

EcoSphere

*EXPLORING INDIAN AND GLOBAL ECONOMIES &
CLIMATE CHANGE WITH InsPIRE*

JULY 2025

Volume II, Issue 6



Driving Policy, Empowering Progress

Institute for Pioneering Insightful Research Pvt. Ltd. (InsPIRE)

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Driving Policy, Empowering Progress

EcoSphere

Exploring Indian and Global Economies with InsPIRE

July 2025, Volume II, Issue 6

EcoSphere is a monthly review providing insights into the Indian and Global economies, financial markets, and a digest of academic and policy research papers and articles. Designed to share information and ideas with professionals, researchers, and students, it is not intended as financial or investment advice. EcoSphere is compiled based on best efforts, utilizing information from diverse published sources. InsPIRE does not ensure the completeness or accuracy of this publication, nor does it guarantee the precision of future conditions based on its use.

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Chairman's Reflections



From CETA to Climate Challenges: Navigating a Shifting Global Landscape

The month of July 2025 has been momentous on multiple fronts — in diplomacy, economics, finance, and climate science — offering both reasons for optimism and reminders of the challenges ahead.

The signing of the India–UK Comprehensive Economic and Trade Agreement (CETA) on 24 July marks a defining moment in bilateral ties between the two democracies. This landmark pact not only dismantles tariffs on the bulk of goods traded between India and the UK but also promises to reshape our export basket towards higher-value sectors — from green technologies to digital content. With bilateral trade projected to double by 2030, the CETA represents not just an economic gain but a strategic deepening of trust, cooperation, and market integration.

Financial inclusion remains a cornerstone of inclusive growth, and the World Bank's *Global Findex 2025* alongside the RBI's Financial Inclusion Index bring encouraging news. India now boasts 83% adult account ownership, up from just 35% in 2011, with the gender gap narrowed to six percentage points. Over three-quarters of account holders are active in digital payments — a transformation powered by Jan Dhan Yojana, UPI, and proactive regulation. Yet, the journey is far from over; we must translate access into resilience, literacy, and equitable opportunity.

Globally, the IMF's July 2025 *World Economic Outlook Update* projects growth at 3.0%, slightly higher than earlier forecasts. India leads the pack at 6.4%, propelled by investment momentum, infrastructure expansion, and resilient domestic demand. Yet, structural headwinds — from geopolitics to climate shocks — remind us of the fragility beneath the numbers.

Inflation trends offer a mixed picture. India's headline inflation has eased to 2.10%, its lowest since January 2019, thanks to softening food prices. In contrast, the US, UK, euro area, China, and Japan present varied inflation trajectories, reflecting the complexities of global price dynamics. The FAO's Food Price Index, though below its 2022 peak, is edging higher year-on-year, underscoring the vulnerability of global food systems.

Domestically, industrial activity in June 2025 grew modestly at 1.5%, with the Eight Core Industries posting 1.7% growth — resilience in steel, cement, and refinery products offset by softness in energy-linked sectors. Export growth remains encouraging, with merchandise and services together rising nearly 6% year-on-year in Q1 2025.

Corporate results for Q1 FY 2025–26 reflect the varied fortunes of India Inc. While giants like Reliance Industries, Tata Steel, and Mahindra & Mahindra posted robust profit gains, IT majors like TCS and Infosys faced macroeconomic headwinds, and some private lenders reported profit contractions. Equity markets mirrored this complexity — Indian indices drifted lower in July amid global uncertainty, even as US and Asia-Pacific markets showed selective strength.

On the policy front, major central banks — the US Federal Reserve, ECB, and BOJ — maintained their current interest rates, signalling caution in navigating inflation control without derailing growth.

The climate science community delivered a sobering warning: a *Nature Climate Change* study finds that extreme “wind droughts” — prolonged low-wind periods that reduce turbine output — could lengthen by up to 15% by century's end in much of the northern hemisphere under moderate warming. For a world banking on wind for decarbonisation, this is a reminder that the energy transition must build resilience against climate-driven variability itself.

In the interplay of progress and peril, July 2025 reinforces a truth we at *EcoSphere* hold dear — that economic advancement, social equity, and environmental stewardship are



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not competing goals but interdependent imperatives. Our challenge is to navigate these intersections with foresight, adaptability, and resolve.

Debesh Roy

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Unit Conversion

1 lakh = 100,000

1 crore = 10 million

100 crore = 1 billion

1 lakh crore = 1 trillion

Currency Conversion

USD (\$) 1 = INR (₹) 85.5814 (28 March 2025)

COVER STORY

INDIA–UK COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

A STRATEGIC TRADE PARTNERSHIP FOR A NEW GLOBAL ERA

The signing of the India–United Kingdom Comprehensive Economic and Trade Agreement (CETA) on 24 July 2025 marks a defining moment in the bilateral trade and strategic relationship between the two democracies. After nearly three years of intense negotiations and intermittent political transitions in both countries, the agreement was formally signed by India’s Minister of Commerce and Industry, Piyush Goyal, and the UK’s Trade Secretary, Jonathan Reynolds, in the presence of Prime Ministers Narendra Modi and Keir Starmer. The CETA is India’s first comprehensive trade pact with a major Western advanced economy and the UK’s most economically consequential agreement since Brexit.

Structured into 26 chapters, the CETA is expansive in scope and ambition. It covers a wide array of issues including trade in goods and services, investment facilitation, customs procedures, digital trade, government procurement, intellectual property rights, mobility of professionals, sustainability, and even gender equality. The agreement also includes legally binding provisions on labour standards, environmental protections, and responsible state-owned enterprise behaviour—elements that reflect modern trade architecture.

At its core, the agreement focuses on trade liberalization. On the Indian side, nearly 99% of the tariff lines covering over 95% of the export value to the UK will become duty-free upon entry into force. This sweeping market access is particularly beneficial for India's labour-intensive sectors such as textiles, leather, apparel, marine products, gems and jewellery, pharmaceuticals, auto components, chemicals, and food

processing. For example, textile exports from Tiruppur and Surat are expected to gain significantly due to improved price competitiveness in the UK market.

Conversely, the UK will enjoy reduced or eliminated tariffs on over 90% of its product lines exported to India, though over a longer timeline—some extending up to 10 years. High-tariff British exports such as Scotch whisky, premium cars, cosmetics, and confectionery will see phased tariff reductions. Notably, the duty on whisky, which was as high as 150%, will be brought down in stages to about 40%, while tariffs on British automobiles will fall from the current 100–125% range to as low as 10% under a defined quota system. While this liberalization is gradual, it is symbolically important for UK exporters and politically sensitive sectors in India.

In the domain of services, the agreement provides unprecedented access to UK businesses in areas such as financial services, legal services, education, architecture, construction, and environmental consultancy. Importantly, several sectors will allow UK firms to operate without the requirement of a local Indian partner or office. This is expected to deepen service sector collaboration, especially in domains where the UK has comparative advantage and India offers scale and demand.

A standout feature of CETA is its comprehensive mobility framework. For Indian professionals, the agreement opens up new opportunities for temporary migration. Indian IT professionals, yoga instructors, chefs, healthcare workers, and artists will benefit from liberalized visa quotas, streamlined entry processes, and exemption from social security contributions during short-term postings to the UK. This component recognizes India's interest in the movement of natural persons (Mode 4), often a sticking point in other trade negotiations. For the UK, this framework supports businesses that rely on Indian expertise while maintaining regulatory oversight.

The agreement also addresses modern trade infrastructure. Provisions for digital trade are forward-looking, with commitments to paperless trade, data flow facilitation, and regulatory harmonization, while upholding privacy and cybersecurity standards. Both sides have committed to resolving non-tariff barriers through mutual recognition of

standards and testing procedures, which is particularly important for India's MSMEs. Additionally, both countries have agreed to clear compliant goods through customs within 48 hours, significantly reducing transaction time and cost.

CETA holds particular promise for micro, small, and medium enterprises (MSMEs). India has negotiated dedicated support measures, including technical assistance, digital platforms, and simplified rules of origin, to ensure MSMEs can participate in and benefit from the new trade opportunities. The Indian government anticipates that over 10,000 MSMEs across sectors like handicrafts, engineering goods, and food processing will benefit directly, especially in states like Tamil Nadu, Maharashtra, Gujarat, and Uttar Pradesh.

Economically, the gains are significant for both countries, though asymmetrical. The UK government's impact assessment estimates a long-run GDP gain of £4.8 billion (about 0.13% of GDP) and a £2.2 billion boost in wage income annually. For India, the corresponding GDP gain is projected at around £5.1 billion (or about 0.06% of its GDP). Bilateral trade, which currently stands at approximately \$38 billion (2024), is projected to double to \$100–120 billion by 2030. The agreement is also expected to support diversification of India's exports from traditional goods to high-value services, green technologies, and digital content.

However, the path to implementation and realization of benefits is not without challenges. Several provisions, especially those related to automobiles and alcoholic beverages, have long transition periods. Moreover, concerns remain over India's ability to meet sanitary and phytosanitary standards for agricultural exports, despite the mutual commitments in the agreement. Additionally, increased imports of luxury goods into India may spark concern among domestic manufacturers and state excise departments.

Environmental concerns have also been raised in both countries. The UK's own environmental impact assessment projects an increase in transport-related emissions of up to 49%, and a net increase of around 1.4 million tonnes of CO₂ equivalent annually in India due to expanded trade activity. While both governments have reiterated their

commitment to climate goals under the Paris Agreement, how trade-led emissions growth will be offset remains to be clarified.

Strategically, the agreement is an important geopolitical signal. For India, it strengthens its ambition to be a leading player in global trade without being over-reliant on multilateral platforms like the WTO and complements its efforts to negotiate FTAs with the EU, Australia, and the EFTA bloc. For the UK, it provides an economic and diplomatic anchor in the Indo-Pacific post-Brexit, aligning with its “Global Britain” policy. It is also noteworthy that the agreement has found bipartisan support in both countries—a rare achievement in the current era of fragmented political consensus on trade.

The India–UK CETA is not merely a trade agreement; it is a multidimensional partnership framework designed to stimulate economic growth, promote people-to-people contact, and enhance regulatory cooperation between two major economies. Its success, however, will depend on timely ratification, robust institutional mechanisms for dispute resolution and monitoring, and effective outreach to stakeholders—especially small businesses and workers—on both sides.

DECODING CETA: SECTORAL IMPACTS AND OPPORTUNITIES IN THE INDIA–UK TRADE PARTNERSHIP

The India–UK Comprehensive Economic and Trade Agreement (CETA) is a landmark free trade arrangement that touches upon nearly every aspect of economic engagement—from the movement of goods and people to digital trade, innovation, and institutional reform. Below is a sector-specific analysis across its key chapters and themes.

1. Trade in Goods

The agreement eliminates tariffs on approximately 99% of India’s exports to the UK, offering full duty-free access at entry into force for major export items such as textiles, apparel, leather, gems and jewellery, marine products, engineering goods, chemicals,

and processed foods. In contrast, the UK has secured phased elimination or reduction of tariffs on over 90% of its export lines to India, especially in products like alcoholic beverages, automobiles, confectionery, machinery, and cosmetics. This asymmetry reflects India's need to safeguard sensitive sectors while allowing reciprocal liberalization.

2. Micro, Small and Medium Enterprises (MSMEs)

CETA includes a dedicated MSME chapter—the first in any of India's trade agreements with Western nations. The chapter ensures that MSMEs benefit from simplified documentation, targeted capacity-building programs, and technical support. Both countries will establish contact points to help small businesses understand regulatory requirements, explore markets, and access trade finance and logistics support. Digital tools and e-market linkages are also being emphasized for MSME internationalization.

3. Textiles and Apparel

One of the biggest beneficiaries of CETA is India's textile and apparel sector. With tariff elimination on Indian exports such as cotton garments, synthetic apparel, and home furnishings, textile hubs in Tamil Nadu, Rajasthan, and Gujarat are expected to see exponential gains. The agreement also addresses non-tariff barriers such as labelling, conformity assessment, and eco-certification, enhancing competitiveness vis-à-vis Vietnam, Bangladesh, and Turkey.

4. Agricultural Products

India has secured preferential access for processed foods, rice, spices, seafood, and tea. While dairy and meat remain excluded due to sensitivities, both parties have committed to progressive regulatory harmonization and alignment of SPS standards. There are provisions for mutual recognition of organic certifications and increased cooperation on food safety measures, which could open up new market opportunities for Indian exporters.

5. Alcoholic Beverages (Whisky)

The UK has negotiated substantial concessions on whisky and gin exports. India will reduce its effective tariff on Scotch whisky from 150% to 75% immediately, and further to around 40% over a 10-year staging period. Tariff rate quotas (TRQs) have been agreed for premium spirits, ensuring access without threatening domestic manufacturers in India. This is expected to boost Scotch whisky exports by over £1 billion by 2035.

6. Mobility of Professionals

India has secured one of its most comprehensive mobility packages under CETA. Up to 1,800 Indian professionals annually—including yoga teachers, artists, chefs, IT specialists, and healthcare workers—will be eligible for fast-tracked entry under special visas. Posted workers are exempt from social security contributions for short-term assignments. UK firms benefit from facilitated movement of talent, especially in IT, fintech, and engineering services.

7. Trade Remedies

The agreement preserves each party's right to apply anti-dumping, countervailing, and safeguard measures in accordance with WTO rules. A dedicated mechanism for transparency and consultation has been institutionalized to pre-empt trade disputes. The inclusion of this chapter balances liberalization with safeguards against unfair trade practices.

8. Customs and Trade Facilitation

CETA includes provisions to expedite the release of goods within 48 hours of arrival, especially for perishable and time-sensitive products. It commits both countries to use electronic single-window systems, pre-arrival processing, and risk-based inspections. Mutual recognition of Authorized Economic Operator (AEO) programs is also envisaged to streamline customs clearance for trusted traders.

9. Sanitary and Phytosanitary (SPS) Measures

To address longstanding concerns on food safety and agricultural imports, both parties have agreed to a science-based approach in SPS measures. India has negotiated recognition of its testing and certification systems for certain agri-products. A bilateral SPS Committee will oversee implementation, promote technical cooperation, and resolve trade irritants related to inspection, labelling, and hygiene.

10. Technical Barriers to Trade (TBT)

The TBT chapter aims to eliminate non-tariff barriers arising from divergent standards and conformity procedures. The agreement promotes transparency in technical regulations, encourages the use of international standards, and enables mutual recognition of testing labs and certifications. This is particularly beneficial for Indian engineering, electrical, and pharmaceutical exports.

11. Trade in Services

The services chapter liberalizes market access in more than 100 subsectors including legal, accounting, insurance, architecture, education, environmental, and logistics services. UK firms can operate in India without local partners in many sectors. India has ensured inclusion of Mode 1 (cross-border) and Mode 4 (temporary movement of persons), with safeguards for regulatory autonomy.

12. Financial Services

Though financial services are not comprehensively covered, both parties have agreed to continue discussions under a separate investment treaty. However, the agreement includes provisions for greater regulatory transparency and consultation, enabling UK banks, fintech firms, and insurers to explore Indian markets under existing licensing regimes.

13. Temporary Movement of Natural Persons

India's key demand for liberalized movement under Mode 4 has been largely met. Specific commitments cover intra-corporate transferees, short-term business visitors, contractual service suppliers, and independent professionals. The social security exemption for posted workers addresses cost concerns for Indian firms operating in the UK.

14. Telecommunications

The agreement includes market access and regulatory cooperation in telecommunications. Both parties commit to open networks, non-discriminatory licensing, interconnection rights, and fair access to submarine cable landing stations. These measures will benefit Indian telecom equipment exporters and digital service providers.

15. Digital Trade

This is one of the most modern digital trade chapters in any Indian FTA. It covers electronic contracts, data flow commitments (with safeguards for privacy and security), non-imposition of customs duties on digital products, and consumer protection in e-commerce. MSMEs and startups stand to gain through reduced compliance burdens and enhanced digital market access.

16. Intellectual Property Rights (IPR)

The IPR chapter strengthens cooperation on copyright, trademarks, industrial designs, and enforcement mechanisms. India has resisted pressure to alter its patent laws but agreed to expedite examination timelines and enhance transparency in its IP regime. Collaborative efforts on IP education, innovation promotion, and anti-piracy are also included.

17. Geographical Indications (GI)

India has secured enhanced recognition for its GIs such as Basmati rice, Darjeeling tea, Pochampally Ikat, and Alphonso mangoes. The UK will implement fast-track procedures for GI registration, helping Indian farmers, artisans, and exporters secure premium markets for niche products. The agreement also provides reciprocal protection of UK-origin GIs.

18. Innovation and Emerging Technologies

The agreement sets the stage for bilateral cooperation on innovation in sectors such as artificial intelligence, green hydrogen, precision agriculture, climate tech, and biotechnology. A dedicated working group will be established to promote research collaboration, facilitate joint ventures, and encourage co-investment in R&D-intensive sectors.

19. Government Procurement

Both countries have agreed on increased transparency, publication of tenders, and non-discrimination for public procurement contracts above defined thresholds. Indian firms will gain access to select central-level procurement in the UK, especially in ICT, engineering, and consulting services, while maintaining India's right to protect its MSME and strategic procurement policies.

20. Competition and Consumer Protection Policy

The agreement encourages cooperation between competition authorities on anti-trust enforcement, merger control, and unfair trade practices. Both sides commit to protecting consumers in cross-border transactions, including through dispute resolution, refunds, product safety norms, and redressal mechanisms in e-commerce.

21. State-Owned Enterprises (SOEs)

The agreement includes disciplines on state-owned enterprises to ensure a level playing field in government-supported sectors. SOEs must operate on a commercial basis in

international markets and refrain from anti-competitive practices. Both sides retain policy space for public interest objectives such as infrastructure, healthcare, and food security.

Conclusion

The India–UK CETA is a forward-looking, multidimensional trade agreement that extends far beyond traditional tariff cuts. By integrating goods, services, mobility, digital trade, innovation, and social dimensions into a unified framework, the agreement aims to build a robust economic corridor between one of the world’s fastest-growing economies and one of its most mature democracies. Its sectoral depth, combined with regulatory cooperation and capacity-building commitments, makes it one of the most comprehensive trade pacts India has signed to date.

SPECIAL FEATURE

FINANCIAL INCLUSION INDEX

GLOBAL FINDEX 2025: INCLUSION SURGES IN INDIA AND CHINA, BUT USAGE GAPS PERSIST

The *World Bank's Global Findex 2025* report shows remarkable strides in expanding access to formal financial services worldwide, largely driven by digital innovations, pro-inclusion policies, and post-pandemic behavioural shifts. Yet, significant challenges persist in usage depth, gender equity, and financial resilience—issues that call for tailored strategies in different national contexts.

Global Gains in Account Ownership

Worldwide, 78% of adults now have an account with a financial institution or mobile money provider—up from 62% in 2014 and 69% in 2017. Low- and middle-income countries (LMICs) have seen the fastest progress, aided by simplified onboarding, mobile money expansion, and direct government transfers.

India: From Access to Engagement

- **Account ownership:** Nearly 83% of Indian adults now have a formal financial account, up from 35% in 2011.
 - **Gender gap:** Narrowed sharply—from 20 percentage points in 2011 to just 6 points in 2025.
 - **Digital payments:** Over 75% of account holders made or received a digital payment in the past year, powered by the Unified Payments Interface (UPI) and Jan Dhan Yojana (PMJDY).
 - **Financial resilience:** 41% of Indian adults say they could not raise emergency funds within 30 days, indicating a need for greater access to savings and insurance tools.
-

India's progress is rooted in a robust digital public infrastructure, combining Aadhaar for identity, Jan Dhan for accounts, and UPI for payments, but challenges remain in active account usage among rural women and deepening financial literacy.

China: Usage Depth, but Urban-Rural Divide

- **Account ownership:** Around 88% of adults hold a formal account.
- **Digital payments:** Nearly 90% of account holders use platforms like Alipay and WeChat Pay for daily transactions.
- **Urban-rural gap:** While urban penetration exceeds 95%, rural areas lag at about 78%.
- **Financial health:** High digital usage but relatively low formal credit uptake among small enterprises and rural households.

China's case illustrates how digital ecosystems can achieve high usage rates, yet physical access gaps and sector-specific credit constraints can still persist.

United States: Near-Universal Access, Persistent Inequality

- **Account ownership:** 95% of adults have an account, among the highest globally.
- **Usage:** Digital banking and card payments dominate, but cash remains relevant for certain demographics.
- **Inclusion gaps:** Lower-income households and certain minority communities are overrepresented among the unbanked (5%).
- **Resilience:** Higher access to credit and savings products but rising household debt pressures long-term stability.

Brazil: Digital Banking Expansion, but Trust Gaps

- **Account ownership:** About 84% of adults have an account.
 - **Digital adoption:** The Pix instant payment system has driven a surge in cashless transactions.
-

- **Barriers:** Trust in formal institutions remains a challenge, and informal savings/credit channels remain significant in rural areas.

Indonesia: Mobile Money Momentum

- **Account ownership:** 75% of adults now have a formal or mobile money account, up from just 36% in 2014.
- **Drivers:** Mobile wallet providers, agent banking, and targeted government transfers.
- **Challenges:** Low financial literacy, patchy digital infrastructure in remote islands, and a 9-point gender gap.

Table 1: Comparative Financial Inclusion Metrics — 2025 (Top 10 Economies)

<i>Rank (by GDP)</i>	<i>Country</i>	<i>Account Ownership (% adults)</i>	<i>Gender Gap (% percentage points)</i>	<i>Digital Payment Usage (% account holders)</i>
1	United States	95%	~0 p.p.	92%
2	China	88%	1 p.p.	90%
3	Japan	94%	~0 p.p.	87%
4	Germany	96%	~0 p.p.	88%
5	India	83%	6 p.p.	75%
6	United Kingdom	96%	~0 p.p.	89%
7	France	97%	~0 p.p.	88%
8	Italy	95%	~0 p.p.	85%

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9	Brazil	84%	3 p.p.	78%
10	Canada	97%	~0 p.p.	90%

Notes:

Account ownership refers to adults (15+) with an account at a financial institution or through a mobile money provider.

Gender gap is the difference in account ownership between men and women.

Digital payment usage indicates adults with an account who made or received a digital payment in the past year.

"~0 p.p." means the difference is statistically insignificant.

Source: *Global Findex 2025*, World Bank

Global Usage and Quality Gaps

The report warns that owning an account does not ensure active use. Across the world, about 15% of account holders made no digital transactions in the past year. Reasons include lack of trust, inadequate product design, and hidden fees.

Gender Gap: Slow Progress

The global gender gap in account ownership narrowed to 4 percentage points in 2025, from 7 points in 2017. South Asia saw the fastest narrowing—thanks in part to India’s inclusion drive—but other regions, such as the Middle East, show little change.

Financial Resilience: A Weak Link

In LMICs, nearly 45% of adults report they could not access emergency funds within a month without difficulty. Even in high-income countries, unexpected expenses remain a major financial stressor.

Policy Implications

The *Global Findex 2025* findings suggest:

1. **From Access to Meaningful Use** – Embed payments, savings, insurance, and credit within account ecosystems.

2. **Addressing Inequalities** – Focus on rural access, women’s inclusion, and underserved sectors.
3. **Trust and Literacy** – Invest in consumer protection, dispute resolution, and targeted financial education

The World Bank Global Findex 2025 is available at:

https://www.worldbank.org/en/publication/globalfindex?intcid=ecr_hp_dataA_en_ext

BEYOND ACCESS: RBI DATA SHOWS GROWING TRUST AND USAGE IN FINANCIAL SERVICES

The Reserve Bank of India’s (RBI) Financial Inclusion Index (FI-Index), which measures the extent of access to, usage of, and quality in financial services across the country, rose to 67 in the financial year ended March 2025 (FY25) from 64.2 in the previous year.

The RBI noted that growth was recorded across all three sub-indices—access, usage, and quality—with the sharpest improvements coming from the latter two. “Improvement in financial inclusion index (FI-Index) in FY25 is contributed by usage and quality dimensions, reflecting deepening of financial inclusion, and sustained financial literacy initiatives,” the central bank said in a statement.

The numbers point to a maturing financial ecosystem. The consistent increase of the financial inclusion index to 67 clearly demonstrates that India is progressing from mere access to genuine usage and trust in financial services. This growth highlights the effectiveness of comprehensive efforts to integrate underserved communities into the formal financial system, not just digitally, but in a substantive and impactful way.

The FI-Index, first published in August 2021 for FY21, offers a single, comprehensive measure of financial inclusion by combining data from banking, investments, insurance, postal, and pension sectors in consultation with the government and respective regulators. It is expressed on a scale of 0 to 100, where 0 indicates complete

Driving Policy, Empowering Progress

exclusion and 100 denotes full inclusion. The index's structure assigns a weightage of 35% to access, 45% to usage, and 20% to quality.

Government-led initiatives have played a pivotal role in boosting inclusion. The Pradhan Mantri Jan Dhan Yojana (PMJDY) has been particularly significant, with 558.3 million accounts opened to date. Of these, 372.6 million are in rural and semi-urban areas and 185.7 million in metro centres. Notably, 311.3 million accounts are in the name of female beneficiaries, underscoring the gender-inclusive thrust of the programme.

With steady progress over the past four years, the rise in the FI-Index signals that India's financial inclusion journey is no longer only about expanding reach but also about building active usage, trust, and quality of service—elements essential for long-term economic empowerment.

SECTION 1

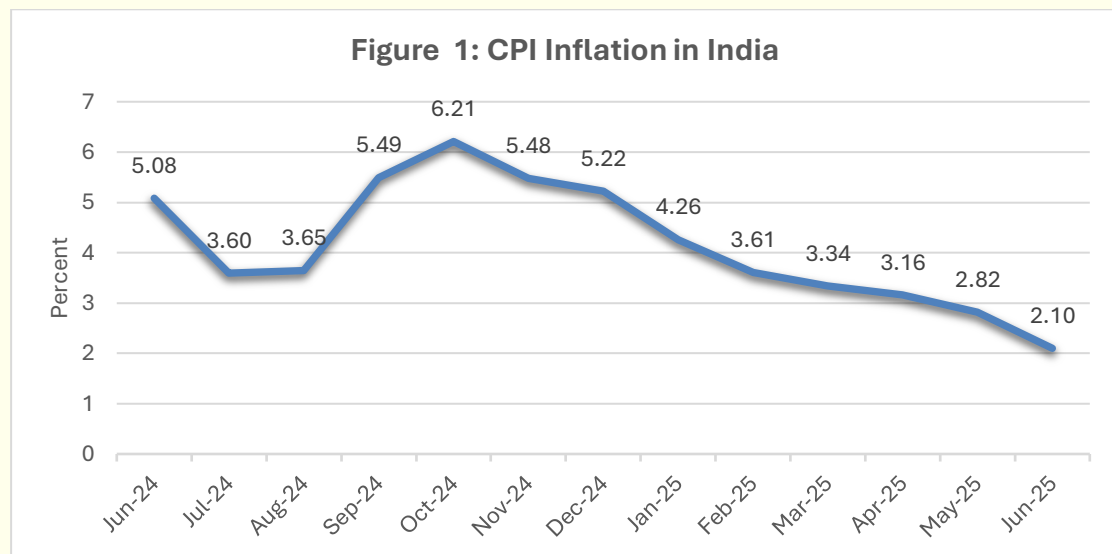
INDIAN ECONOMY

NAVIGATING MACROECONOMIC TRENDS

INDIA'S JUNE 2025 CPI INFLATION EASES TO 2.1%: FOOD PRICES LEAD THE FALL, BUT UNEVEN PATTERNS EMERGE

Introduction

India's headline consumer inflation eased to 2.10% in June 2025 (Figure 1), marking a 72 basis point drop from May and registering the lowest annual inflation rate since January 2019. The decline was primarily driven by a sharp contraction in food prices, supported by a favourable base effect and easing cost pressures in key categories such as vegetables, pulses, and cereals. While the headline figure offers welcome relief, the underlying data reveal a tale of diverging price trends between food and non-food components, as well as across regions.



