MONTHLY MARKET OUTLOOK:

India's Economic Snapshot:

India's Economic Momentum Cools Slightly; Manufacturing PMI Hits 2-Month High

The HSBC Flash India Composite Output Index eased to **59.9** in October 2025, down from **61.0** in September, marking its lowest level since May 2025. While the pace of expansion has moderated, the reading still signals a historically strong rate of growth in India's economic activity.

a) Manufacturing momentum improves:

The HSBC Flash India Manufacturing PMI rose to a two-month high of **58.4** in October 2025, supported by the recent GST rate cuts, which likely boosted production demand and business confidence. The improvement reflects resilient manufacturing conditions and continued strength in industrial output.

b) Services expansion cools:

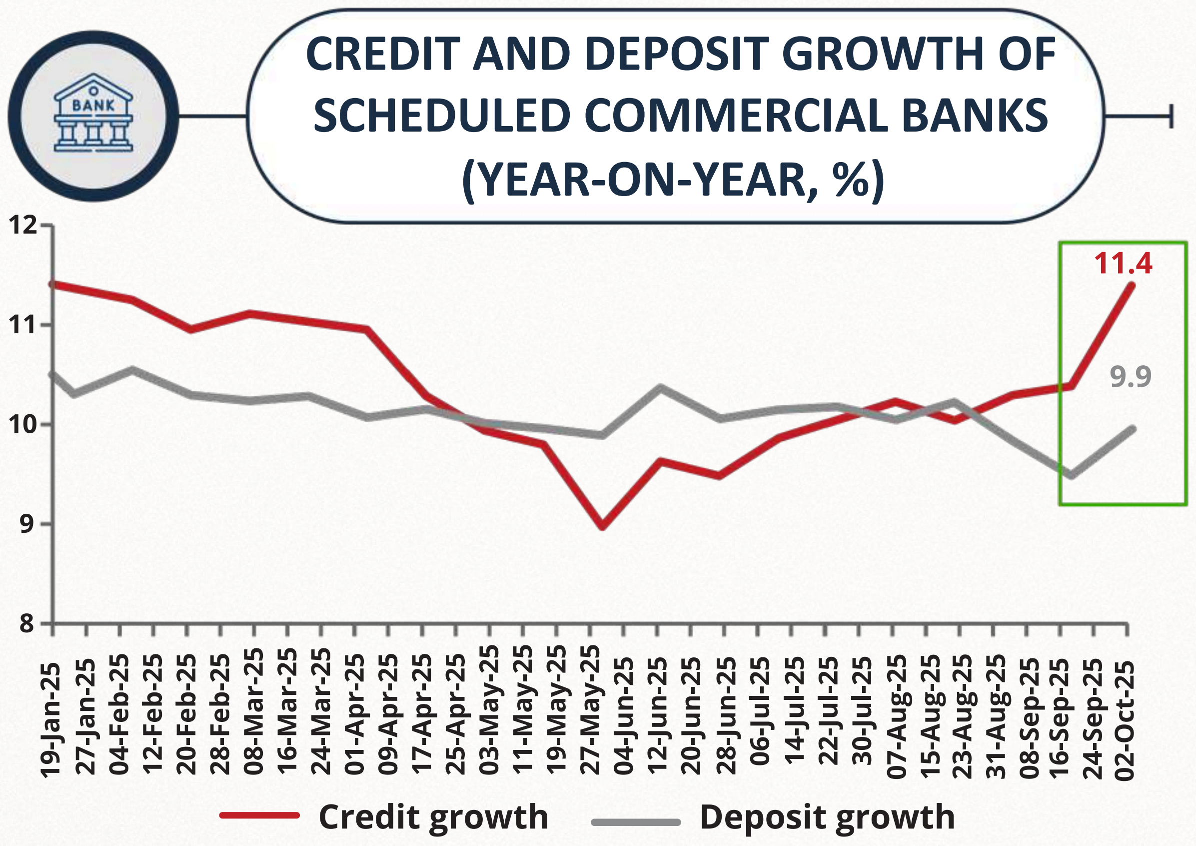
The HSBC Flash India Services PMI moderated to **58.8**, compared with **60.9** in September. Service providers cited intensified competition and disruptions from floods and landslides, which tempered sales and operational activity. While growth remains robust, the sector experienced a notable easing in momentum.

