THE MONTH GONE BY

An insightful roundup of relevant stories in the recent month backed by interesting data points

Did you know that the concept of 'moats' can be traced back to Ancient Egypt? The fortress of Buhen was surrounded by a deep water-filled moat, designed to prevent invaders. This defensive strategy set the stage for similar adaptations in Medieval Europe, where castles featured walls or wide ditches filled with water to protect their territories from armies of other nations.


This image is only for representation purpose.

In the realm of finance, a moat refers to the competitive advantage of a business, that makes it challenging for new competitors to enter into the industry.

Amid uncertain global trade policies and geopolitical tensions, it is key to build a portfolio that has the potential to withstand market turbulence. An effective strategy is to consider mutual funds that offer exposure to companies with a strong moat, facilitating reasonable stability with the potential for growth over the long term.

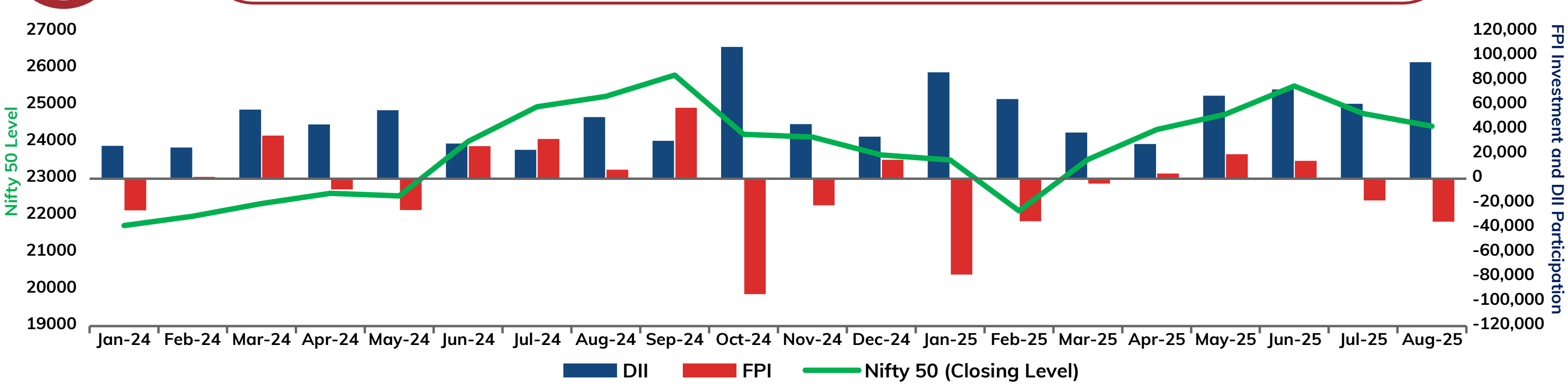
While we ponder about the course ahead, it is important to connect the dots with key market events of August 2025.

The tussle between the Equity market bulls and bears

In August 2025, the Indian equity market unfolded like an action-packed thriller, filled with unexpected twists and turns that kept investors on the edge – The U.S. imposed a steep 50% tariff on certain Indian goods, effective August 27, 2025. **Adding fuel to the fire, Foreign Portfolio Investors continued to sell Indian equities amidst subdued domestic corporate earnings growth** and relatively high market valuations.

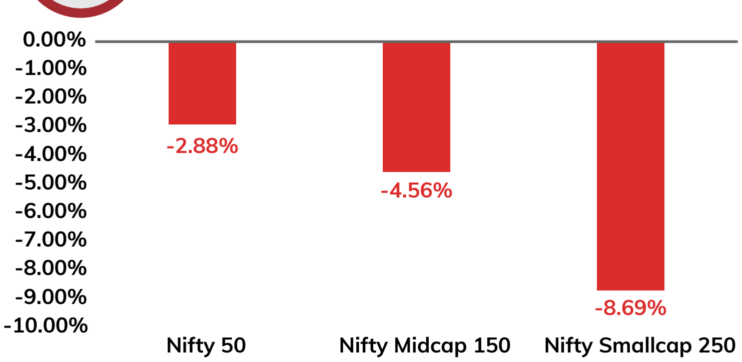
Just as how most narratives showcase a silver lining, India found its moment to shine – After 18 years, S&P Global Ratings upgraded India's long-term sovereign credit rating to 'BBB'. The upgrade is likely to bolster investor confidence and pave the path for higher foreign investment.

MONTHLY FPI NET INVESTMENTS IN INDIAN EQUITIES AND DII PARTICIPATION (₹, CRORE) AND NIFTY 50 CLOSING LEVEL



Source: National Securities Depository Limited (NSDL). August 2025 FPI data as on August 29, 2025. FPI: Foreign Portfolio Investment. DII: Domestic Institutional Investment. Past performance may or may not sustain in future. U.S.: United States.

ABSOLUTE 1-YEAR RETURNS OF INDEX (%)



The performance of the broader market index has been relatively weak compared to the previous year.

Source: National Stock Exchange (NSE). Index returns are computed from August 29, 2024 to August 29, 2025. Past performance may or may not sustain in future.