Source: NSO, MoSPI, GoI

Food Inflation: Consumer Food Price Index and Item-Level Trends

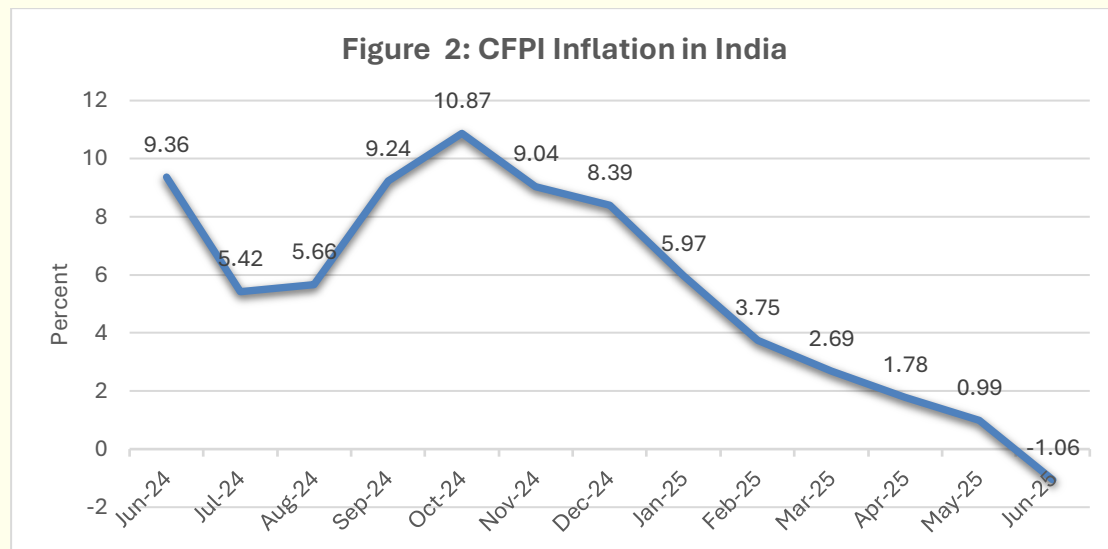
The Consumer Food Price Index (CFPI) for June 2025 recorded a year-on-year contraction of -1.06% (Figure 2), with rural and urban food inflation at -0.92% and -1.22%, respectively. This marks a sharp drop of over 200 basis points from May 2025 and is the lowest food inflation since January 2019.

The deflation was largely due to:

- A 19% decline in vegetable prices, both rural and urban.
- Double-digit deflation in pulses and products (-11.76%) and spices (-3.03%).
- Modest disinflation or stable prices in cereals, milk, sugar, and oils.

Notably, high-frequency price drops were observed in perishable items such as onions (-26.6%), tomatoes (-31.5%), potatoes (-25.4%), and pulses like arhar (-25.1%).

Despite monthly upticks in CFPI indices—up by 1.08% over May—the year-on-year contraction signals continued consumer price relief, albeit possibly transient given monsoon variability and global commodity trends.



Source: NSO, MoSPI, GoI

Non-Food Inflation: Sticky and Services-Driven

While food prices fell, non-food inflation continued to exhibit modest upward pressure, particularly in services and administered components:

- **Health inflation** stood at 4.43%, up from 4.34% in May.
- **Education costs** rose by 4.37%, reflecting steady institutional fee hikes.
- **Housing inflation**, applicable to urban areas, rose marginally to 3.24%.

- **Transport & communication** costs increased by 3.90%, while fuel & light inflation eased slightly to 2.55%.

Moreover, personal care and effects surged by 14.76%, driven by higher costs of hygiene products and personal services.

Despite the cooling of headline inflation, the persistence of higher inflation in these categories suggests core (non-food, non-fuel) inflation may remain sticky, complicating the monetary policy outlook.

Key Insights from June 2025

- CPI inflation at 2.10% is well below RBI's 4% target, giving policymakers space, but not urgency, for monetary easing.
- Food deflation masks concerns about farmer incomes and rural demand revival.
- The current disinflationary phase is driven more by base effects and perishables than by broad-based softening.
- Urban households may not feel the full impact of falling inflation, especially due to rising services inflation and wage stagnation in formal sectors.

State-wise Inflation Trends

Inflation varied significantly across major states:

- Kerala recorded the highest inflation at 6.71%, followed by Punjab (4.67%), Jammu & Kashmir (4.38%), and Uttarakhand (3.40%).
- In contrast, Telangana (-0.93%) and Andhra Pradesh (0.00%) witnessed near-zero or negative inflation.
- Haryana (3.10%), Maharashtra (2.51%), and Karnataka (2.75%) reflected moderately elevated levels, likely due to urban service costs and administered prices.

The divergence points to regional disparities in consumption patterns, food supply chains, and service cost inflation.

Conclusion

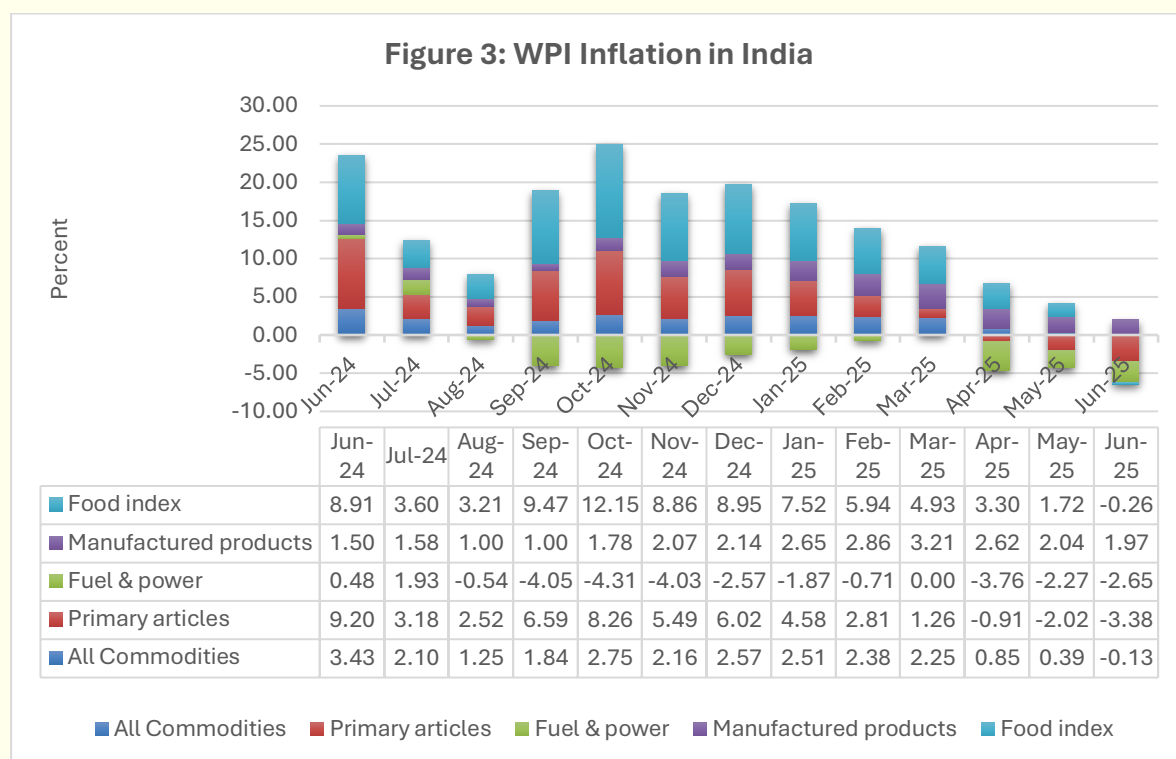
The June 2025 CPI data presents a mixed inflation picture for India. While headline and food inflation offer relief, underlying pressures from services and non-food essentials remain intact. With the Reserve Bank of India (RBI) closely watching these trends ahead of its next policy review, the focus will likely shift to core inflation, monsoon progress, and external risks.

For households, falling food prices are welcome—but not sufficient—when income growth is tepid and the cost of essential services continues to rise. For policymakers, the challenge is to balance inflation control with the need to support rural demand and investment revival.

WPI INFLATION IN INDIA EASES TO -0.13% IN JUNE 2025

Introduction

India's Wholesale Price Index (WPI)-based inflation slipped into negative territory in June 2025, registering at -0.13% year-on-year, down from 0.39% in May (Figure 3). This marks the second time in the current financial year that WPI inflation has contracted, reflecting a broad-based cooling in input costs across key sectors. The decline was led by deflation in food articles, fuel and power, and basic metals, indicating continued disinflationary pressures across the supply chain. Month-on-month, the WPI fell by 0.19%, reinforcing the softness in wholesale price movements.



Source: Office of Economic Adviser, Department for Promotion of Industry and Internal Trade

Primary Articles

Primary articles, which hold a weight of 22.62% in the WPI basket, saw an annual deflation of -3.38% in June 2025, deepening from -2.02% in May. However, the month-on-month index rose by 0.81%, driven mainly by:

- Food articles, which increased by 0.82% MoM, though the category posted a sharp YoY deflation of -3.75%. Vegetables saw the steepest decline, with prices falling 22.65% YoY. Pulses dropped by 14.09% YoY, and fruits by 8.52% MoM. Onion and potato prices dropped by 33.49% and 32.67% YoY, respectively.
- Non-food articles rose 1.26% MoM, and oil seeds saw a significant monthly increase of 3.47%, reflecting some price recovery.
- Crude petroleum and natural gas prices declined both YoY (-12.31%) and MoM (-0.44%), maintaining downward pressure on primary input costs.

Fuel & Power

The Fuel and Power index, with a weight of 13.15%, witnessed a 2.52% month-on-month fall, contributing substantially to the overall WPI deflation. The segment's YoY inflation stood at -2.65% in June, softening from -2.27% in May. Key observations include:

- Electricity prices fell sharply by 9.10% MoM.
- Mineral oils and coal declined by 0.54% and 0.07% MoM, respectively.
- Within petroleum products:
 - LPG prices dropped 1.25% MoM, though they rose 2.68% YoY.
 - Petrol and HSD (diesel) prices contracted 0.48% and 0.51% MoM, respectively.

These trends reflect continued pass-through of softening global crude oil prices and easing energy input costs.

Manufactured Products

The index for Manufactured Products (weight: 64.23%) declined marginally by 0.07% MoM, with the annual inflation easing to 1.97%, from 2.04% in May. The price movement was mixed: 11 of the 22 manufacturing groups recorded price increases, including: machinery and equipment, pharmaceuticals, transport equipment, computers and electronics

Declines were seen in basic metals (-3.14% YoY), fabricated metal products, food products (-0.50% MoM), tobacco products and rubber & plastics

The vegetable and animal oils and fats sub-group saw a significant monthly decline of 2.20%, aligning with trends in global edible oil prices.

WPI Food Index

Despite the WPI Food Index (weight: 24.38%) rising marginally from 189.5 in May to 190.2 in June, the annual inflation dropped to -0.26%, compared to 1.72% in May. This divergence highlights the favourable base effect and widespread price corrections in key food items like vegetables and pulses.

The food index captures food articles from the primary group and food products from the manufacturing sector. It serves as a more granular view of wholesale food price dynamics, which in June 2025 reflected substantial moderation even as consumer food prices remained elevated.

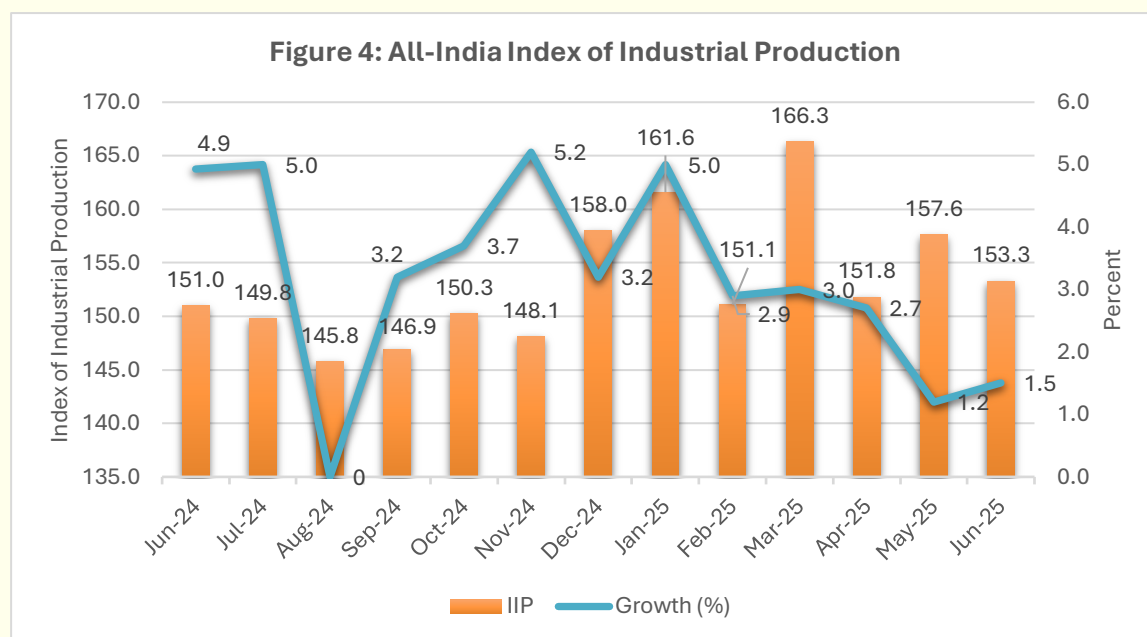
Conclusion

The contraction in India's WPI inflation to -0.13% in June 2025 is a reflection of easing price pressures across the wholesale economy, especially in food, fuel, and key manufacturing inputs. While a continued decline in commodity prices bodes well for cost containment in industrial sectors, the divergence between WPI and CPI inflation (which eased to 2.10% in June) underscores varying transmission dynamics across the supply chain. Policymakers will likely interpret this softening as a sign of macroeconomic stability, though the ongoing deflation in food prices warrants close monitoring from a farm income and rural demand perspective.

INDIA'S INDUSTRIAL OUTPUT RISES BY 1.5% IN JUNE 2025: MODEST MOMENTUM WITH UNEVEN SECTORAL TRENDS

Introduction

India's industrial activity recorded a modest growth of 1.5% year-on-year in June 2025 (Figure 4), according to the Quick Estimates of the Index of Industrial Production (IIP) released by the National Statistical Office (NSO). The index stood at 153.3 (base year 2011–12), up from 151.0 in June 2024. While the overall growth reflects continued expansion, the underlying sectoral and use-based patterns reveal both resilience and areas of stress, particularly in mining and electricity.



Source: MoSPI, GoI

Sectoral Performance

Manufacturing (77.6% weight in IIP)

The manufacturing sector, which constitutes nearly 78% of the IIP, grew by 3.9% in June 2025, up from 3.5% in the same month last year (Figure 5). This sector remains the key driver of industrial output. Of the 23 industry groups at the 2-digit NIC level, 15 registered positive growth.

Key contributors include:

- **Basic metals** (9.6%) — boosted by higher production of MS slabs, HR coils/sheets, and steel pipes.
- **Coke and refined petroleum products** (4.2%) — led by increased output of diesel, petrol, and naphtha.
- **Fabricated metal products** (15.2%) — with strong growth in items like stainless steel utensils and steel frameworks for construction.

Electricity

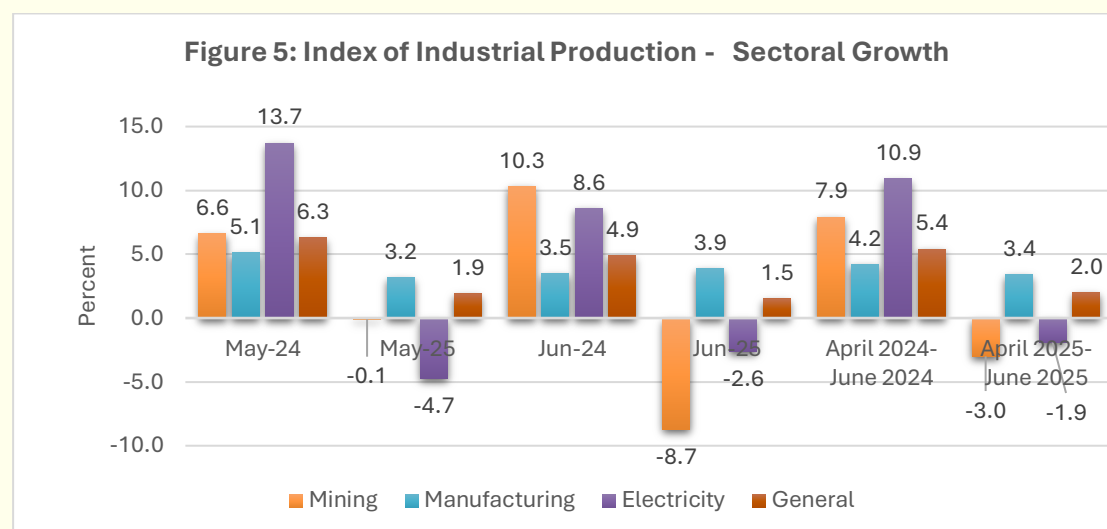
The electricity sector contracted by 2.6% YoY (Figure 5), with the index falling to 217.1 from 222.8 in June 2024. The decline was likely driven by both lower demand and base effect distortions, despite resilience earlier in the quarter.

Mining

The mining sector witnessed a sharp decline of 8.7% (Figure 5), the steepest among all sectors, with its index falling to 123.2 from 134.9 a year earlier. The slump reverses the trend seen in earlier months and contributed significantly to the drag in overall IIP performance.

General IIP

The General IIP registered a 1.5% YoY increase (Figure 5), continuing its expansionary path but with a narrower margin compared to earlier months. For the April–June quarter (Q1 FY26), IIP grew by 2.0%, a deceleration from the 5.4% growth in the same period last year.



Source: MoSPI, GoI

Use-based Classification

The use-based classification (Table 2)

Primary Goods

Primary goods output contracted by 3.0% in June 2025, with the index falling to 151.3 from 156.0 a year ago. This contraction reflects subdued activity in sectors supplying raw materials and semi-processed inputs.

Capital Goods

Capital goods, a proxy for investment demand, grew by 3.5%, reaching an index value of 115.2. While below May's level, this sustained expansion signals gradual improvement in private and public investment activity.

Intermediate Goods

Intermediate goods output increased by 5.5% YoY, rising to 167.9. This category remains one of the strongest performers, indicating healthy supply chain activity and robust demand for in-process goods.

Infrastructure/Construction Goods

This segment posted a strong 7.2% growth, with the index reaching 198.3, the highest among all categories. The data reflects ongoing momentum in infrastructure building and public works.

Consumer Durables

Consumer durables grew 2.9% YoY to an index level of 130.8, suggesting improved demand for items such as appliances, electronics, and vehicles. However, the growth was subdued compared to the highs seen earlier in the year.

Consumer Non-Durables

In contrast, consumer non-durables saw a marginal contraction of 0.4%, with the index standing at 144.6. This indicates tepid rural demand and possible price-related adjustments in fast-moving consumer goods (FMCG).

Table 2: IIP Growth – Use based classification

	May 2024	May 2025	June 2024	June 2025	April-June 2024-25	(Percent) April-June 2025-26
<i>Primary goods</i>	7.3	-1.4	6.3	-3.0	6.9	-1.6
<i>Capital goods</i>	2.6	13.3	3.6	3.5	3.1	10.0
<i>Intermediate goods</i>	3.5	4.7	3.2	5.5	3.5	5.0
<i>Infrastructure/Construction goods</i>	7.6	6.7	8.2	7.2	8.1	6.3
<i>Consumer durables</i>	12.6	-0.9	8.8	2.9	10.7	2.6
<i>Consumer non-durables</i>	2.8	-1.0	-1.0	-0.4	-0.3	-1.3

Source: NSO, MoSPI, GoI

Policy and Structural Implications

The uneven sectoral and use-based performance presents a mixed picture for policymakers. While manufacturing-led growth and infrastructure-related demand provide support, the contraction in mining, electricity, and primary goods highlights vulnerabilities. The continued decline in consumer non-durables may raise concerns over the purchasing power of rural and lower-income households, especially in a disinflationary environment.

Moreover, the data reinforces the need for targeted policy interventions to:

- Accelerate mining reforms and boost domestic resource extraction.
- Sustain infrastructure investment to maintain the momentum in construction-related sectors.
- Stimulate rural consumption through demand-side measures.

The resilience in capital goods and intermediate goods also points to improving investment climate and domestic supply chain revival — key to sustaining medium-term growth.

Outlook

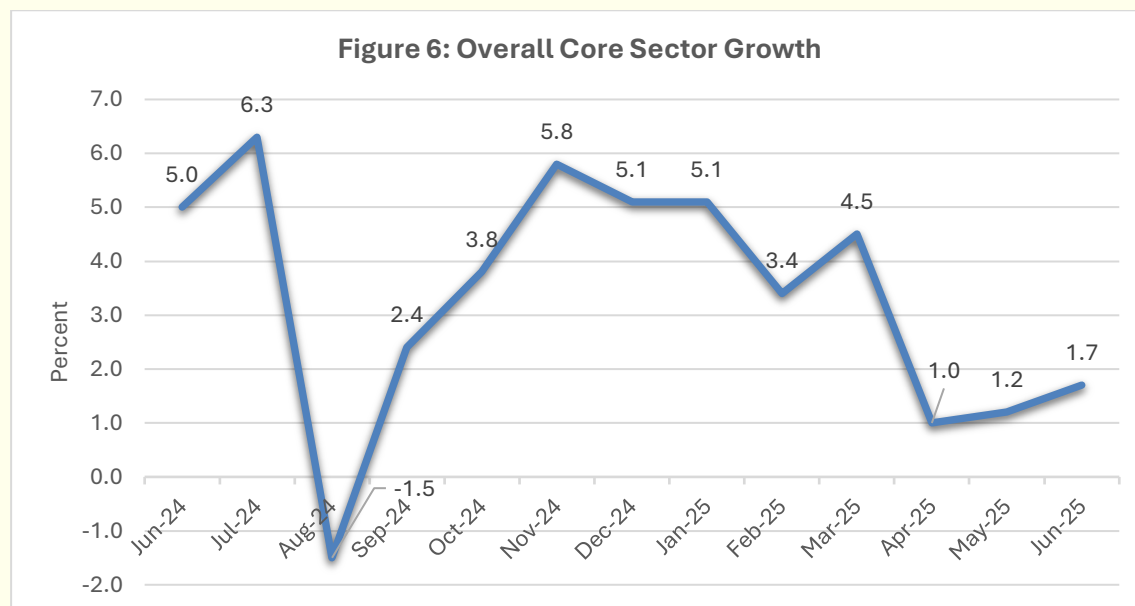
Looking ahead, India's industrial outlook remains cautiously optimistic. The monsoon's progress, global demand trends, and energy prices will play crucial roles in shaping short-term industrial momentum. With WPI inflation turning negative and CPI easing to multi-year lows, input cost pressures are abating — a favourable signal for manufacturing and capital formation.

However, the moderation in overall IIP growth and sectoral divergences warrant continued vigilance. Policy support — through both demand-side stimulus and structural reforms — will be essential to ensure broad-based and sustained industrial recovery through FY2025–26.

INDIA'S CORE SECTOR GROWTH IN JUNE 2025: MIXED TRENDS ACROSS ENERGY AND MANUFACTURING

Introduction

The Index of Eight Core Industries (ICI), which accounts for 40.27% of the overall Index of Industrial Production (IIP), registered a modest 1.7% year-on-year growth in June 2025 (Figure 6). This uptick was primarily supported by robust performances in steel, cement, and refinery products, even as several energy-linked sectors recorded contractions. The ICI serves as a key barometer for industrial activity, reflecting the combined production trends in coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity.



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

Energy Sector Performance

Electricity

Electricity generation declined by 2.8% in June 2025 (Figure 7) compared to the same month last year, marking a reversal from earlier growth trends. On a cumulative basis for April–June 2025–26, output contracted by 2.0%, pointing to possible challenges in

both demand patterns and generation capacity utilisation, despite contributions from renewable sources.

Refinery Products

Petroleum refinery output expanded by 3.4% in June 2025 over June 2024 (Figure 7), driven by higher capacity utilisation and possibly improved export demand. However, the cumulative index for the first quarter of FY 2025–26 remained flat, reflecting uneven demand recovery and fluctuating crude oil prices.

Natural Gas

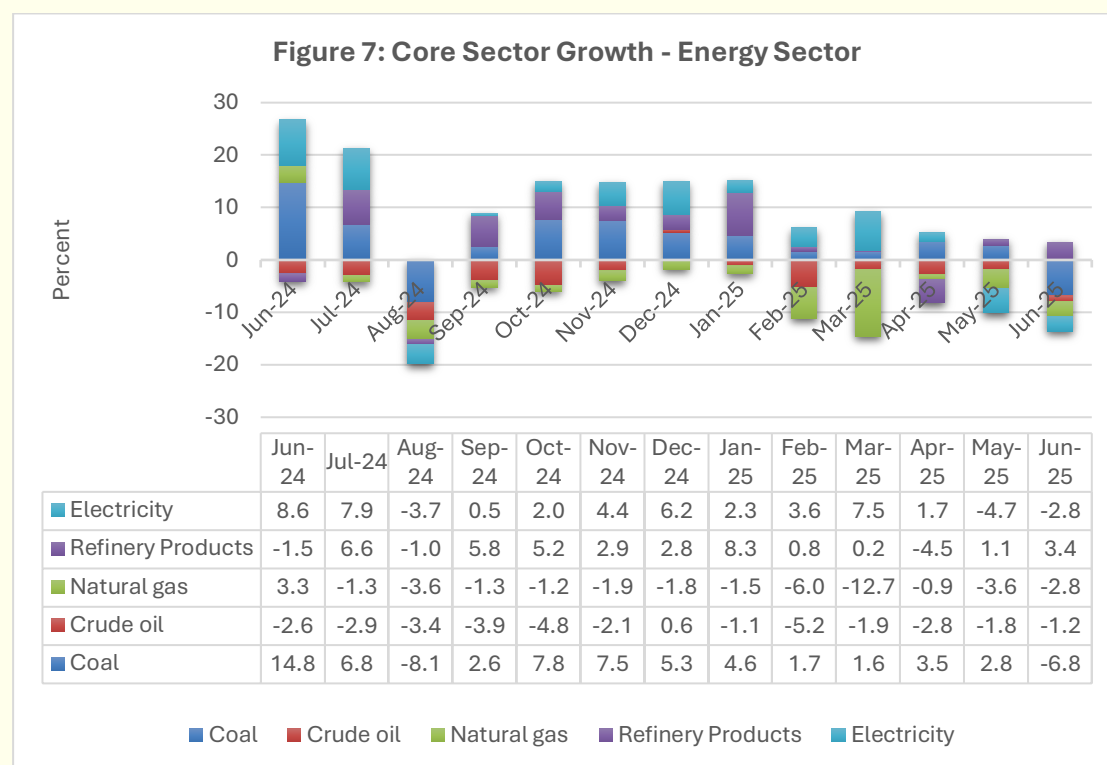
Natural gas production fell by 2.8% in June 2025 (Figure 7), extending the downward trend seen in recent months. Cumulatively, output declined by 2.5% in April–June 2025–26, suggesting persistent supply-side bottlenecks and possibly plateauing domestic field production.

Crude Oil

Crude oil production contracted by 1.2% year-on-year in June 2025 (Figure 7), with cumulative output for the first quarter down by 2.0%. This prolonged decline underscores structural challenges in domestic exploration and production, including mature field depletion and limited new discoveries.

Coal

Coal output saw the sharpest decline among energy sectors, dropping by 6.8% in June 2025 (Figure 7) compared to the previous year. For April–June 2025–26, production slipped by 0.3%, indicating both supply chain disruptions and possibly lower demand from the power sector during the quarter.



