Vivriti Capital
Ambitions Unleashed

THE PULSE

INSIGHTS ON KEY MACROECONOMIC INDICATORS AND EVENTS

EDITION:2025

The Year That Was

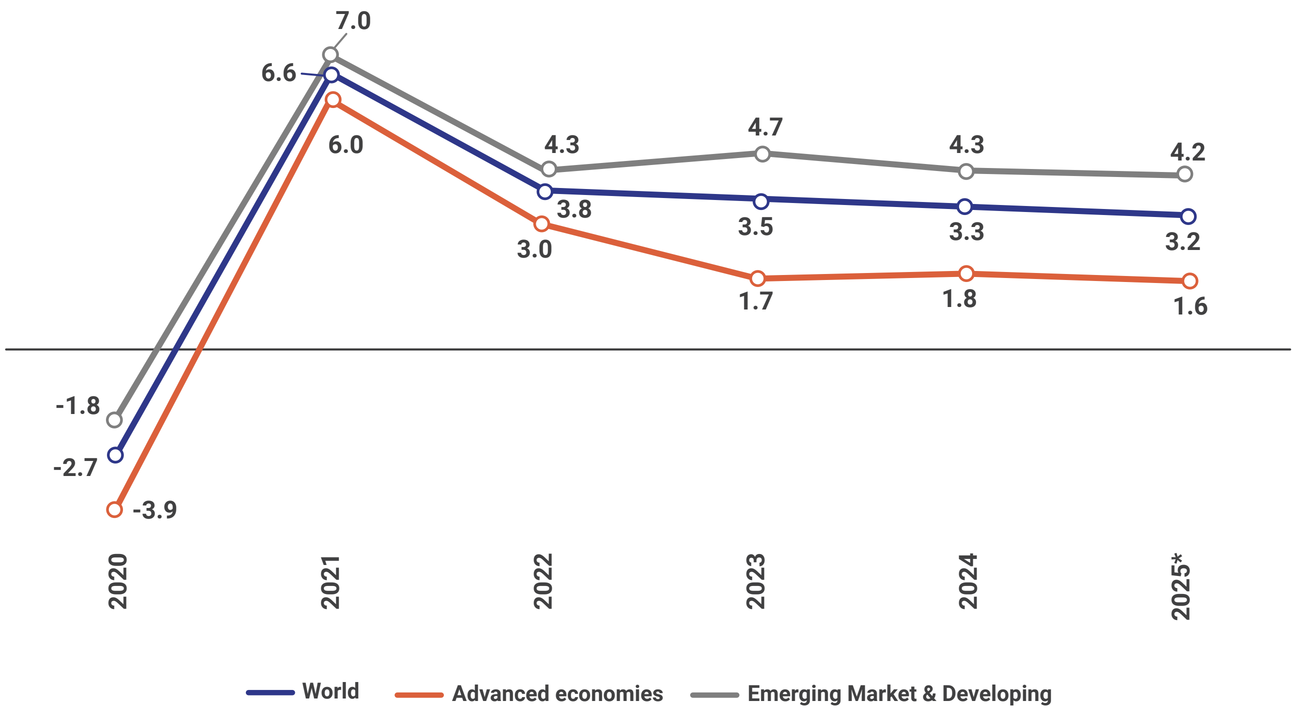
"Discipline, credit and productive capital will continue to be the foundation of durable enterprise growth."

Andrew Crockett

CENTRAL BANK POLICIES: TIGHTENING TO EASING

The year 2025 is marked by a transition from monetary policy tightening (2022-23) to easing, barring decisions that were influenced by local economic data. The trend is expected to continue in early 2026 as concerns for inflation abate and economic growth slows down.

Real GDP Growth (%)