S&P Global Ratings upgrades India's long-term sovereign credit rating to 'BBB' with a Stable Outlook

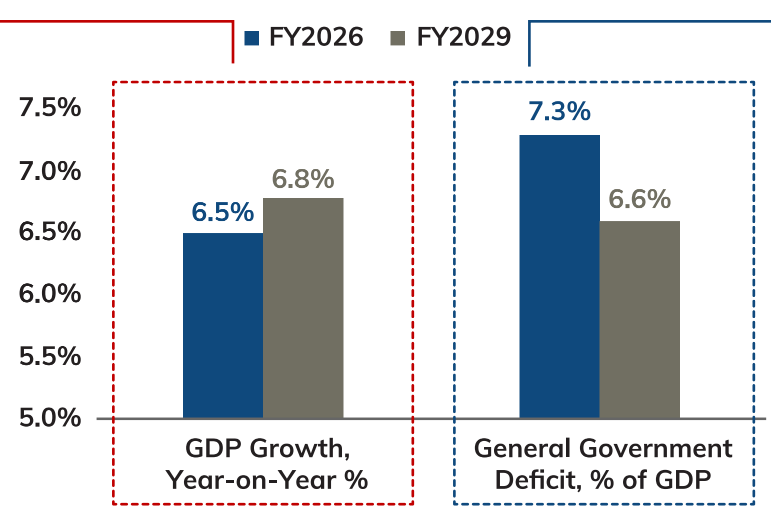
ICICI PRUDENTIAL MUTUAL FUND

In August 2025, Standard & Poor's (S&P) Global Ratings upgraded India's long-term sovereign credit rating to 'BBB' from 'BBB-', marking the first upgrade in 18 years. The short-term rating was also upgraded to 'A-2' from 'A-3'.

The upgrade reflects **India's buoyant economic growth, the government's sustained commitment to fiscal consolidation, improved quality of government spending and a strong external balance sheet.** Further, despite volatility in global energy prices and supply-side shocks, **India's retail inflation eased significantly to 1.55% in July 2025, reflecting credible inflation management.**

S&P GLOBAL MACROECONOMIC ESTIMATES FOR INDIA

S&P Global Ratings anticipates solid consumer and public investment dynamics to propel India's real GDP growth to 6.5% in FY2026 and to average 6.8% over the next three years.



S&P Global Ratings projects a general government deficit of 7.3% of the GDP in FY2026, which is expected to decline to 6.6% by FY2029.

Source: S&P Global Ratings, Morgan Stanley Research Report. GDP: Gross Domestic Product. FY: Financial Year. India's retail inflation is measured by Consumer Price Index.

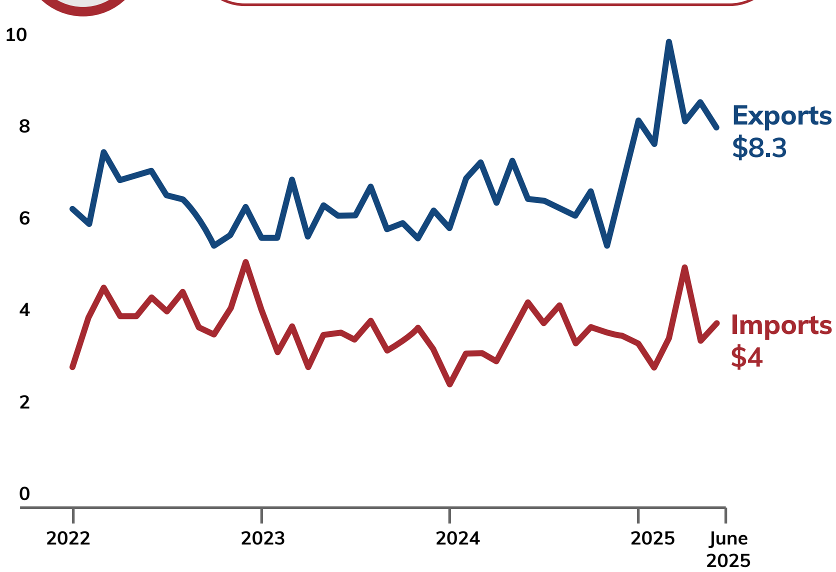
Benefits of the upgrade a) **Enhances India's creditworthiness,** owing to strong economic fundamentals and disciplined fiscal management. b) **Expected to reduce sovereign borrowing costs and improve the credit environment for financial institutions. The upgrade would also improve the rating** of financial institutions in India, that are rated by S&P Global Ratings. c) **Strengthen investor confidence, attracting higher inflows of foreign capital.** d) **Higher investments could support infrastructure development,** employment generation and a **broad-based economic growth.**

Navigating the Tariff Maze

On August 27, 2025, the U.S. imposed an additional 25% tariff on a range of Indian goods, bringing the total tariff rate to 50% – Tariffs would be imposed on varied Indian goods, such as garments, gems and jewellery, footwear, sporting goods, furniture and chemicals. **The punitive tariffs were imposed as India is one of the largest importers of Russian oil.**

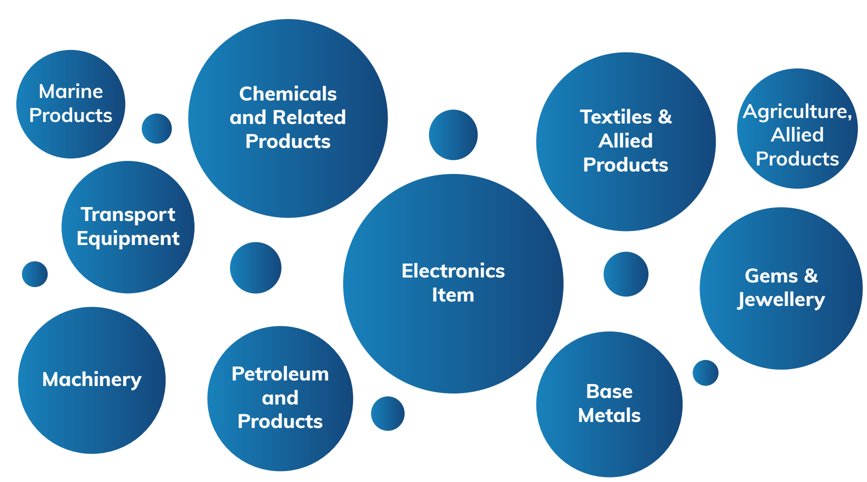
The irony is that this development emerged just months after the U.S. and India ascertained to double their bilateral trade to $500 billion by 2030. The decision of the U.S. to levy tariffs has now added a layer of uncertainty to the trade deal between the two countries.

