

Global Economic Outlook

US Inflation at 2.7% in June 2025: The all-items Consumer Price Index rose 2.7 % for the 12 months ending June, after rising 2.4 % over the 12 months ending May. The all items less food and energy index rose 2.9 % over the last 12 months. The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 % on a seasonally adjusted basis in June, after rising 0.1 % in May, the U.S. Bureau of Labor Statistics reported today.

The annual inflation rate in the US accelerated for the second consecutive month to 2.7% in June 2025, the highest level since February, up from 2.4% in May and in line with expectations. On a monthly basis, the CPI edged up 0.3%, marking the largest increase in five months and up from 0.1% in May, also matching expectations. The largest upward pressure came from shelter prices, which went up 0.2% while gasoline cost increased 1%.

Chinese Economy grows despite challenges: According to preliminary estimates released by National Bureau of Statistics by China, the gross domestic product (GDP) in the first half of 2025 reached 66,053.6 billion yuan, up by 5.3 % year on year at constant prices. By industry, the value added of the primary industry was 3,117.2 billion yuan, up by 3.7 % year on year; that of the secondary industry was 23,905.0 billion yuan, up by 5.3 %; and that of the tertiary industry was 39,031.4 billion yuan, up by 5.5 %. By quarter, the GDP for the first quarter increased by 5.4 % year on year, and for the second quarter 5.2 %. The GDP for the second quarter increased by 1.1 % quarter on quarter.

UK Inflation rises to 3.6% in June 2025: The Consumer Prices Index (CPI) rose by 3.6% in the 12 months to June 2025, up from 3.4% in the 12 months to May. On a monthly basis, CPI rose by 0.3% in June 2025, compared with a rise of 0.1% in June 2024. Core CPI (CPI excluding energy, food, alcohol, and tobacco) rose by 3.7% in the 12 months to June 2025, up from 3.5% in the 12 months to May; the CPI goods annual rate rose from 2.0% to 2.4%, while the CPI services annual rate was unchanged at 4.7%.

Domestic Economic Outlook

EAC-PM projects India's GDP in 2025-26 to grow by 6.5%: India's real GDP in 2025-26 is likely to grow by 6.5%, despite global uncertainties, according to Chairman, Advisory Council to the Prime Minister (EAC-PM). He cited low inflation, rising capital expenditure, rate cuts by the Reserve Bank of India and strong domestic demand as key growth drivers. He noted that high-frequency indicators reflect resilience, with good monsoon and falling food prices aiding inflation control. While IMF and World Bank forecast lower growth for 2025-26 at 6.2-6.3 %, Dev stressed that strong fundamentals, improved corporate balance sheets, and government capex will support growth. He added that net outward FDI reflects a maturing market and that private investment may pick up as demand improves and global risks ease.

CPI inflation falls to 2.1% in June 2025: Retail price inflation, measured by the Consumer Price Index (CPI), fell to 2.1% in June 2025 from 2.8% in May 2025. This is the lowest inflation recorded in the last 77 months. Inflation in urban India fell to 2.6% from 3.1% in May 2025, while that in rural India eased to 1.7% from 2.6%. At the all-India level, inflation in the food & beverages group turned negative 0.2% in June 2025 from 1.5% in May 2025. Inflation in the fuel & light group fell to 2.6% from 2.8% in May 2025, while that in the clothing and footwear declined to 2.6% from 2.7%. Inflation in miscellaneous items rose to 5.5% from 5.2%.

WPI turns negative 0.1% in June 2025: Wholesale price inflation, measured by the WPI, turned negative in June 2025. The disinflation stood at 0.1% as against an inflation of 0.4 % in May 2025. Inflation in the manufactured products group remained unchanged at 2% in June 2025 from May 2025. Both, primary article prices and power & fuel reported disinflation of 3.4% and 2.7%, respectively, in June 2025, as compared to disinflation of 2% and 2.3% witnessed in May 2025.

E-way bill generation slows in June 2025: E-way bill generation, under Goods and Services Tax (GST), declined by 2.6 % in June 2025 to 119.5 million, compared to 122.7 million in May 2025.

Despite the month-on-month drop, the figure was 19.3 % higher than a year ago. Intrastate and interstate bills stood at 78.9 million and 40.6 million, respectively.

Kharif sowing up 6.7% as of 11 July 2025: Area sown under kharif crops was reported at 59.8 million hectares as of 11 July 2025. This is 6.7 % higher than the area covered during the corresponding period last year. Acreage under rice increased by 10.6 % to 12.4 million hectares and that under coarse cereals also increased by 16.6 % to 11.6 million hectares. Area sown under pulses was up y-o-y by 25.7 % at 6.7 million hectares. Oilseeds were sown on 13.7 million hectares, 1.8 % lower than a year ago. Area sown under cotton decreased by 2.5 % to 9.3 million hectares and that under sugarcane also decreased by 0.5 % to 5.5 million hectares as of 11 July 2025.

Interest Rate Outlook

RBI to take measured approach on rate cuts, says Governor: Reserve Bank of India Governor stated that the central bank will adopt a wait-and-watch approach before considering further rate cuts, as both inflation and growth remain key priorities. The Monetary Policy Committee (MPC) has cut the repo rate by 100 basis points since February 2025 and adopted a neutral stance. The Governor noted that inflation forecasts are still being finalised, and any move will depend on evolving data. He added that policy transmission is incomplete, with only 24 basis points passed on till May 2025, and more ground remains to be covered. The next MPC meeting is scheduled for early August 2025.

Muted response at VRRR auction: The Reserve Bank of India's three-day variable rate reverse repo (VRRR) auction conducted on July 15 witnessed a tepid response for the second consecutive time, underscoring banks reluctance to park funds with the central bank. Against a notified amount of Rs.1 trillion, bids totalled just Rs.0.57 trillion, with both the cut-off and weighted average rate settling at 5.49 %. Despite a liquidity surplus of Rs.2.6 trillion in the system above the RBI's comfort level of Rs.2.5 trillion banks showed limited interest, likely due to rates exceeding the standing deposit facility (SDF) rate.

Rate cut hopes rise on inflation fall: Economists believe that the sharp decline in retail

inflation to 2.1 % in June 2025 has increased the chances of a policy rate cut by the Reserve Bank of India, reported Business Standard. They expect the cut could happen as early as August 2025. The fall is expected to keep average inflation below the projected 3.7% for 2025-26, prompting several economists to lower their forecasts. While some see an October or December cut, others warn that the window may close if inflation rises again later in the year.

	Repo rate hike expectation and when	CPI projection for 2025-26 (%)
SBI	25 bps sooner than later	3.0-3.2
Barclays	25 bps; Oct-Dec 2025	3-5
IDFC First Bank	25 bps; Oct or Dec 2025	2.7
Nomura	25 bps; Aug 2025	2.8
ICRA	High probability in Aug 2025	Sub-3.5
QuantEco	Aug or Oct 2025	3
Emkay Global	Aug and/or Oct/Dec 2025	2.9
HDFC Bank	Unlikely in Aug 2025	3.3
Source: Business Standard		

Government Bond Yield (in %)					
Date	07 July	09 July	11 July	14 July	16 July
USA 10 Yr	4.38	4.33	4.42	4.43	4.46
Ind 10 Yr	6.35	6.36	6.38	6.38	6.38
Ind 5 Yr	6.08	6.06	6.08	6.04	6.09
Ind 3 Yr	5.83	5.82	5.82	5.84	5.93

Source: worldgovernmentbonds.com, CMIE