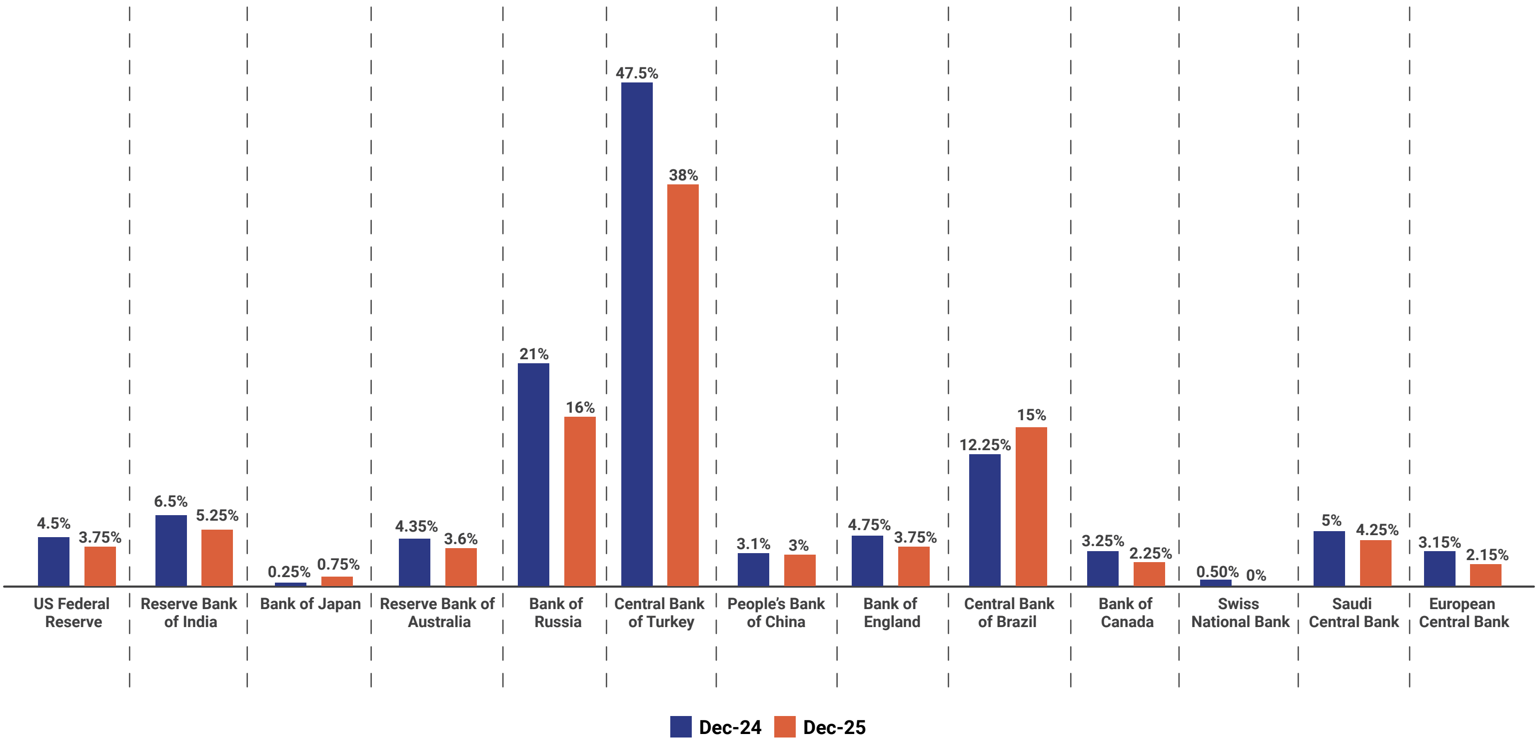
Source: International Monetary Fund

*As of October 2025

Across the globe, many central banks, like the US Federal Reserve, European Central Bank, Bank of England, and the Reserve Bank of India, have been cutting key rates in 2025, responding to cooling inflation and slowing growth. Some of them paused in 2025 while waiting for supporting data or stability in inflation. On the other hand, monetary policy actions of some central banks varied, reflecting their diverse economic conditions. For instance, the Bank of Japan started tightening and even considering it further, China decided to hold rates steady, while the Swiss National Bank is expecting to keep the rates at zero, despite a potential downward revision in inflation projection.

The Reserve Bank of India concluded 2025 with four rate cuts that cumulatively stood at 125 basis points (bps) since the beginning of the year. In the December meeting, the central bank, in a unanimous vote, reduced the repo rate by 25 bps to 5.25%, the lowest level since July 2022. The US Federal Reserve also reduced its key interest rates by 25 bps to 3.5%–3.75% in its December 2025 meeting, which is its lowest level since 2022.

