प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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November 24, 2025

RBI Bulletin – November 2025

Today, the Reserve Bank released the November 2025 issue of its monthly Bulletin. The Bulletin includes six speeches, five articles and current statistics.

The five articles are: I. State of the Economy; II. 'Making the Horizons Meet': A Heterodox Approach for Short-Term Inflation Forecasting; III. Multivariate Core Trend Inflation: A New Measure of Core Inflation; IV. Nowcasting GDP in India: A New Approach; and V. Seasonality in Key Economic Indicators of India.

I. State of the Economy

Global uncertainty remains elevated, although October witnessed a slight pullback after more than a year of continuous increase. Concerns persist about the heightened exuberance in global equity markets, raising questions about its sustainability and its implications for financial stability. The Indian economy showed signs of a further pick up in momentum, despite continuing global headwinds. Available high-frequency indicators for October suggest a robust expansion in both manufacturing and services activities, supported by festive season demand and the ongoing positive impact of the GST reforms. Inflation has moderated to a historic low and remained well below the target rate. Financial conditions remained benign, and the flow of financial resources to the commercial sector increased significantly from a year ago.

II. 'Making the Horizons Meet': A Heterodox Approach for Short-Term Inflation Forecasting

By Joice John, Saquib Hasan, Renjith Mohan and Suvendu Sarkar

This article presents a framework for short-term inflation forecasts integrating three diverse procedures: (i) nowcasts (ii) machine learning and statistical methods and (iii) system of dynamic and stochastic equations, allowing nowcasts in the near end of the horizon to converge to a benchmark forecast.

Highlights:

- By integrating nowcasts (generated using full-information matrix), benchmark forecasts (estimated using machine learning and statistical models), seasonal factors and judgmental adjustments into a dynamic system of disaggregated component/sub-group level equations, the proposed framework offers a forward-looking and granular view of inflation dynamics.

- *Pseudo*-out of sample root mean square error (RMSE) for year-on-year headline inflation is markedly lower in the near-term compared to benchmark forecasts and as the horizon extends, it converges to that of the benchmark forecasts. Thus, the proposed framework leverages the advantage of nowcasts in the near-term, while ensuring enhanced forecast accuracy in the shorter horizon.
- As such, the forecasting framework provides a powerful, yet pragmatic approach for generating short-term inflation forecasts in an increasingly complex and uncertain environment faced by emerging market economies.

III. Multivariate Core Trend Inflation: A New Measure of Core Inflation

By Harendra Kumar Behera and Abhishek Ranjan

The Multivariate Core Trend (MCT) inflation is a measure of trend inflation which provides insight on whether the inflation dynamics are dominated by a trend common across sectors or are sector-specific, and it has been developed to track persistent price pressures in the economy. The measure looks beyond temporary price swings in food and fuel and focuses on lasting inflation trends, making it useful for policy assessment.

Highlights:

- MCT inflation shows greater stability and smoother movements compared to headline and conventional core inflation, especially during periods of large supply shocks such as the pandemic and the surge in global commodity prices.
- Broad-based price pressures, rather than isolated sector movements, have been the key drivers of underlying inflation in recent years, with services inflation gaining importance.
- The new measure improves inflation forecasting over the medium term, offering policymakers an additional tool to monitor inflation dynamics and support decision-making.

IV. Nowcasting GDP in India: A New Approach

By Indrajit Roy and K. M. Neelima

To gauge the underlying state of the economy, central banks and policy makers often track high frequency indicators. In this context, nowcasting has become a useful tool for policymakers for summarising the information flowing from different indicators, especially for tracking macroeconomic variables like gross domestic product (GDP) for which data are often released with considerable lags. In this article, a novel two-step approach for nowcasting GDP has been proposed.

Highlights:

- A primary composite index (PCI) is constructed using selected indicators based on the strength of each indicator in relation to the target variable, i.e, GDP, and a secondary composite index (SCI) is built from the residual information of the indicators which are otherwise generally discarded. PCI and SCI are then jointly used to nowcast GDP.
- The novelty of the new approach lies in i) assigning more weightage to the indicators that are correlated with the target series rather than co-movement of the

indicators among themselves, and ii) maximising information by utilising information which are often discarded by the conventional modelling process by creating a secondary information source based on residuals.
- Incorporating secondary information from residuals has greatly improved accuracy of nowcasting GDP when compared with the baseline single-step nowcasting using dynamic factor-based modelling (DFM).

V. Seasonality in Key Economic Indicators of India

By Souvik Ghosh, Shivangee Misra, Anirban Sanyal and Sanjay Singh

This article unveils the seasonal patterns in key economic indicators for India, analysing 78 monthly indicators across six major sectors—monetary and banking, payment systems, prices, industrial production, merchandise trade and services—along with 25 quarterly indicators spanning national accounts, balance of payments, capacity utilisation of Indian manufacturing companies and forward-looking enterprise surveys.

Highlights:

- Banking monthly indicators such as, bank credit, non-food credit and demand deposits typically reach their year-end peak in March.
- Consumer price index experiences seasonal pressure from July to November, primarily due to rising vegetable prices during the monsoon, while fruit prices tend to peak in the summer.
- In industrial production, most items hit their highest levels in March, except consumer durables, which peak in October during the festive season.
- Both exports and imports reach their seasonal highs in March, with exports showing more pronounced seasonal fluctuations than imports.
- Real gross domestic product and gross value added consistently peak in Q4 (January-March), with higher seasonal variations since the pandemic.
- Private final consumption expenditure and gross fixed capital formation trough in Q2 (July-September), whereas government final consumption expenditure experiences seasonal low in Q3 (October-December). Within supply side, agriculture experiences maximum seasonal variations.
- In the Reserve Bank’s Industrial Outlook Survey, manufacturers’ current assessment peaks during Q4 (January-March) and expectations scales seasonal maximum in Q3 (October-December).
- Services exports peak in Q4, while exports of telecommunications, computer and information services are strongest in Q3.

The views expressed in the Bulletin articles are of the authors and do not represent the views of the Reserve Bank of India.

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Press Release: 2025-2026/1561