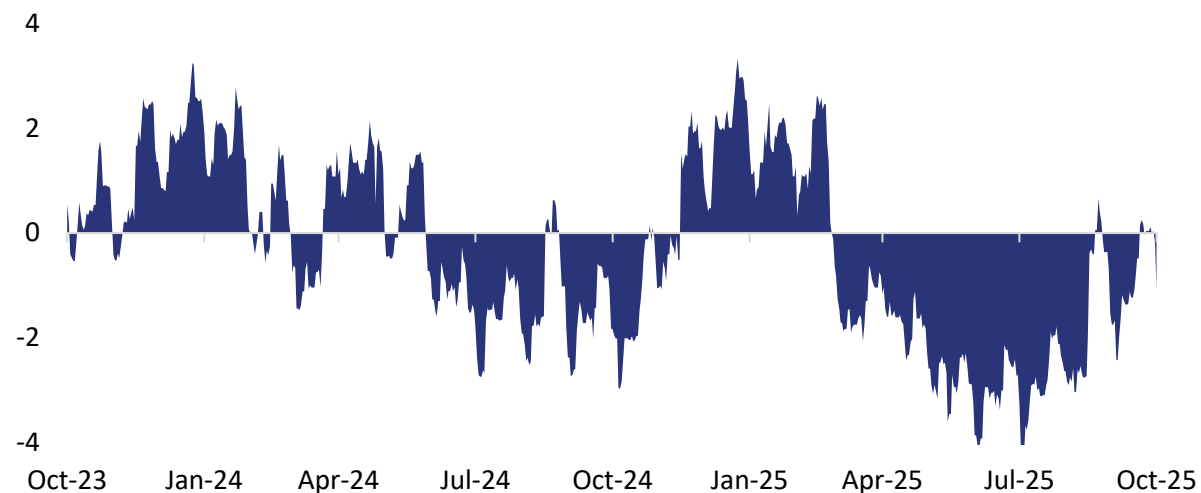
STANCE OF POLICY

DATE	STANCE	VOTE
30-Sep-22	WITHDRAWAL OF ACCOMMODATION	5-1
07-Dec-22	WITHDRAWAL OF ACCOMMODATION	4-2
08-Feb-23		
06-Apr-23	WITHDRAWAL OF ACCOMMODATION	5-1
08-Jun-23		
10-Aug-23		
06-Oct-23		
08-Dec-23		
08-Feb-24		
05-Apr-24		
07-Jun-24	WITHDRAWAL OF ACCOMMODATION	4-2
07-Aug-24		
09-Oct-24	NEUTRAL	6-0
05-Dec-24		
07-Feb-25		
09-Apr-25	ACCOMODATIVE	6-0
06-Jun-25	NEUTRAL	6-0
06-Aug-25		
01-Oct-25	NEUTRAL	4-2

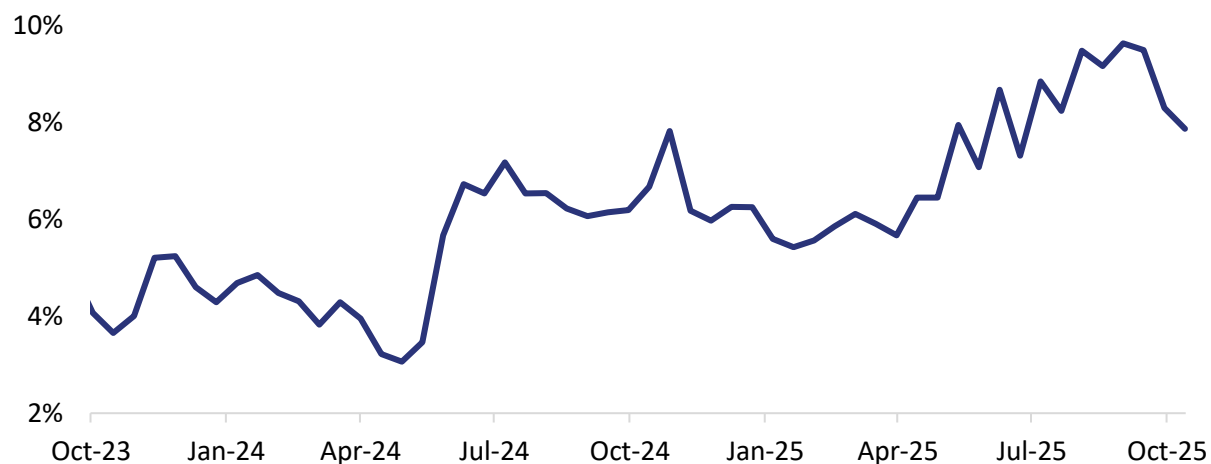
- Repo & associated rates were kept unchanged unanimously. Stance was kept at Neutral by a slimmer majority than last time, indicating changing mood of MPC towards cuts
- We anticipate another ~25bps rate cut in the current cycle, with the timing depending on growth figures in H2

LIQUIDITY FLUCTUATIONS MANAGED WITH AGILITY BY RBI

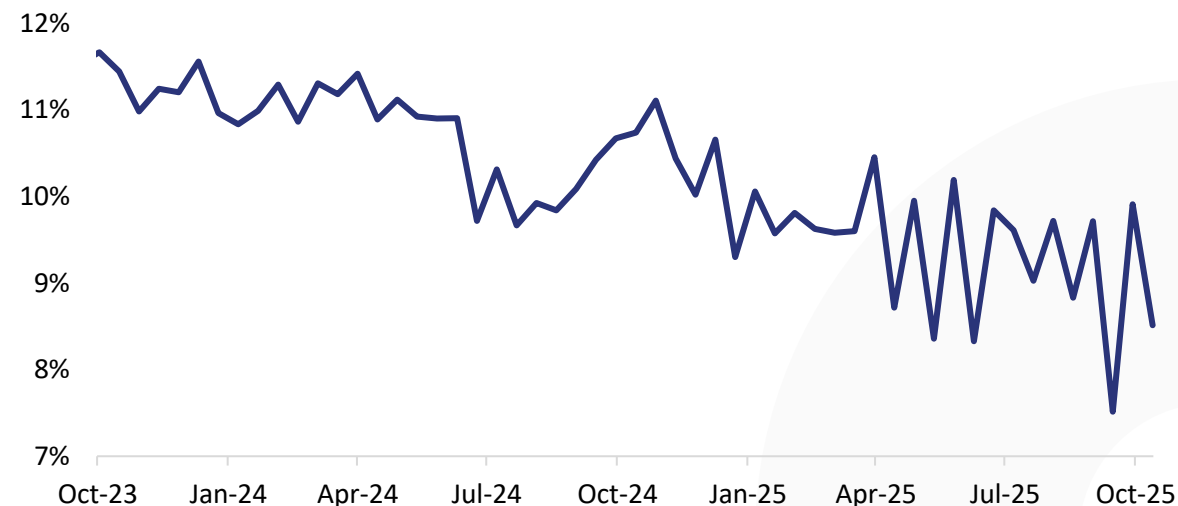
BLOOMBERG INDIA LIQUIDITY INDICATOR* (Rs. trn)



CURRENCY WITH PUBLIC (Y/Y)



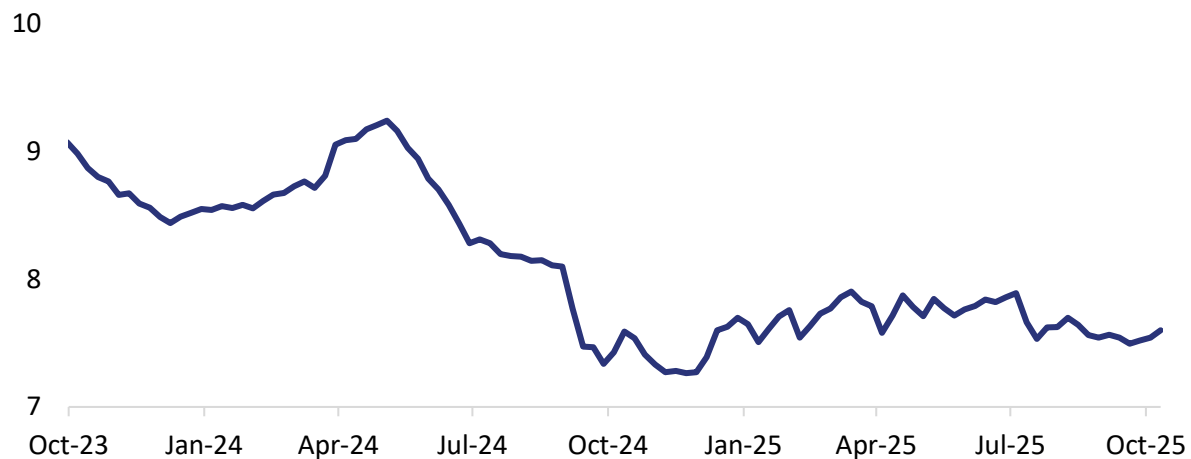
MONEY STOCK M3 (Y/Y)



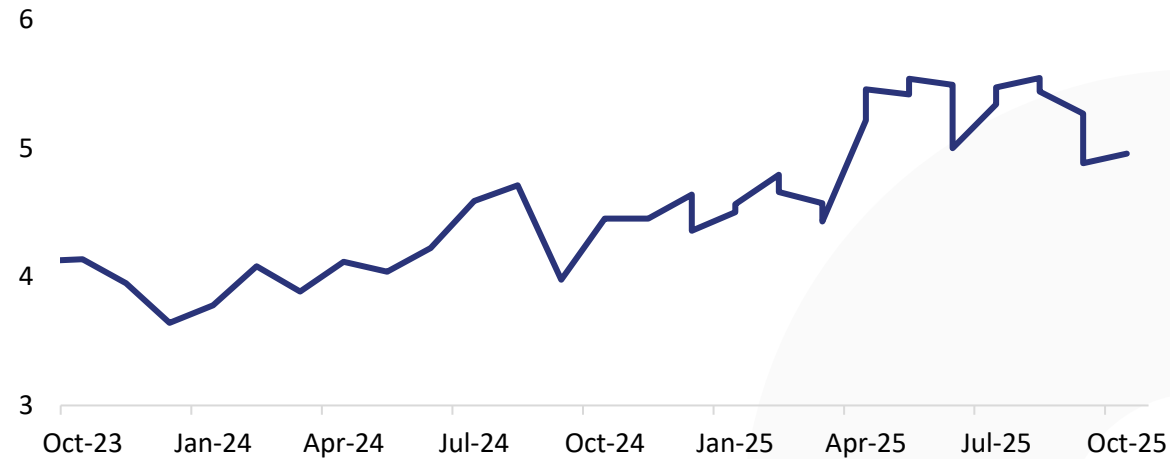
- Liquidity turned mildly negative in Oct'25, driven by RBI's FX interventions, swap reversions, festive season currency leakages and buoyant GST collections. RBI has been nimbly managing fluctuations with VRR auctions