INDIA'S TRADE WITH THE U.S. ($, BILLION)



Source: Centre for Monitoring Indian Economy (CMIE), Reuters. U.S.: United States.

MAJOR PRODUCTS EXPORTED BY INDIA TO THE U.S.



The sector(s)/stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s).

As per S&P Global Ratings, India's exports to the U.S. constitute about 2% of the Gross Domestic Product (GDP). Factoring in sectoral exemptions on pharmaceuticals and consumer electronics, **the exposure of Indian exports subject to tariff would be relatively lower. Hence, the tariff levied is not expected to derail India's growth long-term growth prospects.**

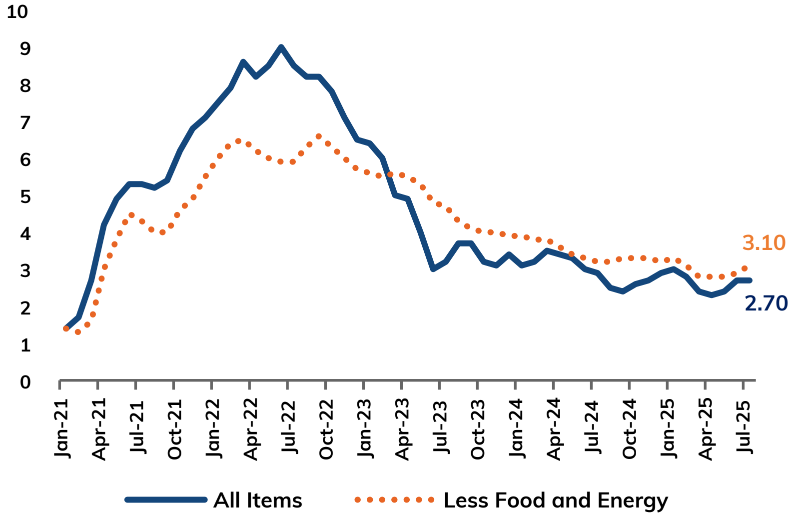
The Tightrope walk for the U.S. Federal Reserve

Amid the challenging dichotomy of risks, the **U.S. Federal Reserve has to balance both sides of its dual mandate to foster maximum employment and stable prices.**

Rising Inflation Risks: Higher trade tariffs have started to drive the prices of certain categories of goods upwards. In July 2025, the U.S. Consumer Price Index rose 2.7% on an annual basis, which is still above the target of 2%.

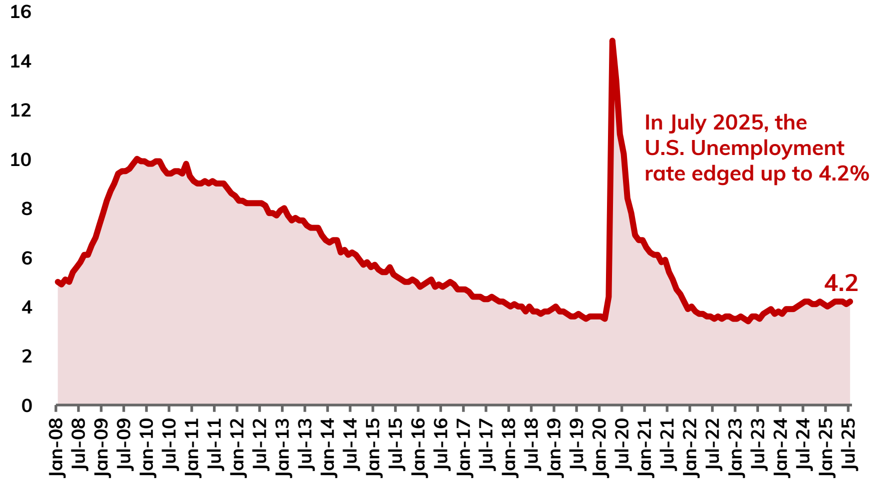
Slowing labour Market: The July 2025 employment report unveiled that payroll job growth slowed to an average pace of only 35,000 per month over the past three months, down from 168,000 per month during 2024. Labour force growth slowed during the year, owing to a tighter immigration policy.

U.S. CONSUMER PRICE INDEX (%)



Source: U.S. Bureau of Labor Statistics, Year-on-year % change. U.S.: United States. Data as on July 2025.

U.S. UNEMPLOYMENT RATE (%)



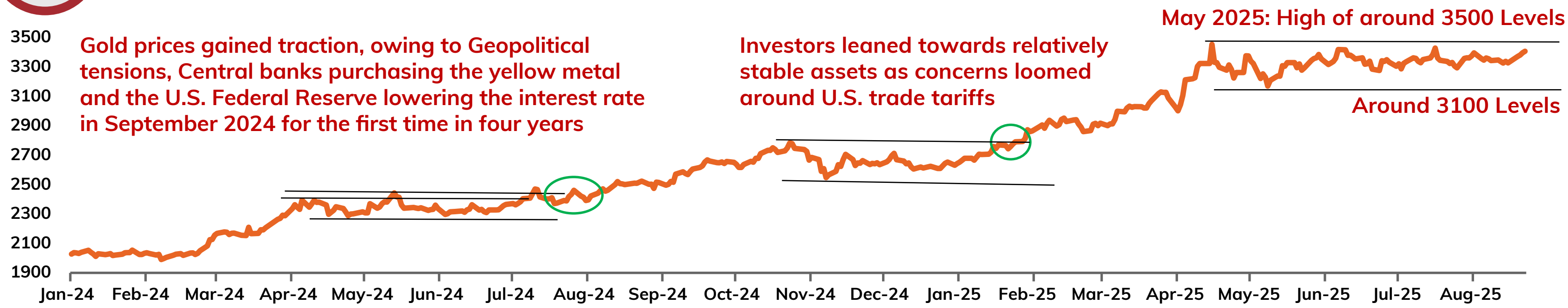
Source: U.S. Bureau of Labor Statistics. Data as on July 2025.