Central Bank Key Policy Rates



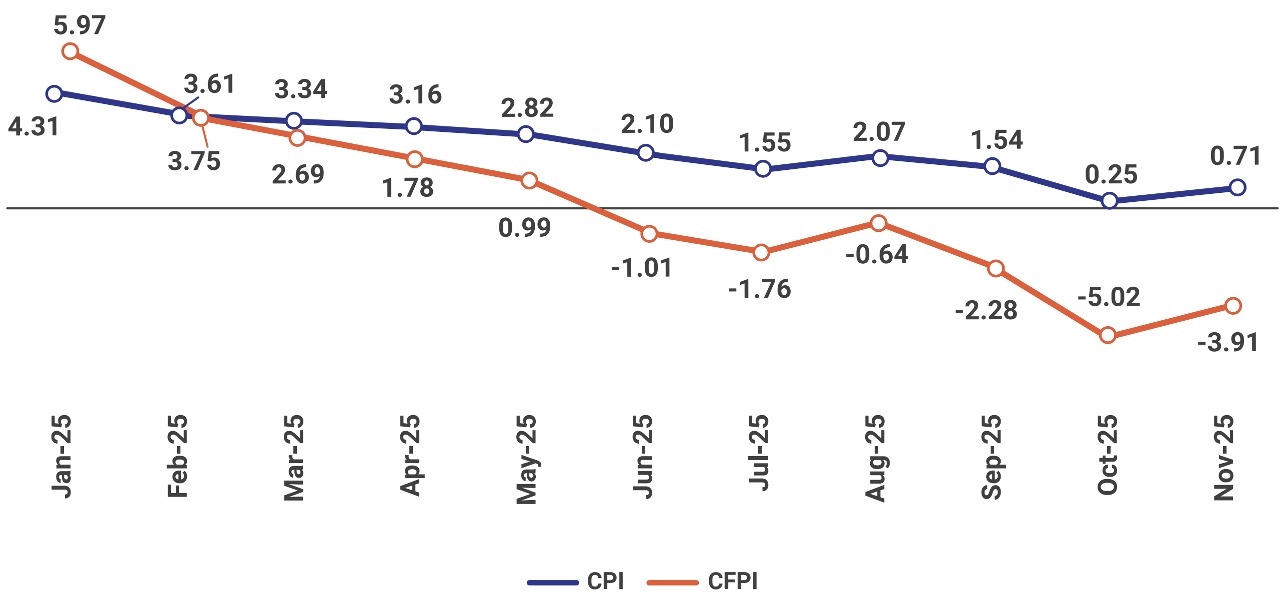
DOMESTIC INFLATION MODERATES AT BOTH RETAIL AND WHOLESALE LEVELS

India's retail inflation, measured as a change in the Consumer Price Index (CPI), eased throughout the year, barring few upticks, falling below the medium-term target of 4% and thereafter below the lower end of the RBI tolerance range in the second half of the year. It declined 4.31% in January to multi-year low of 0.25% in October before increasing a tad to 0.71% in November. It remained below the RBI's medium-term target of 4% for the tenth consecutive month and below the lower end of RBI's tolerance range of 2%-6% for the third consecutive month. With this, the average retail inflation during the year (January-November) stood at 2.4%.

Food inflation, the largest component of the CPI, has been the key contributor to the continuous fall in retail inflation, giving the central bank enough comfort for repo rate adjustments. Food prices have progressively softened and remained in deflation in the second half of the year. Within the food basket, the subdued prices of vegetables as well as pulses, cereals, milk, and eggs, throughout the year have contributed to the decline in food inflation.

In its December Monetary Policy Committee Meeting, RBI cut the FY26 inflation forecast to 2% from the earlier projection of 2.6%. Inflation is likely to remain muted in the upcoming quarter, supported by favourable foodgrain production, pass-through of GST rate rationalisation, low crude oil prices keeping fuel inflation in check among other factors.

Retail and Food Inflation (YoY, %)

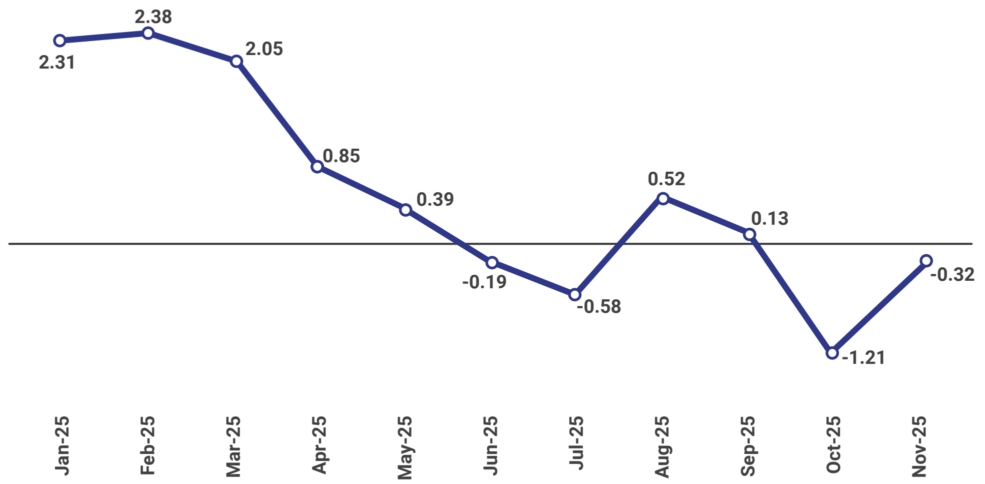


Source: MOSPI

The wholesale inflation significantly moderated during the year and stayed in negative territory, in the second half of the year due to tamed food and fuel inflation. Fuel inflation has remained in the negative zone throughout the year, while inflation for primary articles (which includes food and non-food articles, minerals, and crude petroleum & natural gas) continued to ease before slipping into the negative territory in mid-2025. Inflation for manufactured products, the largest component in the WPI basket, remained stable throughout the year with marginal rises and declines. The average inflation for 2025 (January-November) stood at 0.5%.