CP MARKET COULD SEE A PICKUP AFTER DIP IN OCT'25

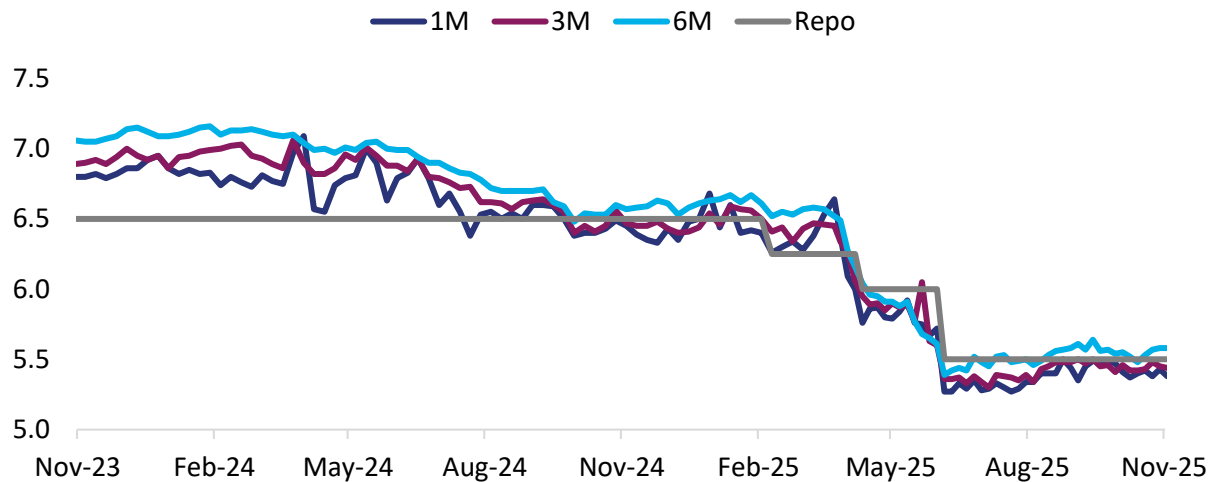
T-BILL OUTSTANDING (Rs. trn)



COMMERCIAL PAPER OUTSTANDING (Rs. trn)



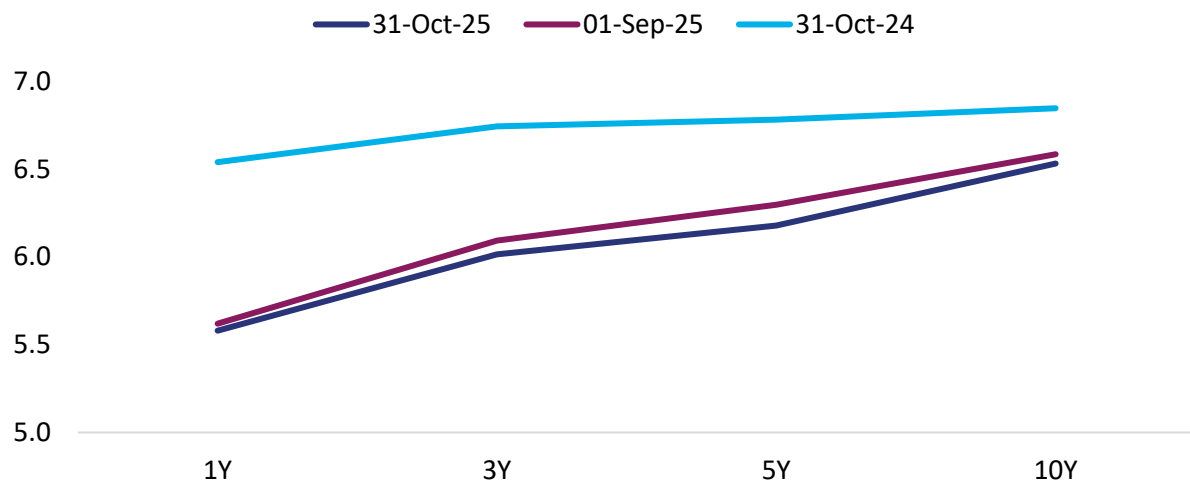
T-BILL SECONDARY YIELDS & REPO (%)



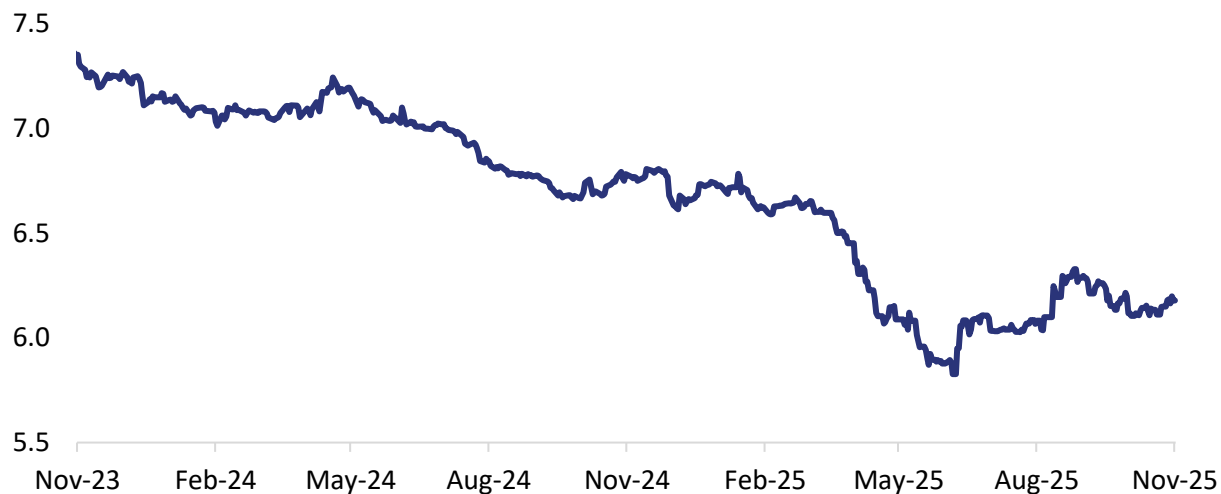
- T-Bill yields have witnessed steepening across tenors, with 91-day T-Bill anchored below the repo rate and garnering ~2.8x subscriptions in primary, while higher tenors hardened by upto ~6 bps.
- Fluctuation in systemic liquidity has strained CP rates by ~15 bps, leading to 66% m/m lower issuances in Oct'25. Notably, according to media sources, upto Rs. 2.2 trn worth CPs are up for maturity in Nov'25-Dec'25

TRIFECTA OF REASONS PULLS YIELD CURVE VARIABLELY

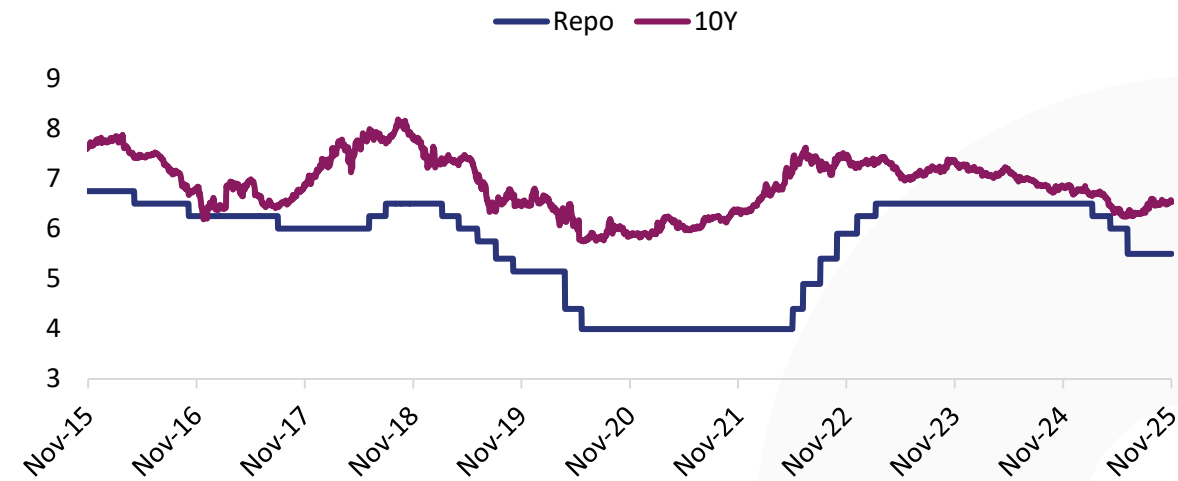
YIELD CURVE (%)



G-SEC YIELD (5 YEARS) (%)



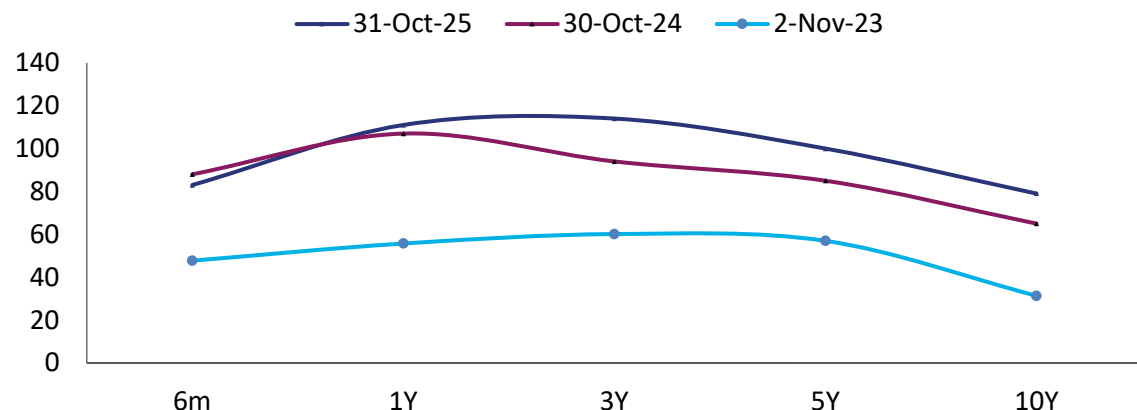
UNION G-SEC YIELD (10 YEARS) VS REPO (%)



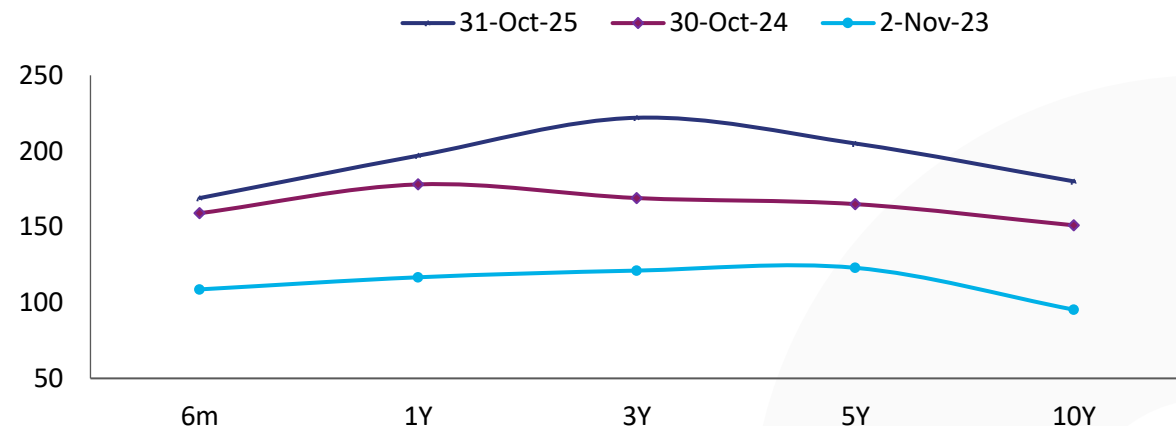
- Benchmark G-Sec yields drifted towards 6.60% handle mid-Oct'25, influenced by surge in US yields after a hawkish Fed-speak prompted global bond sell-off, while later paring back to similar levels as RBI conveyed dissatisfaction on higher yields by rejecting 7Y auction
- Yield curve mimicked a positive butterfly, with lower end anchored in liquidity, upper end yo-yoing rising amidst global concerns, while belly fell due to heightened demand
- *Broader outlook remains sensitive to currency volatility and the RBI's operations. We expect 10Y Union G-sec to remain at 6.50% ± 0.25%*