Given the backdrop of weaker economic growth prospects and the impact of an immigration crackdown on the U.S. workforce, will the U.S. Federal Reserve cut the key interest rate in September 2025? Only time will tell.

The Allure of Precious Metals

After rising to a high of around \$3,500/ounce in April 2025, Gold prices have been trading within a tight range. However, on August 29, 2025, Gold prices rose to \$3,407/ounce: a) Wavering global trade policies combined with conflicts in the Middle East, contributed to the demand for Gold. **b) Central banks remain a key pillar of global demand,** adding 166 tonnes of Gold to global official gold reserves during Q2 2025. c) **Gold is increasingly being used as a component in advanced hardware for devices enabled with Artificial Intelligence.** d) One of the triggers for Gold would be the U.S. Federal Reserve's decision – to cut interest rates or not in September 2025, owing to a slowdown in labour force growth.

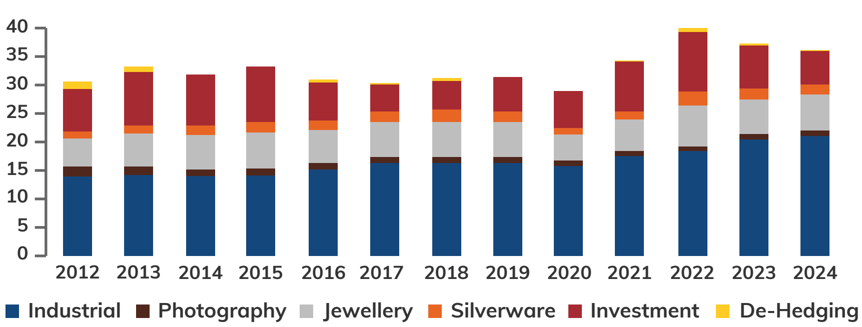
GOLD PRICES (LBMA, \$/OUNCE)



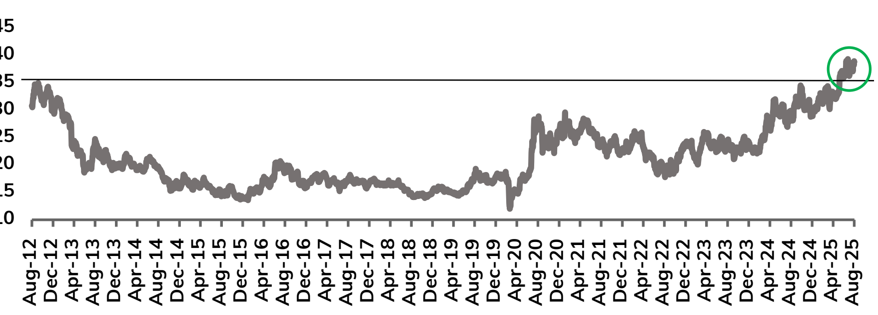
Source: LBMA: London Bullion Market Association, Reuters. Data as on August 29, 2025. The gold price in India was around ₹102388/10 gms on August 29, 2025. U.S.: United States. Q: Quarter.

On August 29, 2025, Silver prices traded around \$38.80/ounce, driven by its critical role in solar energy, electric vehicles and industrial electronics.

GLOBAL DEMAND OF SILVER (TONNES, IN 000s)



SILVER PRICES (LBMA, \$/OUNCE)



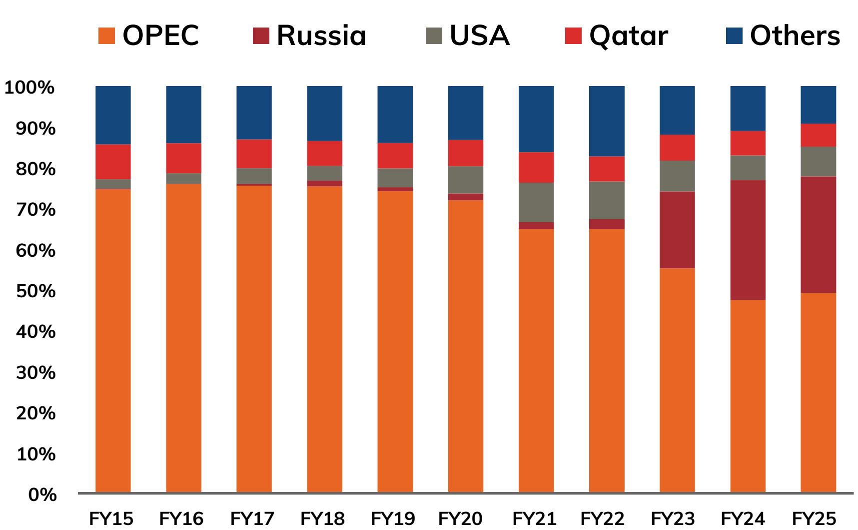
Source: Metals Focus. LBMA: London Bullion Market Association. Data as on August 29, 2025.

The Oil market is caught in a crossfire of Geopolitical rivalries

In July 2025, the U.S. Treasury Department imposed sanctions on over 115 Iran-linked shipping firms, vessels and entities, making it challenging for Iran to sell its oil. Further, **the U.S. exerted pressure on major buyers of Russian crude oil to scale back purchases. The European Union had also enforced sanctions against Russia,** including a lower oil price cap, restrictions targeting the Nord Stream gas pipelines and ships transporting oil.

While the share of the OPEC cartel in India's total oil import basket declined to 50% in FY25, that of the U.S. and Russia increased in recent years.

