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October 23, 2026

RBI Bulletin – October 2026

Today, the Reserve Bank released the [October 2026](#) issue of its monthly Bulletin. The Bulletin includes two speeches, four articles and current statistics.

The four articles are: I. State of the Economy; II. Transmission to Lending Rates of SCBs: Price *versus* Composition Effects in WALR; III. Performance of the NBFC Sector: Review for 2025; and IV. Nowcasting State-Level Economic Activity in India with Night-Time Light and Google Trends.

I. State of the Economy

Renewed geopolitical frictions in West Asia and supply chain disruptions have amplified inflationary pressures, prompting major central banks to raise policy rates. Elevated sovereign bond yields in advanced economies (AEs) have also brought into focus concerns about fiscal sustainability and its implications for financial stability. The Indian economy continued to demonstrate strength as evidenced by high-frequency indicators across both industry and services. The headline Consumer Price Index (CPI) inflation edged up in September driven by a broad-based increase in food, fuel, and core components. Double-digit growth in merchandise exports during the first six months of 2026-27 helped in narrowing the trade deficit. FDI, ECB and remittance flows strengthened in August. Strong inflows under the FCNR(B) swap window augmented reserves.

II. Transmission to Lending Rates of SCBs: Price *versus* Composition Effects in WALR

By Yuvraj Kashyap, Kamal Gupta and Arvind Jha

This article analyses the transmission of monetary policy to the fresh lending rates of scheduled commercial banks by decomposing variations in the weighted average lending rate (WALR) into interest rate effects and compositional effects. Using an index-number based framework on bank and sector level lending rates and loan weights, the study examines the extent to which changes in the aggregate WALR reflect changes in lending rates and shifts in credit composition.

Highlights:

- In response to a cumulative reduction of 125 basis points (bps) in the policy repo rate, the WALR on fresh lending declined by 93 bps, with interest rate effect of 80 bps and composition effect of 13 bps during February 2025 to March 2026.
- The movements in aggregate WALR reflect both repricing of loans and changes in the composition of credit across banks and sectors, highlighting the importance of both effects while assessing monetary policy transmission.

III. Performance of the NBFC Sector: Review for 2025

By Pallavi Pant, Monalisa Poali, Abhyuday Harsh, Brijesh P and Sona Chinngaihlian

This article assesses the performance of the non-banking financial company (NBFC) sector up to end-December 2025. It also provides a bird's-eye-view of India's financial system. Employing a text-mining approach, the article also explores the extent and nature of orientation towards artificial intelligence (AI) by select NBFCs.

Highlights:

- The NBFC sector continued to register double-digit y-o-y credit growth at end-December 2025.
- Share of bank borrowings showed a moderate rise indicating continued concentration in funding profile. Asset quality of the sector has continued to improve in recent years as reflected in consistent decline in NPA ratios.
- Preliminary text-mining analysis shows that NBFCs are increasingly orienting towards AI for customer and financial applications, governance and digital infrastructure, and data analytics.

IV. Nowcasting State-Level Economic Activity in India with Night-Time Light and Google Trends

By Bipul Ghosh, Narendra Singh and Sandhya Kuruganti

Timely measurement of state-level economic activity remains a challenge in India, as official Gross State Value Added (GSVA) data are released annually with a considerable lag. This study demonstrates how alternative data sources, specifically satellite-based night-time lights and digital search behaviour, can be used to generate high-frequency estimates of state-level economic activity. The framework is applied to three major states — Maharashtra, Karnataka and Gujarat. It shows how combining geospatial and behavioural signals can provide a real-time view of regional economic dynamics and strengthen short-term economic assessment.

Highlights:

- The combined use of night-time lights and Google Trends improves nowcast accuracy of quarterly GSVA growth relative to univariate approach.
- The approach enables near real-time monitoring of state-level economies, improving early detection of turning points and shocks.

- The methodology is scalable and demonstrates the potential of alternative data in supplementing official statistical systems and high-frequency macroeconomic analysis.

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

Press Release: 2026-2027/1381

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