SPREADS COMPRESS ON THE LOWER END OF THE CURVE

FIMMDA CORPORATE AAA SPREAD OVER GILT CURVE (bps)



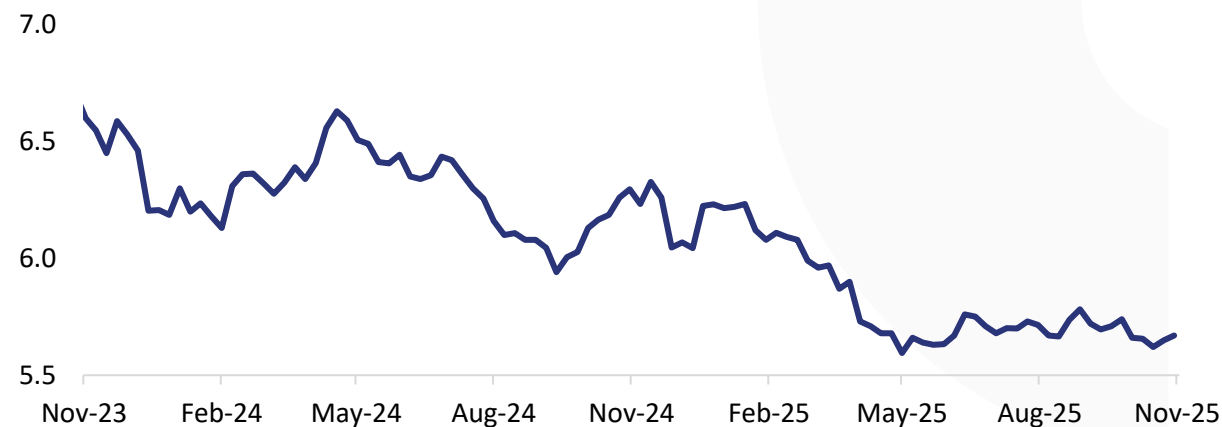
FIMMDA CORPORATE AA SPREAD OVER GILT CURVE (bps)



OIS 1-YEAR (%)



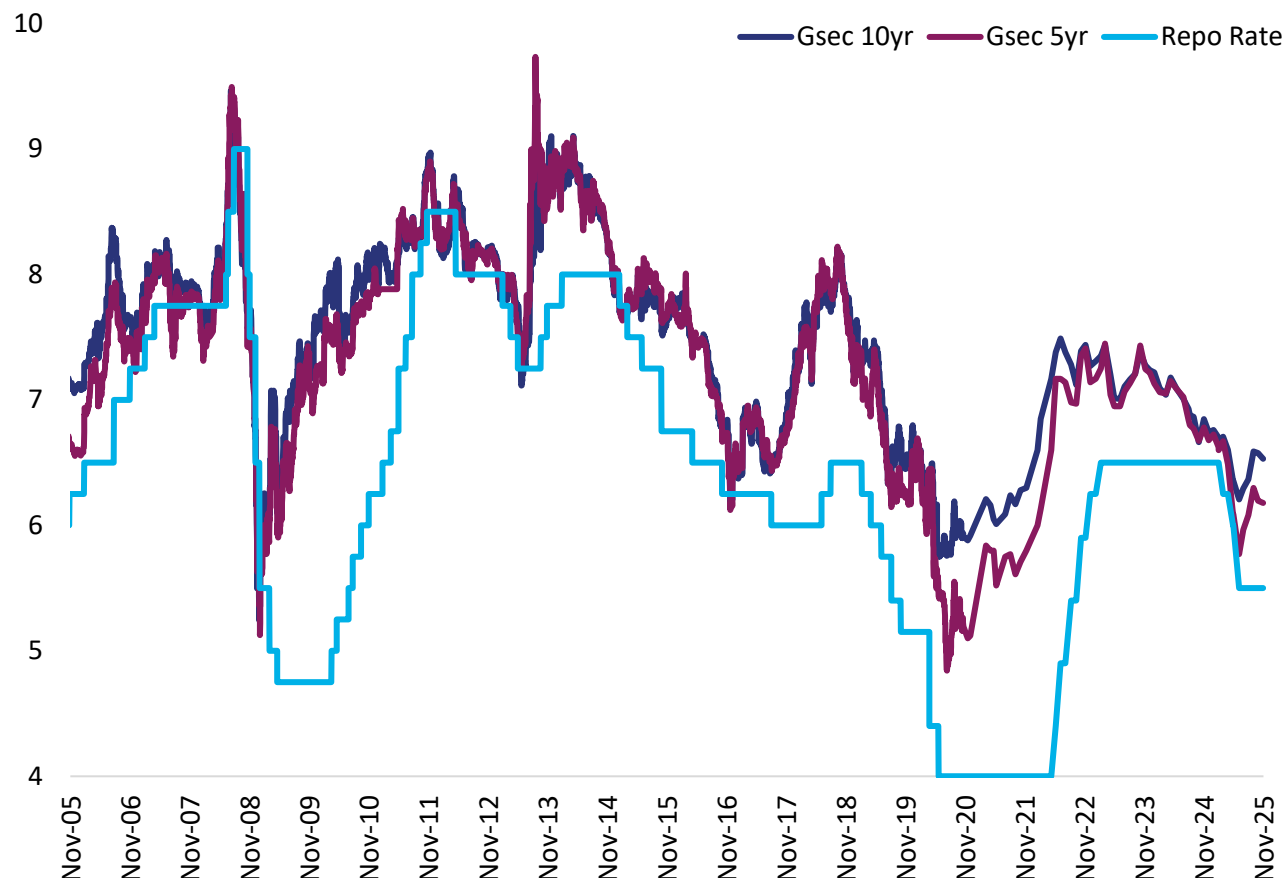
OIS 5-YEAR (%)



- 1Y OIS rates remain anchored on the underside of the repo rate amidst plush liquidity, while Oct'25 saw a spike in 5Y OIS rates due to increased hedging amidst heightened uncertainty.
- Corporate spreads narrowed in the lower tenors, with benefits accruing across the credit spectrum with strong mutual fund demand in these duration, while expanding in the higher tenors. SGS spreads have compressed further, with rise in 10Y G-Sec and lower issuances by states.

OUTLOOK ON G-SEC YIELDS

KEY RATES (%)



- We expect headline inflation (CPI) to be around RBI's projection in FY26 with evenly balanced risks
- We expect general government (Union + State) fiscal deficit ~7.1% of GDP in FY26

YIELD OUTLOOK

We expect 10Y G-Sec yields to remain $\sim 6.50\% \pm 25\text{bps}$ in the coming months

Below are the upside and downside risks to our yield outlook:

Yield softening triggers

- FII flows due to global bond indices
- Liquidity surplus
- RBI's OMO operation
- Softening in commodity prices due to global slowdown

Yield hardening triggers

- Higher CPI print than estimate
- Higher crude price- impact on fiscal position and inflation
- Higher government borrowing
- Currency volatility as seen in CY13 and CY18

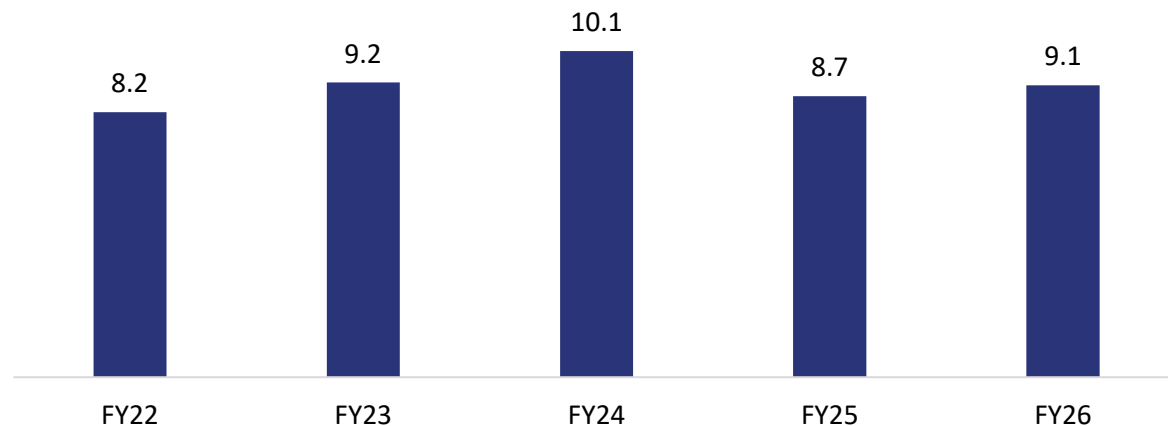


CAPITAL MARKETS

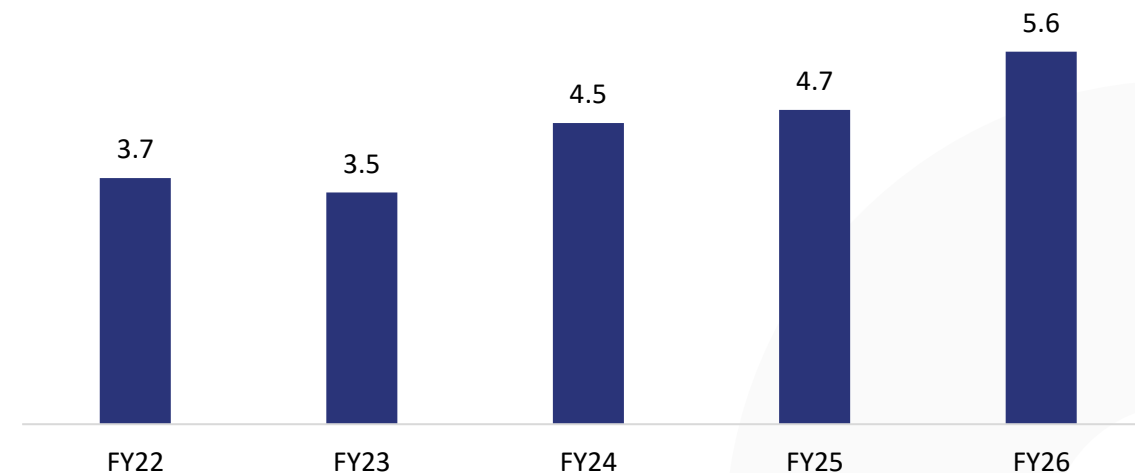


RBI SIGNALS DISSATISFACTION AGAINST HEIGHTENED YIELDS

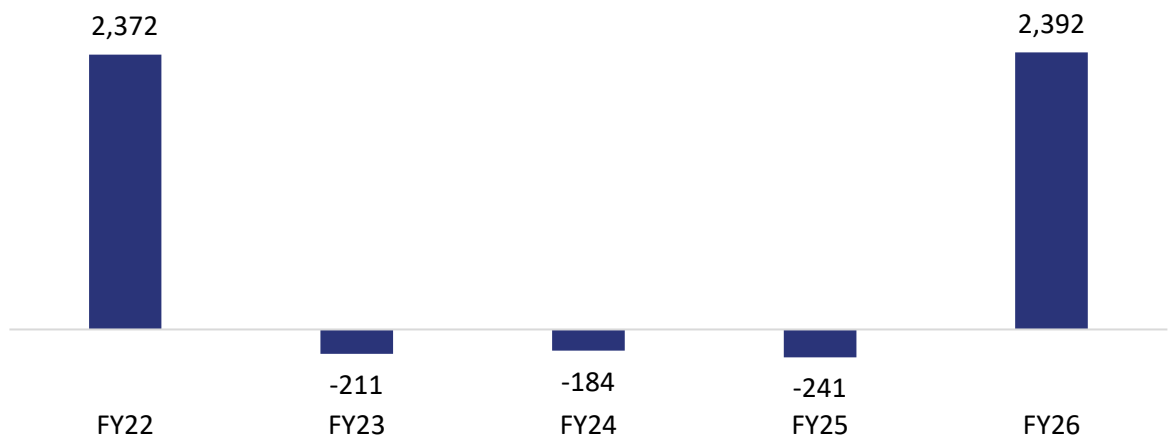
G-SEC: GROSS AMOUNT RAISED (Rs. trn) – 7MFY