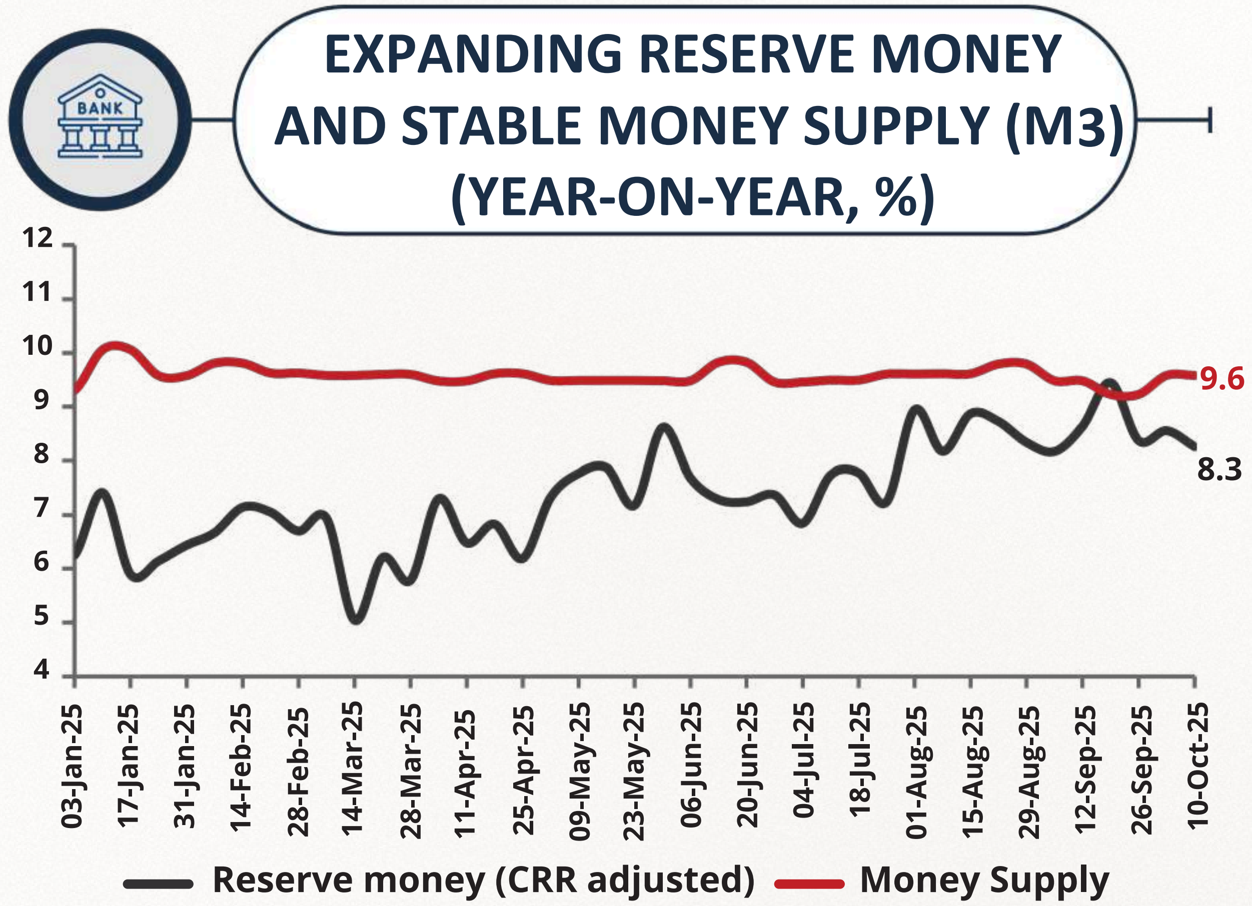
Overall, India's economic activity continues to expand at a solid pace, with manufacturing gaining traction even as service sector growth normalises from elevated levels.

India's Bank Credit Growth Continues to Outpace Deposit Growth

Bank credit growth, though moderating compared to the previous year's elevated base, continues to reflect strong momentum and remains a key pillar supporting real economic activity. As of October 02, 2025, total credit off-take rose **11.4%** year-on-year, underpinned by festive-season demand and the strong multiplier effect of recent GST rate cuts. The reduction in indirect taxes has notably accelerated credit flows toward housing, automobiles, and white goods, encouraging retail spending and stimulating broader consumption-led growth. Corporate credit demand also remained steady, aided by improved business sentiment and ongoing capacity expansion across select sectors.