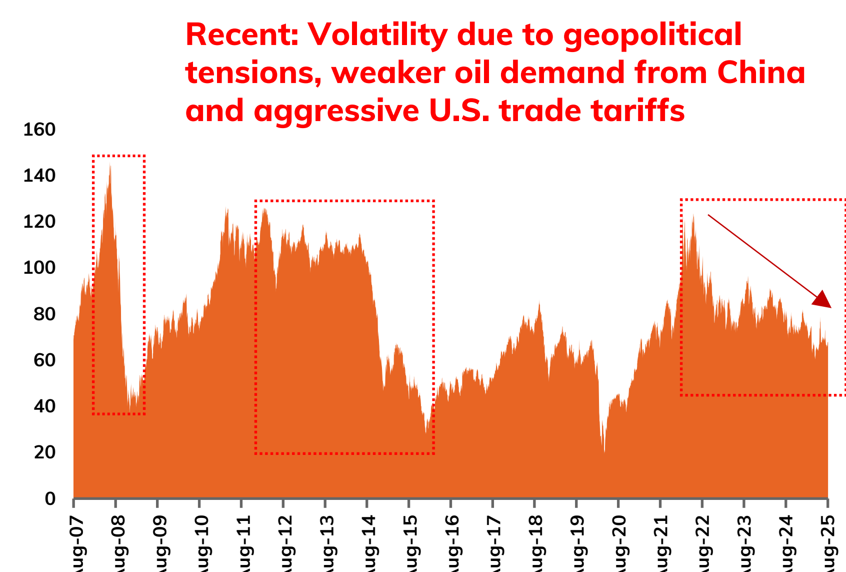
COMPOSITION OF INDIA'S IMPORTS OF PETROLEUM, CRUDE & PRODUCTS - % SHARE BY QUANTITY



Source: Centre for Monitoring Indian Economy (CMIE), CareEdge Ratings. FY: Financial Year. USA: United States of America.

In August 2025, Brent crude oil prices traded around $68/barrel. A rise in global oil prices could strain India's trade bill.

BRENT CRUDE OIL PRICE ($/BARREL)



Source: Reuters. Data as on August 25, 2025. OPEC: Organization of the Petroleum Exporting Countries. U.S.: United States.

The bumpy trajectory of oil demand: China's oil demand slowed as economic growth weakened and the country expanded its electric vehicle fleet. Global trade tensions could further nag global demand prospects.

The strategic decision of the OPEC: Amid tepid demand and unresolved geopolitical tensions, the OPEC cartel decided to increase oil production by 547,000 barrels per day in September 2025.

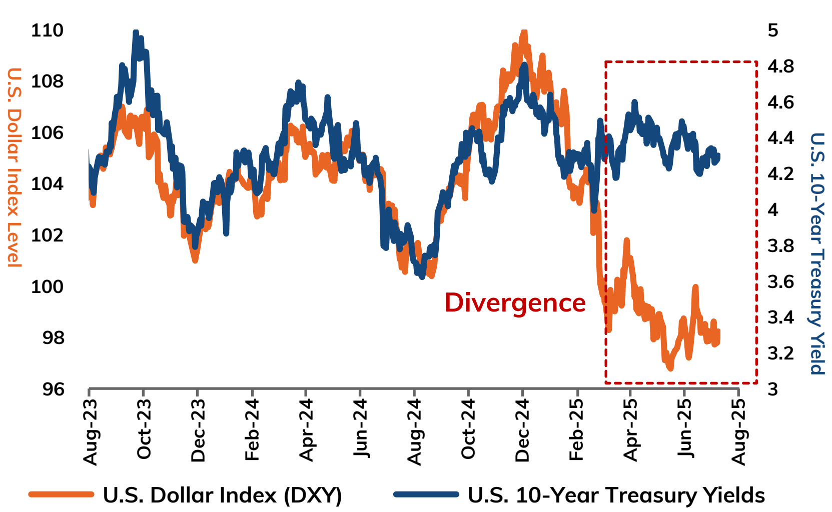
The trajectory of Bond Yields

ICICI PRUDENTIAL MUTUAL FUND

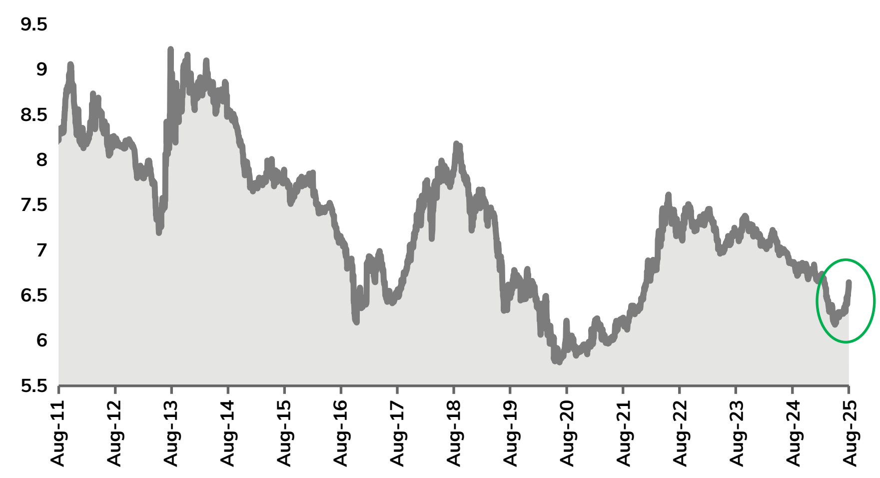
The U.S. 10-year Treasury yield edged up to around 4.26% on August 26, 2025 as concerns loomed around the impact of aggressive tariff policies, which could translate into higher prices for consumers. **The U.S. Dollar Index continues to trade below the 100 level as investors are wary of potential inflation risks** and rising national debt levels.