SGS BIDS ACCEPTED (Rs. trn) – 7MFY



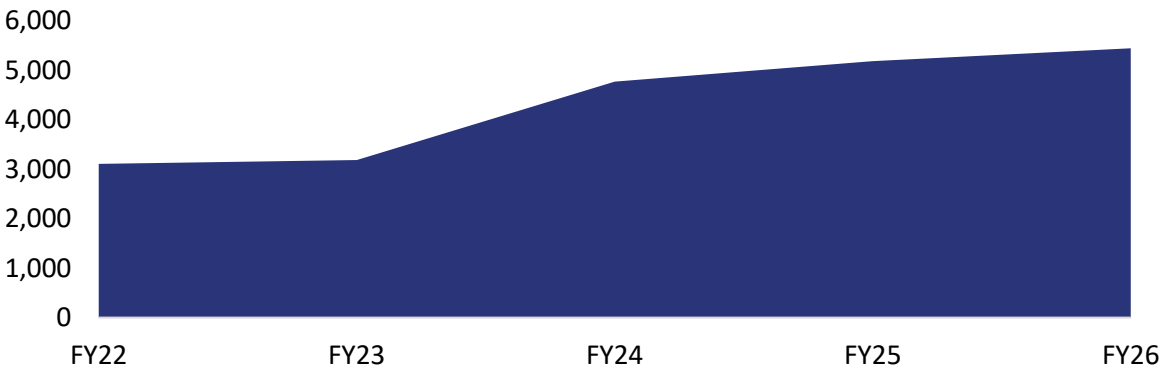
CUMULATIVE NET OMO PURCHASES (Rs. bn) – 7MFY



- G-Sec issuances were lower vs indicative in Oct'25, with RBI refraining from accepting Rs. 110 bn worth 7Y security, signaling discomfort with higher yields. Subsequently, 10Y yields eased ~7bps post auction, with rally in 8-15 year papers.
- SGS yields dropped nearly 15 bps m/m, with several states refraining from raising vs indicative. Maharashtra was the highest borrower, raising Rs. 150 bn, followed by Tamil Nadu (Rs. 80 bn) and Uttar Pradesh (Rs. 55 bn)

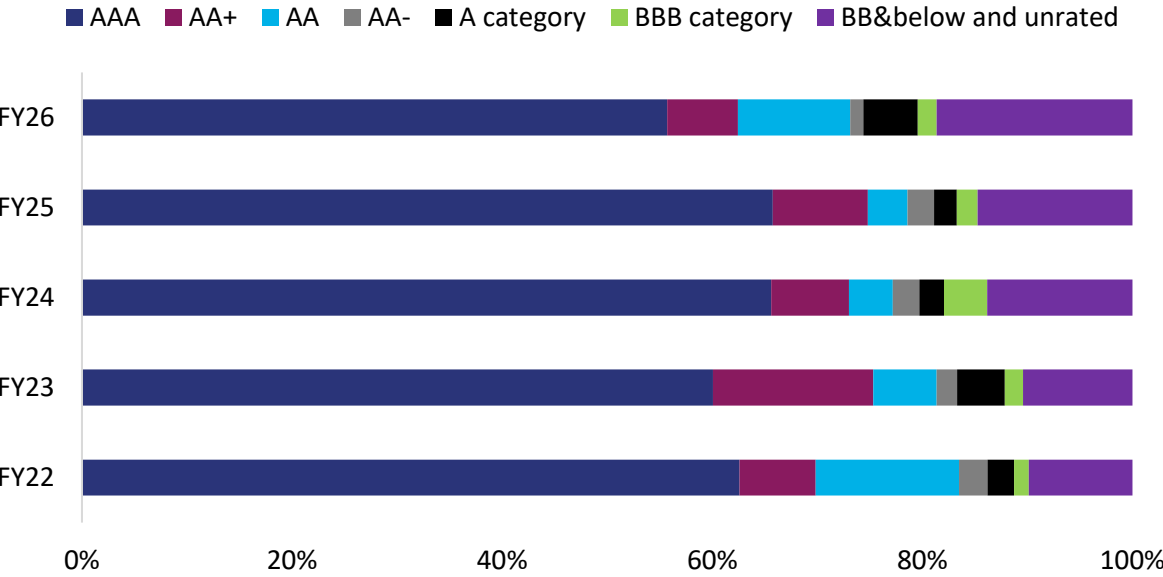
HIGHER RATED ISSUANCES FLOOD THE MARKETS IN OCT'25

GROSS PRIVATE PLACEMENTS – 7MFY (Rs. bn)

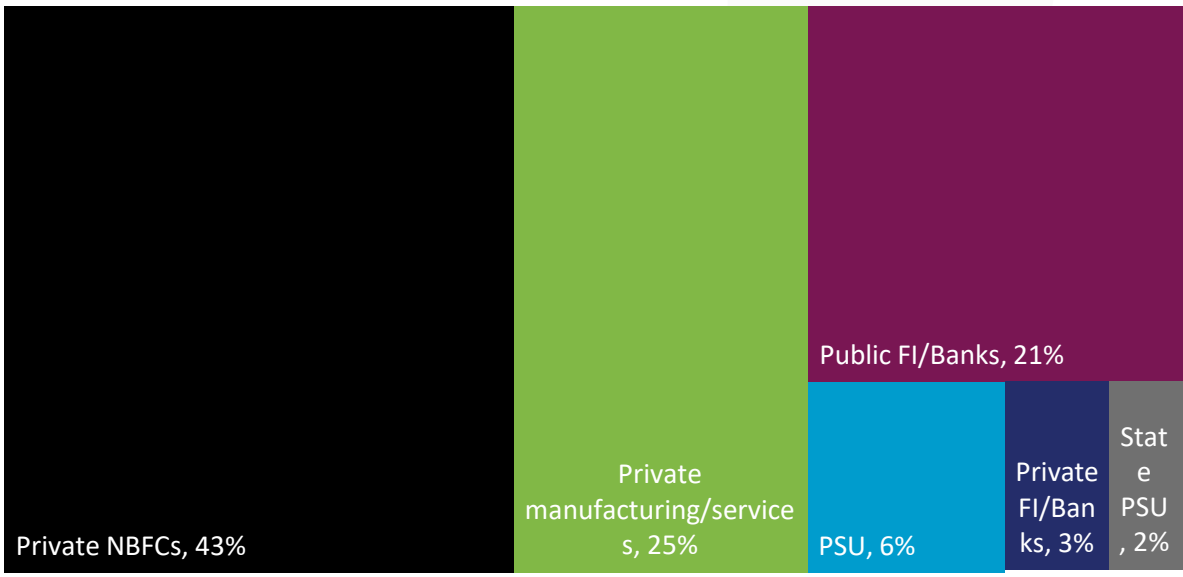


- Gross issuances rose 8% y/y in Oct'25, with 2/3rd of it being AAA, its highest contribution since rate cuts began, as investor preference for quality papers compresses spreads
- NBFCs remained the largest issuers, yet private sector manufacturers continue to garner low-cost funding, especially in the middle tenors.
- Notable issuers include a big conglomerate that returned to capital markets after 2 years and few renewable energy players.

GROSS ISSUANCE WITH RATING SPLIT – 7MFY (%)

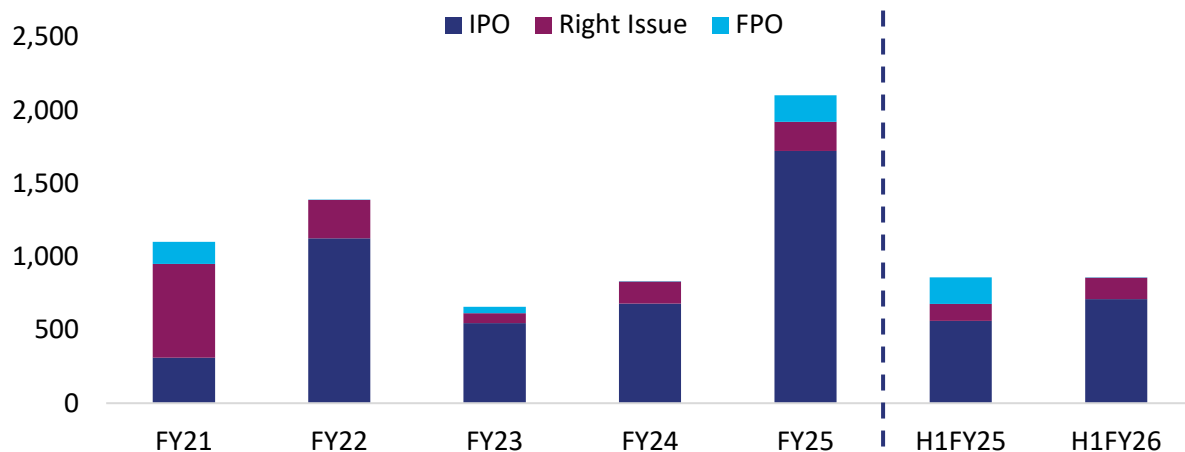


ISSUER TYPE WISE GROSS ISSUANCES BY AMOUNT- 7MFY26



SLEW OF IPO LINED UP FOR THE EQUITY MARKETS

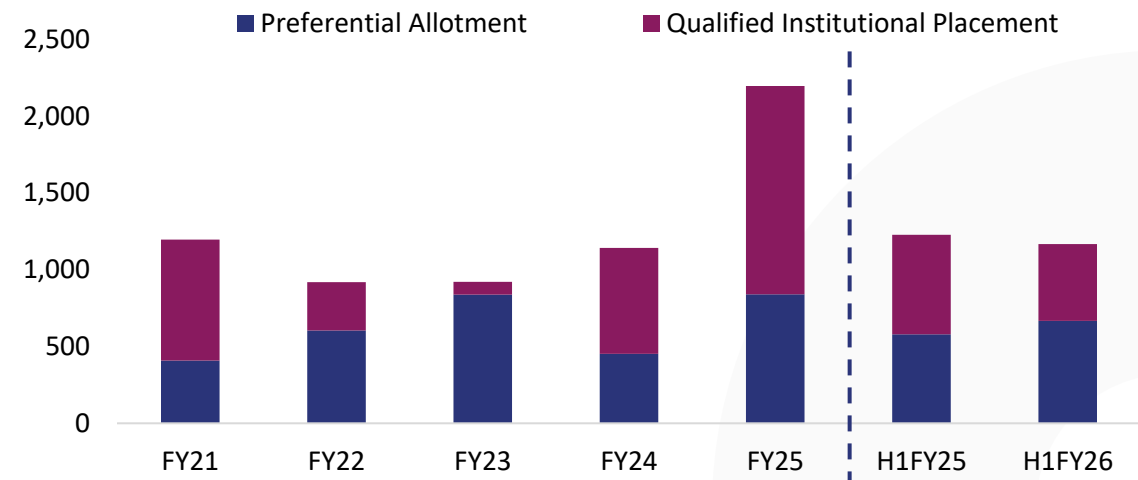
EQUITY MOBILISATION THROUGH PRIMARY MARKETS - PUBLIC AND RIGHTS ISSUE (Rs. Bn)



EQUITY CAPITAL RAISED - PUBLIC AND RIGHTS ISSUE (Rs. bn)