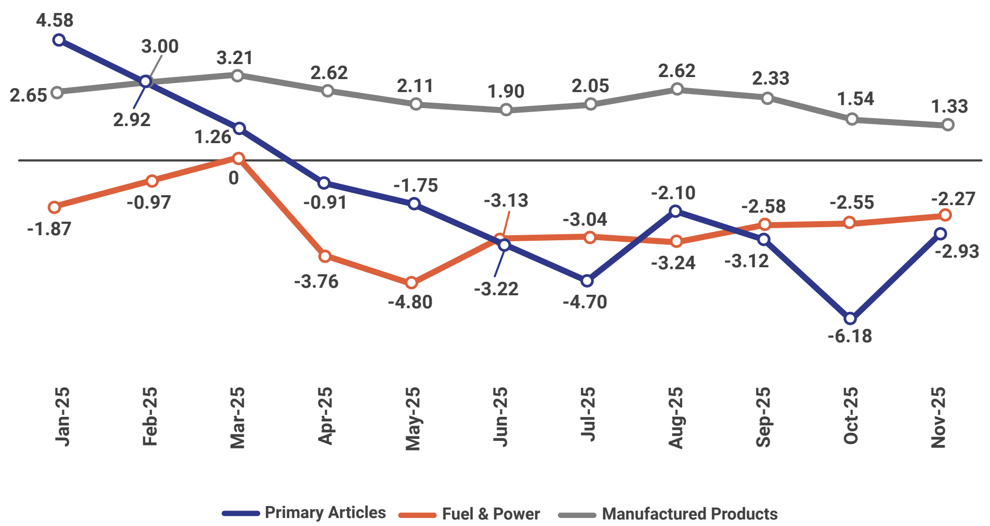
The wholesale inflation is likely to move to positive territory in early 2026, albeit at low levels, due to fading base effects, uptick in global commodity prices, and depreciation of Indian rupee against the USD.

Wholesale Inflation (YoY, %)



Source: Ministry of Commerce and Industry

WPI Components (YoY, %)



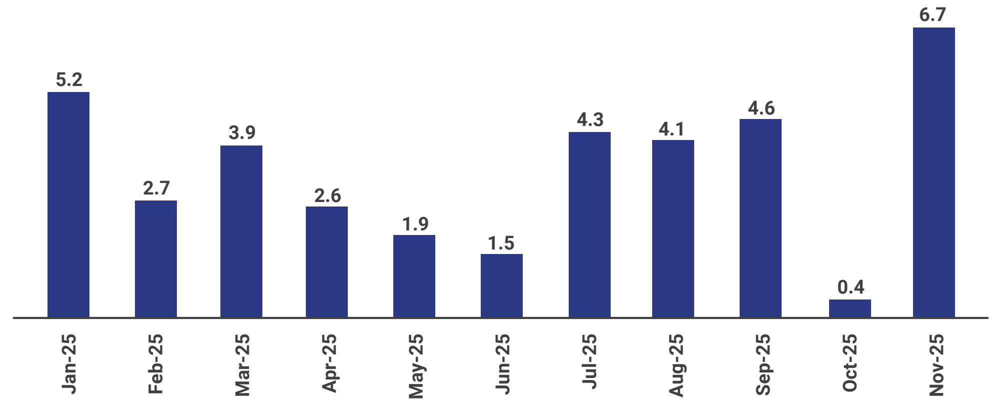
Source: Ministry of Commerce and Industry

MANUFACTURING SECTOR DRIVES INDUSTRIAL OUTPUT GROWTH

India's industrial output, which is measured by the Index of Industrial Production (IIP), registered an uneven growth in 2025 with a mid-year moderation, experiencing the lowest drop (14-month low) in October and a sharp rebound in November driven by sharp uptick in manufacturing and consumer goods output.