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

Manufacturing Sector Performance

Cement

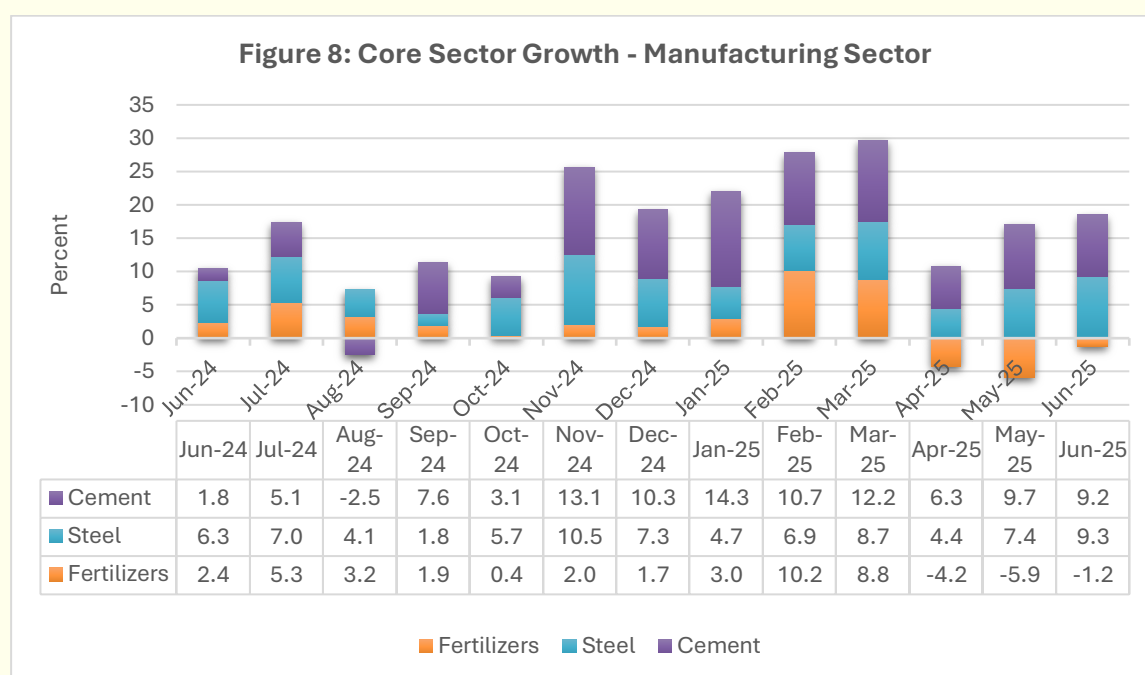
Cement production surged by 9.2% in June 2025 (Figure 8), supported by strong demand from housing, infrastructure, and construction projects. Over April–June 2025–26, cement output grew by 8.4%, reflecting sustained investment momentum in infrastructure development.

Steel

Steel output rose sharply by 9.3% in June 2025 (Figure 8), compared to the same month last year, while cumulative production in April–June 2025–26 increased by 7.0%. The sector continues to benefit from strong demand in construction, automotive, and capital goods manufacturing.

Fertilizers

Fertilizer production contracted by 1.2% in June 2025 (Figure 8) and fell by 3.8% cumulatively in the first quarter. This could be linked to lower seasonal demand, raw material constraints, or operational adjustments by producers.



Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

Annual Core Sector Growth: A Historical Perspective

Over the past decade, the ICI has demonstrated significant volatility, influenced by macroeconomic cycles, global commodity trends, and domestic policy measures. After pandemic-induced contractions in FY 2020–21, growth rebounded sharply in FY 2021–22 and sustained momentum through FY 2022–23 and FY 2023–24. In FY 2024–25, the ICI grew by 4.5%, albeit at a slower pace than the preceding years (Table 3). The current quarter's cumulative growth of just 1.3% suggests a possible cooling in industrial momentum, requiring close monitoring in the context of both domestic economic conditions and global trade uncertainties.

Table 3: India's Annual Core Sector Growth

	Overall Core Sector	Energy Sector					Manufacturing Sector		
		Coal	Crude Oil	Natural Gas	Refinery Products	Electricity	Fertilizers	Steel	Cement
2012-13	3.8	3.2	-0.6	-14.4	7.2	4.0	-3.3	7.9	7.5
2013-14	2.6	1.0	-0.2	-12.9	1.4	6.1	1.5	7.3	3.7
2014-15	4.9	8.0	-0.9	-5.3	0.2	14.8	1.3	5.1	5.9
2015-16	3.0	4.8	-1.4	-4.7	4.9	5.7	7.0	-1.3	4.6
2016-17	4.8	3.2	-2.5	-1.0	4.9	5.8	0.2	10.7	-1.2
2017-18	4.3	2.6	-0.9	2.9	4.6	5.3	0.03	5.6	6.3
2018-19	4.4	7.4	-4.1	0.8	3.1	5.2	0.3	5.1	13.3
2019-20	0.4	-0.4	-5.9	-5.6	0.2	0.9	2.7	3.4	-0.9
2020-21	-6.4	-1.9	-5.2	-8.2	-11.2	-0.5	1.7	-8.7	-10.8
2021-22	10.4	8.5	-2.6	19.2	8.9	8.0	0.7	16.9	20.8
2022-23	7.8	14.8	-1.7	1.6	4.8	8.9	11.3	9.3	8.7
2023-24	7.6	11.8	0.6	6.1	3.6	7.1	3.7	12.5	8.9
2024-25	4.5	5.1	-2.2	-1.2	2.8	5.2	2.9	6.8	6.3
April- June	6.2	10.9	-0.7	6.5	0.9	10.9	0.1	8.3	0.5
2024-25									
April – June	1.3	-0.3	-2.0	-2.5	0.0	-2.0	-3.8	7.0	8.4
2025-26									

Source: Office of Economic Adviser, DPIIT, Ministry of Commerce & Industry, GoI

Conclusion

June 2025's core sector performance reflects a mixed industrial landscape: while manufacturing-linked segments such as steel and cement continue to expand robustly, several key energy-producing sectors have experienced notable declines. This divergence highlights the importance of targeted policy interventions—particularly to address structural inefficiencies in coal, crude oil, and natural gas production—while sustaining investment in high-growth sectors. As India navigates FY 2025–26, the trajectory of core sector growth will hinge on balancing energy security, manufacturing competitiveness, and infrastructure-led demand stimulation.

INDIA'S EXTERNAL TRADE IN Q1 2025: STEADY GAINS DESPITE GLOBAL HEADWINDS

India's overall exports, comprising both merchandise and services, registered healthy growth in the first quarter of 2025. According to official estimates, cumulative exports during April–June 2025 stood at US\$ 210.31 billion (Table 4), up 5.94 percent from US\$ 198.52 billion in the same period last year. Merchandise exports rose 1.92 percent to US\$ 112.17 billion, compared with US\$ 110.06 billion a year earlier, while non-petroleum exports climbed 5.97 percent to US\$ 94.77 billion.

Table 4: Trade During April-June 2025

		<i>April-June 2025</i> <i>(US\$ Billion)</i>	<i>April-June 2024</i> <i>(US\$ Billion)</i>
<i>Merchandise</i>	<i>Exports</i>	112.17	110.06
	<i>Imports</i>	179.44	172.16
<i>Services</i>	<i>Exports</i>	98.13	88.46
	<i>Imports</i>	51.18	48.78
<i>Total Trade</i>	<i>Exports</i>	210.31	198.52
	<i>Imports</i>	230.62	220.94
	<i>Trade Balance</i>	-20.31	-22.42

Source: Ministry of Commerce and Industry, Government of India <https://www.commerce.gov.in/trade-statistics/latest-trade-figures/>

Growth in June 2025 was supported by robust performances across several key sectors. Electronic goods exports surged 46.93 percent year-on-year to US\$ 4.15 billion, followed by drugs and pharmaceuticals, which grew 5.95 percent to US\$ 2.62 billion (Table 5). Engineering goods shipments edged up 1.35 percent to US\$ 9.50 billion, marine products increased 13.33 percent to US\$ 0.63 billion, and exports of meat, dairy and poultry products rose 19.70 percent to US\$ 0.37 billion.

Driving Policy, Empowering Progress

Total exports (merchandise and services combined) for June 2025 were estimated at US\$ 67.98 billion, marking a 6.50 percent increase over June 2024. Total imports for the month grew a marginal 0.50 percent to US\$ 71.50 billion. On a quarterly basis, total imports in April–June 2025 reached US\$ 230.62 billion, up 4.38 percent from a year earlier.

Merchandise trade data shows that exports in June 2025 were virtually unchanged at US\$ 35.14 billion compared to US\$ 35.16 billion in June 2024, while imports fell to US\$ 53.92 billion from US\$ 56 billion. For the April–June quarter, merchandise imports stood at US\$ 179.44 billion, up from US\$ 172.16 billion in the same period of 2024, resulting in a merchandise trade deficit of US\$ 67.26 billion, compared with US\$ 62.10 billion a year earlier. Non-petroleum, non-gems and jewellery exports in April–June 2025 rose to US\$ 88.10 billion from US\$ 82.16 billion, while imports in this category increased to US\$ 117.02 billion from US\$ 106.60 billion.

Services trade recorded strong momentum, with exports in June 2025 estimated at US\$ 32.84 billion, up from US\$ 28.67 billion in June 2024. Imports of services grew to US\$ 17.58 billion from US\$ 15.14 billion. For the April–June 2025 period, services exports rose 10.93 percent to US\$ 98.13 billion, while imports were valued at US\$ 51.18 billion. This resulted in a services trade surplus of US\$ 46.95 billion, up from US\$ 39.68 billion in the same quarter last year.

Table 5: Trade During June 2025

		<i>June 2025</i> <i>(US\$ Billion)</i>	<i>June 2024</i> <i>(US\$ Billion)</i>
<i>Merchandise</i>	<i>Exports</i>	35.14	35.16
	<i>Imports</i>	53.92	56.00
<i>Services</i>	<i>Exports</i>	32.84	28.67
	<i>Imports</i>	17.58	15.14
<i>Total Trade</i>	<i>Exports</i>	67.98	63.83

	<i>Imports</i>	<i>71.50</i>	<i>71.14</i>
	Trade Balance	-3.51	-7.30

Source: Ministry of Commerce and Industry, Government of India <https://www.commerce.gov.in/trade-statistics/latest-trade-figures/>

A detailed sectoral analysis shows notable export growth in June 2025 for tea (32.64 percent), jute manufactures including floor coverings (23.44 percent), other cereals (13.39 percent), cereal preparations and miscellaneous processed items (8.09 percent), fruits and vegetables (2.83 percent), plastics and linoleum (2.26 percent), carpets (2.04 percent), organic and inorganic chemicals (1.65 percent), readymade garments of all textiles (1.23 percent), minerals (0.86 percent) and rice (0.85 percent).

On the import side, several commodities recorded significant declines in June 2025, including pulses (-74.96 percent), newsprint (-61.66 percent), gold (-25.73 percent), transport equipment (-20.46 percent), coal and coke (-19.13 percent), pearls and precious stones (-18.11 percent), and various industrial inputs such as iron and steel, chemicals, and non-ferrous metals.

In terms of markets, the USA, China, Kenya, France and Brazil were the top five destinations for Indian exports in June 2025, while key import sources showing growth included Ireland, Hong Kong, Singapore, Thailand and China. Over the April–June 2025 quarter, the USA, China, Kenya, Germany and Australia recorded the highest growth in imports from India, whereas China, the UAE, Ireland, the USA and Hong Kong were the leading sources of India’s import growth.

EMPLOYMENT

REVAMPED PLFS SHOWS SEASONAL DIP IN RURAL FEMALE WORKFORCE ENGAGEMENT

India's labour market saw a slight easing in participation during June 2025, according to the latest *Periodic Labour Force Survey (PLFS) Monthly Bulletin*. The Labour Force Participation Rate (LFPR) in the Current Weekly Status (CWS) for persons aged 15 years and above stood at 54.2%, down from 54.8% in May 2025. In rural areas, the LFPR was 56.1%, compared to 50.4% in urban areas. Among males in this age group, the LFPR was 78.1% in rural areas and 75.0% in urban areas—both showing marginal declines from May's levels. For rural females, the LFPR was 35.2% in June 2025.

The Worker Population Ratio (WPR) in CWS for the same age group was 53.3% in rural areas and 46.8% in urban areas, with an overall national WPR of 51.2%, slightly lower than the 51.7% recorded in May. Rural and urban female WPRs were 33.6% and 22.9%, respectively, leading to an overall female WPR of 30.2%. The Unemployment Rate (UR) in CWS remained steady at 5.6% for both May and June 2025.

The marginal declines in LFPR and WPR in June were influenced by seasonal agricultural patterns, intense summer heat that limited outdoor work, and a reallocation of unpaid helpers—particularly from higher-income rural households—towards domestic chores. This trend was more pronounced among rural females, where workforce participation dropped by over one percentage point compared to May. Data shows that several unpaid helpers in June 2025 reported themselves as engaged in domestic duties, contributing to a reduced rural female labour force. Additionally, the share of rural female workers in agriculture edged down from 70.2% in May to 69.8% in June, possibly reflecting a reduced need for agricultural labour in the context of easing rural inflation.

In rural areas, a decline in unemployment rates for both males and females was linked to an increase in the share of own-account workers, alongside a reduction in the number

of unemployed persons. Seasonal factors appear to have prompted individuals to engage in self-initiated activities such as petty trade, repair services, and other small-scale work.

The June bulletin is part of the revamped PLFS framework introduced in January 2025 to generate higher-frequency, broader-coverage labour market indicators. The redesign aims to provide monthly national-level estimates for LFPR, WPR, and UR in both rural and urban areas, extend quarterly results to rural regions, and maintain annual estimates in both usual status (ps+ss) and CWS.

To achieve this, the PLFS adopted a rotational panel sampling design, where each selected household is visited four times over consecutive months—once for an initial interview and three times for follow-ups. This ensures 75% of First-Stage Sampling Units (FSUs) remain the same between consecutive months, improving data continuity.

In the June 2025 quarter, the survey covered 7,520 FSUs nationwide, including 4,144 census villages in rural areas and 3,376 UFS blocks in urban areas. A total of 89,493 households were surveyed—49,335 rural and 40,158 urban—covering 380,538 individuals (217,251 rural and 163,287 urban).

The revamped PLFS sample design is not directly comparable with pre-2025 results due to methodological changes, including a larger household sample size per FSU (from 8 to 12), revised stratification rules, and a restructured questionnaire. Users are therefore advised to interpret post-January 2025 results within the context of the new methodology.

By delivering monthly bulletins, the updated PLFS provides policymakers, researchers, and the public with more timely, detailed insights into the evolving dynamics of India's labour market, enabling evidence-based policy responses.

AGRICULTURE

AIR-CONDITIONED TRACTORS: TIME FOR A PARADIGM CHANGE IN FARMING OPERATIONS

Introduction

Incorporating state-of-the-art cabin features such as air conditioning, advanced noise insulation, ergonomic seating, and modern control interfaces, airconditioned tractors aim at maximizing operator comfort during long hours in the field. Indian agriculture per se faces vagaries of the weather and switching to AC tractors in a gradual manner would provide a significant comfort boost and contribute indirectly to enhanced productivity by reducing operator fatigue

Historical Development and Market Evolution

Switchover to the AC tractors in India in a gradual manner is a standout feature of technological infusion in a traditionally rugged and cost-driven market. In 2011, Mahindra & Mahindra introduced the concept of AC cabin tractors, marking a paradigm shift in tractor design and buyer expectations. Over the years, this niche segment has expanded to include several models from well-known brands, each promising modern amenities coupled with sufficient power outputs. Airconditioned tractors ensure escape from drudgery of harsh weather conditions such as extreme heat, dust, and noise and lower downtime as well, apart from reduced operators' fatigue and drivers' safety as well. In the long run it enhances farm productivity as well.

With the commercialisation of agriculture airconditioned tractors are the need of the hour. Presently of the total tractor market, airconditioned tractors command a share of 10-15%.

The wider acceptance and dissemination of the airconditioned tractors however is hindered on account of high initial costs and maintenance, higher fuel consumption 9 a sensitive component for Indian farmers, especially Small Holding Farmers which

constitutes more than 65% of the whole farming construct) and the non-availability of service infrastructure.

Advocacy for the airconditioned tractors

- **Comfort and Productivity:** AC tractors offer significant benefits in terms of operator comfort, reducing fatigue and potentially increasing productivity.
- **Premium Pricing:** The added technology and features result in higher costs that limit the market primarily to larger and commercial farming operations.
- **Government and Financial Support:** Subsidies and favourable EMI options are critical in driving the adoption of these premium tractors.
- **Market Growth:** The overall favourable trends in Indian tractor sales bode well for the AC segment despite its niche positioning.

Conclusion

Air-conditioned tractors have the potential to enhance the farming operations, cut down the turnaround time and have a win-win situation for all the stakeholders in the long run.

With airconditioned cars being the norm in the urban space all over the country, the time has come to herald the change for wider distribution of air-conditioned tractors through innovative finance schemes and subsidies at the pan India level. After all, if the *annadata* is comfortable and happy executing his job, it will translate qualitatively in the output quotient as well.

(This article is authored by Dr Nalin Rai, a senior development professional)

BUMPER HARVEST DRIVES ONION PROCUREMENT PRICE DOWN 48%

Government agencies have slashed the purchase price of onions for buffer stock operations by 48% year-on-year to ₹15 per kilogram for the 2025–26 season, reflecting the impact of a bumper harvest and softer market prices. According to official sources, state-run procurement agencies such as the National Agricultural Cooperative Marketing Federation of India (NAFED) and the National Cooperative Consumers' Federation of India (NCCF) have so far procured 0.19 million tonnes (MT) of onions from farmers, against a seasonal target of 0.3 MT. This is notably lower than the 0.47 MT procured last year.

The bulk of procurement is taking place from Nashik, Maharashtra—India's primary onion-growing belt—while additional volumes are being sourced from Pune and Ahmednagar districts, as well as select locations in Madhya Pradesh and Gujarat. The buffer stock is strategically released during the festive season to curb retail price spikes. In FY25, government agencies had released buffer stock onions at a subsidised rate of ₹35/kg through various retail channels nationwide when retail prices surged in September 2025.

This year, however, the price trajectory is far more benign. As per the Department of Consumer Affairs, the modal retail price of onions stood at ₹28/kg on Monday, marking a 35% year-on-year decline. At Asia's largest onion mandi in Lasalgaon, Maharashtra, wholesale prices are currently in the range of ₹14–₹15/kg, over 30% lower than last year's levels. Reflecting these trends, retail inflation in onions dropped sharply by 26.62% in June 2025 compared to a year earlier.

The decline in prices is underpinned by strong production numbers. According to horticulture crop production estimates, India's onion output in the 2024–25 crop year rose by 27% to 30.77 MT over the previous year. Officials note that the higher availability is likely to keep prices under check in the coming months, ensuring stable supplies for consumers and reduced procurement costs for the government.

(This article is based on a report by Sandip Das published in the Financial Express on 28 July 2025, which is available at: <https://shorturl.at/Z5nxC>)

PMFBY FACES STATE-LEVEL CLAIM DEFAULTS AMID RISING FARMER PARTICIPATION

The Pradhan Mantri Fasal Bima Yojana (PMFBY), a flagship government crop insurance scheme aimed at protecting farmers from crop losses, has faced significant challenges in timely claim settlements by states. According to the agriculture ministry's recent statement to Parliament, the total outstanding dues from states under this highly subsidized scheme have surpassed Rs 6,450 crore over the five years through FY25. Andhra Pradesh, Rajasthan, Madhya Pradesh, Tamil Nadu, and Uttar Pradesh have been the major defaulters, with pending claims of ₹ 2,565 crore, ₹1,525 crore, 1,468 crore, Rs 124 crore, and Rs 121 crore respectively.

To address these delays, the ministry has introduced several reforms starting with the 2025-26 kharif season. It is now mandatory for states to open escrow accounts where their share of the premium must be deposited in advance. This measure aims to ensure timely availability of funds for claim settlement. Additionally, a 12% penalty on delayed payments by insurance companies has been instituted, with the penalty automatically calculated through the national crop insurance portal. For more accurate and technology-driven yield assessment, states have been directed to assign at least 50% weightage to yield data derived from Yes-Tech, a technology-based crop yield estimation system.

Another major reform is the delinking of the central government's premium subsidy share from that of the states. This change ensures that farmers receive claim amounts proportionate to the Central Government's contribution, reducing complications in payments related to combined premium shares.

PMFBY aims to provide comprehensive risk coverage throughout the crop cycle—from pre-sowing to post-harvest. Under the scheme, farmers pay a nominal fixed premium of 1.5% of the sum insured for rabi crops, 2% for kharif crops, and 5% for cash crops.

The remaining premium is shared equally between the Centre and the states, except in the northeastern states where the split is 90:10 in favour of the Centre. Currently, PMFBY is operational in 23 states and union territories. Since its launch, the premium payment distribution has been approximately 40% by the Centre, 48% by the states, and 12% by the farmers themselves.

Farmer participation in the scheme has steadily increased, reflecting growing trust and outreach. The number of enrolled farmers rose from 3.17 crore in 2022-23 to 4.19 crore in 2024-25, marking a substantial 32% growth. This enrollment figure is the highest since the scheme's inception. Of the total enrolled farmers in 2024-25, 6.5% were tenant farmers, 17.6% marginal farmers, and 48% loanee farmers, highlighting the scheme's broad reach across vulnerable farmer categories.

Financially, the scheme has paid out over ₹1.78 lakh crore in compensation to farmers from its launch in 2016 until FY24. This amount is nearly five times the total premiums paid by farmers, which stood at ₹ 35,666 crore during the same period. The bulk of the financial burden, therefore, is carried by the central and state governments.

PMFBY currently provides coverage for over 100 notified crops against a range of natural calamities such as inundation, landslides, cyclones, hailstorms, droughts, and even post-harvest losses. Fourteen of the twenty empanelled insurance companies, comprising both public and private sector firms, are actively implementing the scheme. The revised estimate for FY25 indicates that the Centre has incurred an expenditure of ₹ 15,864 crore under PMFBY.

These reforms and the growing scale of the scheme underscore the government's commitment to strengthen crop insurance as a critical safety net for India's farmers, while efforts continue to ensure timely claim settlements and improved service delivery.

(This article is based on a report by Sandip Das published in the Financial Express on 26 July 2025, which is available at: <https://shorturl.at/ketLL>)

CORPORATE NEWS

RELIANCE DELIVERS STRONG Q1 WITH HIGHEST-EVER PROFIT AND ROBUST EBITDA GROWTH

Reliance Industries Ltd (RIL), India's most valuable company, posted a stellar performance for the April–June 2025 quarter, surpassing analyst expectations with robust revenue and profit growth. The company's diversified business strategy paid off, with strength in its telecom and retail segments more than offsetting persistent weakness in the oil-to-chemicals (O2C) division.

Reliance reported consolidated revenue of ₹2.49 trillion, a 5% year-on-year increase, exceeding Bloomberg's consensus estimate of ₹2.43 trillion. Net profit surged to ₹30,681 crore—its highest ever quarterly figure—boosted by a one-time gain of ₹8,924 crore from the divestment of its stake in Asian Paints. Even excluding the exceptional gain, the company's earnings beat market forecasts.

Jio Platforms Ltd, Reliance's telecom arm, saw its average revenue per user (ARPU) jump 15%, while its subscriber base neared 500 million. Jio's revenue rose 20% to ₹35,032 crore, and profit climbed nearly 25% to ₹7,110 crore. Investments in 5G expansion are beginning to taper, with analysts projecting improved cash flows.

The retail business also reported strong momentum. Revenue rose over 10% to ₹73,720 crore, with profits surging 28% to ₹3,271 crore. While total retail space declined by 5% to 77.6 million sq. ft., the focus on efficiency and profitability per sq. ft. drove performance. Isha Ambani credited operational excellence and a sharper product mix for the gains.

In contrast, the O2C segment reported a 2% decline in topline to ₹1.55 trillion amid global energy market volatility. However, the segment's focus on domestic demand and better fuel margins helped raise EBITDA by over 10% to ₹14,511 crore. Margin expansion of 110 basis points took the O2C EBITDA margin to 9.4%.

Reliance's new energy business, expected to drive long-term growth, continues to see progress in plant commissioning. However, the company has not yet shared detailed timelines. Analysts anticipate more updates at the upcoming annual general meeting.

Overall, Reliance's consolidated EBITDA rose 36% year-on-year to ₹58,024 crore, with margin expansion of 460 basis points to 21.2%. Mukesh Ambani called it a strong start to FY26, emphasizing the company's resilience and future-facing strategy despite macroeconomic uncertainties.

TATA STEEL DOUBLES Q1 PROFIT ON HIGHER REALISATIONS, COST EFFICIENCIES

Tata Steel reported a 116.51% year-on-year surge in consolidated net profit to ₹2,077.68 crore in Q1 FY26, driven by higher net steel realisations and planned cost reductions, compared to ₹959.61 crore a year earlier. Consolidated revenue fell 2.91% to ₹53,178.12 crore but still exceeded Bloomberg estimates, while net profit was also above expectations. Sequentially, revenue dipped 5.41% but profit jumped 59.72%. MD & CEO T.V. Narendran said the performance reflected robust profitability across geographies despite volatile global conditions. In India, turnover was ₹31,137 crore versus ₹33,195 crore a year earlier, with PAT at ₹3,454 crore. Production and deliveries were impacted by maintenance shutdowns in Jamshedpur and Neelachal Ispat Nigam Limited but are expected to normalise. The company leveraged its 25,000+ dealer network and focus on value-added products, while ramping up its 5 mtpa Kalinganagar blast furnace and commissioning one continuous galvanising line at its 2.2 mtpa CRM complex. Quarterly capex stood at ₹3,829 crore. In Europe, UK revenues were £536 million with an EBITDA loss of £41 million, narrowing from £80 million in Q4 FY25, while Netherlands revenues were €1,519 million with EBITDA at €64 million, up from €14 million in the previous quarter.

JSW STEEL Q1FY26 PROFIT SURGES ON LOWER INPUT COSTS AND STRONG DOMESTIC DEMAND

JSW Steel reported a robust year-on-year (Y-o-Y) jump in consolidated net profit attributable to owners of the company, rising to approximately ₹2,184 crore in Q1FY26 from ₹845 crore in the same quarter last year. This sharp rise was driven by higher volumes and lower coking coal costs, a key raw material. The profit figure also surpassed Bloomberg's estimate of ₹2,095 crore.

On a consolidated basis, JSW Steel's total revenue rose marginally by 0.5% Y-o-Y to ₹43,147 crore, compared to ₹42,943 crore in Q1FY25, aligning closely with Bloomberg's revenue estimate of ₹43,004 crore. However, sequentially, the revenue declined by 3.7%, owing to planned maintenance shutdowns, even as net profit rose 45.3%.

Capacity utilisation in the Indian operations stood at 87% during the quarter, down from 93% in the preceding quarter. Consolidated crude steel production reached 7.26 million tonnes (MT), up 14% Y-o-Y, while steel sales increased 9% to 6.69 MT, primarily driven by a 12% rise in domestic sales to 5.96 MT. On the flip side, exports remained subdued with a 20% Y-o-Y decline, constituting only 7% of sales from Indian operations.

JSW Steel reaffirmed its commitment to growth with a capex target of ₹20,000 crore for FY26, of which ₹3,400 crore was spent in Q1. The company's net debt stood at ₹79,850 crore as of June 30, mainly due to increased investments in working capital. Despite global headwinds, the company maintained a positive outlook, citing robust domestic demand backed by strong government capex in Q1.

Nonetheless, the firm flagged concerns about low-priced imports and shifting global trade dynamics amidst rising tariff uncertainties. While finished steel imports have moderated, exports have also declined, keeping India a net importer.

In a move to expand its assets and capabilities, the JSW Steel board approved the acquisition of 100% equity in Saffron Resources Private Limited, which owns 887 acres

of land in Odisha. The board also cleared a share purchase option agreement to acquire up to 24.9% additional stake in JSW Severfield Structures, valuing the transaction at up to ₹235.1 crore.

Further, the board approved the formation of a joint venture between JSW Steel and the Andhra Pradesh Mineral Development Corporation to develop the Konijedu Marlapadu integrated iron ore project. The project, aimed at mining and beneficiating low-grade ore, will be developed at a cost of ₹1,075 crore.