SECTOR	FY25	H1FY26
Financial Services	239.6	239.6
Capital Goods	181.3	124.7
Consumer Services	287.0	99.9
Automobile and Auto Components	366.6	54.4
Healthcare	148.2	41.9
Construction Materials	4.0	41.0
Total	2,101.9	857.0

EQUITY MOBILISATION THROUGH PRIMARY MARKETS – PRIVATE (Rs bn)



- IPO market hit all-time high in Oct'25 with Rs. 460 bn mobilized across NBFC, consumer electronics and pharmaceutical sectors. Further, consumer-oriented startups and a big fintech have filed their DRHPs, creating robust pipeline
- Industrials and renewable companies have opted for preferential issues, while a expansion in real estate segment has fuelled QIPs in Oct'25

GLOBAL SNAPSHOT



DIVERGENT RETURN PROFILE AMONGST ASSET CLASSES

COMMODITIES	%1M change	%1Y change
LME Metals Index	2%	11%
Copper	6%	16%
Aluminium	8%	10%
Iron Ore 62% Fe*	2%	3%
Gold	3%	47%
Brent	1%	-11%
Natural Gas	23%	54%
Newcastle Coal	3%	-24%

CURRENCIES	%1M change	%1Y change
DXI Index	2.1%	-4.3%
USD/EUR	1.8%	-5.7%
USD/JPY	4.5%	1.3%
USD/GBP	2.6%	-1.4%
USD/CNY	-0.1%	0.2%
USD/INR	0.0%	5.5%

Note: Positive numbers indicate strengthening USD

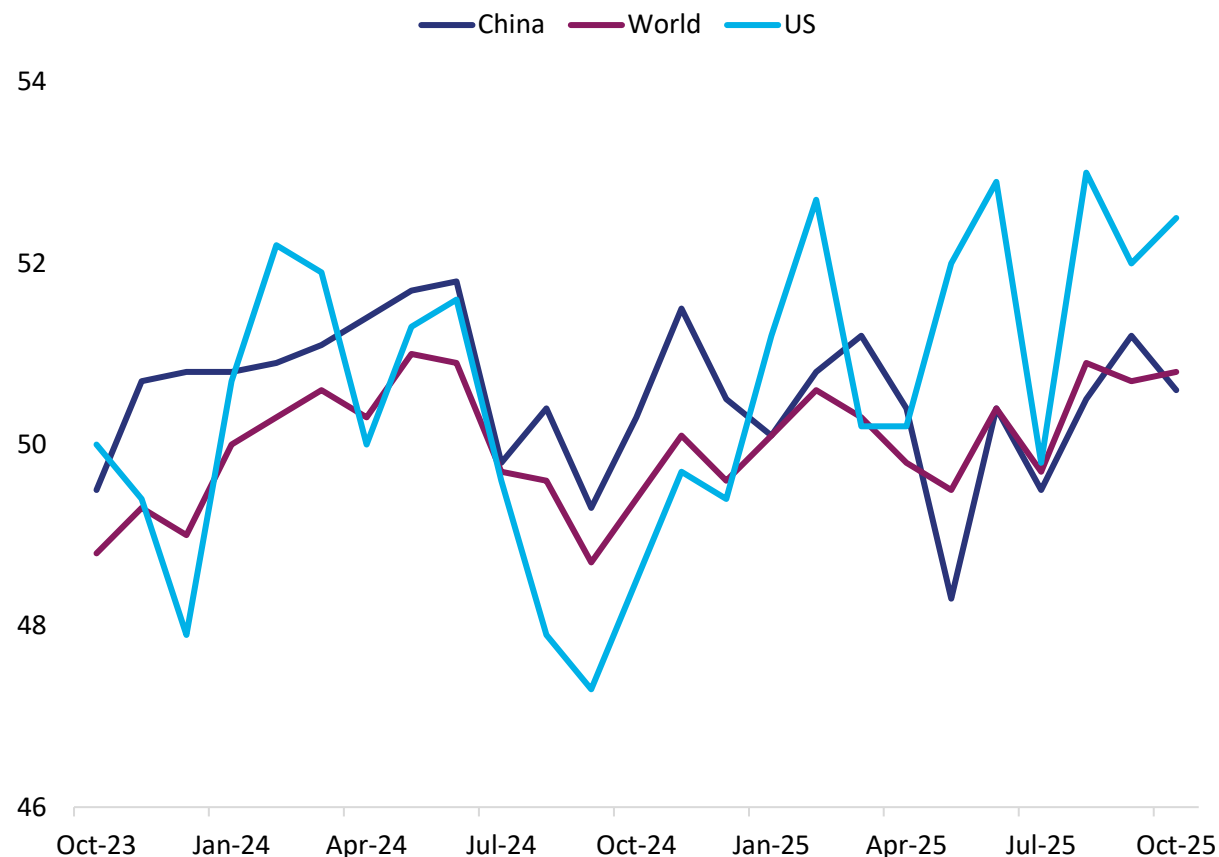
EQUITY INDICES	%1M change	%1Y change
S&P 500	1.9%	19.4%
Nikkei 225	14.5%	37.7%
STOXX Europe 600	0.3%	11.9%
FTSE 100	2.4%	18.8%
BSE Sensex 30	3.1%	5.0%
Hang Seng	-4.1%	26.9%
IBOV	3.7%	16.7%

- Gold shone to decadal highs in Oct'25, before paring back ~8% in a single day, below USD 4k/oz mark, on the back of brokering trade deals with US cutting tariffs on China
- Greenback strengthened against a basket of currencies, with USD assets regaining global prominence. INR remained flattish m/m near highs, with RBI's supposed intervention
- Equity indices rose globally, amidst narrowing breadth, with earnings-boosted gains in US restricted to tech sector, while record high in Europe and Japan was offset by mixed economic signals and volatile sentiments.

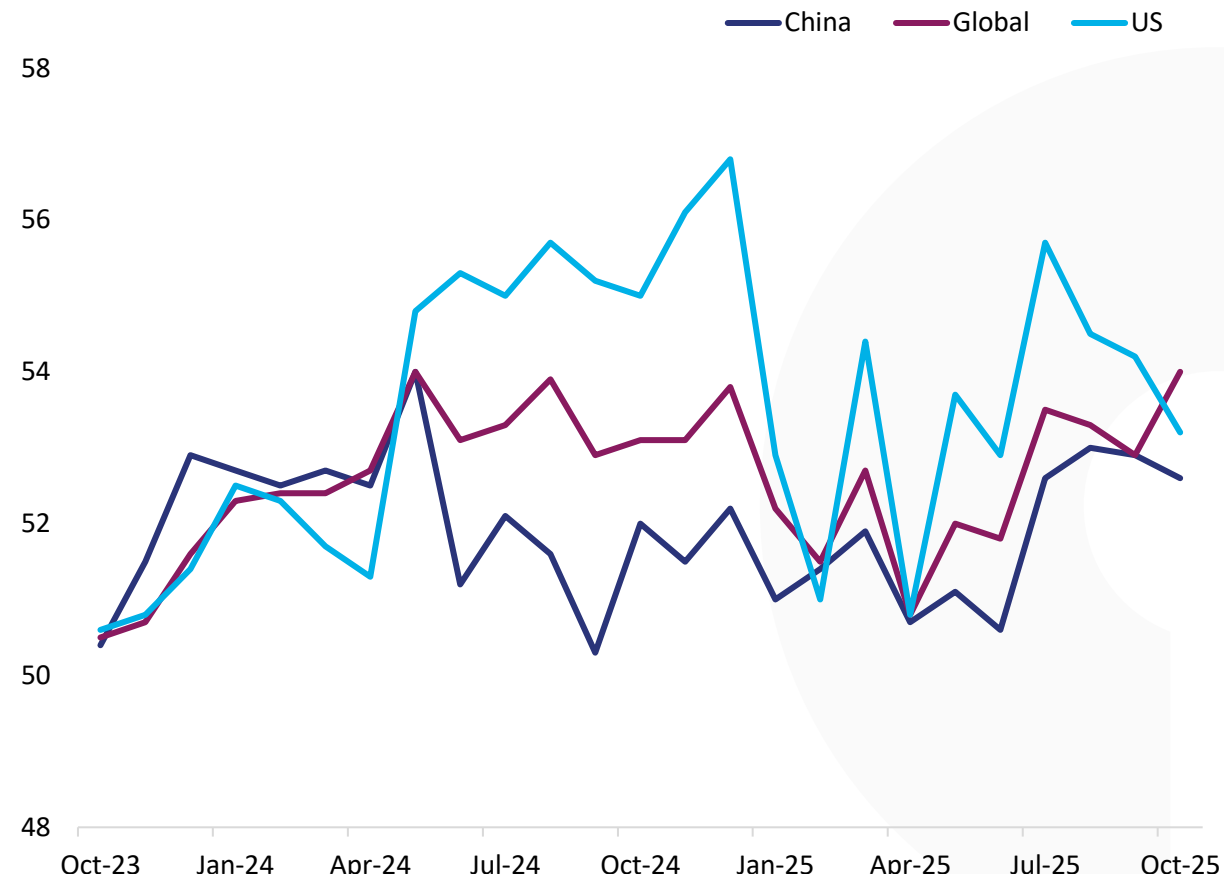
1Y & 1M change are as of 03 Nov'25, * CFR China

DEMAND REVIVAL OUTPACES TARIFF PULLBACK IN OCT'25

GLOBAL PMI- MANUFACTURING



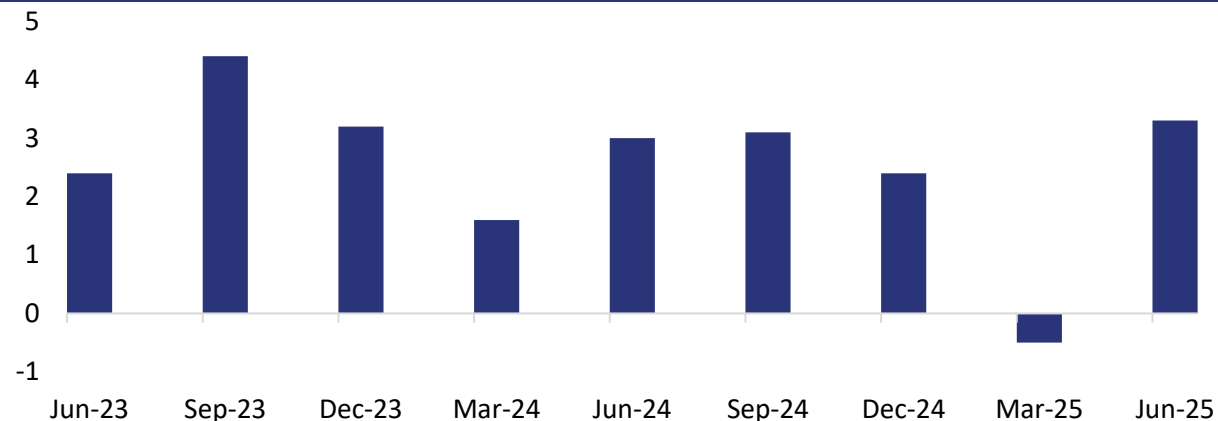
GLOBAL PMI- SERVICES



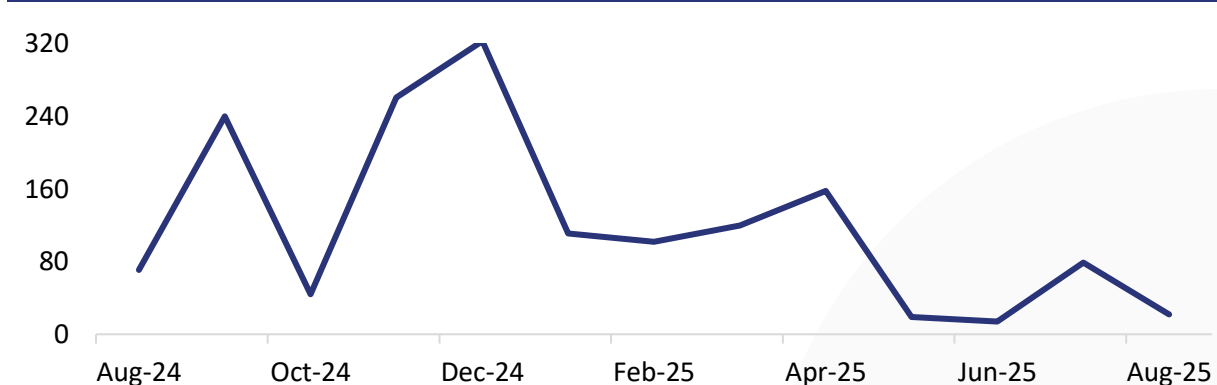
- Global manufacturing PMI experienced upturn in Oct'25, near 18-month highs, with demand and production rising across sectors. US manufacturing's rise was underpinned by 20-month high surge in new orders, despite tariffs weighing on exports and propagating steep price hikes. Eurozone turned expansionary while China's tepid demand dragged output pace
- Global Composite PMI inched upwards, yet with souring business outlook in Oct'25. Services traction was seen in financial and consumer services, with tariffs raising operating costs.