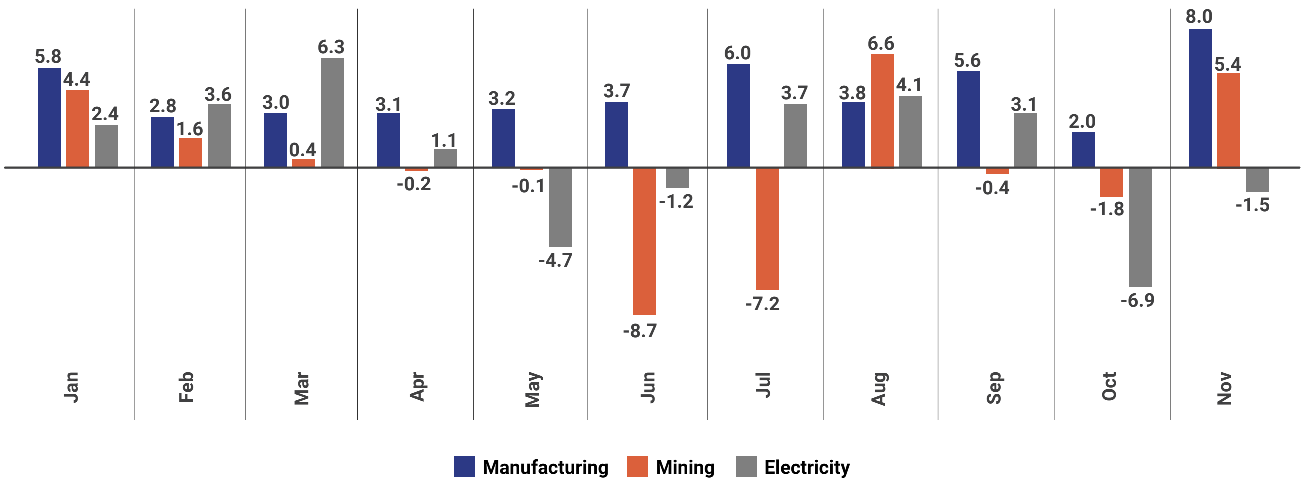
Manufacturing sector, the largest component in the IIP basket, sustained the growth momentum in 2025 compared to mining and electricity. The growth in mining and electricity sector was moderately volatile throughout the year. The average IIP growth for 2025 (January-November) stood at 3.4%. The IIP growth is expected to ease to 3-5% in early 2026 as the base effect fades and the restocking benefit from GST rationalization wanes, although, the underlying momentum for manufacturing output will remain intact based on government policies and the focus on infrastructure spending.

Index of Industrial Production, IIP (YoY, %)



Source: MOSPI

IIP - Core Sectors

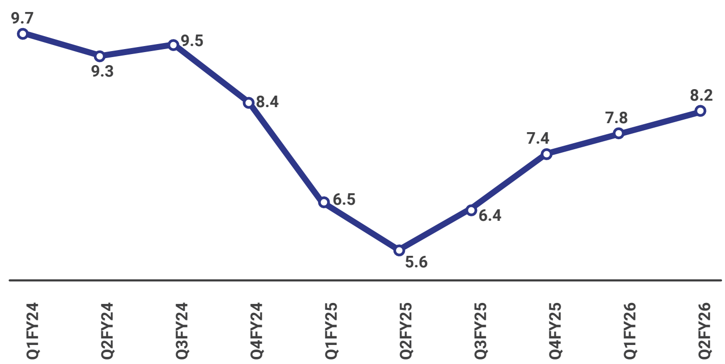


INDIAN ECONOMY HOLDING STRONG DESPITE GLOBAL UNCERTAINTY AND TARIFF HEATS

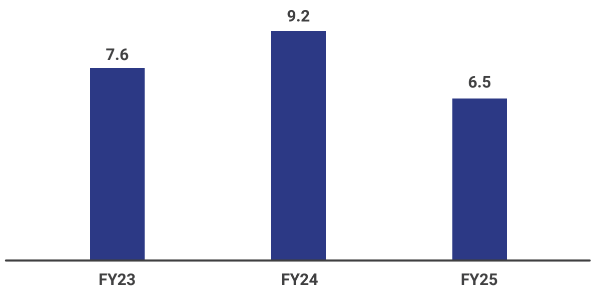
The real GDP growth peaked to the six-quarter high YoY growth of 8.2% in Q2 FY26, implying an 8% YoY growth for H1 FY26, thereby solidifying India's position as the world's fastest-growing major economy. Robust manufacturing and services sectors, with major contributions from financial services/real estate services, accelerating investment, and targeted government spending fueled the growth in Indian economy. The real spending growth was positive due to benign inflation and policy measures.

The momentum led economists to revise FY26 growth forecasts upward to 7.4% (on average), which is higher than RBI's recent forecasts of 7.3% and beat last year's growth of 6.5%. A resilience economy and tight financial conditions were the major catalysts for growth despite global and tariff-related uncertainties.