HYUNDAI PROFIT SLIPS AS SUV SHIFT ACCELERATES, RURAL SALES HIT RECORD

Hyundai Motor India Ltd (HMIL) posted an 8.1% year-on-year drop in consolidated net profit to ₹1,362.3 crore in Q1 FY26, hit by weak domestic demand, sluggish hatchback sales, geopolitical tensions, and macroeconomic uncertainty. The company highlighted a structural market shift from entry-level hatchbacks to compact SUVs, with the hatchback share of India's passenger vehicle market plunging from 46% in FY21 to 21% in Q1 FY26. Despite cost pressures, HMIL maintained an EBITDA margin of 13.3%, aided by higher exports, increased CNG penetration, and disciplined pricing. Rural markets contributed a record 23% to domestic sales, with SUVs accounting for 68% of rural volumes, mirroring national trends. Discount levels remained below industry averages at 3.4%, and the company does not anticipate increases. While ongoing global and regional tensions add to volatility, HMIL expects an improved second half of FY26, supported by early festive demand, RBI rate cuts, and income tax relief boosting consumer spending.

M&M PROFIT JUMPS 24% AS SUV SALES AND TRACTOR MARKET SHARE HIT RECORDS

Mahindra & Mahindra (M&M) reported a 24% year-on-year rise in consolidated profit after tax to ₹4,083 crore in Q1 FY26, driven by a 17% jump in auto sales volumes and a 570-basis-point increase in SUV revenue market share to 27.3%. Consolidated revenue grew 22% to ₹45,529 crore, with auto revenue up 31% to ₹25,999 crore, farm

sector revenue up 12% to ₹10,892 crore, and services revenue up 13% to ₹9,874 crore. Quarterly auto volumes reached 247,000 units, including EV and last-mile mobility businesses, of which 152,000 were SUVs. Auto PAT rose 32% to ₹1,760 crore. CEO Anish Shah credited operating excellence for market share gains and margin expansion, while highlighting momentum at Tech Mahindra, stable asset quality at M&M Financial Services, and double-digit growth across businesses. Tractor market share rose 50 bps YoY to a record 45.2%, with auto standalone PBIT margin improving 50 bps to 10% and core tractor margins rising 100 bps to 20.7%.

TCS BEATS PROFIT ESTIMATES BUT REVENUE DECLINES IN CONSTANT CURRENCY

Tata Consultancy Services (TCS) reported a mixed performance in Q1 FY26 as macroeconomic uncertainty and weak discretionary spending weighed on growth. Net profit rose 6% year-on-year to ₹12,760 crore, beating estimates, while revenue increased just 1.3% to ₹63,437 crore in reported terms but fell 3.1% in constant currency. Sequentially, revenue slipped 1.6%, marking the slowest quarterly growth since the pandemic-hit Q1 FY21. The shortfall against Bloomberg's revenue forecast dampened IT sector sentiment, with Infosys and Wipro ADRs falling sharply after the results. Order book strength continued, with total contract value rising 13% year-on-year to \$9.4 billion, supported by demand in AI, cybersecurity, data, and modernisation. However, performance across key markets was weak — US revenue declined 2.7%, UK 1.3%, Continental Europe 3.1%, and India dropped 21.7% due to the BSNL deal ramp-down. CEO K. Krithivasan said decision-making delays and global disruptions persisted, while noting that excluding the BSNL impact, growth was visible in international business. Operating margin improved 30 basis points sequentially to 24.5% due to lower third-party expenses and a one-off tax gain. The company added 6,071 employees, bringing headcount to 613,069, and now counts 114,000 staff with advanced AI skills. Despite short-term challenges, analysts cited TCS's resilience, robust deal pipeline, and emerging tech leadership as strengths.

INFOSYS DEFIES IT SECTOR SLOWDOWN WITH STRONG Q1 REVENUE AND DEAL WINS

Infosys posted an 8.7% year-on-year rise in net profit to ₹6,921 crore in April–June, aided by interest income of ₹327 crore and a ₹101 crore reversal in tax provisions from earlier assessment years, though profit dipped 1.6% sequentially. Revenue grew 7.5% to ₹42,279 crore, supported by strong deal wins in financial services and manufacturing despite a subdued macroeconomic backdrop, and was up 3.3% quarter-on-quarter. Both revenue and profit beat Bloomberg estimates. Backed by \$3.8 billion in large deals, the company raised its lower-end revenue growth guidance for FY26 to 1% from nil, while maintaining the upper end at 3% in constant currency. Infosys led the industry in constant-currency growth at 3.8%, outperforming larger rival TCS, which saw a 3.1% drop. Growth in the US BFSI vertical was particularly strong, helped by mega deals and vendor consolidation. However, headwinds from muted discretionary spending, tariff uncertainties, and upfront costs of large deals weighed on margins, which fell 30 basis points to 20.8% due to April salary hikes. Despite pressures, full-year margin guidance remains at 20–22%. Infosys added only 210 employees in the quarter, bringing its headcount to 323,788.

HCL Q1 2025-26: ROBUST DEAL BOOKINGS AND AI ADOPTION OFFSET MARGIN PRESSURES

HCL Technologies, a leading IT services firm, reported a net profit of approximately Rs 3,843 crore for the first quarter of 2025-26, marking a 9.72% decline year-on-year and a 10.7% drop sequentially. Despite this, the company posted an 8.2% revenue increase to Rs 30,349 crore compared to the same quarter last year, with a 3.7% constant-currency growth driven by strong performance in technology and services, telecommunications, media, and financial services sectors. These gains offset weakness in manufacturing and life sciences, which saw declines of 1% and 4% respectively, partly due to trade tariff uncertainties.

New deal bookings reached \$1.81 billion, helping HCL raise its full-year revenue growth guidance to 3-5% on a constant-currency basis, up from the earlier 2-5%

forecast. However, the company lowered its EBIT margin guidance to 17-18% from 18-19%, citing restructuring impacts and margin pressures. Operating margins fell to 16.3% from 17.1% year-on-year, affected by lower utilization, delayed program ramp-ups, client bankruptcies, and skill-location mismatches.

CEO C Vijayakumar noted a stable macroeconomic environment overall, with some vertical-specific variations. Financial services grew 6.8%, technology 13.7%, and telecommunications 13%. While U.S. growth—the largest market contributing 60% of revenues—remained muted, Europe saw a 9.6% increase and other geographies excluding India grew by 15%. The company won a large consolidation deal in financial services, expected to boost contract values in coming quarters.

HCL's headcount decreased by 269 to 223,151 employees at the end of June, with attrition steady at 12.8%. The firm hired 1,984 fresh engineering graduates in the quarter, focusing 15-20% of new hires on specialized skills such as AI, cybersecurity, and digital engineering. Plans are underway to restructure some underutilized overseas facilities and reduce talent in certain geographies during the rest of the fiscal year. Overall, HCL remains optimistic about its growth prospects driven by steady bookings, AI adoption, and a robust deal pipeline despite near-term uncertainties.

WIPRO REPORTS 11% PROFIT GROWTH IN Q1 AMID MACROECONOMIC CAUTION AND STRONG DEAL BOOKINGS

Wipro, a major player in the IT services sector, reported a 10.9% rise in net profit to approximately ₹3,330 crore for the first quarter (Q1) of 2025-26 compared to the previous year. However, profit declined 6.7% sequentially. The company's revenue for Q1 stood at around ₹22,135 crore, showing a marginal year-on-year increase of 0.77% but a 1.6% decline quarter-on-quarter. Wipro's performance slightly surpassed Bloomberg's estimates.

The IT services segment revenue was \$2,587.4 million, down 0.3% sequentially and 1.5% year-on-year. On a constant currency basis, which removes currency fluctuation effects, the revenue declined by 2.3% year-on-year and 2% sequentially. This

performance fell within the guidance range provided earlier in April. CEO Srinu Pallia attributed the muted quarter to ongoing macroeconomic uncertainties.

Despite this, Wipro had strong deal bookings of about \$5 billion in Q1, nearly doubling from the previous year. Large deal bookings (contracts of \$30 million or more) surged 131% to \$2.66 billion. This robust deal pipeline led Wipro to raise its revenue guidance for Q2, now expecting a range from a 1% decline to 1% growth in constant currency terms.

The company noted strong demand momentum particularly in the banking, financial services, and insurance (BFSI) sector in the U.S., despite BFSI reporting a 3.5% revenue decline in Q1. Healthcare saw a 3.5% growth, while sectors like consumer, retail, and manufacturing remained subdued due to tariff-related challenges. Wipro secured two mega deals and 14 large deals in BFSI during the quarter, but these deals typically require time and upfront investments to ramp up, putting pressure on margins.

Chief Financial Officer Aparna Iyer highlighted that upfront investments related to large deals impact operating margins, which stood at 17.3% for the quarter—up 120 basis points from last year but down 20 basis points sequentially.

DEAL WINS AND MARGIN EXPANSION DRIVE LTIMINDTREE'S ROBUST Q1 PERFORMANCE

LTIMindtree reported a strong start to FY26, posting a net profit of approximately ₹1,254 crore for the first quarter, marking a 10.6% year-on-year increase and an 11.2% sequential rise. The company's revenue grew 7.6% year-on-year to around ₹9,841 crore, with a modest 0.7% increase compared to the previous quarter. While the profit exceeded analyst expectations, revenue slightly missed estimates. Compared to larger IT peers, LTIMindtree showed relatively better performance; for example, TCS's net profit grew 6% year-on-year, and HCLTech's profit declined nearly 10%.

CEO Venu Lambu highlighted broad-based growth, expanding margins, and progress in strategic initiatives such as the Fit4Future program and AI integration, despite a

challenging macroeconomic environment. The total contract value (TCV) for the quarter rose 15% to \$1.6 billion.

Among business verticals, the consumer segment led growth with 6.2% sequential and 5.7% year-on-year increases, followed by banking, financial services, and insurance (BFSI), which grew 1.6% sequentially and 10.6% annually. Healthcare, life sciences, and public services grew sequentially by 4.8% but declined 4.7% year-on-year.

Geographically, the U.S. market grew 1.8% sequentially and 4.2% year-on-year, Europe expanded 9.7% quarter-on-quarter and 7% annually, while other regions saw a 6% sequential decline but a 10% year-on-year growth. The company's headcount was 83,889 at quarter-end, down by 418, with attrition at 14.4%.

LTIMindtree's board also approved issuing 67,252 new shares to the Employee Welfare Trust under its Employee Stock Option Plan, to be later allocated to eligible employees.

TATA CONSUMER SEES DOUBLE-DIGIT PROFIT GROWTH, EXPANDS INDIA AND GLOBAL FOOTPRINT

Tata Consumer Products reported a 15.1% year-on-year rise in net profit to ₹334 crore in Q1 FY26, with net sales up 9.8% to ₹4,779 crore, driven by robust growth in both tea and salt segments in its India business. The packaged beverages segment grew 12%, while coffee surged 67% in the April–June period. The India foods business expanded over 14%, with value-added salt up 31% and Tata Sampann products rising 27%. Capital Foods strengthened its quick-commerce presence through targeted media campaigns. International business revenue grew 5% in constant currency, led by strong coffee sales in the US. Despite weather-related pressures on the ready-to-drink (RTD) segment and temporary slowdowns in Capital Foods and Organic India, the company maintained strong topline and margin performance, supported by volume growth and product innovations. CEO Sunil D'Souza highlighted continued double-digit growth in core India categories and margin-accretive international performance.

HUL BEATS ESTIMATES WITH 5.6% PROFIT GROWTH, RURAL DEMAND RECOVERS

Hindustan Unilever Ltd (HUL) reported a 5.6% year-on-year rise in consolidated net profit to ₹2,756 crore for Q1 FY26, surpassing analyst expectations. The company's revenue increased 5.1% to ₹16,514 crore, driven by improving rural and urban demand, with volume growth rebounding to 4% after three quarters of stagnation. CEO Rohit Jawa noted that rural growth has recovered steadily, while urban demand is gradually improving, particularly in smaller cities and towns. A one-time tax gain also contributed to the profit increase. HUL continues to serve a broad consumer base, including formal urban, informal urban, and rural markets, which remains resilient.

Despite macroeconomic challenges, including pressure on the salaried class, Jawa highlighted supportive factors such as government initiatives, favourable monetary policy, lower food inflation, and good monsoons aiding consumption. HUL's profit before interest, depreciation, and tax (PBIDT) declined 4% to ₹3,791 crore, reflecting divergent commodity trends, though sequential softening in key materials was noted. The company's EBITDA margin stood at 22.8%, supported by increased investments and focus on higher-growth segments, leading to competitive market share gains, particularly in laundry, skin cleansing, and hair care.

HUL is also accelerating its digital marketing efforts, dedicating over half of its media budget to digital platforms and social media to align with evolving consumer behaviour. The company expects the first half of FY26 to outperform the second half of the previous year, maintaining steady mid-single-digit volume growth across key categories.

INDIGO Q1 PROFIT DIPS 20% AS TURBULENCE AND CANCELLATIONS WEIGH ON EARNINGS

IndiGo's consolidated profit fell 20.5% year-on-year to ₹2,174.9 crore in Q1 FY26, hit by airspace restrictions, geopolitical disruptions, and the AI171 crash, which led to widespread cancellations and lower ticket yields. Despite challenges, the airline carried 31 million passengers — up 12% and double industry growth — as lower fuel prices partially offset the impact. Total income rose 6% to ₹21,542.6 crore. IndiGo inducted eight new aircraft and reduced reliance on wet-leased planes, returning 16 during the quarter. CEO Pieter Elbers said severe turbulence, including airport closures during Operation Sindoor, forced up to 170 daily cancellations. The airline launched long-haul flights to Amsterdam and Manchester in July, with plans to expand frequencies and add a KLM codeshare. Its premium "Stretch" class has extended to Bangkok and will soon reach Singapore and Dubai, with positive early response. Domestic expansion includes new operations from Hindon airport. IndiGo's loyalty programme has reached 3.8 million members, supporting its strategy of combining premium offerings, long-haul growth, and network expansion to strengthen market position.

BANKING, FINANCIAL SERVICES & INSURANCE

AXIS BANK Q1 PROFIT DECLINES 4% AMID TECHNICAL ASSET QUALITY CHANGES AND HIGHER SLIPPAGES

Axis Bank, India's third-largest private sector lender, reported a 4% year-on-year decline in net profit to approximately ₹5,806 crore for the first quarter of 2025-26 (Q1FY26). The drop in profit was primarily due to a significant rise in loan slippages, which led to higher provisions for loan losses. The bank attributed this increase to changes in its asset-classification and income-recognition policies, particularly affecting cash credit, overdraft products, and one-time settled accounts.

The technical adjustments impacted the bank's net profit by about ₹614 crore, return on assets (ROA) by 15 basis points, and return on equity (ROE) by 1.4 percentage points. Despite the rise in slippages, 80% of the affected contracts remain fully secured, minimizing potential economic loss over their lifespan.

Fresh slippages for Q1FY26 rose sharply to around ₹8,200 crore, a 71% increase year-on-year and sequentially, with ₹7,500 crore coming from the retail segment. Consequently, loan loss provisions surged to approximately ₹3,900 crore, up 2.85 times sequentially and 1.52 times year-on-year. Of these provisions, ₹821 crore were attributed to the "technical impact." After adjusting for this, provisions would stand at ₹3,127 crore, and adjusted gross slippages would be ₹5,491 crore.

Asset quality was affected, with gross non-performing assets (NPAs) increasing to 1.57%, up 29 basis points from the previous quarter, while net NPAs rose to 0.45%. The bank maintained that it did not alter the days past due (DPD) parameters for NPA classification but implemented prudent qualitative benchmarks to strengthen its balance sheet resilience.

Despite the challenges, Axis Bank reported a 1% year-on-year increase in net interest income (NII) to ₹13,560 crore, and a 25% increase in other income to ₹7,258 crore.

Bank officials emphasized that the technical changes, while impacting short-term figures, are aimed at ensuring long-term balance sheet health and expect minimal economic impact over time

PROVISIONS WEIGH ON HDFC BANK'S Q1 EARNINGS DESPITE IPO WINDFALL

HDFC Bank, India's largest private sector lender, reported a marginal decline in consolidated net profit to ₹16,258 crore for the first quarter of FY26, compared to ₹16,475 crore in the same period last year. This performance came despite a substantial one-time pre-tax gain of ₹9,128 crore from the initial public offering (IPO) of its subsidiary, HDB Financial Services. The subdued bottom line reflects the bank's decision to strengthen its balance sheet in anticipation of potential asset quality pressures.

In Q1 FY26, the bank set aside total provisions amounting to ₹14,442 crore. This includes ₹9,000 crore in floating provisions and ₹1,700 crore in contingent buffers, indicating a highly conservative approach to risk management. Such provisioning suggests that the bank is prioritising financial resilience over short-term profitability, possibly in response to evolving macroeconomic uncertainties, regulatory changes, or sector-specific stress signals. While this strategy may weigh on current earnings, it reinforces HDFC Bank's capacity to absorb potential credit shocks, ensuring stability and depositor confidence in the long run.

ICICI BANK BEATS STREET IN Q1, PROFIT RISES 15% ON STRONG NII AND ASSET QUALITY

ICICI Bank, India's second-largest private lender, posted a strong set of results for the June quarter (Q1 FY26), with net profit rising 15% year-on-year to ₹12,768.21 crore, surpassing analyst estimates. Net interest income (NII) grew 8.4% to ₹21,634.46 crore, outpacing Street projections of ₹21,091 crore. Core operating profit climbed 13.6% to ₹17,505 crore, while profit before tax (excluding treasury gains) was up 11.4% at

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₹15,690 crore. Total income increased to ₹51,451.81 crore, supported by a surge in other income to ₹8,504.90 crore.

Asset quality improved from a year earlier, with gross NPA ratio down to 1.67% (from 2.15%) and net NPA at 0.41% (vs 0.43%). Sequentially, both ratios remained stable. Gross NPA additions stood at ₹6,245 crore, while recoveries and upgrades totalled ₹3,211 crore. Net NPA additions were ₹3,034 crore, and the bank wrote off ₹2,359 crore in bad loans, maintaining a 75.3% provisioning coverage ratio.

Deposits rose 12.8% YoY to ₹16.08 lakh crore, while advances reached ₹13.64 lakh crore. The average CASA ratio stood at 38.7%. The capital adequacy ratio under Basel III was 16.31%, slightly lower than the March quarter's 16.55%.

In a strategic move, the board approved acquiring ICICI Prudential Pension Funds Management (ICICI PFM) from ICICI Prudential Life Insurance for ₹203.5 crore, making it a wholly owned subsidiary. The deal, aligned with the bank's 'Customer 360' strategy, is pending RBI and PFRDA approvals.

On a consolidated basis, net profit rose 15.9% to ₹13,557.6 crore, with total income at ₹74,576.03 crore. Contributions from insurance subsidiaries and a capital employed base exceeding ₹3.29 lakh crore reinforced the group's strong performance.

PUNJAB NATIONAL BANK POSTS 48% PROFIT DROP AMID TAX REGIME SHIFT, SEES FUTURE SAVINGS

Punjab National Bank (PNB) reported a sharp 48% year-on-year decline in net profit to ₹1,675 crore for Q1 FY26, primarily due to a one-time tax expense linked to its transition to the new tax regime. Despite this, total income rose 15.7% to ₹37,231 crore, and operating profit increased to ₹7,081 crore. The bank's tax expenses surged to ₹5,083 crore from ₹2,017 crore in Q1 FY25. PNB's Managing Director and CEO, Ashok Chandra, highlighted that the shift to the new tax regime, which has a roughly 10% lower tax rate, is expected to save around ₹700 crore from Q2 FY26 onwards, boosting future profitability. Asset quality improved, with the gross non-performing

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assets (GNPA) ratio falling 120 basis points to 3.78%, and net NPAs dropping to 0.38%. Capital adequacy remains strong at 17.50%, with a common equity tier-1 (CET-1) ratio of 12.95%. CASA deposits grew 3.6% year-on-year to ₹5,68,638 crore, representing 36.99% of total deposits. Retail credit increased 11.8%, driven by 16.6% growth in housing loans, 25.3% in vehicle loans, and 6.2% in agriculture advances. PNB's distribution network includes 10,209 domestic branches, 2 international branches, 11,240 ATMs, and 31,763 business correspondents.

FINANCIAL MARKETS

INDIAN MARKETS FACE HEADWINDS IN JULY 2025 AMID TRADE TENSIONS AND GLOBAL VOLATILITY

The Indian equity markets in July 2025 experienced a cautious and somewhat volatile phase, reflecting a complex interplay of domestic macroeconomic challenges, geopolitical uncertainties, and global risk sentiment. Both the benchmark BSE Sensex and NSE Nifty 50 indices showed a gradual downward trajectory throughout the month, with intermittent recoveries failing to sustain momentum amid persistent investor caution.

Market Movement and Key Data Points

The BSE Sensex opened the month robustly at 83,697 on July 1, 2025 (Figure 9), but gradually declined to close at 81,186 by July 31, marking a net loss of approximately 2.95% over the course of the month. The index saw intramonth fluctuations, with minor rebounds such as on July 8 (83,713) and July 23 (82,727), but the dominant trend was a slide driven by profit booking and subdued buying interest.

Similarly, the Nifty 50 mirrored this trend, starting at 25,542 on July 1 (Figure 10) and ending the month at 24,768, registering a loss of around 3%. The Nifty's declines were punctuated by short spurts of recovery, notably mid-month, but these failed to counterbalance the broader selling pressure.

Factors Influencing Market Sentiment

1. Geopolitical and Trade Tensions: The month was overshadowed by the continuing deadlock in India-US trade negotiations. The unresolved tariff disputes and threats of additional tariffs created uncertainty around export prospects and dampened market enthusiasm. This was compounded by global geopolitical tensions involving energy supplies and defence trade, which injected further risk aversion among investors.

2. Foreign Portfolio Investor (FPI) Outflows: Persistent foreign institutional selling exacerbated downward pressure on equities. Despite some optimism from domestic institutional investors and value buying in select sectors, net FPI outflows continued to weigh on market liquidity and valuations, especially in large-cap, export-oriented sectors.

3. Domestic Macroeconomic Indicators and Corporate Earnings: July also witnessed a mixed bag of corporate earnings, with certain sectors like FMCG and pharmaceuticals showing resilience, while financials and IT faced margin pressures due to rising provisioning and cost challenges. The cautious tone in quarterly results reflected in the stock prices, as investors awaited clearer cues on consumption recovery and credit growth.

Monetary policy developments played a subtle but important role. The RBI's stance on interest rates and inflation, as covered by Financial Express, provided some relief but was insufficient to spur robust market rally, given the global inflationary pressures and tightening by major central banks.

Sectoral Performance and Market Breadth

The month saw defensive sectors such as consumer staples, healthcare, and select financials outperform relative to cyclical and export-dependent sectors. Infrastructure and domestic consumption-oriented stocks provided some stability as investors rotated towards less volatile assets.

Market breadth remained weak, with a larger number of stocks declining than advancing, indicating broad-based caution. This was consistent with reports in *Mint* noting a risk-off environment where investors preferred to reduce exposure rather than chase gains in a fragile economic and geopolitical landscape.

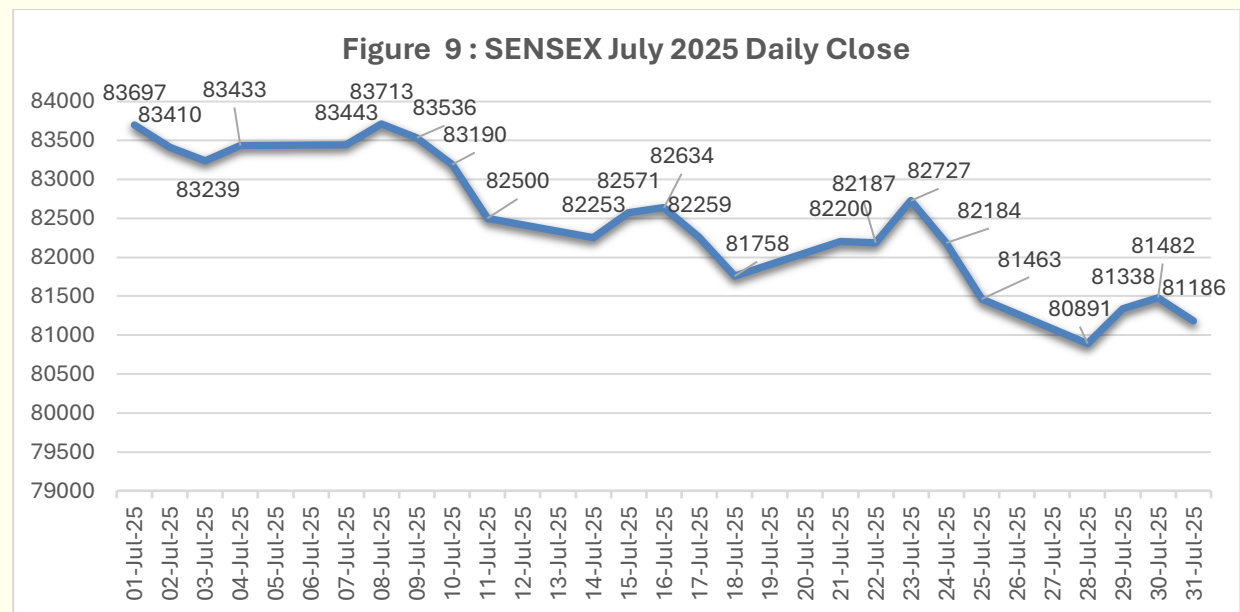
Outlook

Looking ahead, analysts quoted in *Business Standard* suggest that resolution in trade negotiations and easing geopolitical tensions could catalyse a market turnaround.

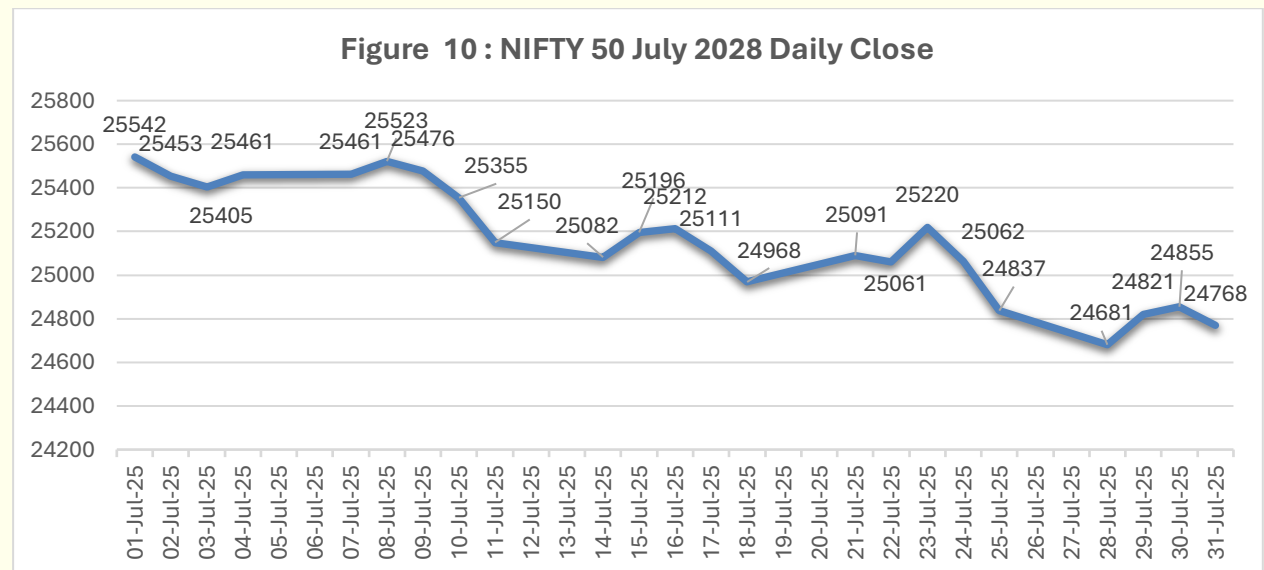
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Domestic economic reforms, sustained monsoon, and improving rural demand also provide a supportive backdrop. However, near-term volatility is expected to persist until clearer signals emerge from corporate earnings and global macroeconomic policies.

The overall market performance in July 2025 underscores the delicate balancing act faced by investors between opportunities arising from India's long-term growth potential and short-term headwinds emanating from external and internal uncertainties.