US ECONOMY A BLACKBOX AS SHUTDOWN CONTINUES

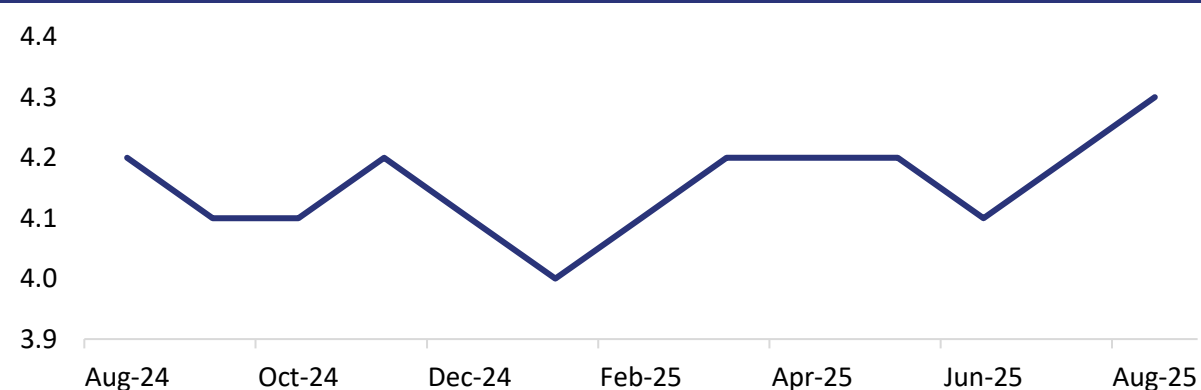
US REAL GDP GROWTH (% Q/Q SAAR)



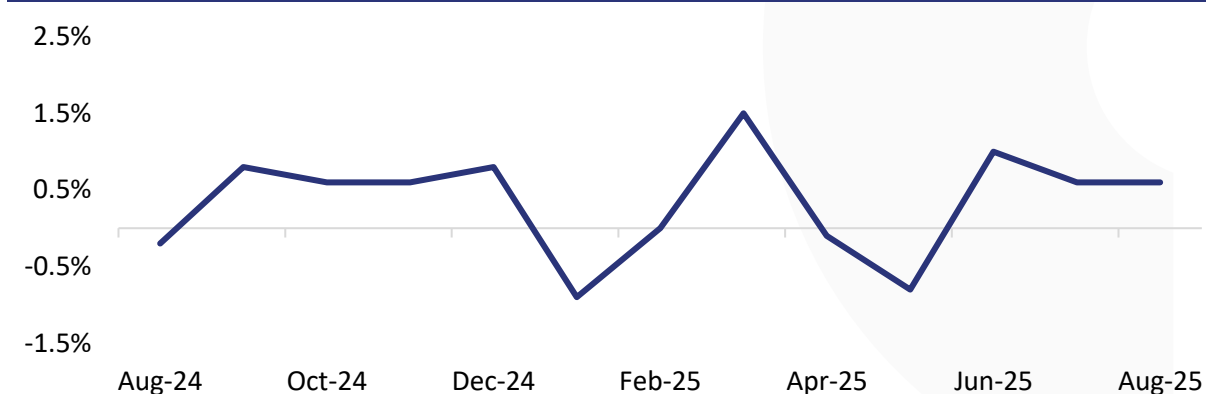
CHANGE IN NON-FARM PAYROLL ('000 M/M)



UNEMPLOYMENT RATE (%)



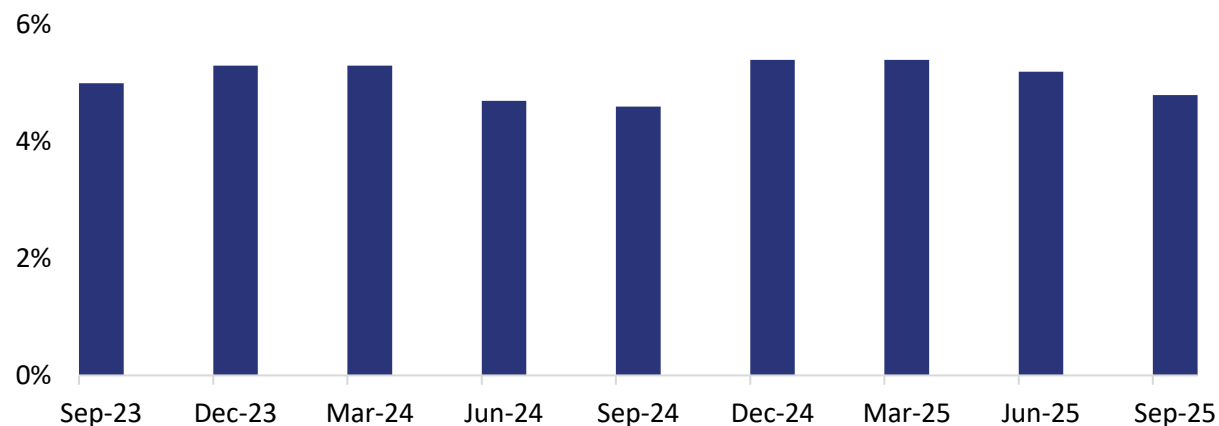
RETAIL SALES (M/M)



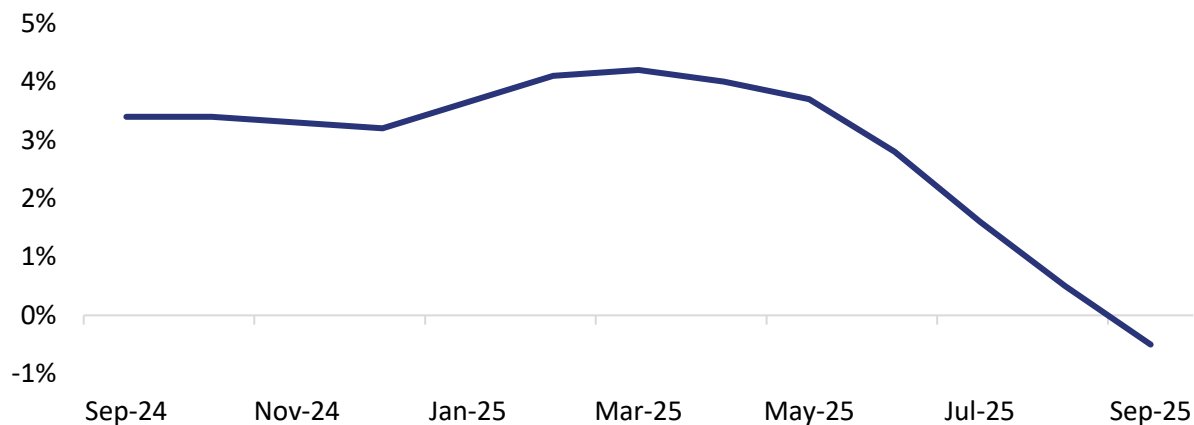
- US GDP rose 3.8% q/q saar in Q2CY25 (Q1: -0.5% q/q saar), upward revised 0.5pp. Consumption grew 2.5% q/q saar (+0.9pp), while 30% q/q saar drop in imports helped add 5pp to growth. Consumer spending exceeded expectations despite anxiety over tariffs, with retail sales rising 0.6% m/m.
- According to Challenger Report, US based employers cut 150k jobs in Oct'25, marking the highest furloughs in over 2 decades as firms cut costs amidst AI adoption

CHINA AWAITS A SLOW ECONOMIC RECOVERY

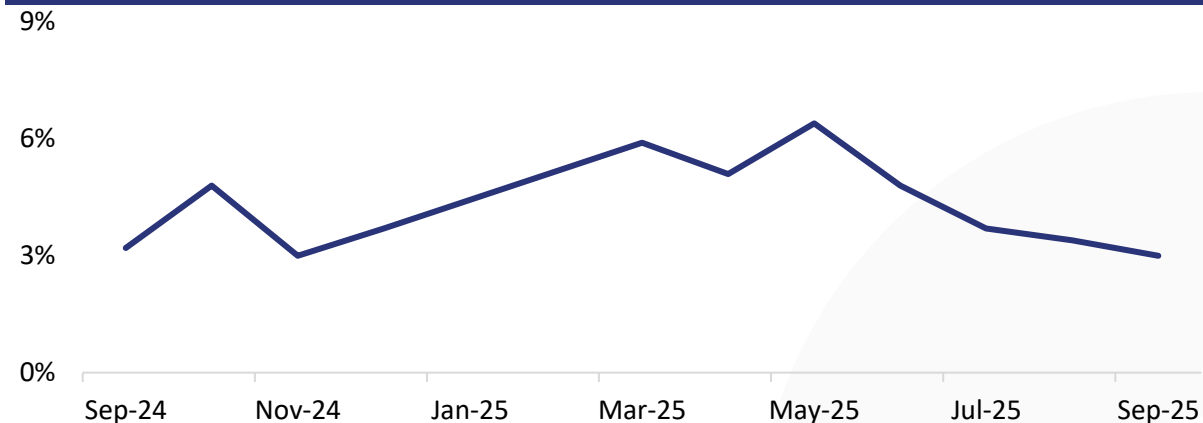
CHINA REAL GDP GROWTH (% Y/Y)



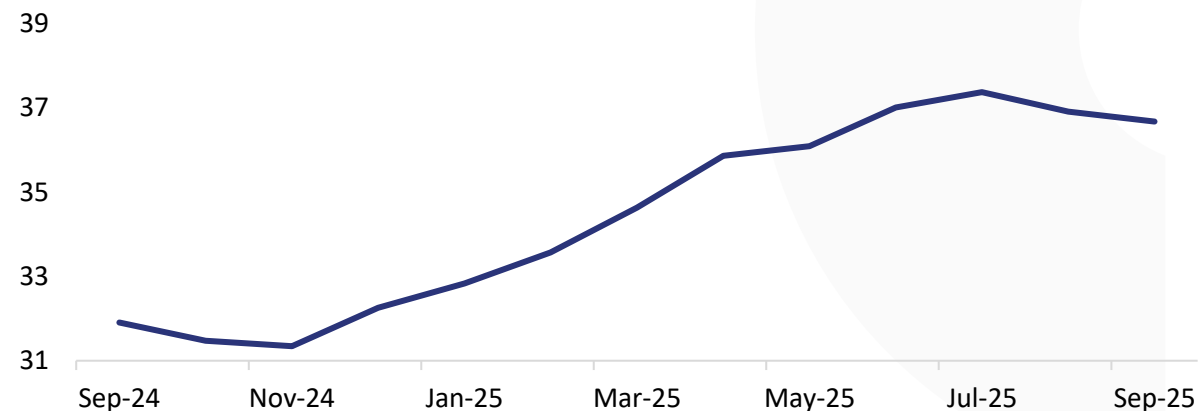
FIXED ASSET INVESTMENT (% Y/Y)



