

Economic activity remained upbeat in Nov

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Overall economic activity continued to hold up in November with demand conditions remaining robust, thanks to strengthening urban demand, but manufacturing and rural demand showed some signs of deceleration even as services remained strong, according to an article on the State of the Economy written by Reserve Bank of India (RBI) officials in the central bank's December bulletin.

"The high-frequency indicators suggest that overall economic activity held up in the post-festival month of November. While the low GST revenue collections were largely influenced by GST rate rationalisation, other available high-frequency indicators of economic activity such as e-way bills, petroleum consumption and digital payments, registered a pick-up in growth", the article averred.

RBI Governor Sanjay Malhotra, in his deliberations during the latest Monetary Policy Review earlier this month, noted that though domestic economic activity remained resilient in the third quarter (Q3) of 2025-26 (FY26), weakness in some leading high-frequency indicators suggested a deceleration in growth momen-



Growth story

- High-frequency indicators show demand resilience after festivals
- Rural demand and manufacturing show some signs of weakness
- Core inflation (excluding gold, silver) at an all-time low of 2.4% in Nov
- Benign inflation outlook supports continued growth momentum

tum in the second half (H2) compared with the first half (H1).

"Retail passenger vehicle sales grew at their highest pace in over a year, aided by GST benefits, marriage season demand, and improved supply. Domestic air passenger traffic registered its fastest growth since May 2025", the bulletin article said, adding that retail tractor sales growth, buoyed by positive rabi season prospects, reduction in GST rates and hike in minimum support prices of rabi crops, registered a significant pick-up.

"Other high frequency indicators of

rural demand, namely, retail automobiles sales, however, witnessed a sharp deceleration in the post festive season coupled with adverse base effects", the article noted.

On the Rupee's movement, the article said the Indian rupee (INR) depreciated against the US dollar in November, pressured by the strengthening of the US dollar, muted foreign portfolio flows, and uncertainty surrounding the India-US trade deal, but volatility of INR moderated and remained relatively lower than most major currencies.

"In December so far (up to 19th), the INR depreciated by 0.8 per cent over its end-November level.

In real effective terms, the Indian rupee remained stable in November, as depreciation of the INR in nominal effective terms was offset by higher prices in India vis-à-vis its major trading partners," the article pointed out.

While headline retail inflation edged up to 0.7 per cent in November from October's record low of 0.3 per cent, the bulletin attributed this partly to unfavourable base effects and noted that price rise remained below the RBI's lower tolerance threshold of 2 per cent for the third straight month.

Moreover, core inflation, excluding food and fuel prices, remained steady at 4.3 per cent, and once the impact of gold and silver prices was 'abstracted', core inflation fell to a "new all-time low" of 2.4 per cent, the article emphasised.

The Monetary Policy Committee's decision to slash the repo rate by 25 basis points (bps) to 5.25 per cent this month, was "guided by the benign inflation outlook for both headline and core, which provided space for monetary policy to further support the growth momentum", the article noted.

"High-frequency food price data for December so far (up to 19th) point to a pick-up in cereal prices. Among pulses, gram prices moderated, while tur/arhar dal prices increased. Within edible oils, the prices of sunflower oil and groundnut oil increased. Tomato and onion prices picked up while potato prices eased," the article pointed out.

While equity markets remained ebullient for much of the year on optimism around Big Tech, concerns over high valuations have recently given rise to risk-off sentiment. Portfolio flows to emerging markets have turned negative for the first time after six months of positive inflows, the bulletin noted.

While the Indian economy was not fully immune to external sector headwinds, coordinated fiscal, monetary and regulatory policies have helped build resilience over the year, the article said. "Bolstered by strong domestic demand, economic growth has been robust. Continued focus on macroeconomic fundamentals and economic reforms should help unlock efficiencies and productivity gains to firmly keep the economy on the high-growth trajectory amidst a fast-changing global environment," the article concluded.