Source: BSE <https://www.bseindia.com/indices/IndexArchiveData.html>



Source: NSE <https://www.niftyindices.com/reports>

SBI ATTRACTS ₹1 TRILLION BIDS FOR ₹25,000 CRORE QIP, SIGNALING STRONG INSTITUTIONAL INTEREST

State Bank of India (SBI), the country's largest lender, received nearly ₹1 trillion in bids for its ₹25,000 crore (approximately \$2.9 billion) qualified institutional placement (QIP), primarily driven by strong interest from local institutions. Life Insurance Corporation (LIC) reportedly placed bids exceeding ₹5,000 crore, while domestic mutual funds such as SBI MF, ICICI Prudential MF, Aditya Birla Sun Life MF, and HDFC Bank each bid over ₹1,500 crore. Several foreign portfolio investors, including Singapore's GIC and Capital International, also participated. This marks SBI's first QIP since 2017, when it raised about ₹15,000 crore. The fundraise is pending approval from the Government of India.

SBI's shares closed slightly down at around ₹829, with most bids near ₹820 per share. The price band for the QIP ranged from ₹806.75 to ₹831.70, with the floor price set slightly below the Securities and Exchange Board of India's benchmark. Analysts view the offering as an opportunity for large institutions to acquire substantial SBI shares without causing price distortions in the open market. The consensus 12-month target price is approximately ₹935, suggesting about 13% upside. Brokerages predominantly recommend buying the stock, citing its reasonable valuation and promising growth outlook.

Due to oversubscription, investors are expected to receive allotments of 20-30% of their application amounts. The ₹25,000 crore capital infusion will boost SBI's capital adequacy ratio by over 60 basis points from its 14.25% level as of March 31, 2025. The QIP will dilute the current equity base by about 3.47%, with the government holding 57.43% stake post-issue. Leading investment banks including Citibank, Morgan Stanley, HSBC Securities, ICICI Securities, Kotak Mahindra Bank, and SBI Caps managed the share sale.

SEBI VS. JANE STREET: A DEFINING BATTLE FOR INDIA'S MARKET INTEGRITY

In one of the most significant enforcement actions in India's capital markets, the Securities and Exchange Board of India (SEBI) has taken on US-based high-frequency trading (HFT) powerhouse Jane Street (JS) over allegations of large-scale index manipulation in the country's equity derivatives market. The regulator's July 3 interim order—spanning 105 pages—outlined how the firm allegedly distorted closing prices in Bank Nifty and Nifty 50 derivatives through a tactic known as “marking-the-close,” leading to an unprecedented disgorgement order of ₹4,843 crore, the largest in Indian market history.

According to SEBI, Jane Street repeatedly used aggressive buy and sell orders in the final moments of trading between January 2023 and March 2025 to influence index closing prices, particularly on expiry days. A notable example was July 10, 2024, when the firm sold ₹2,800 crore worth of Bank Nifty instruments in the last two hours and closed with a massive, short position of ₹44,154 crore, allegedly netting ₹235 crore from the manipulated soft close. SEBI argued that such practices misled thousands of retail investors, distorted market price discovery, and eroded trust in the integrity of exchanges. Even after a cautionary letter from the National Stock Exchange in February 2025, Jane Street allegedly persisted with its tactics.

Jane Street has contested SEBI's interim findings, maintaining that its trades were part of legitimate “index arbitrage” strategies aimed at providing liquidity and improving market efficiency. Nevertheless, SEBI required the firm to deposit the full disputed gains into an escrow account as a condition to resume trading. That condition was met before the July 14 deadline, and the regulator formally lifted the ban, notifying custodians, depositories, and exchanges.

While the ban has been removed, the firm remains under tight scrutiny. Both NSE and BSE have been tasked with closely monitoring Jane Street's positions and trading behaviour, and the company has been directed to avoid any manipulative patterns identified in the interim order until the investigation concludes. The probe has already

revealed that in the 27-month review period, Jane Street's India operations booked a net profit of ₹36,671 crore, with an extraordinary ₹44,358 crore coming from index options alone, offset by losses elsewhere. These revelations were initially brought to light through a legal dispute with Millennium Management, which claimed Jane Street had made over \$3 billion from Indian derivatives in 2023–24.

The alleged manipulation targeted Bank Nifty constituents such as HDFC Bank, SBI, ICICI Bank, Axis Bank, and Kotak Mahindra Bank. SEBI's findings describe a two-part strategy: morning accumulation of positions in these stocks—both in the cash and futures markets—to artificially lift the index, followed by large-scale afternoon unwinding while holding significant short positions in index options to profit from the engineered decline.

Industry reaction has been sharp. Zerodha's Nithin Kamath labelled the alleged behaviour "blatant market manipulation," noting that continuing after NSE's warning reflected recklessness. However, he also cautioned that proprietary trading firms like Jane Street account for nearly half of India's options market activity, and a pullback could hurt liquidity and dampen retail participation, which makes up around 35% of the segment. Senior advocate H.P. Ranina remarked that such strong enforcement would not have been taken without substantial evidence and that Jane Street could challenge the order at the appellate level, potentially triggering a forensic audit.

The broader implications of the case go beyond a single firm. SEBI's move could become a watershed moment in regulating algorithmic and high-frequency trading in India, prompting tighter oversight, increased transparency requirements, and closer coordination between exchanges and regulators. With investigations expanding to other indices and potentially other HFT firms, the outcome may redefine the rules of engagement for global algorithmic players operating in emerging markets.

Meanwhile, the market has already felt the impact. Since the initial ban, futures and options volumes—where Jane Street was a major driver—have fallen by around 20%. Market watchers believe that even with re-entry, the firm may need to recalibrate its

high-risk strategies, potentially creating opportunities for rival HFT firms. Whether this episode ultimately strengthens investor confidence or dampens market participation will depend on the rigour and transparency of SEBI's ongoing investigation and the structural reforms that may follow.

SECTION 2

GLOBAL ECONOMY

GLOBAL ECONOMIC OUTLOOK

GLOBAL ECONOMY 2025: IMF PROJECTS SLOWER GROWTH AMID PERSISTENT CHALLENGES

The International Monetary Fund's (IMF) *World Economic Outlook Update* for July 2025 paints a cautiously optimistic picture of the global economy. Growth is projected to edge up to 3.0 percent in 2025 (Table 6), a 0.2 percentage point higher than the April 2025 forecast, driven by resilient services activity, easing inflation, and a gradual recovery in investment. However, the report emphasises that the global economy continues to face structural headwinds — including heightened geopolitical tensions, uneven fiscal space, climate-related disruptions, and tightening credit conditions in some markets.

The IMF notes that advanced economies are set to expand by 1.5 percent in 2025, up from 1.4 percent in the April projection. The United States remains the main driver, with growth projected at 1.9 percent thanks to robust household spending, steady labour market gains, and moderate disinflation. In the euro area, growth is expected at 1.0 percent, supported by improving consumer confidence and an uptick in manufacturing, while Japan is projected to grow at 0.7 percent as domestic demand strengthens.

Emerging market and developing economies are expected to record a stronger pace of expansion at 4.1 percent in 2025, led by robust performances in Asia. China's growth forecast stands at 4.8 percent, bolstered by targeted fiscal support and gradual property sector stabilisation, although demographic pressures and productivity constraints remain concerns. India continues to be the fastest-growing major economy, with growth projected at 6.4 percent, fuelled by strong investment momentum, public infrastructure spending, and resilient domestic demand. Other emerging Asian economies are also expected to benefit from supply-chain diversification and technology sector gains.

Global inflation is projected to moderate to 4.2 percent in 2025 and 3.6 percent in 2026 — aided by easing energy and food prices, normalising supply chains, and tighter monetary policy. However, core inflation remains sticky in several economies,

particularly where wage growth is strong, prompting central banks to adopt a cautious approach to rate cuts.

The IMF warns that risks to the outlook remain tilted to the downside. Geopolitical fragmentation could disrupt trade and investment flows, while extreme weather events and climate-related shocks may intensify inflationary pressures, especially in food-importing economies. On the upside, faster-than-expected disinflation could enable earlier monetary easing, boosting consumption and investment.

Policy priorities, according to the Fund, should focus on safeguarding disinflation gains, rebuilding fiscal buffers, and accelerating structural reforms to enhance productivity and resilience. For advanced economies, this includes fostering green investment, supporting innovation, and maintaining targeted fiscal support for vulnerable groups. Emerging markets, particularly those with limited fiscal space, are urged to improve revenue mobilisation, enhance financial stability, and invest in human capital and climate adaptation.

Overall, the IMF's July 2025 update underscores a global economy that is gradually regaining momentum but remains vulnerable to shocks. Sustained policy coordination, coupled with strategic investments in technology, infrastructure, and climate resilience, will be essential to securing durable, inclusive growth in the years ahead.

Table 6: Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

	2023	2024	Projections		Difference from April 2025 WEO Projections	
			2025	2026	1/	2026
World Output	3.5	3.3	3.0	3.1	0.2	0.1
Advanced Economies	1.8	1.8	1.5	1.6	0.1	0.1
United States	2.9	2.8	1.9	2.0	0.1	0.3
Euro Area	0.5	0.9	1.0	1.2	0.2	0.0
Germany	-0.3	-0.2	0.1	0.9	0.1	0.0
France	1.6	1.1	0.6	1.0	0.0	0.0
Italy	0.7	0.7	0.5	0.8	0.1	0.0
Spain	2.7	3.2	2.5	1.8	0.0	0.0
Japan	1.4	0.2	0.7	0.5	0.1	-0.1
United Kingdom	0.4	1.1	1.2	1.4	0.1	0.0
Canada	1.5	1.6	1.6	1.9	0.2	0.3
Other Advanced Economies 3/	1.9	2.2	1.6	2.1	-0.2	0.1
Emerging Market and Developing Economies	4.7	4.3	4.1	4.0	0.4	0.1
Emerging and Developing Asia	6.1	5.3	5.1	4.7	0.6	0.1
China	5.4	5.0	4.8	4.2	0.8	0.2
India 4/	9.2	6.5	6.4	6.4	0.2	0.1
Emerging and Developing Europe	3.6	3.5	1.8	2.2	-0.3	0.1
Russia	4.1	4.3	0.9	1.0	-0.6	0.1
Latin America and the Caribbean	2.4	2.4	2.2	2.4	0.2	0.0
Brazil	3.2	3.4	2.3	2.1	0.3	0.1
Mexico	3.4	1.4	0.2	1.4	0.5	0.0
Middle East and Central Asia	2.4	2.4	3.4	3.5	0.4	0.0
Saudi Arabia	0.5	2.0	3.6	3.9	0.6	0.2
Sub-Saharan Africa	3.6	4.0	4.0	4.3	0.2	0.1
Nigeria	2.9	3.4	3.4	3.2	0.4	0.5
South Africa	0.8	0.5	1.0	1.3	0.0	0.0
<i>Memorandum</i>						
World Growth Based on Market Exchange Rates	2.9	2.8	2.5	2.6	0.2	0.2
European Union	0.7	1.2	1.3	1.4	0.1	-0.1
ASEAN-5 5/	4.1	4.6	4.1	4.1	0.1	0.2
Middle East and North Africa	2.4	1.9	3.2	3.4	0.6	0.0
Emerging Market and Middle-Income Economies	4.7	4.3	4.0	3.9	0.3	0.1
Low-Income Developing Countries	4.1	4.0	4.4	5.0	0.2	-0.2
World Trade Volume (goods and services) 6/	1.0	3.5	2.6	1.9	0.9	-0.6
Advanced Economies	0.2	2.0	1.8	1.2	0.2	-0.8
Emerging Market and Developing Economies	2.3	5.8	3.8	3.2	2.0	0.0
Commodity Prices						
Oil 7/	-16.4	-1.8	-13.9	-5.7	1.6	1.1
Nonfuel (average based on world commodity import weights)	-5.7	3.7	7.9	2.0	3.5	1.8
World Consumer Prices 8/	6.6	5.6	4.2	3.6	-0.1	0.0
Advanced Economies 9/	4.6	2.6	2.5	2.1	0.0	-0.1
Emerging Market and Developing Economies 8/	8.0	7.7	5.4	4.5	-0.1	-0.1

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during May 23 June 20, 2025. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. "..." indicates that data are not available or not applicable. WEO = *World Economic Outlook*.
1/ Difference based on rounded figures for the current and April 2025 WEO forecasts. Countries for which forecasts have been updated relative to April 2025 WEO forecasts account for approximately 90 percent of world GDP measured at purchasing power parity weights.
2/ For World Output (Emerging Market and Developing Economies), the quarterly estimates and projections account for approximately 90 percent (80 percent) of annual world (emerging market and developing economies) output at purchasing power parity weights.

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3/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries

4/ For India, data and projections are presented on a fiscal year (FY) basis, with FY 2023/24 (starting in April 2023) shown in the 2023 column. India's growth projections are 6.7 percent for 2025 and 6.4 percent for 2026 based on calendar year.

5/ Indonesia, Malaysia, Philippines, Singapore, Thailand. ASEAN = Association of Southeast Asian Nations.

6/ Simple average of growth rates for export and import volumes (goods and services).

7/ Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average assumed price of oil in US dollars a barrel, based on futures markets (as of June 26, 2025), is \$68.18 for 2025 and \$64.33 for 2026.

8/ Excludes Venezuela.

9/ The assumed inflation rate for the euro area is 2.0 percent for 2025 and 1.8 percent for 2026, that for Japan is 3.3 percent for 2025 and 2.1 percent for 2026, and that for the United States is 2.8 percent for 2025 and 2.5 percent for 2026.

World Economic Outlook Update July 2025 is available at:

<https://www.imf.org/en/Publications/WEO/Issues/2025/07/29/world-economic-outlook-update-july-2025>

MONETARY POLICY

US FEDERAL RESERVE HOLDS RATES AT 4.25-4.5% AMID ECONOMIC MODERATION AND INFLATION CONCERNS

The Federal Open Market Committee (FOMC) on July 30, 2025, opted to maintain the federal funds target range at 4.25–4.5 percent, signalling a cautious yet balanced approach to monetary policy amid a complex economic backdrop. This decision underscores the Committee’s commitment to its dual mandate of maximum employment and a 2 percent inflation target, while navigating uncertainties in the economic outlook.

Moderation in Economic Activity but Labor Market Remains Resilient

The FOMC’s statement highlights a moderation in economic growth during the first half of the year, influenced notably by swings in net exports. Despite this slowing pace, the labor market continues to exhibit strength, with unemployment rates remaining low and labor conditions robust. This divergence between slowing output growth and resilient employment suggests underlying economic dynamism, though potential vulnerabilities linger.

Inflation Still Elevated, Keeping the Fed on Guard

Inflation remains “somewhat elevated,” a phrase that signals persistent price pressures despite previous tightening measures. The Committee’s vigilance on inflation is evident in its readiness to adjust the federal funds rate “as appropriate” should risks to the inflation outlook or employment goals materialize. This reflects a data-dependent stance, wherein incoming economic data, including inflation readings and labor market developments, will guide future policy.

Division Within the Committee Reflects Uncertainty

Notably, the vote was not unanimous. While the majority supported holding rates steady, two members—Michelle W. Bowman and Christopher J. Waller—preferred a

25 basis points cut at this meeting. Their dissent points to ongoing debates about the balance between sustaining economic growth and controlling inflation, signalling that some policymakers view the current stance as possibly restrictive.

Balance Sheet Reduction and International Considerations

The Committee reiterated its plan to continue reducing its holdings of Treasury securities, agency debt, and mortgage-backed securities. This quantitative tightening complements the interest rate policy to ensure a restrictive monetary environment that supports the inflation objective. Additionally, the Fed’s acknowledgement of “financial and international developments” suggests that global factors, including geopolitical risks and financial market volatility, are integral to its policy considerations.

Market and Economic Outlook

Financial markets had anticipated a pause in rate hikes, reflecting expectations of a data-driven Fed approach. The FOMC’s emphasis on “carefully assess[ing] incoming data” signals potential volatility ahead, contingent on inflation trajectories and labor market performance. The US economy faces a delicate balancing act: fostering sustained growth without reigniting inflation.

Conclusion

The July 30 decision reinforces the Federal Reserve’s cautious yet flexible posture in a landscape marked by moderating growth, a resilient labor market, and persistent inflation. The Committee’s clear commitment to adjusting policy as new risks emerge will be closely watched by markets and policymakers alike, as the path to achieving stable inflation and maximum employment remains nuanced and uncertain.

ECB HOLDS RATES STEADY, SIGNALS DATA-DEPENDENT APPROACH AMID INFLATION STABILIZATION

On July 24, 2025, the European Central Bank (ECB) opted to keep its three key interest rates unchanged, reaffirming its cautious but steady approach to monetary policy in the face of a complex economic backdrop. The Governing Council underscored that inflation in the euro area currently aligns with its medium-term target of 2 percent, marking a notable achievement after years of inflationary volatility.

Economic Activity and Labour Market Resilience

The ECB highlighted that eurozone economic activity demonstrated resilience despite global challenges. Early in the year, growth exceeded expectations partly due to frontloaded exports ahead of anticipated tariff hikes, alongside robust private consumption and investment. However, the pace of expansion has since moderated amid heightened geopolitical tensions, including trade disputes, and a stronger euro, which have dampened business confidence and investment appetite.

The labour market remains a pillar of strength, with unemployment steady at 6.3 percent—near the lowest levels since the euro’s inception—and wage growth moderating. Real incomes are rising, and credit conditions are easing, particularly in the housing sector, which supports domestic demand. Public investment in defence and infrastructure is also anticipated to bolster growth over the medium term.

Inflation Dynamics and Outlook

Inflation stood at 2.0 percent in June, up slightly from 1.9 percent in May. While energy prices increased, they remain below last year’s levels. Food inflation has softened modestly, goods inflation remains subdued, and services inflation edged higher, reflecting a nuanced inflationary environment. Crucially, underlying inflation measures and wage growth indicators point toward a gradual easing of inflation pressures.

The ECB noted slower growth in unit labour costs supported by productivity gains and expects wage growth to decline further based on forward-looking indicators such as

wage trackers and surveys. Longer-term inflation expectations remain anchored near the 2 percent target, providing confidence in inflation's stabilization.

Risks and Uncertainties: A Tilt Toward the Downside

The ECB emphasized that risks to economic growth remain skewed to the downside. Escalating trade tensions and geopolitical conflicts, including the war in Ukraine and unrest in the Middle East, pose threats to global trade, investment, and market sentiment. A potential deterioration in financial markets could tighten financing conditions, further restraining consumption and business activity.

Conversely, a swift resolution of trade and geopolitical tensions could enhance sentiment and invigorate growth. The ECB also pointed to the importance of structural reforms, fiscal discipline, and investment in innovation and infrastructure to enhance productivity, competitiveness, and economic resilience.

Inflation risks are described as more uncertain than usual, with the potential for lower inflation should the euro strengthen further or trade frictions suppress demand. However, inflation could surprise to the upside if supply chain disruptions or increased public spending intensify price pressures. The ECB also acknowledged the long-term impact of climate change and extreme weather on food prices.

Monetary and Financial Conditions

While longer-term interest rates have increased since the last policy meeting, borrowing costs for firms have decreased thanks to earlier rate cuts. Lending conditions remain broadly stable, supported by competitive credit markets, although firms remain cautious due to global uncertainties.

Mortgage lending showed modest growth with steady interest rates, and credit standards tightened slightly amid rising demand. The ECB's data-dependent, meeting-by-meeting approach indicates flexibility to adjust policy as economic and financial conditions evolve.

Conclusion

The ECB's decision to maintain rates reflects a balanced assessment: inflation is on track, but risks remain high. The Governing Council remains committed to its dual mandate of price stability and supporting economic growth. It will continue to monitor incoming data closely, ready to adjust its monetary stance to ensure inflation sustainably returns to 2 percent while safeguarding financial market stability.

This cautious, data-driven approach underscores the ECB's readiness to respond flexibly amid ongoing geopolitical uncertainties and economic headwinds, balancing the need to support the eurozone economy without compromising its inflation target.

BANK OF JAPAN MAINTAINS 0.5% POLICY RATE AMID ECONOMIC UNCERTAINTIES

On July 31, 2025, the Bank of Japan (BOJ) announced its decision to keep the uncollateralized overnight call rate at around 0.5%, following a unanimous vote by its Policy Board. This move underscores the BOJ's cautious approach to monetary policy amid ongoing global economic uncertainties and domestic inflationary pressures.

Economic Context and Inflation Trends

Recent data indicates that inflation in Japan has been gradually easing. In Tokyo, consumer inflation showed signs of moderating, providing some relief to the central bank. However, the BOJ remains vigilant, as underlying inflationary pressures persist, influenced by factors such as food prices and global supply chain disruptions .

Global Economic Influences

The BOJ's decision also reflects its assessment of the global economic environment. Trade tensions, particularly between the U.S. and other major economies, have introduced volatility into global markets. The BOJ is closely monitoring these developments, as they could impact Japan's export-driven economy and overall economic stability .

Monetary Policy Strategy

By maintaining the current policy rate, the BOJ aims to balance supporting economic growth with controlling inflation. The central bank's cautious stance suggests that it is prioritizing economic stability over aggressive monetary tightening, which could have unintended consequences in the current uncertain global economic climate.

Market Reactions and Future Outlook

Financial markets have responded with cautious optimism to the BOJ's decision. Investors are closely watching for any signs of future policy adjustments, depending on how domestic inflation trends and global economic conditions evolve. The BOJ has indicated its readiness to adjust its policy stance as necessary, emphasizing its commitment to achieving its price stability target.

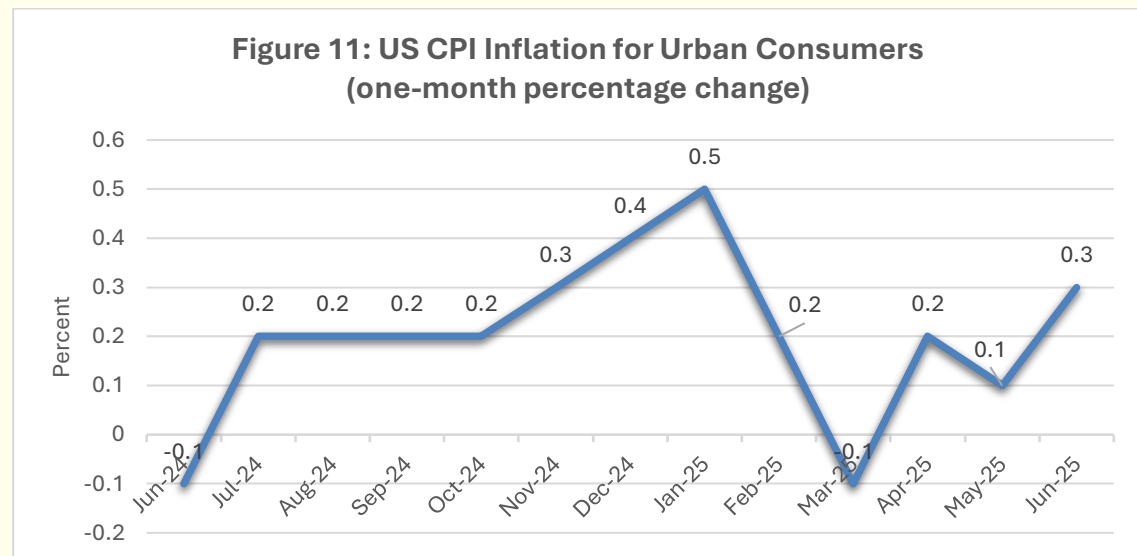
Conclusion

The BOJ's decision to maintain the policy rate at 0.5% reflects a prudent approach to navigating the complex economic landscape. While inflation shows signs of easing, the central bank remains alert to potential risks, both domestic and international, that could affect Japan's economic trajectory. As such, the BOJ's future policy decisions will likely continue to be data-dependent, with a focus on ensuring economic stability and achieving its inflation target.

INFLATION

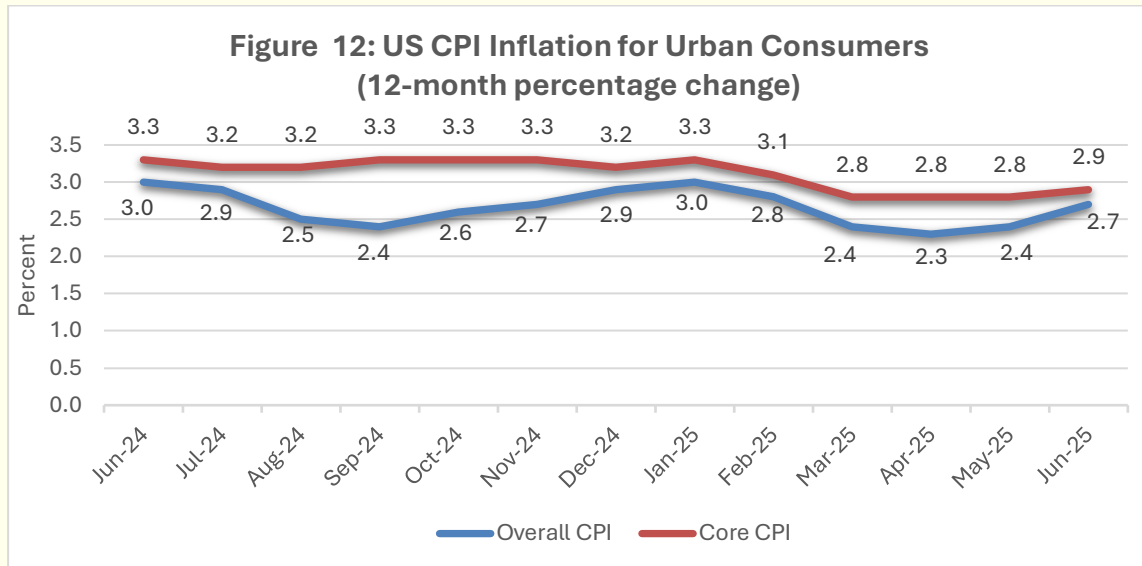
U.S. JUNE CPI HOLDS AT 2.7% AS TARIFF EFFECTS BEGIN TO SURFACE

The U.S. Consumer Price Index (CPI) for June 2025 rose 0.3% month-over-month (from May's 0.1%) (Figure 11) and 2.7% year-over-year (Figure 12), signalling a modest increase in inflation while maintaining alignment with market expectations.



Note: Seasonally adjusted changes from preceding month

Source: US Bureau of Labor Statistics



Note: Un-adjusted 12-months.

Source: US Bureau of Labor Statistics

CPI Breakdown: What's Moving the Numbers?

- **Shelter** costs contributed significantly to the monthly increase, up 0.2%.
- **Energy** rose 0.9%, led by a 1% uptick in gasoline; however, energy prices remain down 0.8% year-over-year.
- **Food** prices rose 0.3% overall, with modest increases in both at-home (+0.3%) and away-from-home (+0.4%) dining.
- **Core inflation** (excluding food and energy) increased 0.2% monthly and stands at 2.9% annually.

Tariff Impact Begins to Reflect in Prices

The Wall Street Journal highlighted that businesses are starting to pass tariff-related costs to consumers, particularly in core goods—a trend likely to weigh on future inflation dynamics.

Economists and the media referred to this as evidence that tariffs are "starting to bite," especially with accelerating price pressures in groceries, clothing, and household items. UBS has flagged that core goods inflation rose at its fastest pace in three years, reinforcing concerns over persistent inflation driven by trade policy.

Financial Market and Fed Implications

Markets responded cautiously to the CPI report. Treasury yields edged higher, and the dollar strengthened as investors interpreted the numbers as supportive of a continued cautious stance from the Federal Reserve.

Analysts note that while the numbers align with forecasted expectations, interpretations of market reaction varied—underscoring the influence of technical factors and market psychology beyond fundamentals. Still, with inflation sticking above the Fed’s 2% target, the case for delaying rate cuts strengthens.

Broader Context and Outlook

Although inflation has trended downward from 2022 peaks, the June data reinforce the complexity of the current environment where tariffs, energy prices, and shelter remain as key drivers. A Wall Street Journal roundtable noted that while the labor market shows resilience and markets are near record levels, diverging consumer experiences and investment hesitance due to trade uncertainty cloud the outlook.