On the liquidity front, money supply (M3) expanded **9.6%** year-on-year as of October 03, 2025, compared to **9.5%** in early September. This marginal uptick underscores a balanced and supportive liquidity environment, enabling smoother credit transmission without fueling excess systemic liquidity pressures. Taken together, the credit and monetary trends continue to signal healthy economic underpinnings, sustained financial sector activity, and ongoing support for growth-driven investments and consumption.



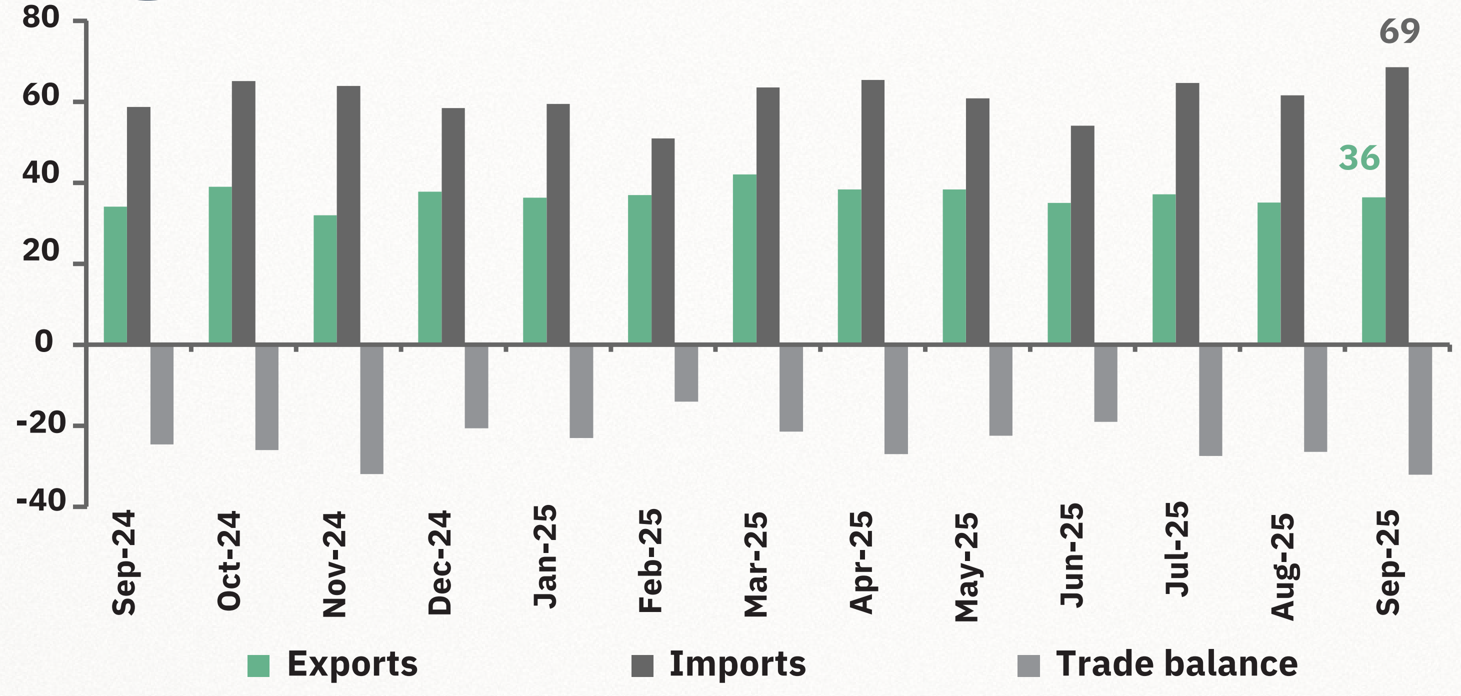


Widening Trade Gap: India's Merchandise Deficit Jumps to $32.15 Billion in September

India's merchandise trade deficit widened to a 13-month high of **$32.15** billion in September 2025, up from **$26.49** billion in August 2025, as imports outpaced export growth. Global trade has remained volatile this year due to escalating geopolitical tensions and persistent uncertainty in global supply chains. Despite the challenging environment, the Indian Government continues to strengthen export competitiveness and diversify trade partnerships to reduce reliance on key markets.