On the domestic front, the Indian 10-Year G-sec yield rose to around 6.62% on August 26, 2025 – its highest level since March 2025. Firstly, pressure stems from the steep 50% trade tariff imposed by the U.S. on Indian goods. Secondly, the **Indian Government's decision to rationalize the Goods and Services Tax (GST)** rate took centre stage, raising concerns of potential fiscal slippage.

U.S. 10-YEAR TREASURY YIELD (%) AND U.S. DOLLAR INDEX



INDIA 10-YEAR G-SEC YIELD (%)



Source: Reuters. Data as on August 25, 2025. Bps: basis points. RBI: Reserve Bank of India. G-sec: Government securities.

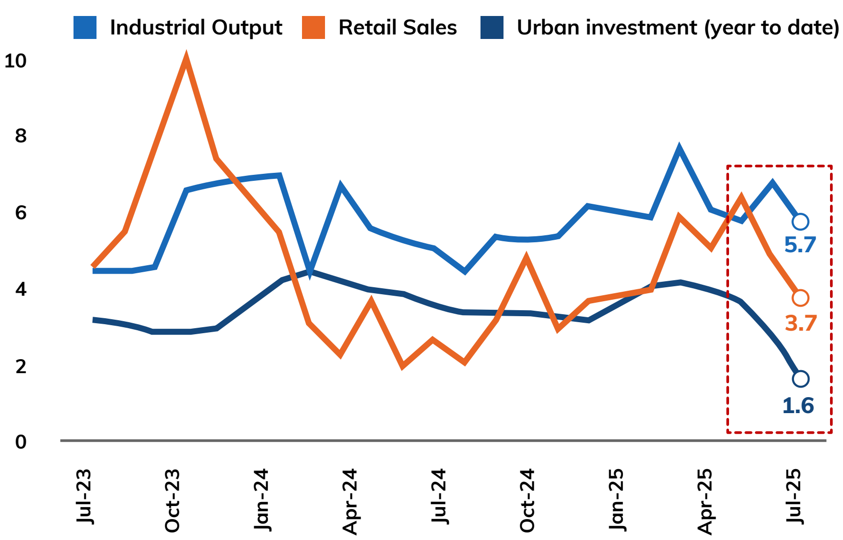
In August 2025, foreign appetite for Indian government bonds gained traction, with a foreign portfolio investment of ₹12,662 crore in the Indian debt market.^ **India's credit rating upgrade by S&P Global Ratings and addition of Indian bonds to FTSE Russell's Emerging Markets Government Bond Index in September 2025 would further encourage foreign investment.**

^Source: NSDL. August 2025 data is up to August 29, 2025. Debt market investment includes Debt-General Limit, Debt-Voluntary Retention Route, Debt-Fully Accessible Route.

China's economy lost momentum, owing to weak domestic demand

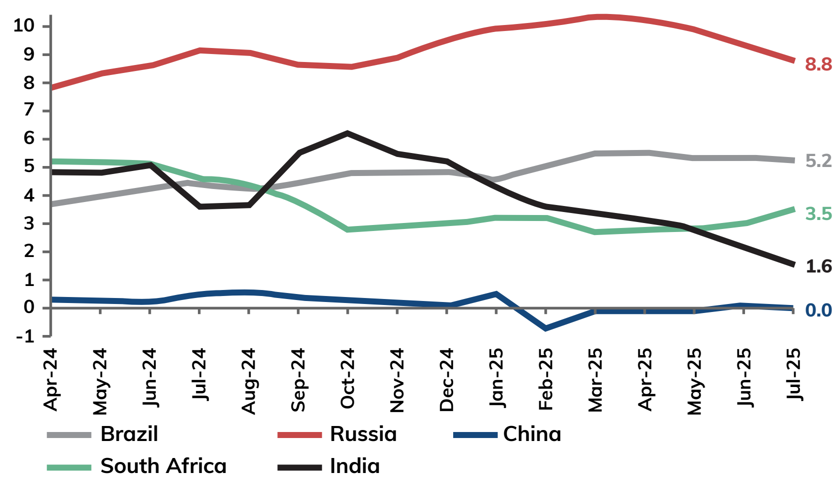
Ongoing challenges from an unpredictable external environment and unfavourable weather conditions compelled factories to suspend operations. **In July 2025, China's Industrial output rose 5.7% year-on-year, its weakest level since November 2024.** Further, **the pace of investment declined in the first seven months of the year,** owing to continued weakness in China's property sector.

CHINA'S SLOWING INDUSTRIAL OUTPUT, RETAIL SALES AND URBAN INVESTMENT (%)



Source: National Bureau of Statistics.

HEADLINE INFLATION OF SELECT EMERGING MARKET ECONOMIES (%)



Source: Reserve Bank of India, August 2025 Bulletin.

On August 12, 2025, China unveiled a new loan interest subsidy policy to support domestic consumption, which would include eight categories of eligible service sector businesses, including catering and accommodation, healthcare, elderly care, childcare, housekeeping, culture and entertainment, tourism and sports. Borrowers may receive interest rebates of 1 percentage point annually for up to one year. 90% of the subsidies would be covered by the central government and the remaining 10% by the provincial authorities. To qualify, loans must be extended between March 16, 2025 and December 31, 2025, and the funds should be used to improve consumption infrastructure or increase service supply capacity.

The United States and China agreed to pause the tariff increases for another 90 days, extending their trade truce until November 10, 2025.