RETAIL SALES (% Y/Y)



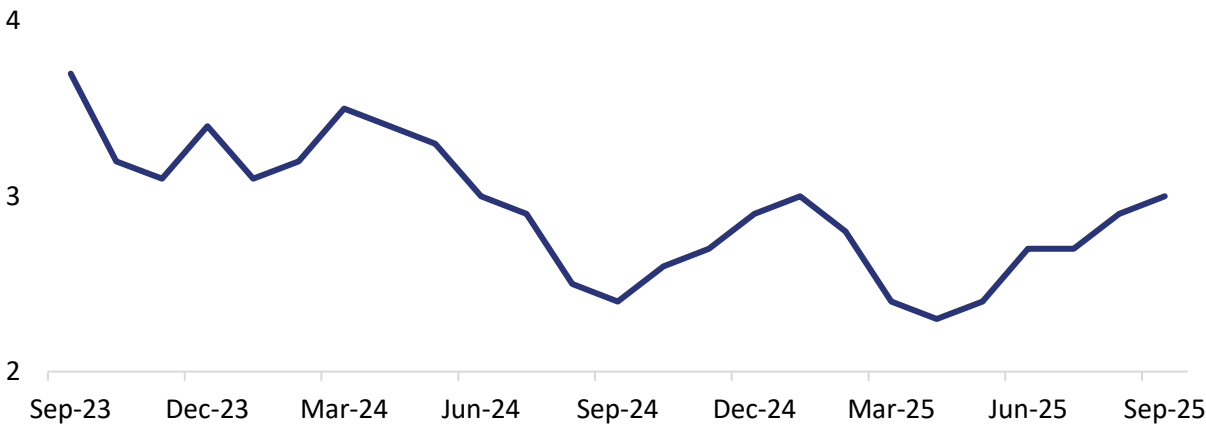
AGGREGATE FINANCING (CNY TRN) – 12M CUMULATIVE ROLLING



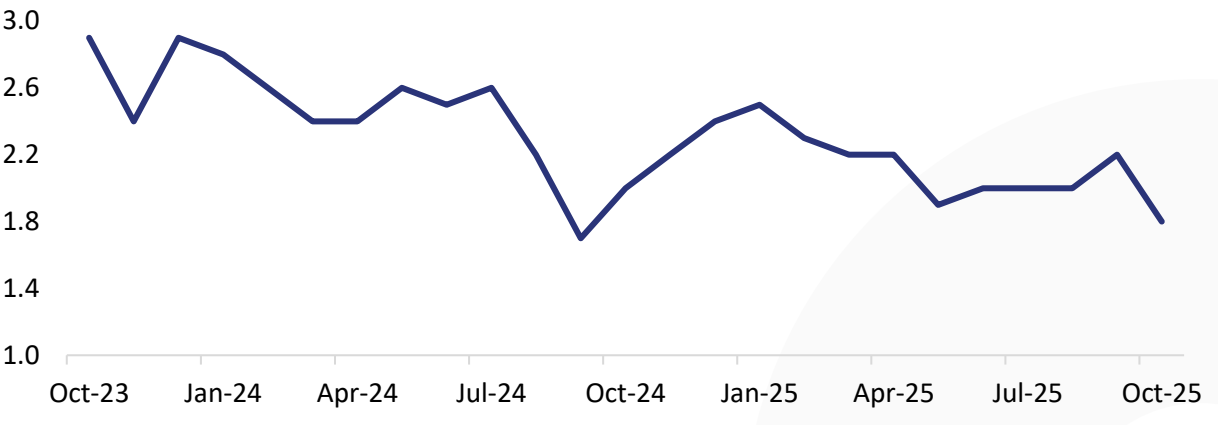
- China's GDP grew at a fine pace of 4.8% y/y in Q3CY25, driven by resilient industrial output, steady consumption and policy revamps, despite waning impact of tariff front-loading.
- Retail sales growth slowed to 3% y/y, with strength in staples offset by slowdown in appliances and luxury goods. Industrial output beat expectations at 6.5% y/y in Sep'25, with 36/41 sectors registering gains driven by autos, mining and chemicals. Fixed asset investment contracted due to prolonged housing slump, but grew 4.2% y/y excluding housing.

SERVICES DRIVE UP COSTS IN SEP'25

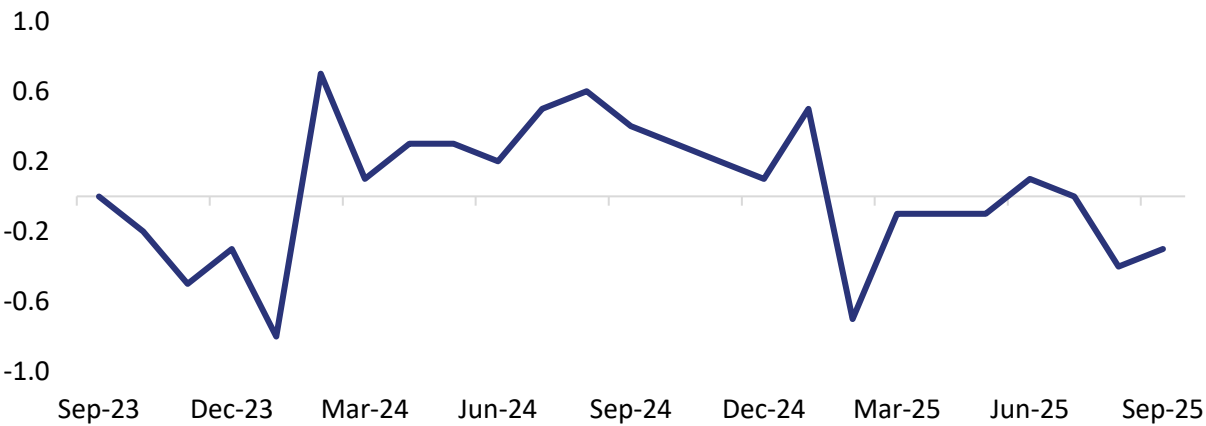
US CPI (% Y/Y)



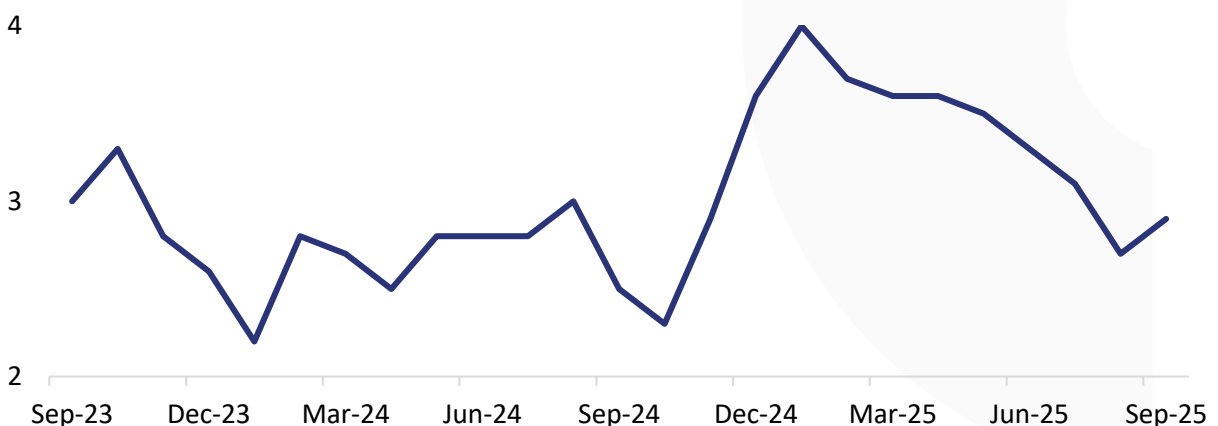
EUROZONE CPI (% Y/Y)



CHINA CPI (% Y/Y)



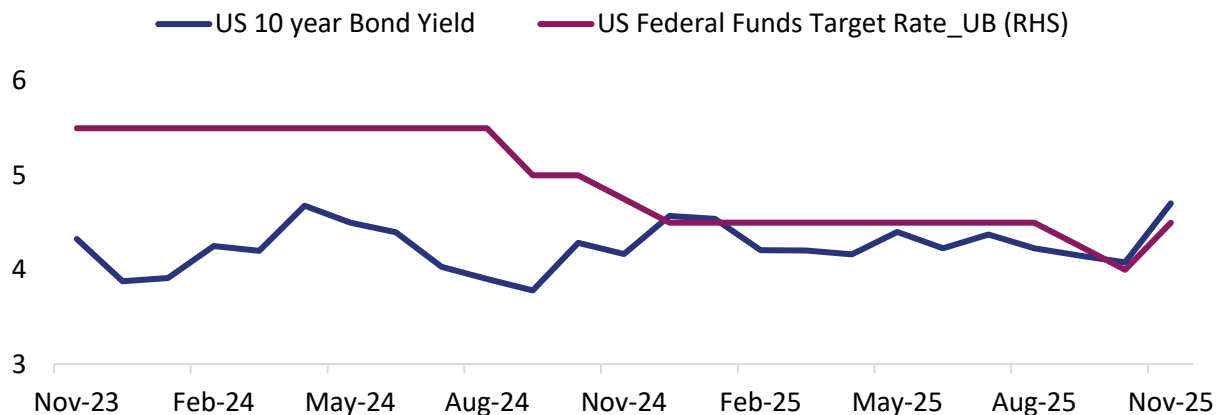
JAPAN CPI (% Y/Y)



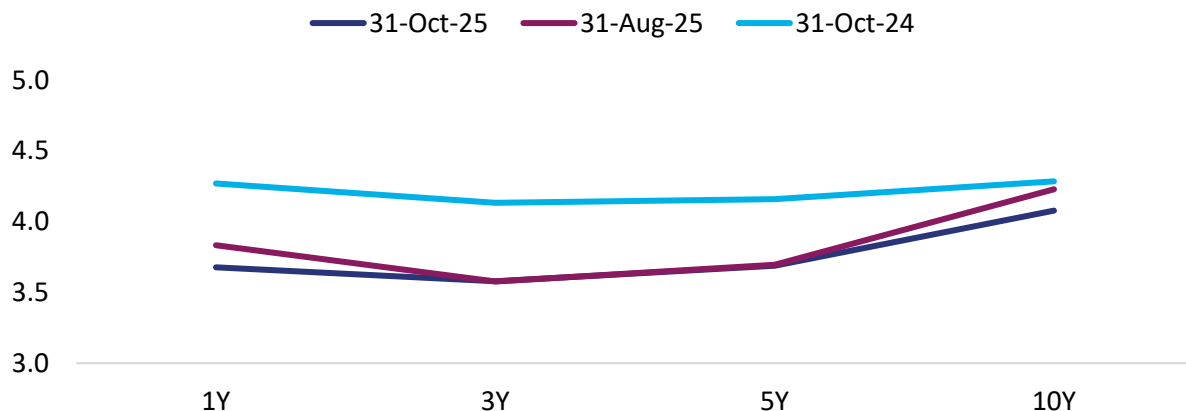
- US CPI matched a 15-month high in Sep'25, with gas prices being the main contributor, amidst persistent upwards pressure from shelter, airfare and recreation under services inflation
- China's deflationary woes are led by food prices with core rising 1% y/y in Sep'25. Japan's CPI slightly exceeded expectations with labour cost hikes passed through services inflation