In September 2025, merchandise imports increased to **$68.53** billion from **$61.59** billion in August, driven primarily by higher inflows of gold, silver, fertilizers, and electronics. Merchandise exports also rose to **$36.38** billion from **$35.10** billion in August, supported by strong demand for electronic goods, petroleum products, engineering goods, rice, marine products, and pharmaceuticals. However, the sharper rise in imports compared to exports led to the notable widening in the trade gap

MERCHANDISE TRADE DEFICIT ($, BILLION)

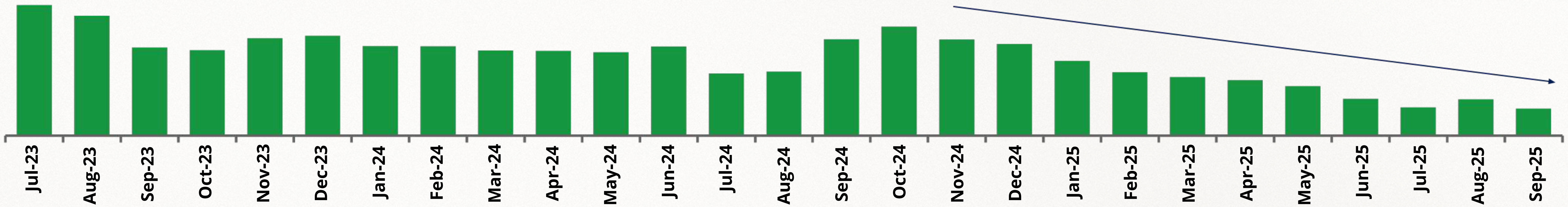


GROWTH OF MERCHANDISE EXPORT AND IMPORTS (YEAR-ON-YEAR, %)

India's Retail Inflation slips below the RBI's lower tolerance band

India's retail inflation, measured by the Consumer Price Index (CPI), eased sharply to **1.54%** in September 2025 from **2.07%** in August, marking the lowest reading since June 2017. The steep moderation in price pressures was primarily led by a significant correction in vegetable prices. Food inflation remained in negative territory at **-2.28%**, compared to **-0.64%** in August, supported by a favourable monsoon, robust Kharif sowing, and adequate reservoir levels — all of which helped stabilise food supply conditions.
Deflation in key food categories such as vegetables **(-21.38%)**, pulses **(-15.32%)**, and spices **(-3.07%)** contributed meaningfully to the overall downtrend. However, inflation in oils & fats **(18.34%)** continued to stay elevated, although the Government's recent cut in basic customs duty on edible oils is expected to provide some relief going forward.
Meanwhile, core inflation — which excludes food and fuel — edged up to **4.5%**, driven by strong gold price inflation and a notable pickup in housing inflation, signalling underlying price pressures outside the food basket.

INDIA'S CONSUMER PRICE INFLATION GROWTH (%)



INR Hits ₹88.81/$ in October — Asia's Weakest Currency in 2025

The Indian Rupee weakened to a record low of **₹88.81** per US dollar in October 2025, cementing its position as Asia's worst-performing currency this year. The depreciation was driven by persistent foreign portfolio outflows, elevated global bond yields, and a strong US dollar supported by resilient U.S. economic data. Additionally, higher oil prices and firm demand for dollars from importers added pressure on the currency. Despite periodic interventions by the Reserve Bank of India to curb volatility, the rupee continued to trade near lifetime lows as investors remained cautious amid global geopolitical uncertainty and tighter financial conditions. Going forward, stability in crude prices, easing U.S. yields, and improving foreign inflows will be crucial for rupee recovery, although volatility may linger near-term.