Moreover, the CPI report arrives amid concerns over the reliability of secondary and regional CPI measures, following staffing constraints at the Bureau of Labor Statistics, although overall CPI values remain unaffected.

Conclusion

June’s CPI report shows inflation edging higher but remaining within forecasted bounds. The influence of tariffs is emerging more clearly, especially in core goods, while long-standing drivers like shelter continue to exert upward pressure. The Federal Reserve is likely to use this data to justify a cautious approach to rate cuts, pending clearer inflation and labor market trends.

UK INFLATION RISES TO 3.6% IN JUNE AS FUEL COSTS DRIVE PRICE GAINS

UK consumer price inflation edged higher in June 2025, with both headline and core measures reflecting persistent price pressures despite signs of moderation in some sectors.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose 4.1% year-on-year in June, up from 4.0% in May (Figure 13). On a monthly basis, CPIH increased 0.3%, compared with a 0.2% rise in June 2024. The narrower Consumer Prices Index (CPI), the UK's most widely cited inflation measure, climbed 3.6% year-on-year, up from 3.4% the previous month, with a monthly gain of 0.3%, outpacing the 0.1% increase recorded a year earlier.

Drivers of the Increase

Transport costs—particularly motor fuels—were the single largest contributor to the uptick in both CPIH and CPI annual rates. This aligns with recent global oil price volatility and higher pump prices across the UK. The Office for National Statistics (ONS) noted that rising petrol and diesel costs had a clear month-on-month impact, reversing some of the earlier easing in transport inflation.

In contrast, housing and household services exerted a partially offsetting effect on CPIH, mainly due to a decline in owner occupiers' housing costs, which softened the overall upward movement.

Core Inflation: Persistent Price Pressures

Core measures, which strip out volatile components such as energy, food, alcohol, and tobacco, also saw a mild rise:

- Core CPIH rose 4.3% year-on-year, up from 4.2% in May.
 - Core CPI increased to 3.7% from 3.5% in the prior month.
-

Driving Policy, Empowering Progress

Within CPIH, the goods inflation rate climbed from 2.0% to 2.4%, reflecting cost pressures in manufacturing and imported products, while services inflation—a key indicator of domestically driven price growth—eased slightly from 5.3% to 5.2%. For CPI, goods inflation mirrored the rise from 2.0% to 2.4%, but services inflation remained steady at 4.7%.

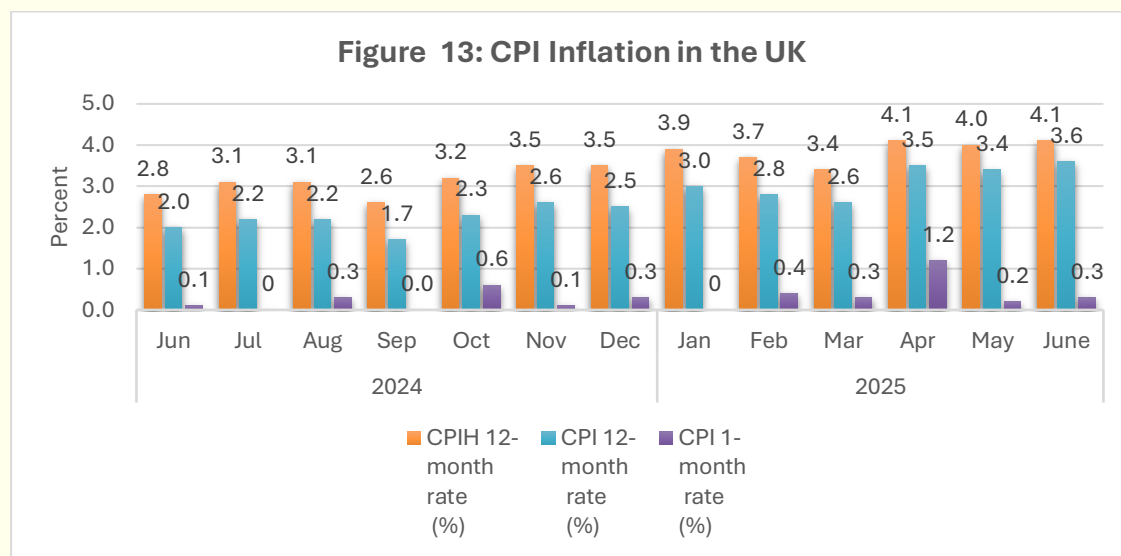
Policy and Market Implications

The June inflation figures complicate the Bank of England's policy outlook. While headline CPI remains well above the 2% target, the modest uptick—driven largely by volatile fuel prices rather than broad-based acceleration—may temper calls for further monetary tightening. However, the persistence of core inflation, particularly in services, underscores the challenge of bringing price growth sustainably back to target.

Financial markets have been pricing in a gradual policy easing cycle in late 2025, contingent on sustained disinflation. The latest data suggest that while the path toward 2% is still intact, short-term volatility from energy and imported goods could cause intermittent spikes, making the Bank cautious in its timing of rate cuts.

Outlook

Looking ahead, the trajectory of UK inflation will hinge on global commodity prices, exchange rate movements, and domestic wage growth. With labour markets still relatively tight and real wages rising, service-sector inflation could remain sticky even if goods price pressures moderate. For now, June's data is a reminder that while the UK's inflation battle has made progress since the 2022–23 peaks, it is far from over.



Source:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>

EURO AREA INFLATION EDGES UP TO 2% IN JUNE 2025, SERVICES REMAIN KEY DRIVER

Euro area annual inflation inched up to 2.0% in June 2025, from 1.9% in May (Figure 14), according to the latest Eurostat release. The figure aligns closely with the European Central Bank's (ECB) medium-term target, offering policymakers breathing space amid ongoing global trade uncertainties. For the broader European Union, annual inflation rose to 2.3% from 2.2% a month earlier. Both readings are lower than a year ago, when euro area inflation stood at 2.5% and EU inflation at 2.6%.

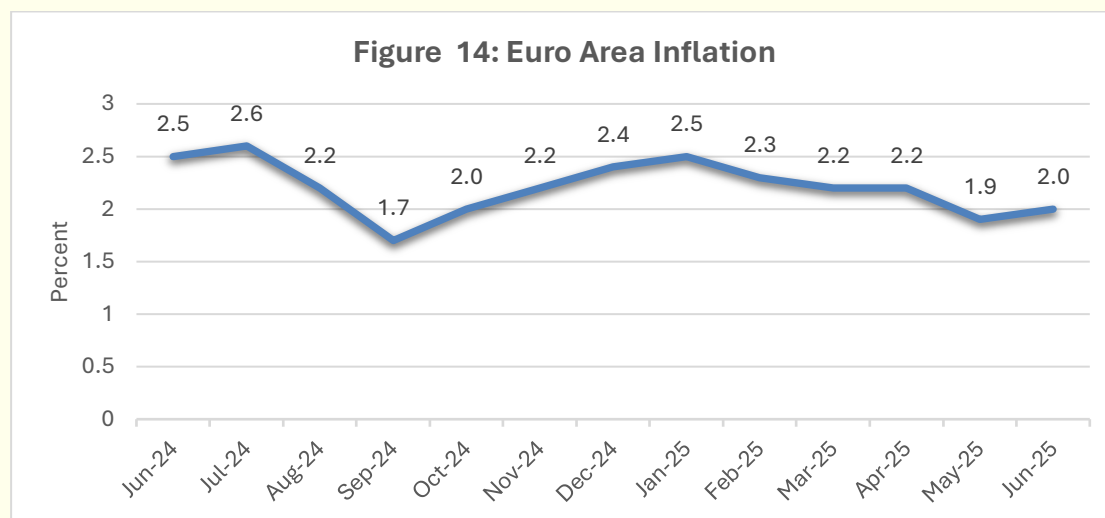
The June data show considerable variation across member states. The lowest annual rates were recorded in Cyprus (0.5%), France (0.9%), and Ireland (1.6%), reflecting subdued domestic price pressures. By contrast, Romania posted the highest inflation at 5.8%, followed by Estonia (5.2%), and Hungary and Slovakia (both 4.6%), highlighting persistent regional disparities. Compared with May, annual inflation rose in twenty-two Member States and fell in only five, indicating a broadly upward trend in price dynamics.

A breakdown of contributions reveals that services were once again the dominant driver of price growth, adding 1.51 percentage points (pp) to the headline rate. Food, alcohol, and tobacco followed, contributing 0.59 pp, while non-energy industrial goods added a modest 0.13 pp. Energy remained a deflationary force, subtracting 0.25 pp from the overall figure — a continuation of the downward trend in global energy prices over the past year.

The uptick in services inflation underscores ongoing domestic cost pressures, particularly in labour-intensive sectors such as hospitality, travel, and personal services. While falling energy prices and easing supply chain constraints have moderated goods inflation, wage growth in the services sector has proven more persistent.

For the ECB, which kept rates unchanged at its July meeting, the June data suggest that inflation remains broadly anchored around the 2% target. However, underlying risks persist. Trade tensions, a stronger euro, and uneven economic performance across member states could all influence the inflation trajectory in the second half of 2025. At the same time, structural factors such as rising public investment in defence and infrastructure, as noted by ECB President Christine Lagarde, could add to medium-term demand pressures.

The latest figures will be closely scrutinised ahead of the ECB's September policy meeting, where incoming data on wage growth, services inflation, and trade developments will likely shape the discussion on whether to maintain the current policy stance or recalibrate it in response to evolving risks.



Source: Eurostat

CHINA'S CONSUMER INFLATION TURNS POSITIVE IN JUNE 2025, ENDING THREE-MONTH DEFLATIONARY TREND

China's annual consumer price inflation rose to 1.0% in June 2025 (Figure 15), rebounding sharply from a 0.1% decline in May and marking the first significant positive reading in months. The turnaround suggests that domestic demand is slowly recovering, though questions remain about the sustainability of this momentum amid a still-fragile economic backdrop.

The rebound was driven largely by a combination of higher food prices and a modest recovery in consumer services demand. Pork prices, a key component of China's food basket, saw a notable uptick after months of subdued performance, while fresh vegetable prices also firmed on the back of weather-related supply constraints. On the services side, summer travel and leisure spending provided a seasonal boost to hospitality and transport-related prices.

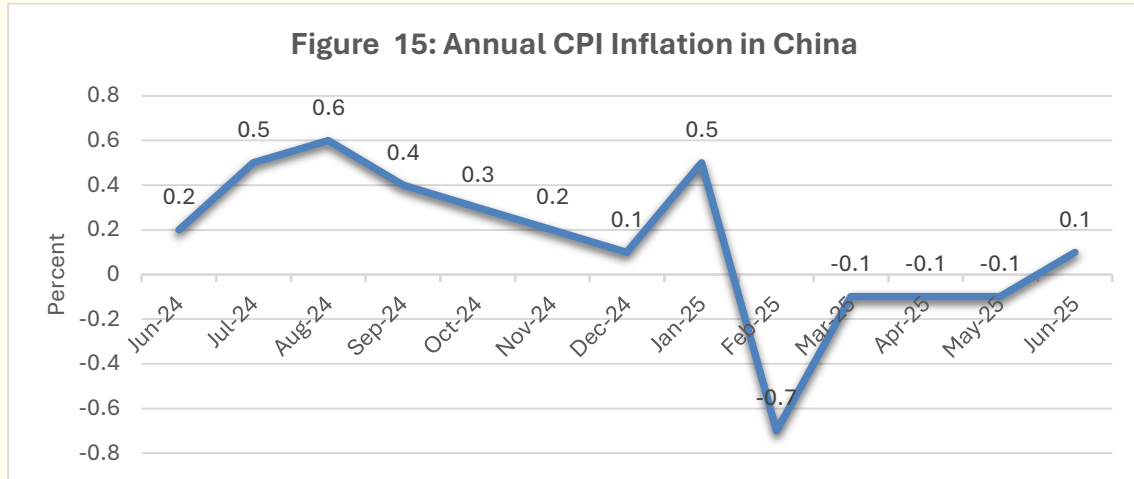
The June inflation reading follows a prolonged period of near-zero or negative CPI growth, reflecting weak consumer confidence, subdued household income growth, and a soft property market. While the 1% rise signals progress toward Beijing's official inflation target of "around 3%" for 2025, the figure still points to a moderate price environment compared to historical averages.

Economists caution that the recovery in prices may not be linear. “While the June data show a welcome lift in consumer inflation, the underlying demand picture is still mixed,” noted one Beijing-based analyst. “Sustained improvement will require stronger household consumption and more decisive fiscal support.”

The People’s Bank of China (PBoC) has maintained an accommodative monetary policy stance, aiming to stabilise growth and shore up demand. However, with producer prices still under pressure and export growth slowing due to global trade frictions, policymakers may find it challenging to engineer a more robust inflationary trend without risking financial imbalances.

Looking ahead, much will depend on the effectiveness of recent stimulus measures, including infrastructure spending commitments and targeted support for the housing sector. If domestic demand strengthens further in the second half of 2025, inflation could trend higher toward the government’s target. However, persistent global uncertainties — from US-China trade tensions to volatile commodity markets — remain key risks.

The June CPI data will likely ease deflation concerns in the short term and may bolster market sentiment, but it also underscores the delicate balancing act facing Chinese policymakers: stimulating demand without fuelling excessive debt or asset bubbles.



Source: <https://tradingeconomics.com/china/inflation-cpi>

JAPAN'S INFLATION EASES TO 3.3% IN JUNE 2025, BUT FOOD PRICES SURGE ON SOARING RICE COSTS

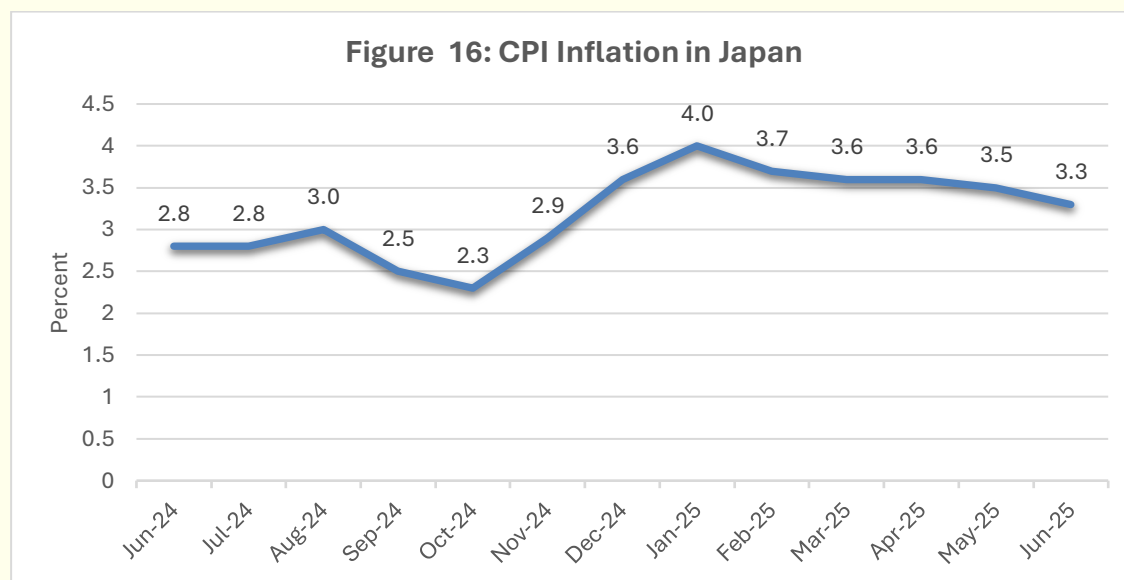
Japan's annual consumer price inflation cooled to 3.3% in June 2025 from 3.5% in May (Figure 16), marking its lowest reading since November 2024. The slowdown was driven primarily by softer gains in energy and several consumer categories, but a sharp rise in food prices — led by a doubling of rice prices — kept price pressures elevated.

Electricity prices rose at a much slower pace of 5.5% year-on-year compared with 11.3% in May, while gas price growth eased to 2.7% from 5.4%. Housing inflation moderated slightly to 1.0% from 1.1%, transport to 2.4% from 2.7%, and household items to 2.7% from 3.0%. Healthcare costs slowed to 1.5% from 2.0%, recreation to 2.8% from 3.0%, and miscellaneous goods to 1.2% from 1.3%. Education costs continued their deep decline at -5.6%, unchanged from the previous month.

In contrast, communication costs accelerated sharply to 5.9% from 1.9%, while clothing inflation held steady at 2.6%. The food sector, however, became the standout driver of price pressures, with prices rising 7.2% — the fastest pace since March — after a 6.5% increase in the prior two months. The jump was almost entirely due to rice prices skyrocketing by 100.2% year-on-year, as supply disruptions and adverse weather offset government measures aimed at stabilizing staple food costs.

Core inflation, which excludes fresh food but includes energy, matched the headline rate at 3.3%, down from 3.7% in May, indicating a three-month low. On a monthly basis, consumer prices rose just 0.1%, easing from May's 0.3% increase.

The June data underscores a mixed inflation picture for the Bank of Japan. While energy-driven price pressures continue to fade, surging food costs and strong service inflation in select categories highlight persistent upside risks. Policymakers will have to weigh these dynamics carefully against the backdrop of their July 31 decision to maintain the overnight call rate at 0.5% as part of a gradual normalization strategy.



Source: <https://tradingeconomics.com/japan/inflation-cpi>

RUSSIA'S INFLATION EASES TO 9.4% IN JUNE 2025, LOWEST IN SEVEN MONTHS BUT STILL FAR ABOVE TARGET

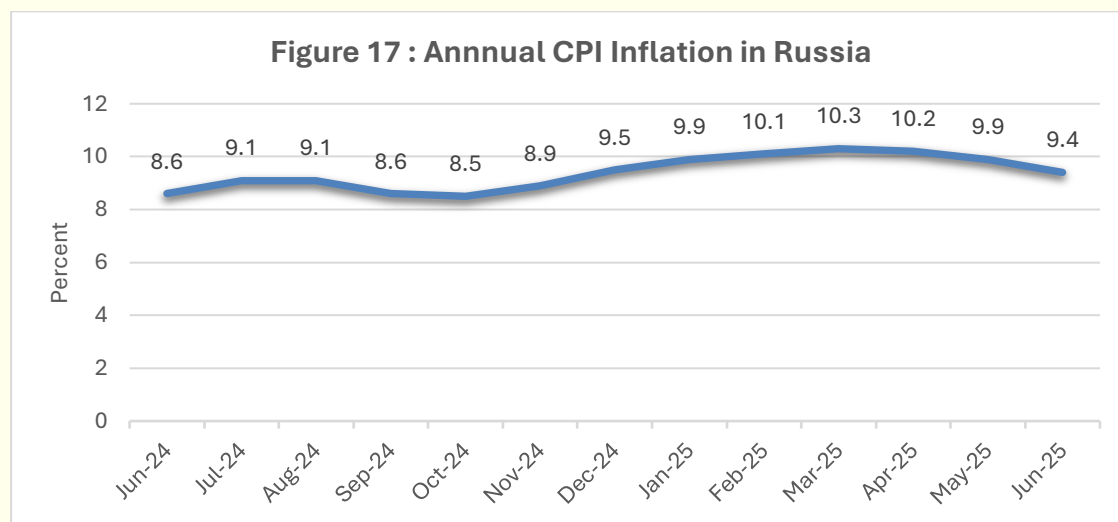
Russia's annual consumer price inflation eased for the third consecutive month in June 2025, slowing to 9.4% from 9.9% in May (Figure 17) — the lowest rate since November 2024. Despite the moderation, inflation remains more than double the Bank of Russia's 4% target, underscoring the persistent challenges facing policymakers as they navigate elevated price pressures amid a volatile economic backdrop.

Driving Policy, Empowering Progress

The slowdown was broad-based across key categories. Food price growth eased to 11.9% from 12.5% in May, driven primarily by a sharp deceleration in fruit and vegetable inflation to 15.3% from 19.8%. Services inflation also cooled, dipping to 12.0% from 12.6%, while non-food products saw a marginal slowdown to 4.5% from 4.8%.

On a monthly basis, consumer prices rose 0.2% in June, down from a 0.4% increase in May, signaling a gradual tempering of short-term price momentum.

The latest data comes against the backdrop of the Bank of Russia's continued tight monetary policy stance, aimed at reining in entrenched inflationary pressures amid robust domestic demand, supply chain frictions, and the lingering impact of sanctions. While the moderation offers some relief, the current inflation level suggests that policy easing is unlikely in the near term, with further vigilance required to anchor inflation expectations closer to target.



Source: <https://tradingeconomics.com/russia/inflation-cpi>

BRAZIL'S INFLATION INCHES UP TO 5.35% IN JUNE 2025, ELECTRICITY COSTS DRIVE GAINS

Brazil's annual consumer price inflation edged higher to 5.35% in June 2025 from 5.32% in May (Figure 18), marking the ninth consecutive month above the Banco

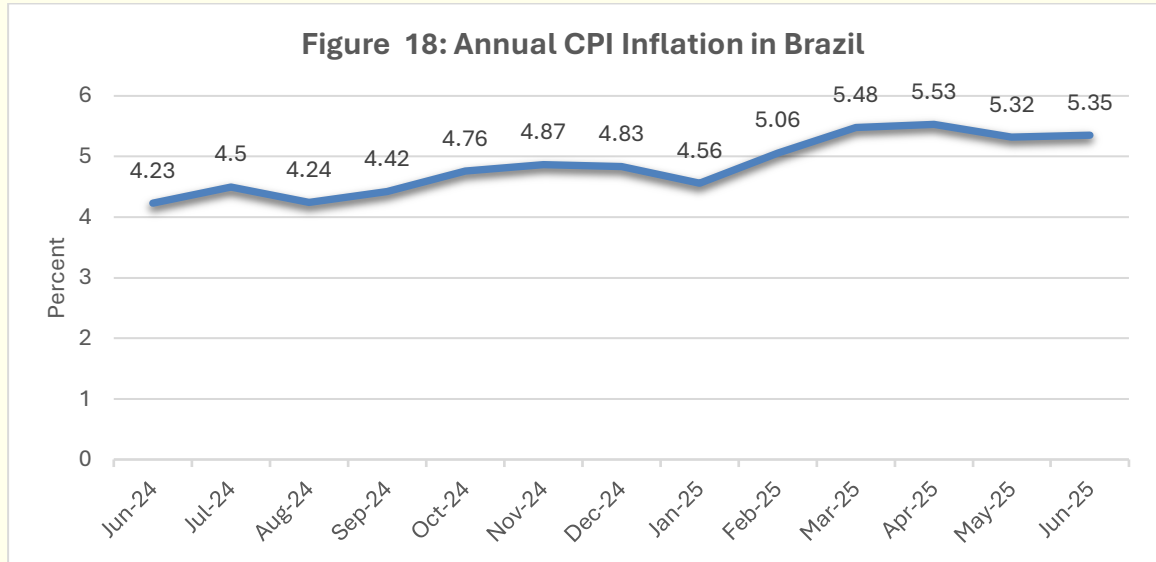
Central do Brasil's upper target ceiling of 4.5%. The marginal uptick underscores the persistent nature of price pressures, even as some categories showed signs of moderation.

The June acceleration was fuelled primarily by higher costs in transport (5.11% vs 4.64% in May), housing (5.30% vs 4.53%), communication (2.16% vs 1.96%), and clothing (4.68% vs 3.92%). The most significant driver came from a jump in residential electricity prices, which surged 2.96% following the implementation of the Red Flag Level 1 tariff — a measure adding BRL 4.46 to electricity bills for every 100 kWh consumed. This policy was introduced in response to rising generation costs and lower hydropower output, pushing energy prices sharply higher.

On the other hand, inflationary pressures eased in several key sectors. Food prices fell to 6.66% from 7.33% annually, reflecting a 0.18% month-on-month decline in June. Healthcare inflation slowed to 5.16% from 5.66%, while personal expenses, education, and household items also saw modest deceleration.

On a monthly basis, consumer prices rose 0.24%, slightly below May's 0.26%, signalling a modest tempering of near-term price momentum despite the electricity shock.

The persistence of inflation above the central bank's target ceiling will likely keep monetary policy in restrictive territory for longer. While easing food prices offer some relief to households, the pass-through from energy costs and still-robust services inflation may delay any significant rate cuts. Analysts suggest that without a meaningful slowdown in core inflation, the Banco Central do Brasil will be cautious in shifting towards a more accommodative stance.



Source: <https://tradingeconomics.com/brazil/inflation-cpi>

FOOD & AGRICULTURE

FROM SUGAR SLUMP TO DAIRY SURGE: FAO'S JUNE 2025 FOOD PRICE DYNAMICS

The FAO Food Price Index (FFPI) averaged 128.0 points in June 2025 (Table 7), representing a modest 0.5 percent increase from May. While cereal and sugar prices declined, these decreases were offset by price gains in dairy products, meat, and vegetable oils. Despite this monthly uptick, the FFPI remains 32.2 points (20.1 percent) below its record high of March 2022, though it stands 5.8 percent higher year-on-year compared to June 2024.

Cereals

The FAO Cereal Price Index dropped to 107.4 points, down 1.5 percent from May and 6.8 percent lower than a year ago. Maize prices fell sharply for a second consecutive month due to abundant supplies from Argentina and Brazil, intensifying competition among major exporters. Sorghum and barley also experienced price declines. In contrast, wheat prices rose despite harvest pressure, mainly due to adverse weather in Russia, the EU, and the USA. Rice prices slipped 0.8 percent, driven by weaker demand for Indica varieties.

Vegetable Oils

The FAO Vegetable Oil Price Index climbed to 155.7 points, up 2.3 percent month-on-month and 18.2 percent higher year-on-year. Price gains in palm, soy, and rapeseed oils outweighed a slight decline in sunflower oil. Palm oil rose nearly 5 percent on strong global import demand and improved competitiveness. Soy oil prices increased on expectations of higher biofuel demand in Brazil and the USA, while rapeseed oil strengthened amid concerns of tight supplies in 2025/26. Sunflower oil prices eased as higher production is anticipated in the Black Sea region.

Meat

The FAO Meat Price Index reached 126.0 points, rising 2.1 percent from May and 6.7 percent year-on-year, marking a record high. Prices for bovine, pig, and ovine meats rose due to tight supplies and firm import demand. Bovine meat hit a peak as Brazil reduced exports while the US market pulled in supplies, lifting Australian prices. Pig meat increased amid stable supply and strong demand, and ovine meat saw a sharp third-month rise on limited exports from Oceania. Poultry prices, however, continued to fall due to oversupply in Brazil following temporary avian influenza export restrictions, later partially offset as restrictions eased.

Dairy

The FAO Dairy Price Index stood at 154.4 points, a 0.5 percent increase from May and a sharp 20.7 percent rise year-on-year. Butter prices saw the largest jump, climbing 2.8 percent to a record 225 points due to tight supplies in Oceania and the EU and robust Asian demand. Production slowed in New Zealand, while EU herd reductions from environmental regulations and bluetongue virus outbreaks constrained supply. In the USA, lower butter output and declining stocks further tightened markets. Cheese prices increased for a third month on steady demand in East Asia, while skim milk and whole milk powders fell 0.6 percent and 2.3 percent, respectively, on ample supply and softer demand.

Sugar

The FAO Sugar Price Index averaged 103.7 points, down 5.2 percent from May, the fourth straight monthly decline and the lowest level since April 2021. Improved supply prospects in Brazil, where dry weather accelerated harvesting and boosted sugar output, drove prices lower. Additionally, favourable early monsoon rains and expanded planting in India and Thailand improved crop expectations for 2025/26, adding to global supply optimism.

Overall, June 2025 witnessed mixed price trends, with dairy and meat markets pushing food costs higher while cereals and sugar offered some relief. Vegetable oil prices also strengthened significantly, highlighting continued volatility in global agri-commodity markets.