The Monetary policy decision of the RBI

After evaluating the current market conditions, outlook and uncertainties, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) kept the policy repo rate unchanged at 5.50% in August 2025. Consequently, the standing deposit facility (SDF) rate remains unchanged at 5.25%; the marginal standing facility (MSF) rate and the Bank Rate stay unchanged at 5.75%. **The MPC also retained its neutral stance.**

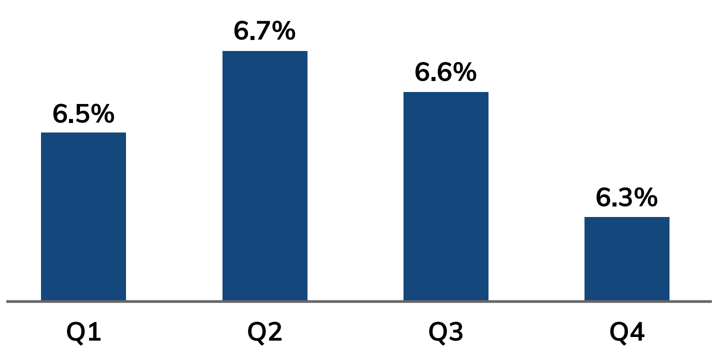
Which factors would support demand? The above normal southwest monsoon, lower retail inflation, supportive monetary policy and congenial financial conditions would support domestic economic activity.

However, challenges could play spoilsport: Persisting global uncertainties, geopolitical tensions and volatility in the global financial markets pose risks to the growth outlook. The trade prospects between the U.S. and India have become fraught with additional tariffs imposed on Indian goods.

RBI's PROJECTIONS

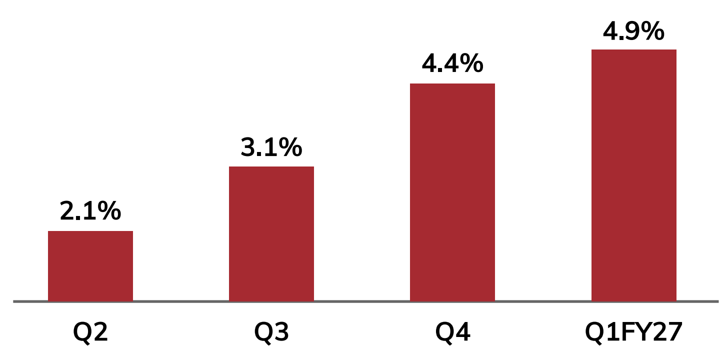
GDP Projection for FY2025-26 were unchanged at 6.5% due to sustained domestic economic activity.

FY2025-26 Real GDP projection unchanged at 6.5%.



CPI Projection for FY2025-26 was revised downward to 3.1% from the earlier projected 3.7%, owing to benign prices across major CPI constituents.

FY2025-26 CPI Inflation revised lower to 3.1% from 3.7%.



Source: Reserve Bank of India Monetary Policy Statement 2025-26, August 2025. GDP: Gross Domestic Product. CPI: Consumer Price Inflation. Q: Quarter. FY: Financial Year. U.S.: United States.

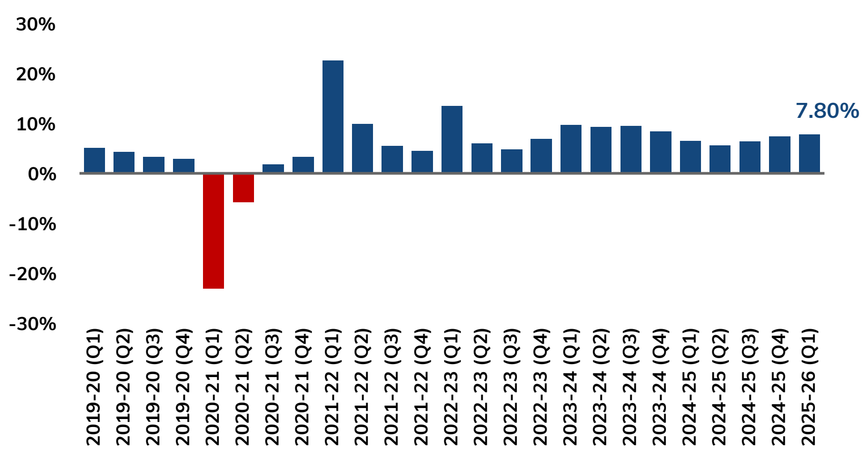
Future course of action: The central bank would further assess the incoming data and the evolving domestic growth-inflation dynamics to chart out the appropriate monetary policy path.

India's GDP grew 7.8% in Q1FY26, the highest in five quarters

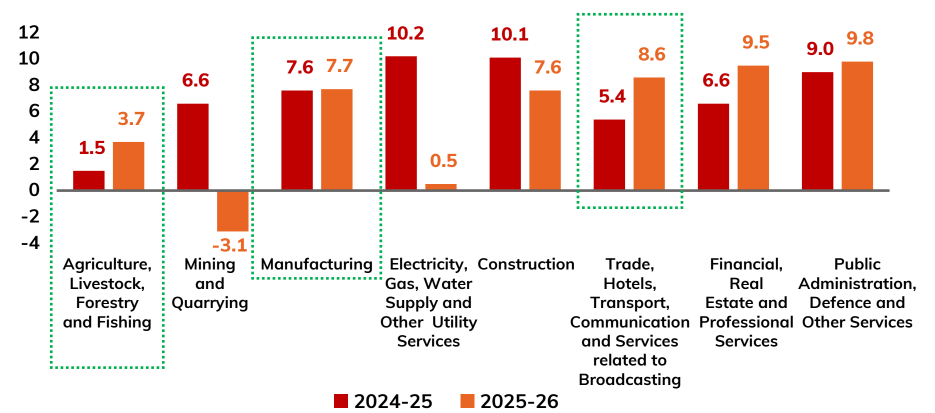
ICICI PRUDENTIAL MUTUAL FUND

India's economy expanded 7.8% year-on-year in the April-June quarter of FY 2025-26, supported by strong growth in agriculture, manufacturing, construction and services sectors.