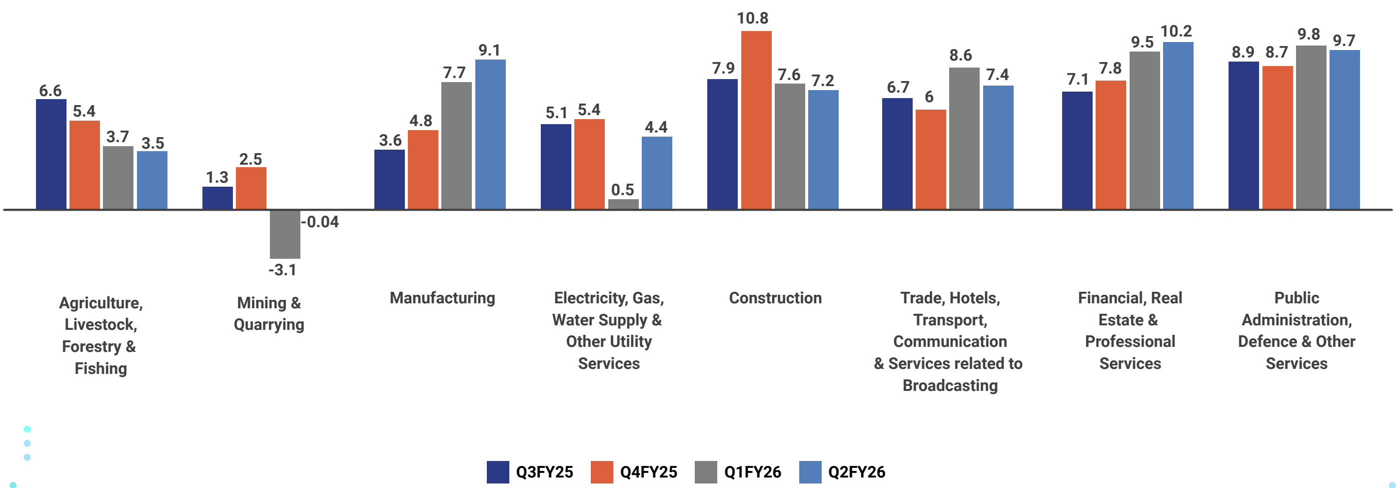
India's Real GDP Growth - Quarterly (YoY, %)



Annual Real GDP Growth (YoY, %)



Sector Wise Growth Rate (%) of Real GVA



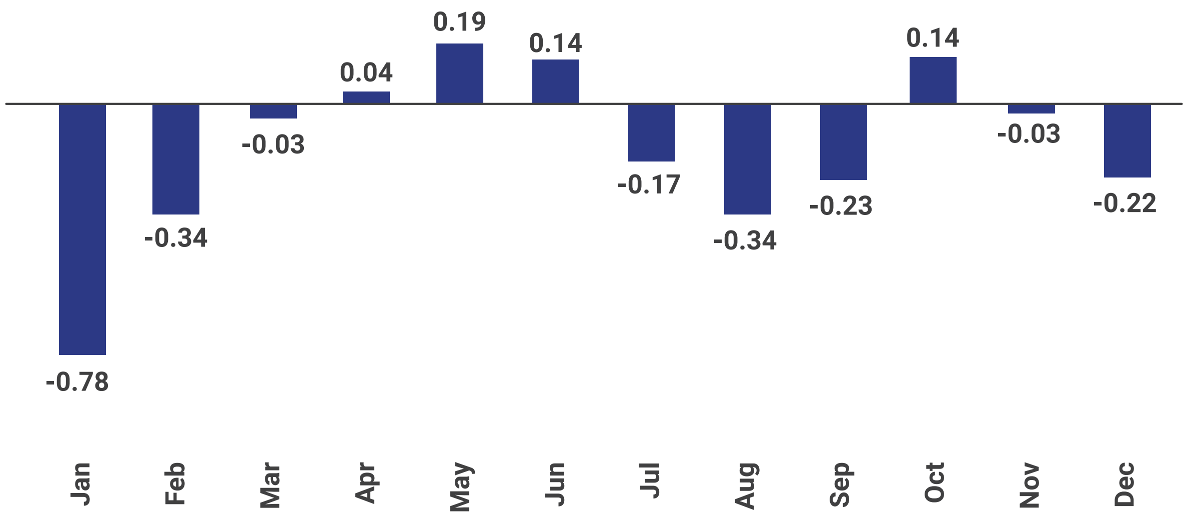
Source: MOSPI

RUPEE EMERGES AS ASIA'S WORST-PERFORMING CURRENCY, BREACHING THE PSYCHOLOGICAL LEVEL AGAINST USD

The domestic currency showed a negative bias throughout the year due to continuous foreign investor outflows and trade tensions due to US tariffs. The currency ended the year with a ~5% fall against the greenback, touching record lows of around INR 90-91 by the year-end. It also performed poorly against the Asian peers like the Chinese Yuan, Indonesian Rupiah, and Philippine Peso, among others.

The foreign portfolio investors pulled money out of Indian equities at a record ~INR 1.6 lakh crore (~USD 18 billion) in 2025. As per market forecasts (Nomura, S&P Global, and others), the domestic currency is expected to hit INR 92 against USD by the end of March 2026.