Table 7: FAO Food Price Index (FFPI)

	<i>Food Price Index</i>	<i>Meat</i>	<i>Dairy</i>	<i>Cereals</i>	<i>Oils</i>	<i>Sugar</i>
<i>June 2024</i>	121.0	118.1	127.9	115.2	131.8	119.4
<i>July 2024</i>	120.9	120.0	127.9	110.7	135.0	119.5
<i>August 2024</i>	121.7	122.0	131.3	110.2	136.1	113.9
<i>September 2024</i>	124.6	119.9	136.5	113.6	142.4	126.3
<i>October 2024</i>	126.9	119.2	139.0	114.4	152.7	129.6
<i>November 2024</i>	127.7	118.7	140.0	111.4	164.1	126.4
<i>December 2024</i>	127.4	119.6	141.9	111.4	162.1	119.3
<i>January 2025</i>	124.7	116.7	143.1	111.8	153.0	111.2
<i>February 2025</i>	126.6	116.9	147.7	112.6	156.0	118.5
<i>March 2025</i>	127.2	118.3	148.7	109.7	161.8	116.9
<i>April 2025</i>	128.2	121.6	151.7	110.9	158.0	112.3
<i>May 2025</i>	127.3	123.4	153.6	109.0	152.2	109.4
<i>June 2025</i>	128.0	126.0	154.4	107.4	155.7	103.7

Source: <https://w.w.fao.org/worldfoodsituation/foodpricesindex/en>

GLOBAL FINANCIAL MARKETS IN JULY 2025 — NASDAQ AND ASIA OUTPACE, EUROPE STEADIES

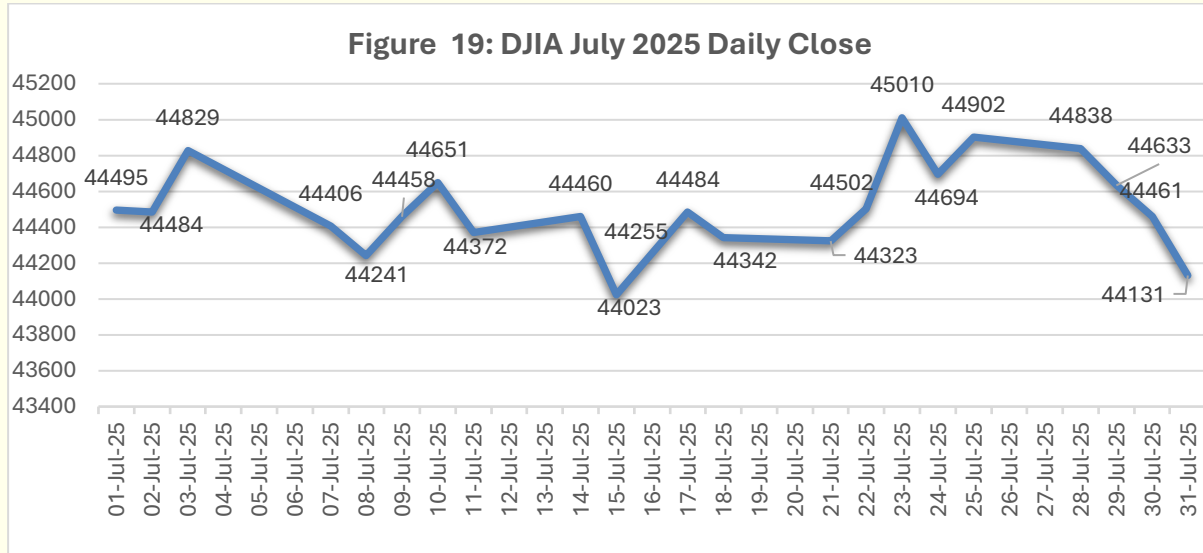
US MARKETS — JULY 2025: BROAD GAINS, TECH LEADERSHIP

Introduction

U.S. equity markets finished July 2025 on a cautiously bullish note with the large-cap benchmarks exhibiting divergent returns: the Nasdaq outperformed, the S&P 500 posted modest gains, and the Dow ended the month slightly down. Market action through July was influenced by strong corporate buyback activity, investor focus on earnings, and recurring tariff-related headlines that caused intermittent volatility.

Dow Jones Industrial Average (DJIA)

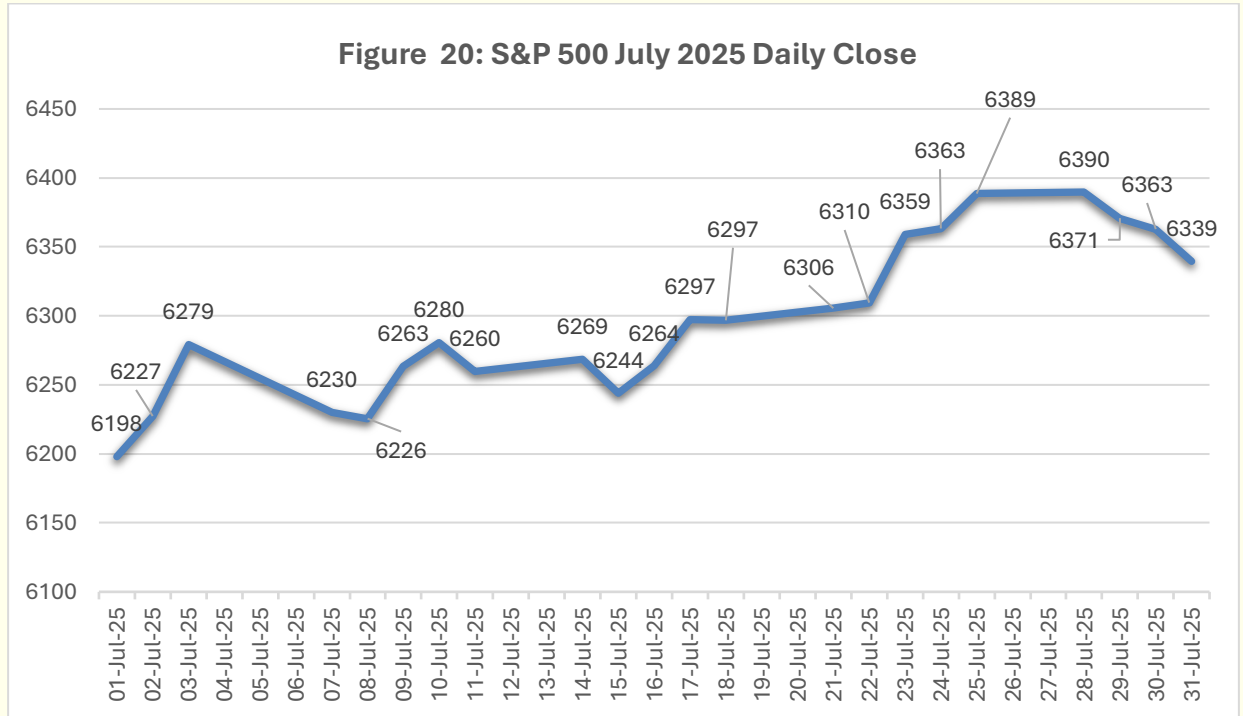
The DJIA opened the month at 44,495 on 1 July and closed at 44,131 on 31 July (Figure 19) — a decline of about -0.82% over the month (start \rightarrow end). The Dow displayed relatively narrow trading ranges with several intramonth moves up and down; the index's mid-month levels around 44,500–45,000 represented short-lived highs before late-month profit taking pushed the average lower. The modest decline implies that while large industrials participated in the summer rally sporadically, strength was concentrated elsewhere in the market



Source: <https://www.wsj.com/market-data/quotes/index/DJIA/historical-prices>

S&P 500

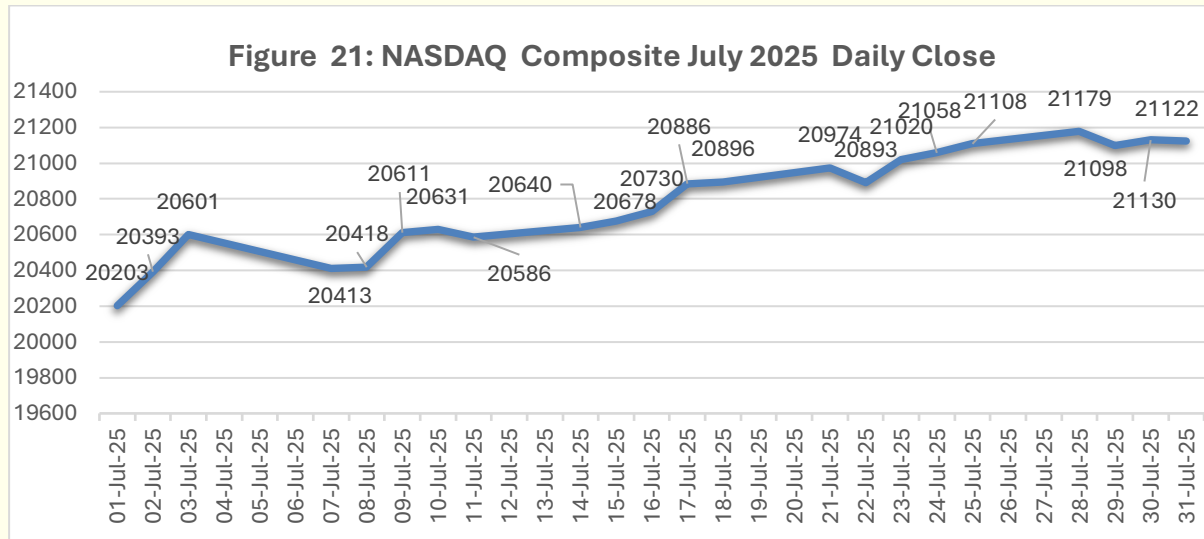
The S&P 500 began July at 6,198 and closed at 6,339 (Figure 20), registering a gain of $\approx +2.27\%$ for the month (start \rightarrow end). The S&P's pattern in July included several record and near-record closes as investors rotated into large-cap growth and technology names late in the month; *WSJ* live coverage highlighted S&P record runs and weekly recoveries around the end of July. Those record levels reflect investor appetite for earnings beats and buybacks even amid external policy uncertainty.



Source: <https://www.wsj.com/market-data/quotes/index/SPX/historical-prices>

NASDAQ Composite Index

The Nasdaq posted the strongest advance among the major U.S. benchmarks: it opened at 20,203 and finished 21,122 (Figure 21), a rise of $\approx +4.55\%$ in July. The Nasdaq's outperformance underlines continued strength in technology and growth stocks, which led flows into equity funds for the month and helped Nasdaq climb to fresh intramonth highs. *WSJ* reporting across July noted that tech shares were the primary engine of July gains in U.S. markets.



Source: <https://www.wsj.com/market-data/quotes/index/COMP/historical-prices>

July 2025 was a month of selective strength for U.S. equities: strong performance concentrated in growth/tech (Nasdaq) and broad support for the S&P 500, while the Dow—more weighted to industrials and financials—lagged slightly. Corporate buybacks and supportive earnings were important positive drivers, while tariff headlines and macro data were the principal sources of intra-month volatility.

EUROPEAN FINANCIAL MARKETS — JULY 2025: STEADY RECOVERY, SELECTIVE STRENGTH

Introduction

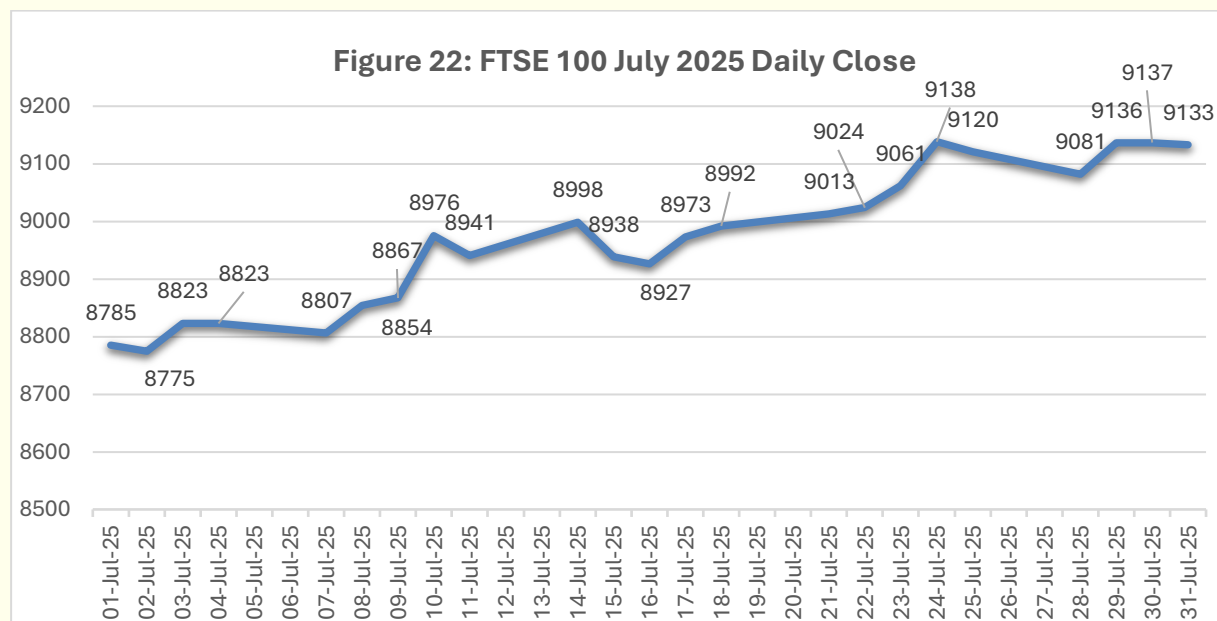
European markets moved higher through July, led by rebounds in UK and continental bourses. European indices responded to a mix of region-specific macro signals and broader global investor sentiment that was shaped by U.S. equity strength and trade/tariff developments. *WSJ* coverage in late-July captured the interplay between trade negotiations and European market moves

FTSE 100

The FTSE 100 moved from 8,785 (1 July) to 9,133 (31 July) (Figure 22), delivering a gain of $\approx +3.96\%$. The month featured a steady uptrend, with the index making most of its gains in the second half of July. The FTSE's advance suggests investor preference

Driving Policy, Empowering Progress

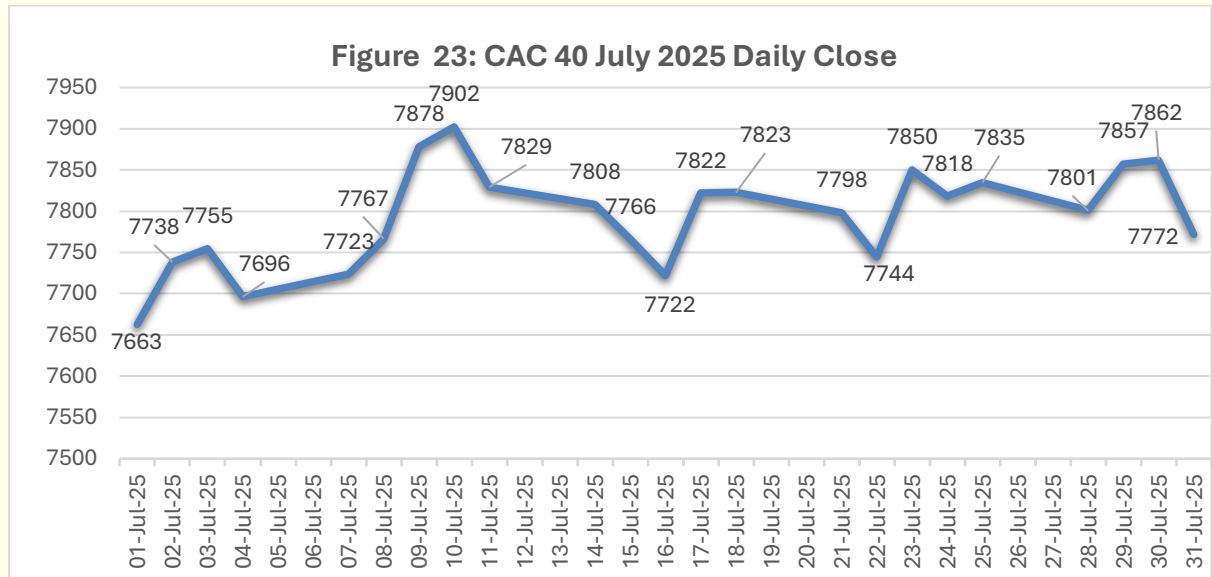
for commodity and financial exposure that benefits from higher global activity expectations and selected domestic resilience.



Source: <https://www.wsj.com/market-data/quotes/index/UK/UKX/historical-prices>

CAC 40

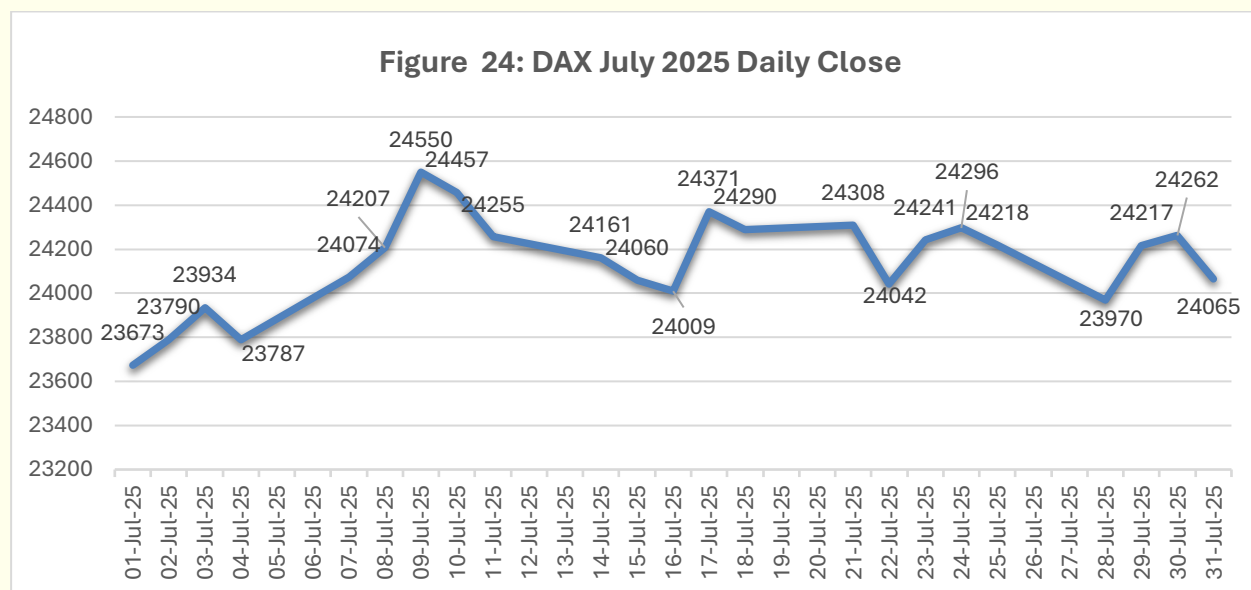
France's CAC 40 rose from 7,663 to 7,772 (Figure 23), about +1.42% for July. The CAC's advance was more muted and punctuated by pullbacks in mid-month; sectoral leadership within France was somewhat mixed, with pockets of strength in exporters and select cyclical names late in the month.



Source: <https://www.wsj.com/market-data/quotes/index/FR/PX1/historical-prices>

DAX

Germany's DAX increased from 23,673 to 24,065 (Figure 24), a gain of $\approx +1.66\%$. The DAX exhibited moderate gains, reflecting selective optimism about industrial demand and corporate earnings, though performance lagged the FTSE's more pronounced move. DAX action suggests investor caution around German industrial cyclicalities even as the broader EU market improved.



Source: <https://www.wsj.com/market-data/quotes/index/DX/DAX/historical-prices>

European markets posted steady though heterogeneous gains in July 2025. The FTSE outpaced continental indices, while the CAC and DAX produced modest positive returns. Overall, Europe benefited from global risk-on flows and pockets of positive earnings and trade sentiment, but regional structural concerns and sensitivity to trade headlines kept gains measured.

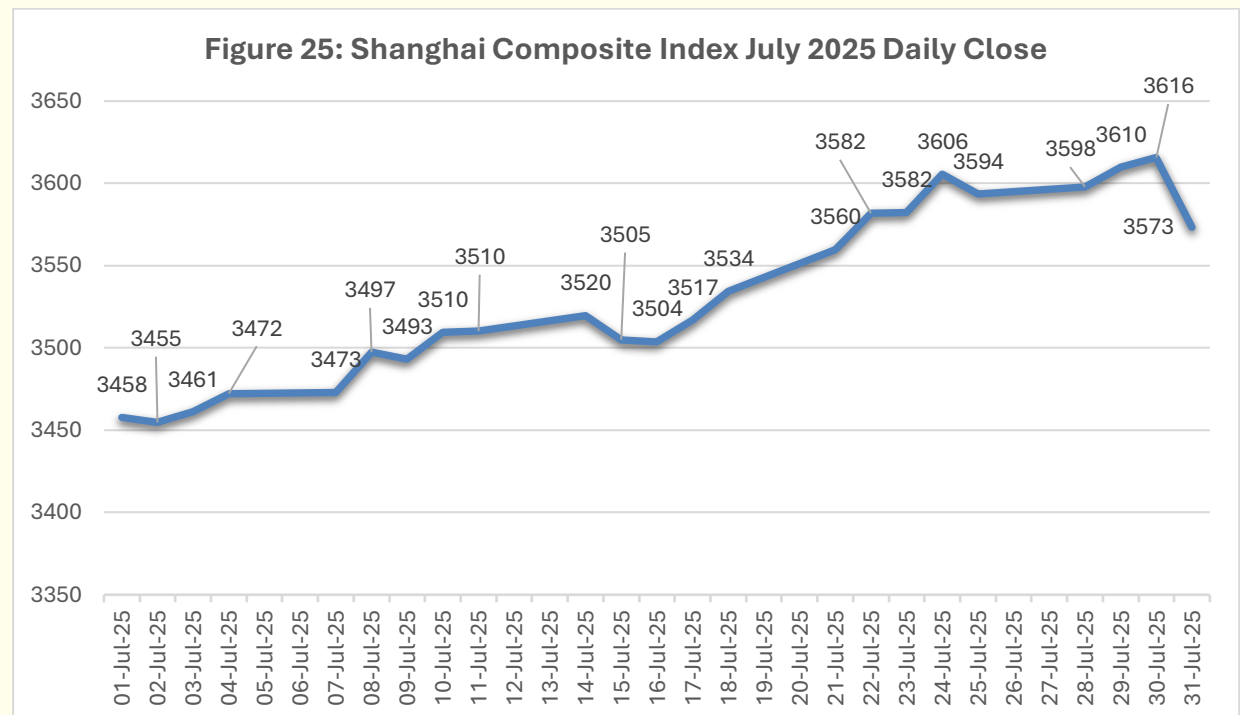
ASIA-PACIFIC FINANCIAL MARKETS — JULY 2025: REGIONAL MOMENTUM, TECH AND EXPORT SENSITIVITY

Introduction

Asia-Pacific markets posted broad gains in July, with notable strength in several export-oriented and tech-heavy markets. The region's performance reflected a combination of resilient demand for technology and industrial exports, policy nudges from local central banks, and sensitivity to U.S. tariff announcements which occasionally produced whipsaw moves in regional bourses.

Shanghai Composite Index

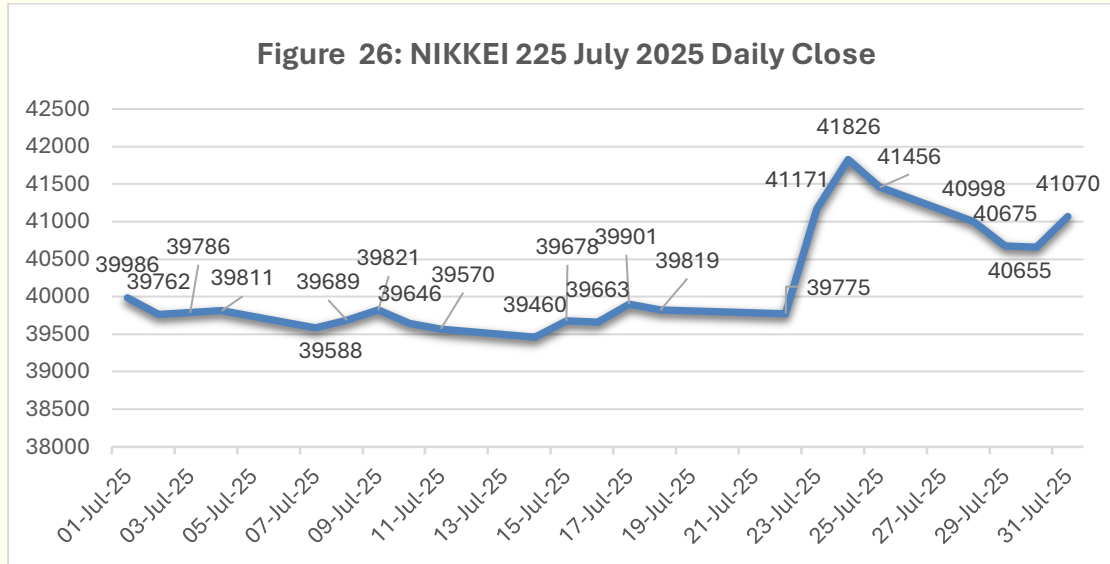
Shanghai opened at 3,458 and closed 3,573 (Figure 25), rising $\approx +3.33\%$ in July. Chinese onshore markets posted steady gains across the month, helped by domestic policy support and a recovery in sentiment toward cyclical and technology sectors.



Source: <https://www.wsj.com/market-data/quotes/index/CN/XSHG/SHCOMP/historical-prices>

NIKKEI 225

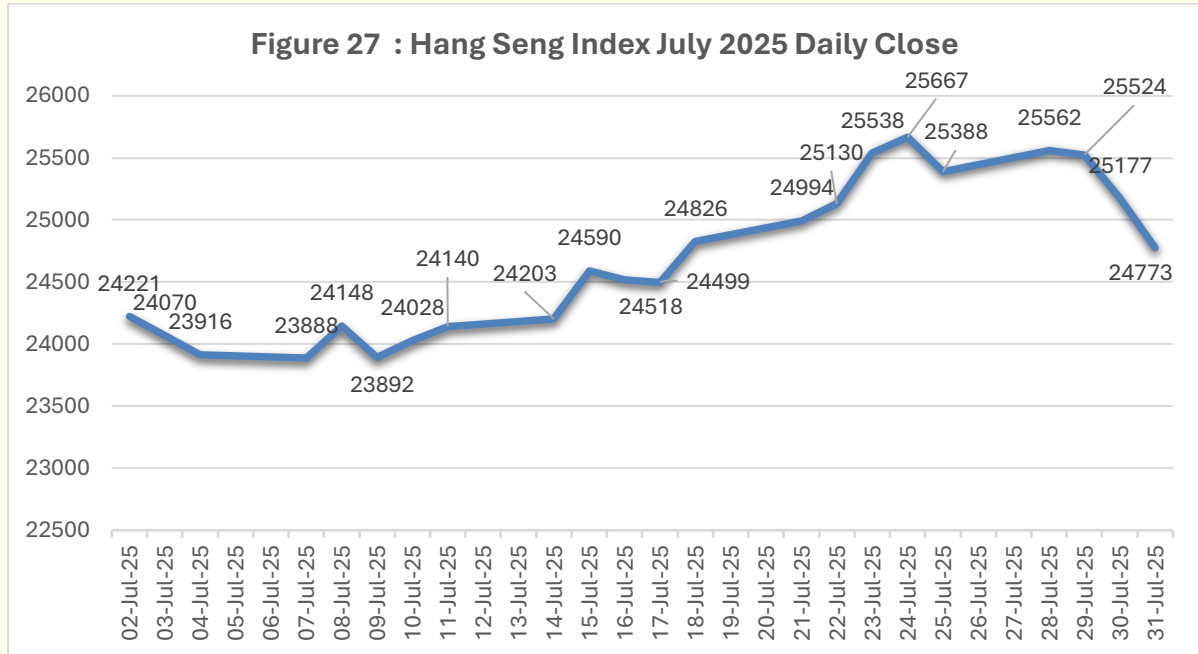
The Nikkei moved from 39,986 to 41,070 (Figure 26), a rise of $\approx +2.71\%$. The index showed a strong late-month rally—spurred in part by positive corporate news and export demand—and finished with meaningful gains despite mid-month choppiness.



