

MONTHLY MARKET OUTLOOK:

» India's Economic Snapshot:

India's Inflation Cools Sharply: September CPI Likely Near 1–2% YoY

According to the latest consensus and agency forecasts, headline CPI inflation in India is estimated to have plunged to around **1.7 %** year-on-year in September, dipping well below the lower threshold of RBI's **2–6 %** target band. The sharp decline is largely attributable to steep falls in food and vegetable prices, with double-digit drops in key perishables dragging the broader index downward. This extension of the soft-inflation regime marks the seventh consecutive month in which inflation has stayed under RBI's medium-term **4 %** anchor. While easing food prices have helped suppress headline inflation, core inflation (excluding food and fuel) is estimated to have edged up slightly to **~4.15 %** in September, underpinned by sustained price pressures in non-food sectors. Given this benign inflation backdrop, the RBI may now find greater room to consider further policy easing, particularly if growth momentum weakens

India's Inflation Cools Sharply: September CPI Likely Near 1–2% YoY



1.7%
YoY CPI

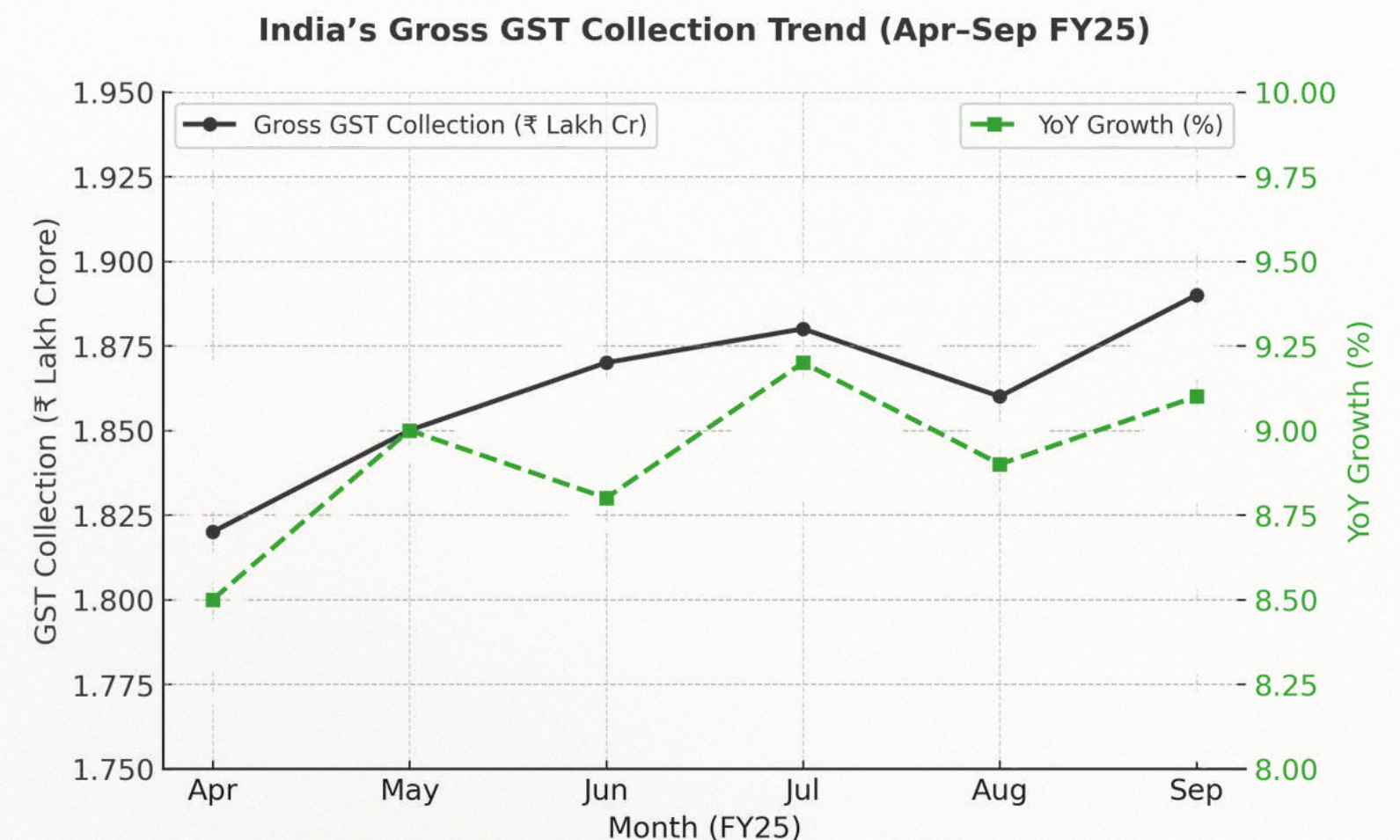
► Steady Tax Buoyancy: September GST Collections Touch ₹1.89 Lakh Crore.