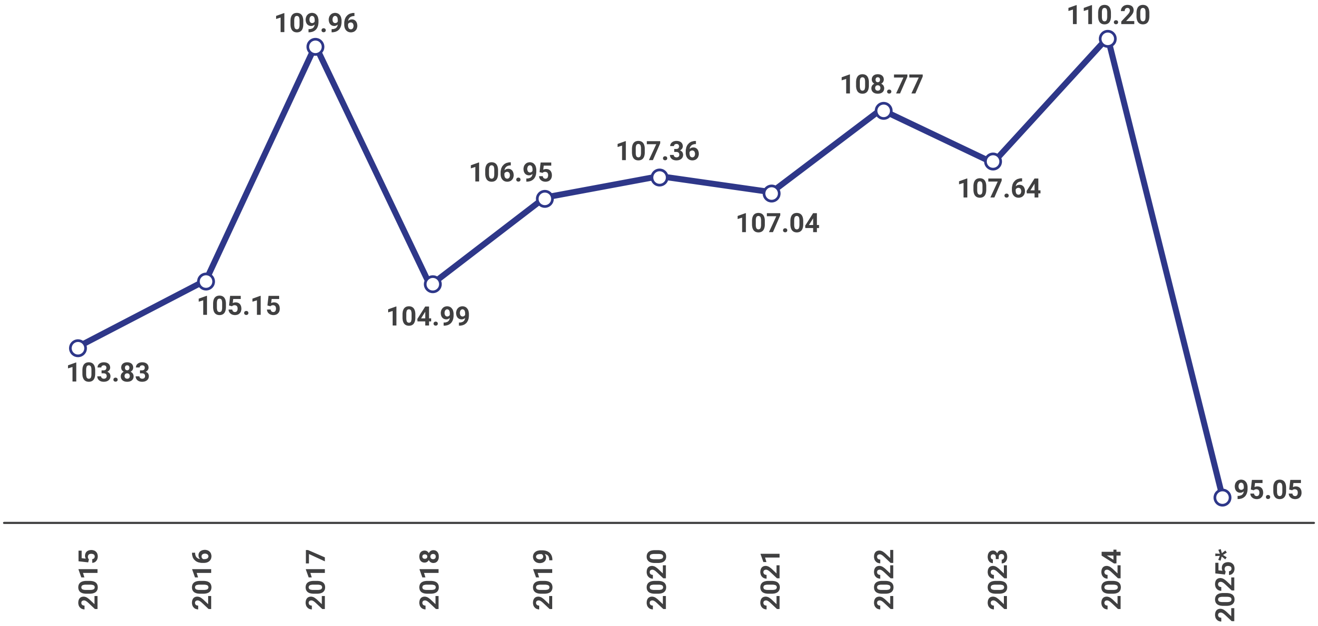
FPI Net Investment (Equities) in 2025 (INR Lakh Cr)



Source: NSDL

Besides the dollar exchange rate, the fall in the rupee can be quantified using the Effective Exchange Rate (EER), which measures the value of the rupee (or any currency) against the weighted average of several foreign currencies divided by a price deflator or index of costs. The Real Effective Exchange Rate (REER), which measures the rupee against a basket of 40 trading-partner currencies, adjusted for inflation, slipped to 95.05 in November, implying the longest stretch of undervaluation in seven years. A REER above 100 denotes overvaluation and below 100 implies undervaluation. Historically, the rupee's REER tends to stay above 100. It has rarely remained below that threshold for extended periods, which was last recorded in 2016–17.

Real Effective Exchange Rate (INR)



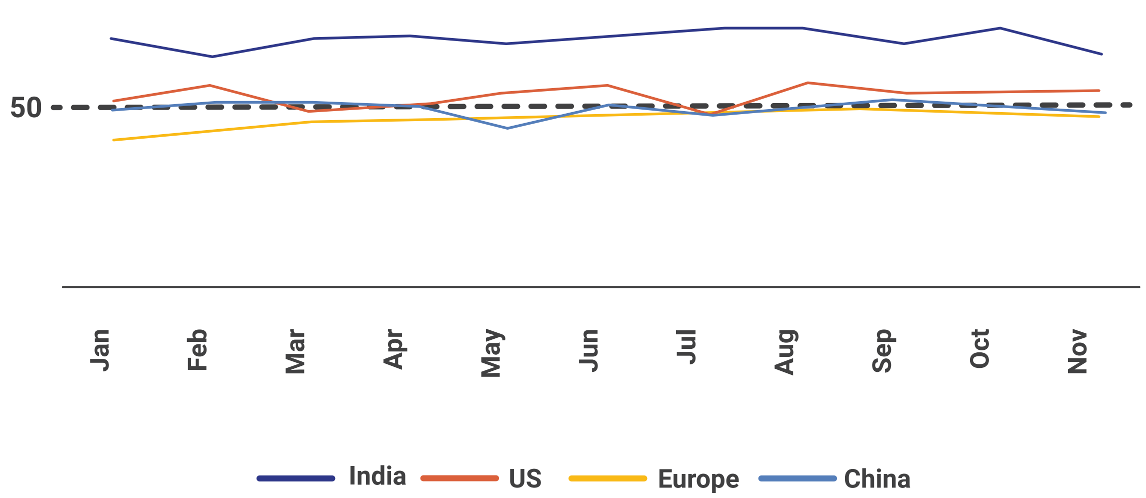
Source: RBI (Base Year=2020)

