

Global Economic Outlook

US Economy: The Consumer Price Index (CPI), which tracks the cost of everyday goods and services, rose by 0.4% in August 2025—the biggest monthly increase since January 2025. This pushed the annual inflation rate to 2.9%, slightly higher than the previous month. The core CPI, which excludes food and energy prices, went up by 0.3% in August 2025, bringing the yearly rate to 3.1%, exactly as expected. The central bank's inflation target is 2%. On the employment front, weekly jobless claims unexpectedly rose to 263,000 for the week ending September 6, 2025, significantly above the 235,000 estimate and the highest level in nearly four years. The producer price index, which measures input costs across a broad array of goods and services, dropped 0.1% for the August 2025, after a downwardly revised 0.7% increase in July 2025. Tariff-sensitive categories showed mixed results: new vehicle prices rose 0.3%, while used cars and trucks increased by 1%. Services prices excluding energy rose 0.3% in August. These data points will be key inputs for the Federal Reserve's upcoming policy meeting concluding on September 17, 2025.

Chinese Economy: China's factory output and retail sales posted their weakest growth since last year in August 2025, intensifying calls for additional stimulus measures to counter a deepening slowdown in the world's second-largest economy. According to data released by the National Bureau of Statistics (NBS), industrial production rose by 5.2% year-on-year—its slowest pace since August 2024. Retail sales also disappointed, reflecting subdued domestic demand amid ongoing challenges in the labour market and property sector. Unemployment climbed to a six-month high of 5.3% in August 2025, up from 5.2% in July 2025 and 5.0% in June 2025, signalling further strain on consumer confidence. Meanwhile, new home prices declined by 0.3% month-on-month and 2.5% year-on-year, underscoring persistent weakness in the real estate market. The latest figures have divided economists on whether Beijing will need to introduce more near-term fiscal support to meet its annual growth target of “around 5%.”

UK Economy: The U.K. economy recorded zero growth in July 2025, according to data released by the Office for National Statistics (ONS), matching economists' expectations and following a 0.4%

expansion in June 2025. The stagnation was primarily driven by a 0.9% contraction in production output, while both services and construction sectors posted marginal gains. This development follows a better-than-expected 0.3% GDP growth in Q2, although it marked a slowdown from the robust 0.7% growth seen in Q1. Economists now anticipate a broader deceleration in economic activity during the second half of 2025. Meanwhile, the Bank of England is navigating persistent inflation and fiscal uncertainty. In August 2025, the Bank Rate was reduced by 25 basis points to 4%. The next policy meeting on September 18, 2025 is expected to maintain current rates, but attention is already shifting to the November 6, 2025 meeting, which precedes the Autumn budget announcement. While some analysts still believe the U.S. Federal Reserve will cut interest rates in November, the unexpectedly hawkish tone (i.e., more cautious or tough stance on inflation) taken by the Fed in August has made that prediction less certain.

Domestic Economic Outlook

WPI inflation turns positive at 0.52% in August after two months of decline: Wholesale price inflation (WPI) returned to the positive zone after two months at 0.52% in August 2025, as prices of food articles and manufactured items inched up, government data showed on September 15, 2025. WPI-based inflation was (-) 0.58% and (-) 0.19% in July 2025 and June 2025, respectively. It was 1.25% in August last year. Positive rate of inflation in August 2025 is primarily due to an increase in prices of food products, manufacturing, non-food articles, non-metallic mineral products and transport equipment etc. The next WPI data for September 2025 is scheduled to be released on October 14, 2025.

Five million farmers take equity in 10,000 FPOs: The trend of an increasing number of farmers becoming shareholdings in farmer producer organisations (FPOs) has boosted local aggregation and reduction in cost of production by achieving economies of scale. In the last five years, over 5 million farmers have taken equity in more than 10,000 FPOs. Of the total shareholders, Telangana (0.67 million), Uttar Pradesh (0.59 million), Andhra Pradesh (0.57 million), Madhya Pradesh (0.32 million) and Maharashtra (0.3 million) account for

50%, according to the agriculture ministry. Women farmers have 38% share in these collectives. Increase in shareholding in FPOs has also led to collectivisation of small and marginal farmers while members farmers get cheaper agri inputs, including fertilisers, crop protection products and equipment. In FY25, 340 FPOs have crossed Rs 10-crore sales turnover while over 1,100 farmers collectives reported sales more than Rs 1 crore. The cumulative turnover of these FPOs has crossed Rs 15,282 crore.