India's gross Goods and Services Tax (GST) collections stood at **₹1.89** lakh crore in September 2025, marking a **9.1%** year-on-year (YoY) increase and a **1.6%** rise month-on-month (MoM). This sustained momentum reflects resilient domestic consumption and stable manufacturing and services activity.

The gross GST revenue comprises collections from CGST, SGST, IGST, and cess, with healthy inflows across all major categories. Domestic transactions continued to drive growth, while imports contributed modestly amid stable external demand conditions.

With this, average monthly GST collection for FY25 (April-September) now stands close to **₹1.87** lakh crore, compared to around **₹1.74** lakh crore in the same period last year — indicating consistent tax buoyancy and improved compliance.

Analysts attribute the steady growth to robust festive-season stocking, increased business activity, and enhanced data analytics by GST authorities to curb evasion. The collection trend underscores continued resilience in India's consumption-driven economy, even as global growth remains uneven.



► India's External Debt Rises to \$736.3 Bn in FY25, Driven by 10.1% Surge; Dollar Denomination Poses Key Risk

India's total external debt climbed **10.1%** year-on-year to **\$736.3 billion** at the end of FY25, reflecting higher commercial borrowings and increased non-resident deposits. Despite the rise, India's overall debt-to-GDP ratio remains moderate, underscoring stable external sector fundamentals. In terms of composition, dollar-denominated debt continues to dominate, accounting for **54.2%** of total external liabilities, followed by rupee-denominated debt at **31.1%**. Other currencies, including the yen, euro, and SDRs, make up the remaining share.

The increase was largely driven by higher borrowings by corporates, inflows into banking deposits, and government external assistance. However, short-term debt by original maturity stayed within prudent limits, indicating a manageable repayment profile.

The foreign exchange reserves at end-March 2025 provided a healthy cover of around **95-100%** of total short-term debt, highlighting India's strong external resilience amid global financial tightening and a firm U.S. dollar.

Analysts note that while the rise in external debt warrants close monitoring, India's favorable debt structure, large reserves, and diversified funding sources continue to act as key buffers against external shocks.

► Natural Gas Import Bill Declines 11% Amid Softer Global Prices

India's natural gas import bill fell **11%** YoY to **\$5.8 billion** during April-August 2025, driven by softer global LNG prices and stable domestic output. While import volumes stayed steady, lower spot prices helped ease input costs for sectors like fertilizers, power, and city gas distribution. The moderation reflects improved global supply conditions and is likely to keep India's energy import burden contained in the near term. Analysts noted that the decline in the gas import bill aligns with global trends of moderating demand in Europe and Asia and increased supply from the U.S. and Qatar. With domestic gas output gradually improving and global LNG prices expected to stay range-bound, India's energy import bill could remain contained through the remainder of FY25.