Industrial Growth Cools: IIP Slips to 3-Month Low at 4% in Oct '25

India's industrial growth softened in September 2025, with IIP rising **4%**, a three-month low and the slowest pace in the first half of the fiscal year in five years. The cooling momentum was driven by weakness in mining, primary goods, and consumer non-durables, reflecting supply constraints, uneven rural demand, and cautious spending on essentials. Manufacturing also moderated as firms aligned output to slower restocking cycles and measured consumption trends. While infrastructure and investment-linked sectors continued to show resilience, the broader industrial recovery remains gradual. Sustained rural demand revival, festive-season spending, and stronger private-sector capex will be key for a more broad-based industrial rebound in the coming months

CAPEX UPDATE

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

- Government to invest **₹6.4** tn in Power Transmission to evacuate **65 GW** of hydropower from the Brahmaputra Basin by 2035.
- Steel ministry approved **₹50** bn scheme to aid low-emission steel production.
- NHAI raises monetization target for FY26 to **₹400** bn from **₹300** bn
- Cabinet approves **₹380** bn NBS subsidy for rabi 2025-26 Subsidy for phosphorus up **10%** to **₹47.96/kg** & sulphur up **10% to ₹2.87/kg**

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

- Hyundai Motor Co. to invest **₹450 bn** in India by 2030, launching 26 new models
- Ford to invest ₹32 bn to retool Tamil Nadu plant, targets **200K** high-end export engines annually
- Foxconn to invest ₹150 bn in Tamil Nadu and create ~14,000 engineering jobs
- Escorts Kubota to invest **₹20 bn** by 2031 expanding Haryana manufacturing and R&D facilities]
- UltraTech to invest **₹103 bn** adding 22.8 MTPA capacity by FY28 Will raise the company's cement capacity to **240.8 MTPA**
- Eli Lilly to invest $1 bn in India, setting up Hyderabad manufacturing & quality center

GLOBAL MARKET OUTLOOK:

Major Economies Reset Trade Ties; Strategic Mineral & Supply-Chain Deals Deepen

Global trade relations saw notable progress as the US and China mutually paused reciprocal port fees for one year, easing maritime tensions and offering temporary relief amid ongoing tariff disputes. Strengthening strategic supply-chain partnerships also remained a key theme. The US and Australia signed an **$8.5-billion** Critical Minerals Framework aimed at securing critical mineral and rare-earth supplies essential for clean-energy and defence sectors. Meanwhile, the US Federal Reserve announced plans to halt its balance-sheet runoff from December 1, opting to roll over maturing Treasuries and reinvest MBS proceeds into T-bills, signalling a measured shift towards liquidity stabilization. In another significant alliance, the US and Japan inked a strategic trade and investment framework, with Japan committing **US$550** billion in US investments, while the US will impose a 15% tariff on most Japanese imports. The agreement focuses on collaboration in critical minerals, energy infrastructure, and high-tech manufacturing, reinforcing the reshaping of global supply chains amid geopolitical shifts

U.S.-South Korea signed **US $150 bn** advanced industry partnership to boost shipbuilding and AI.

Cameco signs **$80 bn** US deal via Westinghouse to build nuclear reactors boosting AI and clean energy.