Retail inflation rises to 2.07% in Aug, yet rate cut hopes alive: India's retail inflation, as measured by consumer price index (CPI), inched up to 2.07% in August 2025 from a revised 1.61% in July 2025 as some food prices turned costlier and made the deflation in the segment less deep. July 2025 was the ninth straight month when both the overall CPI and Consumer Food Price Index (CFPI) declined. With this, and the expected deflationary impact of the Goods and Services Tax (GST) reductions on hundreds of items, many analysts feel that there is room for further rate cuts in the current financial year – by 25 or even 50 bps. An increase in headline inflation and food inflation during the month of August 2025 is mainly attributed to increase in inflation of vegetables, meat and fish, oil and fats, personal care and effects and eggs,” the National Statistics Office said.

Regional imbalance in Agri-credit flow stays Despite a strong 13% average annual growth in agricultural credit over the past decade, regional disparities persist, with southern states receiving 48% of the ₹28.69 lakh crore disbursed in FY25—despite accounting for just 17% of India's gross cropped area. Tamil Nadu and Andhra Pradesh alone accounted for 27% of total disbursals, while the North-East received only 1%. The imbalance is attributed to weaker rural financial infrastructure and low credit absorption in under-served regions. Of the total credit, 55% went to short-term crop loans, with ₹6.5–7 lakh crore disbursed via Kisan Credit Cards (KCCs). Under the Modified Interest Subvention Scheme, ₹17,811 crore was disbursed at an effective 4% interest for prompt repayment. For FY26, the agri-credit target has been raised to ₹32 lakh crore, with the KCC loan limit increased to ₹5

lakh and collateral-free loan limits enhanced to ₹2 lakh.

Interest Rate Outlook

Indian rupee to struggle on tariff drag, bond traders' eye Fed decision: The Indian rupee hit a record low of 88.45 against the U.S. dollar last week, pressured by strong dollar demand and U.S. tariff concerns, before slightly recovering to 88.2750. Traders are now focused on the U.S. Federal Reserve's September 16–17 meeting, 2025, where a 25-basis-point rate cut is expected. However, analysts believe any support to the rupee may be limited, and it could continue to underperform other Asian currencies. On September 12, 2025, India's 10-year bond yield (6.33% 2035) held steady at 6.4867%, with expectations it will stay within the 6.40%–6.52% range unless the Fed signals deeper cuts. Bond yields have eased after the finance minister reaffirmed the fiscal deficit target and ruled out extra borrowing.

Outlook: The rupee remains under pressure due to global tariff concerns and strong dollar demand, despite an expected Fed rate cut. Bond yields are stable, supported by the government's fiscal discipline, but any sharp rally may need RBI support. Investors should stay alert to global cues and central bank signals, as these will guide near-term interest rate trends and investment decisions. For individuals, a weaker rupee increases the cost of imported goods, especially electronics, fuel, and foreign education/travel. This can strain household budgets. For Industry, a strong dollar and weak rupee make raw material imports costlier, squeezing margins. For Banking industry, lower interest rates can compress margins, especially if deposit rates don't adjust quickly.

Government Security Yield (%)					
Date	04 Sept	07 Sept	10 Sept	13 Sept	16 Sept
USA 10 yr	4.16	4.08	4.04	4.06	4.03
Ind 10 yr	6.49	6.46	6.48	6.48	6.49
Ind 5 yr	6.38	6.31	6.32	6.36	6.33
Ind 1 yr	5.65	5.65	5.67	5.67	5.65

Source: worldgovernmentbonds.com