Source: <https://www.wsj.com/market-data/quotes/index/JP/NIK/historical-prices>

Hang Seng Index

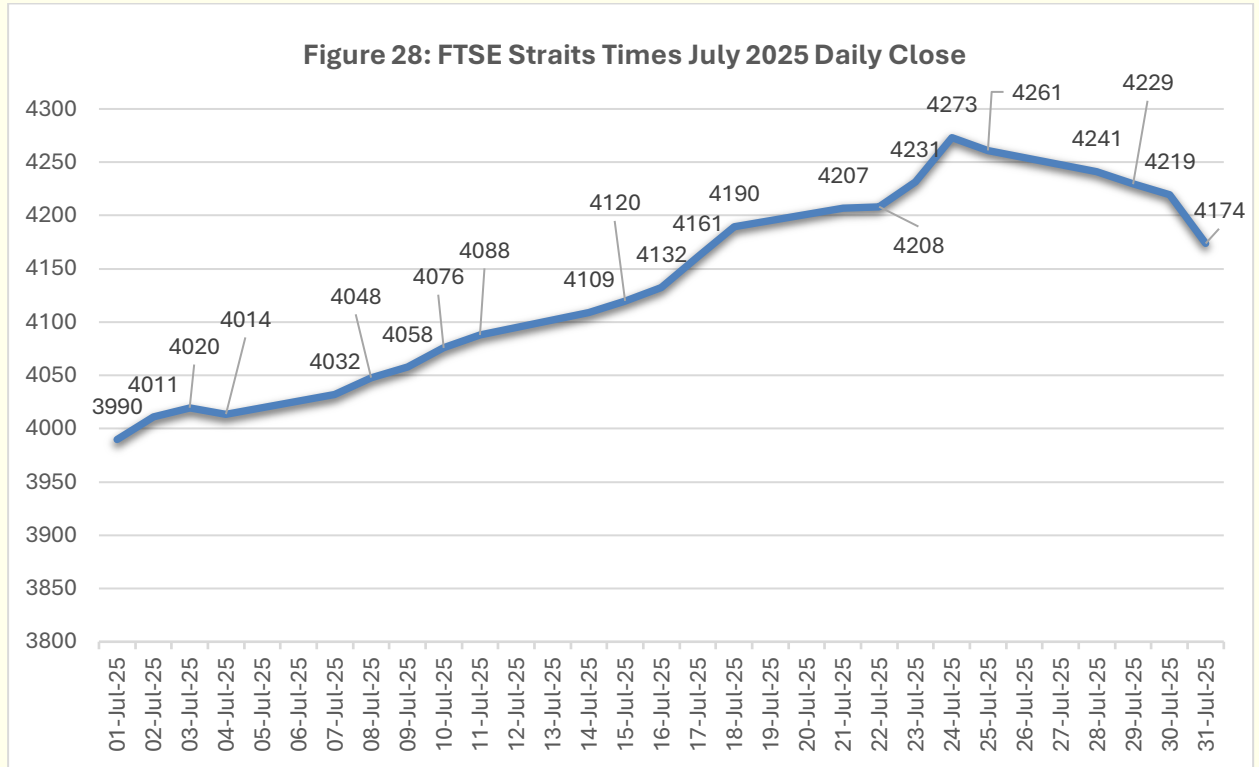
Hong Kong's Hang Seng rose from near 24,221 (2 July reading) to 24,773 (31 July) (Figure 27) — roughly +2.28% for July — though it showed more intramonth volatility than some peers. *WSJ* reports during July highlighted choppiness in Hong Kong trading as markets digested tariff announcements and regional flows.



Source: <https://www.wsj.com/market-data/quotes/index/HK/HSI/historical-prices>

FTSE Straits Times Index

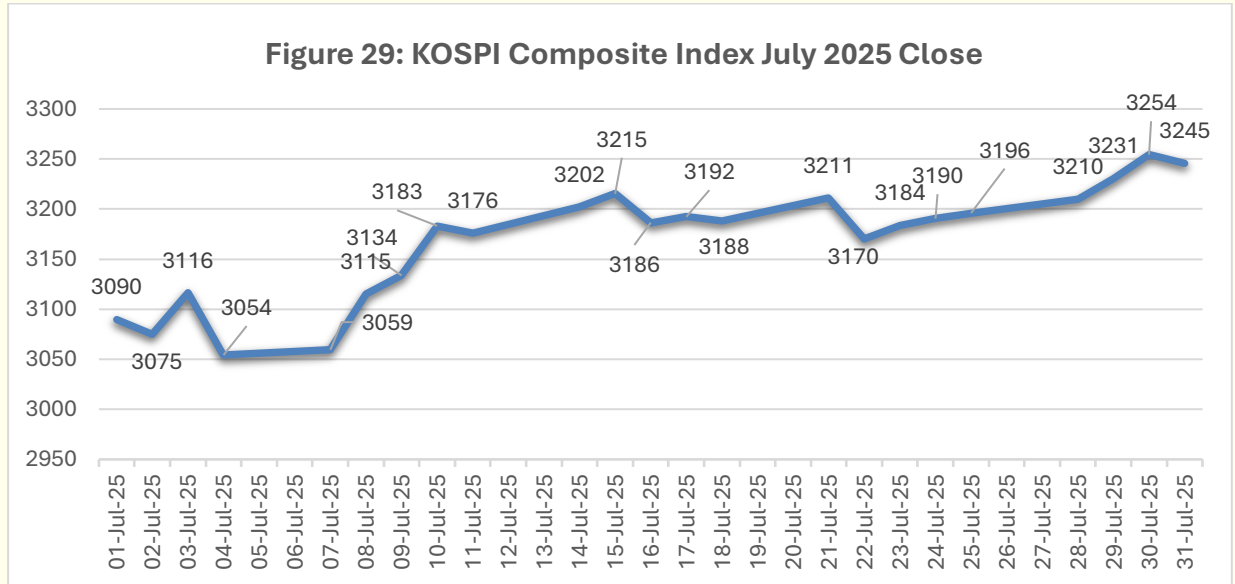
The STI advanced from 3,990 to 4,174 (Figure 28), delivering $\approx +4.61\%$ in July — one of the stronger month-on-month moves in the region. Strength was visible across financial and REIT-related names, and sentiment in Singapore benefited from regional flows into safe-yielding assets



Source: <https://www.wsj.com/market-data/quotes/index/SG/STI/historical-prices>

KOSPI Composite Index

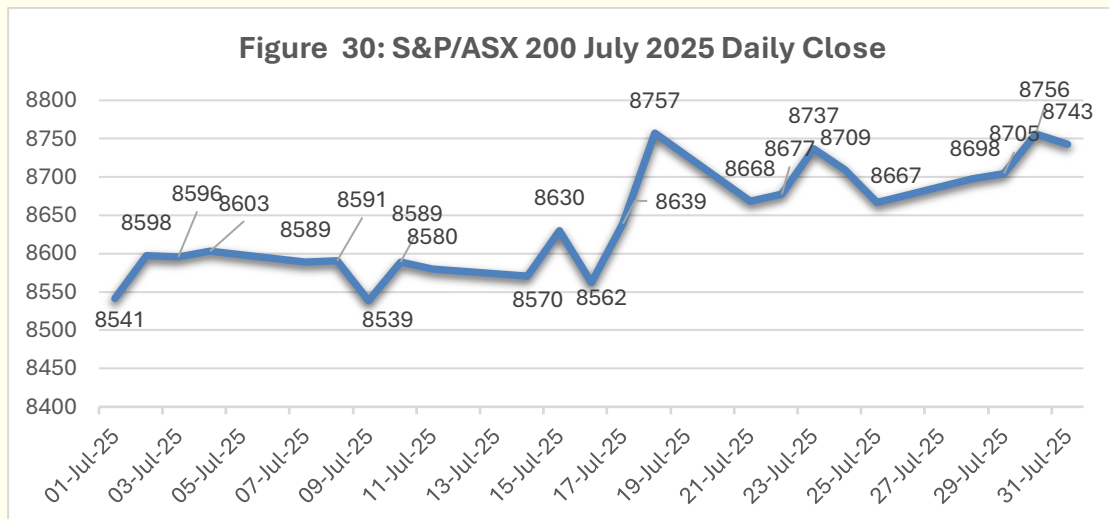
Korea's KOSPI rose from 3,090 to 3,245 (Figure 29), a gain of $\approx +5.02\%$, the strongest percentage advance among the Asia-Pacific indices reported. The KOSPI's outperformance reflects tech and export demand, with semiconductor and electronics names driving significant upside late in July.



Source: <https://www.wsj.com/market-data/quotes/index/KR/SEU/historical-prices>

S&P/ASX Benchmark Index

Australia's ASX moved from 8,541 to 8,743 (Figure 30), rising $\approx +2.37\%$ in July. The ASX recorded steady gains with commodity-linked sectors and domestic cyclicals contributing to the advance.



Source: <https://www.wsj.com/market-data/quotes/index/AU/XJO/historical-prices>

Asia-Pacific markets delivered a broadly positive month in July 2025, with KOSPI and STI among the standout performers and solid showings from Shanghai, Nikkei and

Hang Seng. Regionally, tech and export-sensitive sectors drove much of the upside, while tariff news and global trade politics introduced episodic volatility. WSJ coverage through the month emphasised that Asian tech/semiconductor names were a key channel of regional strength, even as traders monitored tariff and trade headlines closely.

Concluding observations

Sector/Style leadership: July's gains were concentrated in growth/tech exposures (Nasdaq, select Asia tech indices), while traditional industrial/blue-chip heavy indices (Dow) lagged.

Drivers: The combination of strong corporate buybacks, solid earnings, and selective rotation into growth supported U.S. equity indices; the WSJ noted record buyback levels and persistent corporate repurchase programs that supported equities. At the same time, tariff announcements and trade negotiations remained the primary headline risk that generated periodic volatility across regions.

Regional contrasts: Europe advanced moderately with the FTSE leading; Asia-Pacific showed more pronounced breadth and several strong performers (KOSPI, STI), with technology and export sectors key to the regional story.



SECTION 3

RESEARCH DIGEST

SYNOPSIS OF RESEARCH PAPERS

DIGITAL ECONOMY, STABLECOINS, AND THE GLOBAL FINANCIAL SYSTEM

Marina Azzimonti and Vincenzo Quadrini

NBER Working Paper No.34066, July 2025

National Bureau of Economic Research

The paper investigates how the rise of the Digital Economy, particularly the proliferation of Stablecoins, could reshape international financial markets and alter the role of traditional reserve assets such as the US dollar. The authors construct a multi-country model encompassing the United States, the Rest of the World (RoW), and a distinct Digital Economy sector to quantify the long-run macro-financial implications.

Two main channels are identified. The first is the reserve demand channel, where Stablecoins—partially backed by dollar-denominated safe assets—boost demand for such reserves, lowering US interest rates and expanding US net foreign borrowing, thereby increasing global imbalances. The second is the substitution channel, in which Stablecoins backed by non-dollar assets reduce global demand for dollar reserves, raising US interest rates and lowering global imbalances. Model simulations reveal that in the long run, the reserve demand channel dominates, leading to lower US interest rates, greater foreign borrowing by the US, and a structural expansion of global imbalances.

On the microeconomic side, the model shows that the expansion of the Digital Economy increases consumption smoothing opportunities for some agents—especially in the Rest of the World—due to greater access to safe, Stablecoin-backed assets. However, this comes at the cost of higher idiosyncratic consumption volatility for US agents and those within the Digital Economy.

From a global welfare perspective, the authors argue that the expansion of the Digital Economy is likely welfare-improving overall. It lowers the cost of digital services and

broadens access to safe assets, offering better risk-sharing. Nevertheless, the benefits are unevenly distributed across countries and within populations, raising important policy considerations. The paper concludes by identifying future research priorities, including a deeper exploration of the distributional and welfare effects of Digital Economy growth and Stablecoin adoption.

The full paper is available at: <http://www.nber.org/papers/w34066>

WHAT DOES CONSULTING DO?

Gert Bijnens, Simon Jäger, and Benjamin Schoefer

NBER Working Paper No 34072, July 2025

National Bureau of Economic Research

This paper offers the first systematic and comprehensive empirical analysis of the management and strategy consulting industry, using an unprecedented dataset of universal business-to-business transaction records from Belgium's value-added tax (VAT) system covering 2002–2023. These data allow the authors to map the characteristics of consulting engagements, identify client take-up patterns, and assess their effects on firm performance.

Consulting services are found to be concentrated among large, high-labor-productivity firms, though a U-shaped pattern emerges for total factor productivity (TFP) and profitability—both top and bottom performers seek consulting. New clients spend roughly 3% of payroll on consulting, generally in short-term, episodic engagements lasting under one year. Leveraging this episodic nature, the authors employ difference-in-differences designs against a synthetic control group to estimate causal effects. Results show a 3.6% increase in labor productivity over five years, achieved through modest employment reductions alongside stable or growing revenues. Average wages rise by 2.7% without reducing labor's share of value added, indicating that productivity gains do not come at workers' expense via rent-shifting. However, engagements are associated with slight increases in dismissal rates, shifts toward managerial labor,

higher services procurement, and reduced labor outsourcing—suggestive of organizational restructuring.

Heterogeneity analysis reveals that productivity gains are larger for initially less productive firms, consistent with improved allocative efficiency. The findings align more closely with a productivity-enhancing rather than a rent-shifting view of consulting, broadly confirming predictions from surveyed consulting professionals but only partially from academic economists. Compared with evidence from emerging economies such as India and Mexico, the observed productivity effects are smaller, reflecting the high-productivity, high-management-quality baseline of Belgian firms and the more incremental nature of improvements in advanced economies.

The paper concludes that consulting in high-income contexts tends to generate modest but positive productivity effects without harming workers, though benefits accrue unevenly across firms. The authors highlight limitations—such as the absence of randomized assignment and a focus on firm-level rather than worker-level heterogeneity—and outline directions for future research, including effects on different worker groups, shareholders, customers, and management structures.

The full paper is available at: <http://www.nber.org/papers/w34072>

BOOKSHELF CHRONICLES

VIKSIT BHARAT: INDIA@2047

Author: Aditya Pittie

Publisher: Fingerprint Publishing

Year of Publication: 2025

Viksit Bharat: India @ 2047 by Aditya Pittie is a data-rich and policy-grounded roadmap for transforming India into a developed nation by the centenary of its independence. Pittie, an entrepreneur and policy thinker known for *Modi's North East Story*, sets out an ambitious yet structured vision of India as a \$30 trillion economy with per-capita income exceeding \$18,000 by 2047. The book blends historical perspective, current statistics, case studies, and actionable policy recommendations to present a comprehensive plan for achieving this goal, balancing economic growth, technological innovation, social inclusion, and environmental sustainability.

Structured into roughly 20 sector-specific chapters, the work offers an encyclopaedic yet accessible view of India's development priorities. It covers critical themes such as infrastructure and connectivity, highlighting the importance of initiatives like *PM Gati Shakti* and industrial corridors in enhancing competitiveness and generating employment. On innovation, Pittie calls for raising research-and-development spending to 2% of GDP, building stronger academia–industry linkages, and advancing high-potential areas such as AI, biotechnology, agri-tech, and green technologies. Governance reform and ease of doing business also figure prominently, with emphasis on regulatory simplification through measures like the Jan Vishwas Act and the digitisation of government services to promote transparency and investor confidence. The book also stresses inclusive and sustainable growth, advocating financial inclusion, clean energy adoption, resilient rural economies, and environmentally conscious urban planning.

Driving Policy, Empowering Progress

One of the book's greatest strengths lies in its fusion of vision and practicality. It draws on robust data, concrete case studies, and well-articulated policy frameworks, making it useful not just for policymakers but also for entrepreneurs, educators, and engaged citizens. Its breadth of scope ensures that economic, social, technological, and environmental dimensions are addressed in balance. However, the targets it proposes—such as achieving a \$30 trillion economy—are undeniably ambitious, requiring decades of sustained high growth, coordinated governance, and effective policy execution. The challenge lies in translating the proposed strategic frameworks into tangible outcomes across India's diverse regions and socio-economic landscapes.

Overall, *Viksit Bharat: India @ 2047* is an inspiring and substantive contribution to the discourse on India's future. By marrying aspirational vision with grounded analysis, Pittie offers a compelling guide for those who wish not only to imagine but also to actively shape India's journey towards developed-nation status. It is both a call to action and a blueprint for the decades ahead.

EVERYTHING ALL AT ONCE

Author: Rajiv Kumar and Ishan Joshi

Publisher: Rupa Publications

Year of Publication: 2025

In *Everything All at Once*, economist Rajiv Kumar and policy analyst Ishan Joshi present a lucid and urgent examination of the six profound global transitions—geopolitical, geoeconomic, geographical, technological, ecological, and ideological—that are unfolding simultaneously and shaping India’s trajectory. The authors argue that these shifts demand far more than piecemeal responses; instead, they call for a unified, strategic vision of national policy that is both adaptive and transformative.

The premise of the book is striking: in an era marked by “chaos, contestation, and constant recalibration,” traditional governance models no longer suffice. India must harness institutional agility and collective foresight to proactively shape these transitions rather than react to them. A standout proposal in this regard is the concept of a Gross Welfare Product, a novel metric that goes beyond GDP to measure social well-being—incorporating factors such as carbon reduction, improved access to education and healthcare, and better outcomes for the poorest segments of society.

The strength of the book lies in its balance of alarm and aspiration. It avoids the trap of triumphalism common in many economic outlooks, instead offering a deeply reflective yet forward-leaning framework rooted in moral seriousness and strategic realism. The authors emphasize that India’s best path forward involves forging a “Coalition of the Willing”—a cross-sectoral alliance that unites government, industry, academia, and civil society to navigate these complex challenges together.

Overall, *Everything All at Once* is essential reading for anyone invested in India’s future—policymakers, scholars, business leaders, and citizens alike. It challenges the complacency of business-as-usual thinking and presents a compelling,



Driving Policy, Empowering Progress

multidimensional roadmap for India to define its national goals and realize its potential in a rapidly transforming world

SECTION 4

CLIMATE CHANGE

CLIMATE NEWS

GLOBAL OCEANS IN CRISIS: HOW MARINE HEATWAVES IN 2023 REDEFINED CLIMATE EXTREMES

In 2023, the world's oceans faced an unprecedented and alarming phenomenon: more than 95% of their vast expanse experienced marine heatwaves, a newly documented scale of ocean warming that has significant ecological and societal impacts. Marine heatwaves, defined as periods of abnormally high ocean temperatures lasting at least five days, have long been a concern for scientists. But recent research published in the journal *Science* reveals that 2023 set new records in terms of the duration, extent, and intensity of these events.

The study employed a sophisticated ocean model that integrates satellite observations and in-situ data to detect marine heatwaves globally and analyse their driving forces. The findings are stark: the average duration of marine heatwaves in 2023 was around 120 days—more than triple the average duration of under 36 days recorded from 1982 to 2022. Spatially, these heatwaves engulfed 96% of the global ocean surface, far exceeding the historical average coverage of approximately 74%. This means that nearly the entire ocean surface was subjected to unusually warm conditions for extended periods, an occurrence described by the authors as “unprecedented.”

The ecological consequences of such widespread ocean warming were immediate and severe. Marine heatwaves in 2023 contributed to coral bleaching in the Florida Keys, exacerbated the spread of a parasite deadly to giant clams in the Mediterranean, and even intensified terrestrial heatwaves during Europe's “hellish” summer. These impacts underscore how marine heatwaves do not just affect marine ecosystems but can also ripple through human societies, economies, and weather patterns.

Researchers conducted a comprehensive examination of 2023's marine heatwave events using an integrated ocean modelling approach combined with satellite data streams. This holistic analysis revealed that the year's heatwaves set records not only

for their sheer size but also for how long they lasted and how intensely they heated the ocean surface.

The study identified four key hotspots where marine heatwaves exhibited the highest cumulative intensity—a measure that combines both how strong and how long these heatwaves were. These hotspots included the tropical eastern Pacific, the south-west Pacific, the north Pacific, and the north Atlantic. By applying their ocean model to each hotspot, the team explored the specific environmental drivers behind the heatwaves. For instance, in the north Pacific, a combination of reduced cloud cover—allowing more sunlight to warm the ocean—and weakened winds led to an average ocean surface warming of about 1°C over the year. Similar patterns of decreased cloudiness played a crucial role in intensifying heatwaves in the north Atlantic and south-west Pacific.

Despite the alarming findings, some experts note that the study's results align closely with previous research, though the comprehensive, global, and same-year focus provides a clearer picture of the scale of the problem. Professor Regina Rodrigues, a physical oceanographer from Brazil's Universidade Federal de Santa Catarina, remarked that while the science underpinning the research is robust, the key contribution lies in presenting the spatially extensive and temporally concentrated nature of marine heatwaves in 2023.

Importantly, the study confirms what climate scientists have long anticipated: marine heatwaves have become more frequent, longer-lasting, more intense, and more widespread as a direct consequence of global warming. Since the oceans absorb about 90% of the excess heat generated by human-driven climate change, the rising trend in marine heatwaves is “no surprise,” according to Rodrigues. A recent study published in *Nature* reinforced this perspective, concluding that without the underlying global warming trend, the extreme ocean temperatures observed in 2023-24 would have been “practically impossible.”

In sum, the findings from 2023 represent a troubling indicator of how climate change is reshaping the oceans—affecting marine life, altering weather patterns, and

threatening coastal communities. The unprecedented scale of marine heatwaves serves as a wake-up call for urgent action to mitigate climate change and adapt to the rapidly shifting ocean environment.

This article has been drawn from Carbon Brief, July 30, 2025.

GLOBAL HEAT AND STORM CRISIS: EUROPE SCORCHES, CHINA SIZZLES, AND THE AMERICAS BRACE FOR IMPACT

A new study published in *Nature Climate Change* warns that extreme “wind droughts”—prolonged periods of low wind that reduce power output from turbines—could become up to 15% longer by the end of this century across much of the northern hemisphere under a moderate warming scenario. These extended low-wind events, already documented in regions such as Europe, the US, northeastern China, Japan, and India, pose a significant challenge to onshore wind power, a key renewable energy source.

The research highlights that as global temperatures rise, wind droughts are expected to increase in both duration and frequency, particularly across the US, northeastern China, Russia, and Europe. This trend threatens global wind power security by potentially reducing electricity generation during critical periods. The study, based on climate model projections and historical wind data, found that average wind droughts could lengthen by one to two hours—a 5-15% increase—by 2100 under the moderate SSP2-4.5 emissions pathway.

Wind power currently contributes about 8% of global electricity and is essential to decarbonization efforts. However, wind depends on atmospheric pressure differences created by uneven heating of the Earth’s surface. Climate change alters these patterns by unevenly warming the planet, notably through Arctic amplification in the northern hemisphere, which weakens the temperature gradient between the pole and equator and suppresses wind speeds.

Using data from the Coupled Model Intercomparison Project (CMIP6), the authors also examined the risk of rare, record-breaking wind droughts expected only once every 1,000 years under current climate conditions. They found that by the end of the century, around 15% of existing wind turbines worldwide will face severe exposure to such extreme wind droughts, with regions like North America and Europe seeing the highest increases in risk under high emissions scenarios.

Despite these challenges, experts emphasize that the findings should not be seen as a death knell for the wind industry. Instead, the study serves as a strategic guide to anticipate and mitigate future risks. Combining wind with other renewables such as solar, hydro, nuclear, and energy storage technologies can reduce vulnerability to wind droughts. Enhanced grid interconnections between regions can also help balance supply; for example, wind droughts in the UK often coincide with higher wind production in Spain, suggesting that stronger grid links could buffer supply shortfalls.

Moreover, diversification of energy sources and investments in storage and transmission infrastructure are key to resilience. While the study focuses on onshore wind, further research on offshore wind and seasonal trends—important for countries like Germany and the UK—would improve energy planning.

In sum, as wind power capacity is projected to grow substantially toward 6,000 GW by 2050, understanding and preparing for the evolving risks of wind droughts will be critical to ensuring a reliable, low-carbon energy future.

This article has been drawn from Carbon Brief, July 30, 2025.

SYNOPSIS OF RESEARCH PAPERS / ARTICLES/ REPORTS

CARBON TAXES AND GREEN SUBSIDIES IN A WORLD ECONOMY

Matthew Kotchen and Giovanni Maggi

NBER Working Paper No. 34080, July 2025

National Bureau of Economic Research

This paper develops a tractable open-economy model to analyse the joint use of carbon taxes and green subsidies in the presence of global climate externalities. The model features two energy inputs—fossil fuels, which generate global emissions, and green energy, which does not—and is used to study policy choices, international cooperation, and the role of lobbying.

In a noncooperative setting, moving from autarky to free trade leads countries to reduce carbon taxes but increase green subsidies in an effort to limit foreign emissions. Unlike carbon taxes, which create a “leakage” effect that can raise emissions abroad, green subsidies generate “reverse leakage” by lowering emissions both domestically and internationally. This reverse-leakage property means that green subsidies tend to enhance global welfare even without international coordination.

Under International Climate Agreements (ICAs), cooperation typically results in the removal of green subsidies, despite their positive international spillovers at the noncooperative equilibrium. If policy changes are gradual, however, ICAs may initially increase subsidies before phasing them out.

The model also incorporates lobbying pressures from fossil fuel and green energy sectors. In the noncooperative case, fossil lobbying reduces welfare, while green lobbying improves it. Strikingly, in the presence of lobbying, an ICA can lower global welfare relative to the noncooperative outcome, even if it moves policies toward their theoretically efficient levels.

The authors note several simplifying assumptions, such as symmetric countries and a focus solely on climate damages as the market failure. They outline future research

avenues, including integrating industrial policy rationales for green subsidies (e.g., R&D spillovers, economies of scale, learning-by-doing), introducing country heterogeneity in climate damage valuations, lobbying power, and comparative advantage, and exploring the role of climate finance and international transfers.

Overall, the analysis underscores the complex interplay between carbon pricing, green subsidies, trade, and political economy forces, highlighting that policy instruments with positive cross-border externalities—like green subsidies—may be undervalued in cooperative climate regimes.

The full paper is available at: <http://www.nber.org/papers/w34080>

MOBILIZING GREEN SUPPORT THROUGH DIGITAL TECHNOLOGY

Jiayin Hu, Shang-Jin Wei, Jianwei Xing, and Eric Zou

NBER Working Paper No 34074 July 2025
National Bureau of Economic Research

This paper examines how digital platforms can mobilize large-scale collective action for environmental sustainability, using the case of Ant Forest, a gamified program within Alipay, China’s leading fintech app. Launched in 2016, Ant Forest rewards users for low-carbon behaviours with points redeemable for planting real trees in arid regions. The program has engaged over 700 million users and funded the planting of 500 million trees.

Using user-level data, the authors find that participation rates are significantly higher in cities experiencing faster vegetation growth, supporting a proposed “green experience” mechanism: visible environmental improvements foster greater appreciation for nature and increased willingness to support sustainability initiatives elsewhere. Survey evidence corroborates this, with participants citing gamification, visible impact, and the “warm glow” of contributing to a public good as key motivators.

The study also documents positive spillovers. Participation in Ant Forest increases donations to external environmental projects and boosts overall usage of Alipay, illustrating that environmental engagement can create both social and business value. This dual benefit suggests that integrating sustainability features into consumer platforms can enhance user loyalty while advancing environmental goals.

From a policy perspective, Ant Forest demonstrates that gamified digital engagement can significantly amplify the reach of public environmental programs. The authors argue that such platforms can create a virtuous feedback loop: local environmental improvements generate public enthusiasm, which digital tools then channel into further collective action. This model has proven replicable, as shown by similar initiatives like the Philippines' GForest.

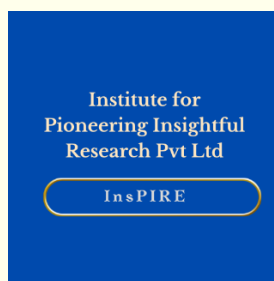
Overall, the findings position digital platforms as powerful enablers of public goods provision, capable of leveraging everyday consumer interactions to address global challenges like climate change. The Ant Forest experience shows that aligning individual incentives with collective outcomes can produce scalable, measurable environmental impacts while also delivering economic value for platform operators

The full report is available at: <http://www.nber.org/papers/w34074>



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