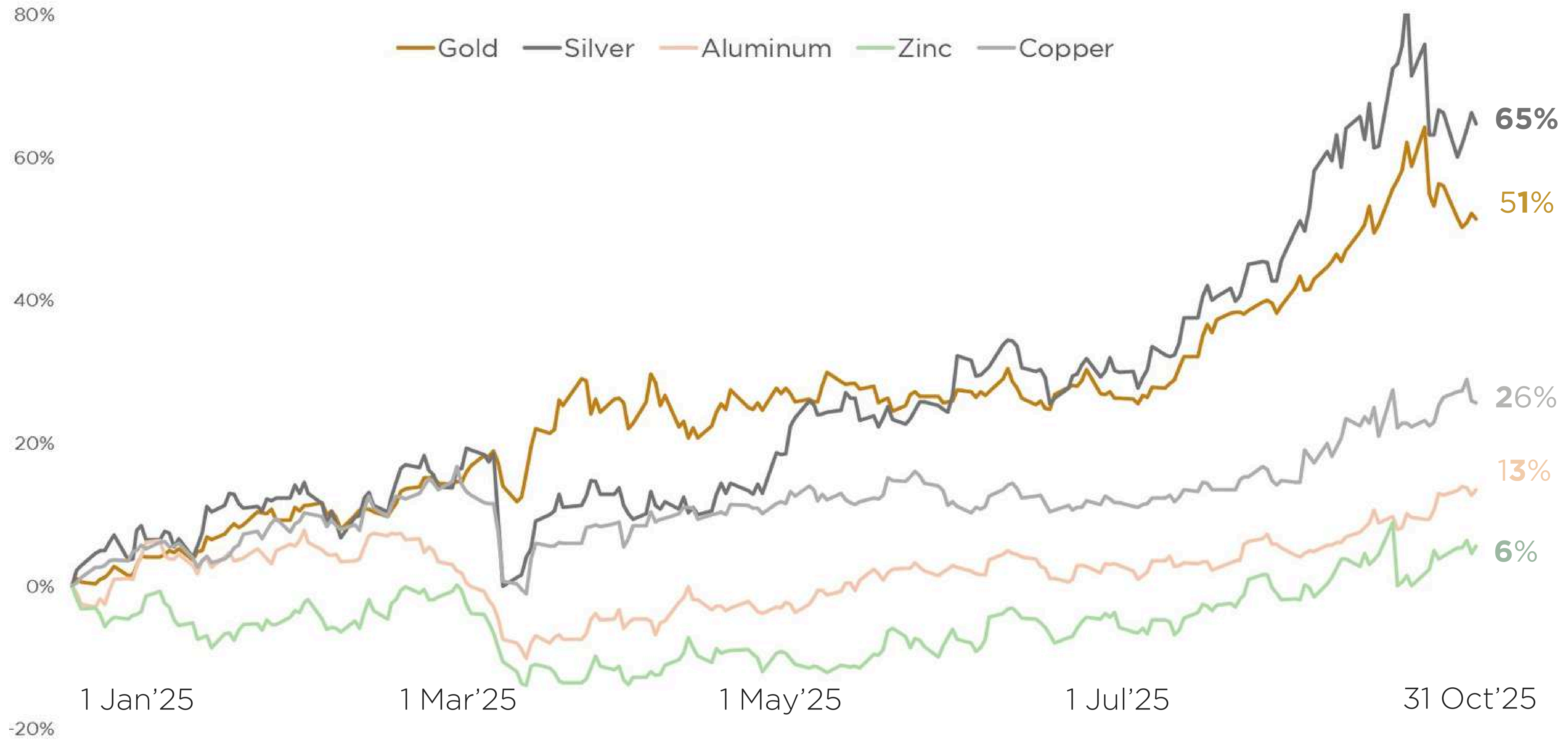
China's New 5-Year Plan Prioritises Tech Self-Reliance as Industrial Profits Surge

China unveiled its 15th Five-Year Plan blueprint, prioritising strategic emerging sectors and future industries, with emphasis on technological self-reliance, industrial upgrading, domestic demand expansion, and greater economic openness. The policy direction highlights Beijing's continued push to strengthen national innovation capacity and reduce external supply-chain vulnerabilities. In parallel, authorities abolished the VAT offset for gold purchases, a move expected to raise costs for retailers and consumers, potentially tempering speculative demand in the bullion market. Economic data signalled improving industrial momentum, with industrial firm profits surging **21.6%** YoY in September 2025, the fastest pace since November 2023, supported by improving margins and stronger manufacturing activity. Meanwhile, China's major metals lobby called for capacity caps in copper, lead, and zinc to curb over-expansion and support price stability, underscoring continued efforts to manage supply discipline in critical raw materials markets.