► India's Energy Appetite Grows: Consumption Hits 145.9 BU in September

India's power consumption rose **3.2%** year-on-year to 145.9 billion units (BU) in September 2025, indicating sustained momentum in industrial, commercial, and household electricity usage. The steady uptick highlights continued strength in manufacturing output, urban demand, and infrastructure activity, even as parts of the country experienced unseasonal rainfall that slightly moderated cooling-related power needs. On a sequential basis, consumption remained broadly stable compared to August, reflecting normalization after the heavy monsoon months. Peak power demand also remained elevated at around **247** GW, underscoring strong economic activity and growing electrification across sectors. Officials from the Power Ministry noted that higher demand from industrial belts, commercial hubs, and data centers, coupled with the government's push for 24x7 reliable power supply, has supported steady growth through FY25. Looking ahead, analysts expect power demand to accelerate further in the coming months, driven by the onset of the festive season, increased manufacturing activity, and improved rural supply conditions. This continued rise reinforces the view of resilient underlying economic growth and expanding energy requirements across India's economy.

► Festive Season and Freight Boost India's Diesel (6.3%) and Petrol (7.5%) Demand in September

India's diesel demand grew **6.3%** year-on-year, while petrol consumption rose **7.5%** YoY in September 2025, signaling continued strength in mobility, logistics, and industrial operations. The increase reflects higher vehicular movement, freight transport, and manufacturing activity, supported by improving economic momentum.

The rise in fuel demand also coincided with pre-festive stocking by distributors and steady consumption in both urban and rural segments. Analysts noted that diesel growth, in particular, points to resilient freight and agricultural transport demand, while petrol consumption benefited from higher personal vehicle usage and urban commuting trends.

Overall, the data underscores robust domestic fuel consumption, aligning with broader signs of sustained recovery in India's real economy.

» Monsoon Bounty: India Logs 8% Above-Normal Rainfall, says IMD

India received **8%** above-normal rainfall, totaling **937.2** mm during the June–September 2025 monsoon season, according to the India Meteorological Department (IMD). The surplus rainfall was driven by favorable monsoon patterns and well-distributed precipitation across most regions, particularly in central and southern India.

The improved rainfall supported kharif sowing, reservoir levels, and hydropower generation, while helping ease inflationary pressures from food prices after months of weather-related volatility. However, parts of northwest and eastern India saw localized deficits, highlighting uneven spatial distribution despite the overall surplus.

IMD's data indicates that the 2025 monsoon was timely and well-spread, aiding both agricultural productivity and rural demand recovery ahead of the festive season.

» Coal India Output Slips 3.9% in September on Monsoon Impact

Coal India Ltd (CIL) reported a **3.9% year-on-year** decline in production to **49.0 million tonnes (MT)** in September 2025, primarily due to monsoon-related operational challenges and logistical constraints. Meanwhile, coal offtake — a key indicator of supply to power and industrial sectors — also dipped **1.1% YoY**, reflecting softer demand during the rainy season.

Despite the monthly dip, cumulative production for FY25 so far remains on track, supported by steady recovery in output from major subsidiaries. With the monsoon season ending, production and dispatches are expected to pick up in the coming months to meet rising power sector demand ahead of the festive and winter periods.

CAPEX UPDATE

► Public Spending Surge: Centre's Aggressive Capex Fuels Economic Growth:

- Cabinet clears **₹697.3 bn (\$7.8 bn)** package for shipbuilding sector, Large ships granted infrastructure status.
- Cabinet approves **₹136.3 bn** transport & railway projects in Bihar.
- Steel ministry approved **₹50 bn** scheme to aid low-emission steel production.
- Cabinet approves **₹15 bn** scheme to promote e-waste & battery recycling GOVT. INITIATIVES Scheme offers 20% capital subsidy.
- Limit for lending against shares increased from ₹2 mn to ₹10 mn & IPO financing increased from ₹1 mn to ₹2.5 mn.

► Private Capex in Focus: A Tale of Caution and Strategic Investment:

- Reliance Consumer Products will invest **₹26.6 bn** to setup FMCG facility in Maharashtra & Tamil Nadu.
- Amul to invest **₹100 Bn** in 10-12 new food plants.
- PG Electroplast's subsidiary to set up **₹10 bn** electronics plant in Maharashtra.
- Cochin Shipyard & Mazagon Dock Shipbuilders will invest **₹150 bn** each for shipyard in TN.
- Amazon India will invest **₹20 bn** to expand storage and processing capacities by adding over 200 microfulfilment centres.
- Vedanta to invest **₹125 bn** to boost metal production for EV industry.
- Adani Power to invest ₹105 bn in 800 MW thermal plant in MP & ₹60 bn in 570 MW hydro project in Bhutan.
- GAIL board clears ₹53.6 bn expansion of Jamnagar-Loni LPG pipeline to double capacity to 6.5 MMTPA.