A DIVIDED US FED CAMP DELIVERS MUCH NEEDED CUT

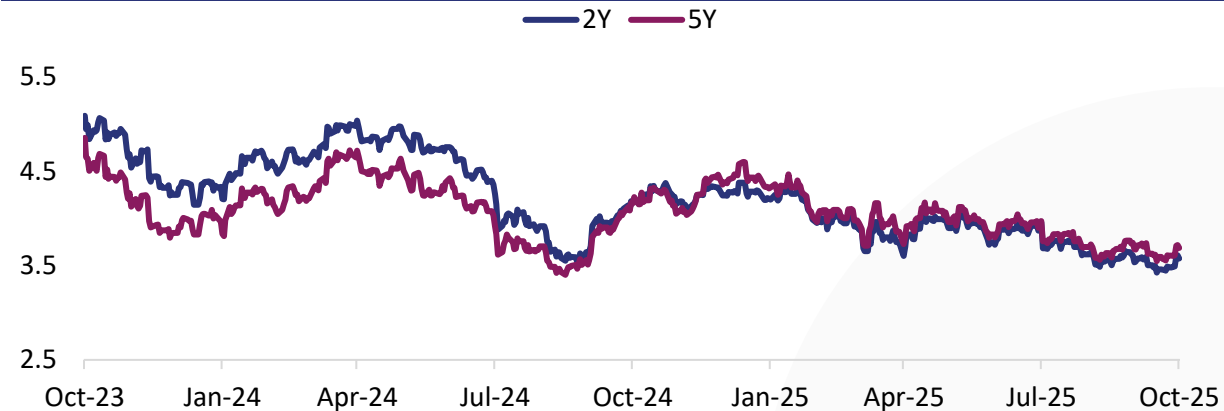
US 10-YEAR G-SEC YIELD VS POLICY RATE (%)



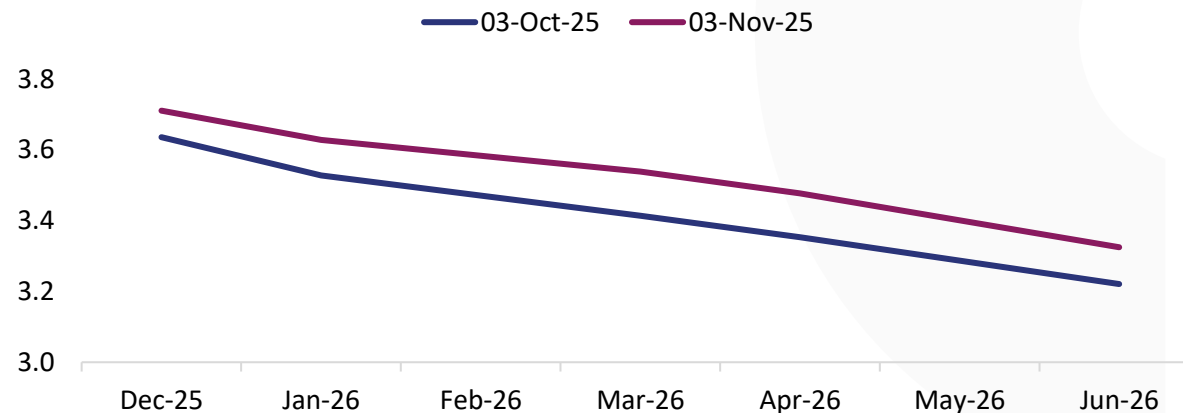
YIELD CURVE (%)



US 2Y AND 5Y G-SEC YIELD (%)



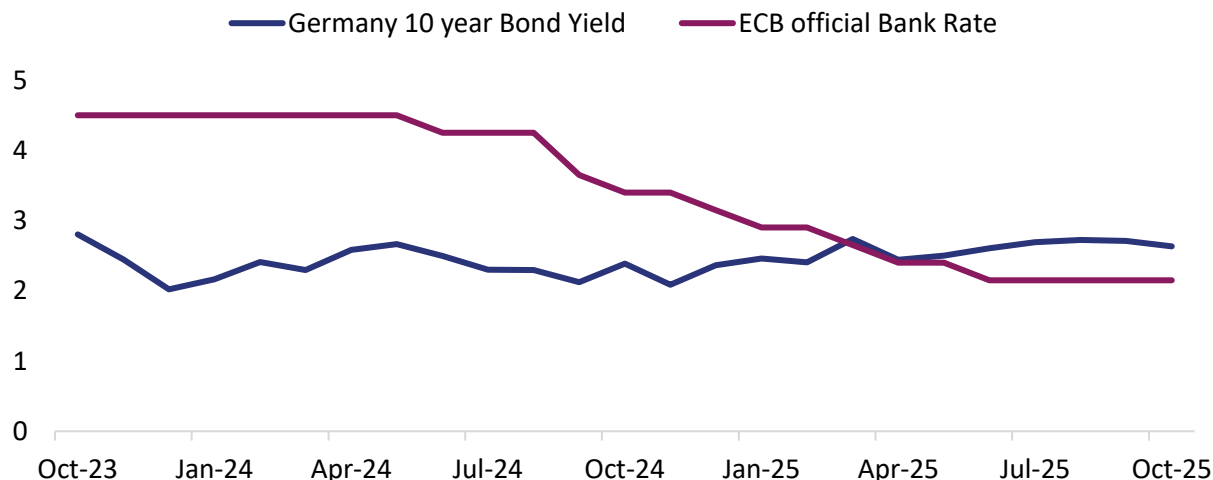
MARKET-IMPLIED PATH OF US FED POLICY RATE (%)



- US FOMC cut policy rates by 25 bps to 3.75% - 4.00%, with 10-2 vote, with risks of unemployment outweighing tariff led inflation. Dissenters include Mr. Miran who voted for outsized 50 bps cut and Mr. Schmid who opted for pause amidst data uncertainty. Mr. Powell alluded that the Fed camp remains divided and Dec'25 action is not a foregone conclusion
- Market expectations of rate cuts have subsequently risen, with a reduced 69% chance of cut anticipation in Dec'25

CENTRAL BANKS FIND SPACE FOR MONETARY EASING, SIGNAL PAUSE AHEAD

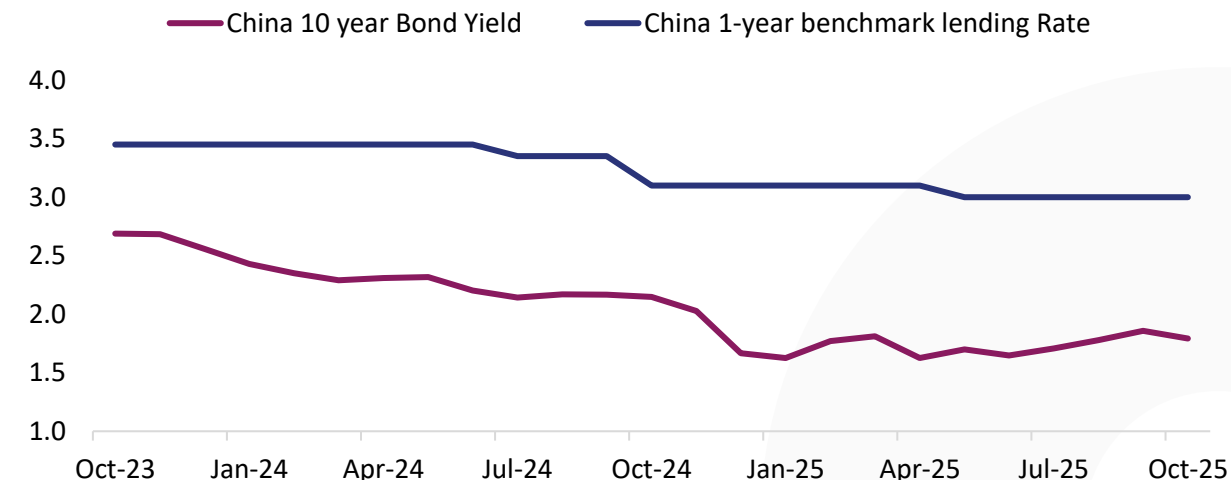
EUROZONE 10-YEAR BOND YIELD VS POLICY RATE (%)



POLICY RATE OF OTHER MAJOR CENTRAL BANKS

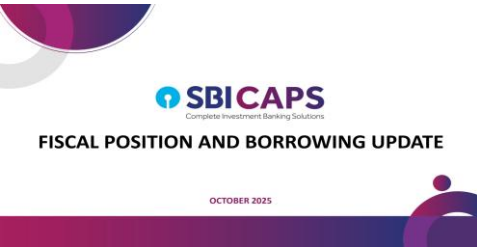
REGION	MAR'22	MAR'23	MAR'24	MAR'25	CURRENT
England	0.75%	4.25%	5.25%	4.50%	4.00%
Japan	-0.10%	-0.10%	0.10%	0.50%	0.50%
Brazil	11.75%	13.75%	10.75%	14.25%	15.00%
Australia	0.10%	3.60%	4.35%	4.10%	3.60%
Canada	0.75%	4.50%	5.00%	2.75%	2.25%
S. Korea	1.25%	3.50%	3.50%	2.75%	2.50%
S. Africa	4.25%	7.75%	8.25%	7.50%	7.00%
Russia	20.00%	7.50%	16.00%	21.00%	16.50%

CHINA 10-YEAR BOND YIELD VS POLICY RATE (%)



- AE CBs hold rates despite global rate cuts:
 - EU held its policy rate at 2%, with inflation in control and growth in sight
 - BoJ's paused hawkishly, citing moderate recovery amidst trade uncertainty
- EM Central Banks extend policy support:
 - Russia cut its policy rate by 50 bps to 16.5%, carefully balancing inflationary woes with hindered growth impulses
 - Canada followed the US FOMC in cutting rates by 25 bps to 2.25%, while suggesting that further rate actions are unlikely
 - Easing prices led to Turkey cutting rates by 100 bps to 39.5%, with Central Bank alluding to further easing in Dec'25.

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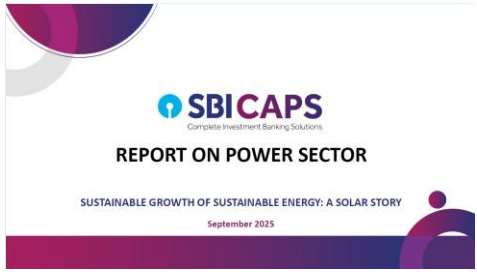
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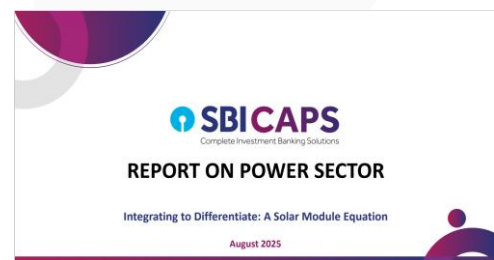
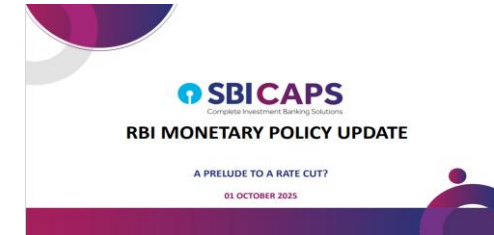
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