Europe Update: ECB Holds Rates; EU Tightens Steel Quotas, Unveils €1B AI Push

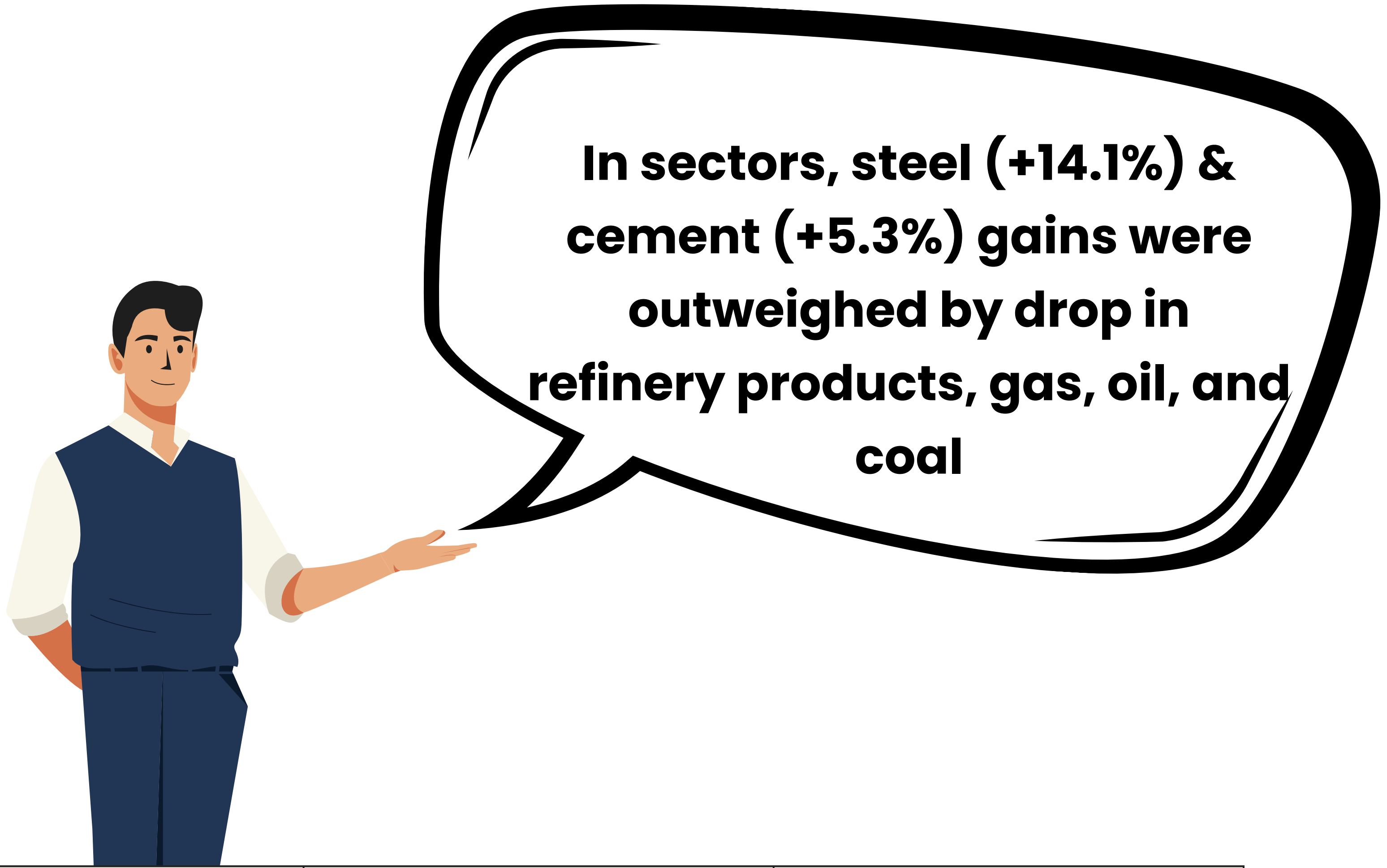
The European Central Bank (ECB) left its key interest rate unchanged at **2%,** signalling a data-dependent stance as policymakers assess inflation progress and growth risks across the euro area. In trade developments, the EU announced plans to sharply cut steel import quotas and impose a 50% tariff on volumes beyond the reduced limits, aiming to protect domestic producers amid oversupply concerns. Meanwhile, reinforcing supply discipline in commodity markets, China's metals lobby called for capacity caps on copper, lead, and zinc, seeking to curb overexpansion and safeguard industry margins. The EU also launched a €1-billion "Apply AI" fund to accelerate artificial-intelligence deployment across manufacturing, healthcare, and critical industrial sectors, supporting technological competitiveness. Separately, in its 2026-2028 fiscal plan, the Italian government proposed raising **$12.8 billion** through higher IRAP taxes on banks and insurers, signaling fiscal tightening aimed at stabilizing public finances.

Metals in Motion: Gold Glitters, Copper Charges, and Crude Climbs



INDIA ECONOMIC DATA

Economic Indicator	Sep'25	Aug'25	Sep'24
WPI inflation (in%)	0.13	0.52	1.91
CPI inflation (in%)	1.54	2.07	5.49
Trade Deficit (in bn$)	32.2	26.5	24.7



Economic Indicator	Oct'25	Sep'25	Oct'24	MoM	YoY
GST Collection (in tn)	2	1.9	1.9	3.70%	4.60%
AVG USD INR	88.4	88.3	84	0.10%	5.20%
Forex Reserves ($ bn)	689.7	700	684.8	-1.50%	0.70%