► The Current Picture India's Growth Path

India's economic expansion had faced amid-cycle correction due to tighter money conditions and global uncertainty. Growth now appears to move back into its expansion trend due to support from fiscal and monetary stimulus.



GLOBAL MARKET OUTLOOK:

» “High Tariffs Shake Global Trade: Pharma, Autos, and Furniture Hit Hard”

Starting October 1, the U.S. administration imposed a new series of steep import tariffs across multiple sectors in a bid to bolster domestic manufacturing and reduce reliance on foreign supply chains. Branded and patented pharmaceutical drugs now face a **100%** tariff, effectively doubling their import cost and incentivizing global pharma majors to set up production bases in the U.S. The government has, however, exempted companies that are currently building or have under-construction plants in the U.S., signaling support for onshoring initiatives.

In addition, heavy-duty trucks now attract a **25%** import tariff, while upholstered furniture and wooden kitchen cabinets or vanities face 25–30% duties. The policy extends further to include a 10% tariff on softwood timber and lumber, aiming to encourage domestic wood production and processing industries.

In a move that surprised many, the U.S. has also slapped a **100%** tariff on all foreign-produced films imported into the country, citing the need to protect and promote local entertainment production. Collectively, these measures mark one of the most protectionist trade steps in recent years, reflecting a broader shift toward economic nationalism and industrial self-reliance, even at the potential cost of higher consumer prices and trade tensions.

» **H-1B Saga: U.S. Imposes \$100,000 Fee on New Visa Petitions**

In a significant policy shift, the Trump administration has imposed a \$100,000 fee on all fresh H-1B visa petitions effective September 21, 2025. The new fee, payable by employers sponsoring foreign workers, is in addition to the existing application charges ranging between \$2,000 and \$5,000. The measure aims to discourage overreliance on foreign talent and incentivize companies to prioritize domestic hiring. Importantly, existing H-1B holders and renewal applications remain exempt, minimizing disruption for current visa holders. The proclamation is set to remain in effect for one year, until September 21, 2026. The move is expected to raise hiring costs for U.S. tech and consulting firms, many of which depend heavily on skilled professionals from countries like India.

» **Europe Update: Inflation Creeps Higher, Defence Ties Deepen, Auto Woes Continue**

Eurozone inflation inched up to 2.2% in September, rising from 2.0% in August, driven mainly by higher energy and service costs. The gradual pickup suggests lingering price pressures even as the European Central Bank maintains a cautious policy stance to balance growth and inflation stability. In defence developments, Norway has selected the United Kingdom for a landmark \$13.5 billion deal to acquire 13 advanced anti-submarine frigates — the largest military investment in Northern Europe's history. The agreement underscores deepening security cooperation within the region amid growing geopolitical uncertainties. Meanwhile, Jaguar Land Rover (JLR) announced an extension of its production halt until October 1, citing ongoing supply chain disruptions and weaker market demand. The prolonged shutdown adds to broader concerns about the resilience of Europe's manufacturing sector amid a slowing global economy.

► Precious Metals Shine as Investors Flock to Safe Havens Amid Global Uncertainty

From January to September 2025, precious metals have significantly outperformed equities amid global uncertainty and rising safe-haven demand. Gold rallied about 40-45%, supported by central bank purchases, geopolitical tensions, and a weaker U.S. dollar. Silver soared even higher — up over 60% year-to-date — driven by strong industrial demand from the clean-energy and electronics sectors alongside its safe-haven appeal. In contrast, the Nifty 50 delivered a modest 6-8% gain during the same period, reflecting investor caution amid uneven global growth, volatile foreign flows, and profit-taking in domestic markets. The divergence highlights investors' tilt toward defensive assets as market and policy uncertainties persist.