*As of November 2025

MANUFACTURING & SERVICES PURCHASING MANAGER'S INDEX (PMI): INDIA REMAINS STRONG

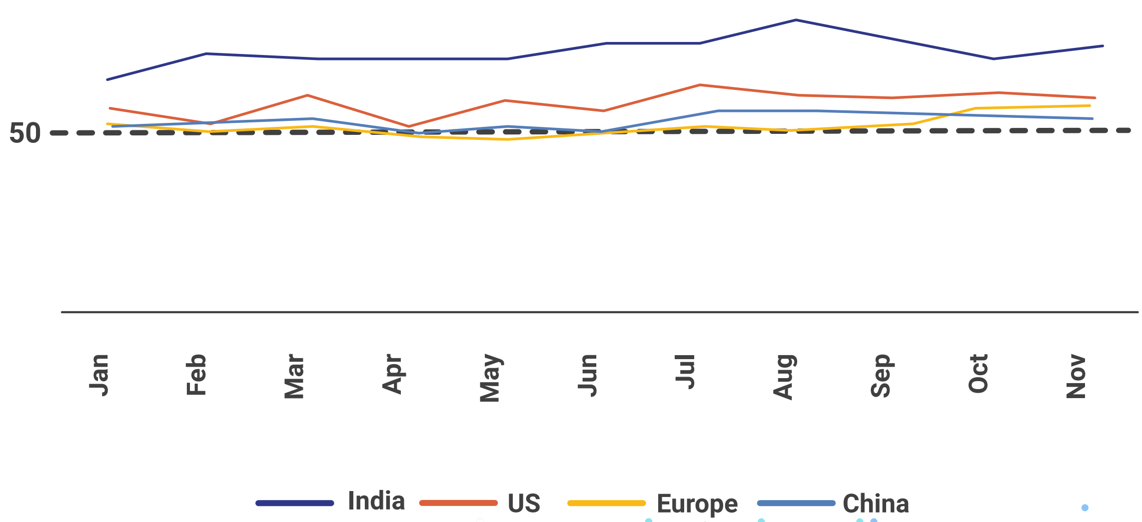
The Indian Manufacturing PMI remained above the breakeven mark of 50 throughout the year, driven by robust domestic demand, strong new orders, and increased production. The US and China Manufacturing PMI have mostly stayed in the expansionary zone, except for a few months in the year, due to strong domestic demand. The European manufacturing PMI stayed mostly in the contraction zone, mainly due to weakening demand, especially exports.

Manufacturing PMI



Services PMI remained strong across the major economies due to strong and resilient demand and the sector's increasing role as a contributor to most economies, with the adoption of new technologies like AI, cloud services, and e-commerce platforms.

Services PMI



Purchasing Manager's Index

Manufacturing:

Countries	Nov 2025	Oct 2025
India	56.6 ↑	59.2
US	52.2 ↓	52.5
UK	50.2 ↑	49.7
Eurozone	49.6 ↓	50.0
China	49.9 ↓	50.6
Japan	48.7 ↑	48.2

Note: A reading below 50 indicates contraction and above indicates expansion in output.

Services:

Countries	Nov 2025	Oct 2025
India	59.8 ↑	58.9
US	54.1 ↓	54.8
UK	51.3 ↓	52.3
Eurozone	53.6 ↑	53.0
China	52.1 ↓	52.6
Japan	53.2 ↑	53.1

Note: A reading below 50 indicates contraction and above indicates expansion in output.

Monthly Data Snapshot

Currencies

	31-Dec	28-Nov
EUR/USD	1.17	1.16
GBP/USD	1.35	1.32
USD/INR	89.85	89.35
USD/CNH	6.98	7.07
1y Forward Premia (%)	2.57	2.21

US Bond Yields (%)

	31-Dec	28-Nov
US 30-yr Treasury	4.84	4.67
US 10-yr Treasury	4.16	4.02
US 2-yr Treasury	3.48	3.50

Commodities (US$)

	31-Dec	28-Nov
Crude Oil (per barrel)	60.85	63.20
Natural Gas (per MMBtu)	3.99	4.59
Gold (per ounce)	4,315.09	4,222.63
Silver (per ounce)	71.26	57.03
Copper (per pound)	5.64	5.19

Source: Refinitiv, Investing.com, CNBC.com, Tradingeconomics.com