REAL GDP GROWTH RATE OF INDIA (%)



SECTOR-WISE GROWTH RATES (%) OF REAL GVA IN Q1 OF FY2024-25 AND FY2025-26



Private consumption grew 7.0% in Q1 FY2025-26, slower than the 8.3% growth recorded in the same period last year. Private consumption is expected to pick up, supported by easing food inflation, monetary policy stimulus measures by the RBI, tax-relief measures announced by the Government in the Union Budget FY2025-26 and the upcoming rationalization of Goods and Services Tax slabs.

The Government Final Consumption Expenditure has recouped in the first quarter of FY2025-26. Higher capital expenditure would propel infrastructure development and stimulate economic growth.

Quarterly Estimates of Expenditure Components of GDP for Q1 (April-June) FY2025-26 (at 2011-12 prices)

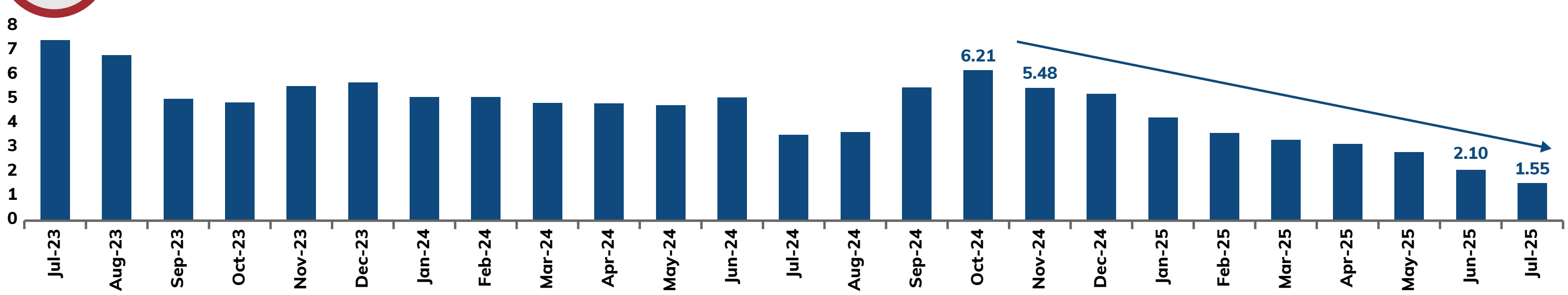
Expenditure Components	(₹, Crore) April-June (Q1)				
	2023-24	2024-25	2025-26	Percentage Change Over Previous Year 2024-25	Percentage Change Over Previous Year 2025-26
Private Final Consumption Expenditure (PFCE)	23,43,903	25,37,917	27,16,723	8.3%	7.0%
Government Final Consumption Expenditure (GFCE)	4,19,571	4,18,344	4,49,511	-0.3%	7.4%
Gross Fixed Capital Formation (GFCF)	14,39,564	15,35,297	16,55,346	6.7%	7.8%

Source: Ministry of Statistics and Programme Implementation, Q1: Quarter 1, Q2: Quarter 2, Q3: Quarter 3, Q4: Quarter 4. GDP: Gross Domestic. Product. GVA: Gross Value Added. FY: Financial Year. RBI: Reserve Bank of India.

India's Retail Inflation eased to its lowest level since June 2017

India's retail inflation, measured by Consumer Price Index (CPI), cooled to 1.55% in July 2025, slipping below the Reserve Bank of India's tolerance band of 2%-6%. **The fall was driven by a steady decline in Food inflation that plummeted to -1.76% year-on-year in July 2025. Strong monsoon rains, healthy Kharif sowing, adequate reservoir levels** and comfortable buffer stocks of foodgrains bode well for food price stability.

INDIA'S HEADLINE INFLATION (%)

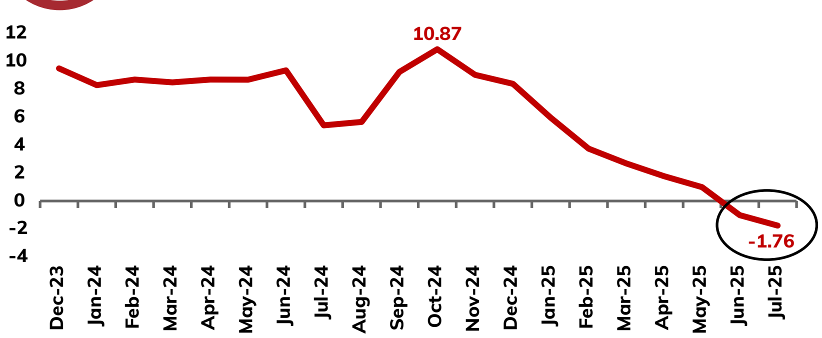


Source: Ministry of Statistics and Programme Implementation (MOSPI). Data as on July 2025. YoY: Year-on-Year.

Deflation in key components, such as vegetables (-20.69%), pulses (-13.76%) and spices (-3.07%) contributed to the decline in food prices. However, prices of fruits (14.42%) and oils and fats (19.24%) remain elevated. The government's recent decision to reduce basic customs duty on edible oils could help lower consumer prices.

In July 2025, Core inflation, which excludes volatile items like food and fuel prices, also eased to 4.1%, due to moderation in inflation of education, transport and communication.

FOOD INFLATION (%)



Group	Weightage	Jul-25 (YoY)	Jun-25 (YoY)
Food and beverages	45.86%	-0.8%	-0.2%
Pan, tobacco and intoxicants	2.38%	2.5%	2.4%
Clothing and footwear	6.53%	2.5%	2.6%
Housing	10.07%	3.2%	3.2%
Fuel and light	6.84%	2.7%	2.6%
Miscellaneous	28.32%	5.0%	5.5%

Source: Centre for Monitoring Indian Economy (CMIE), Ministry of Statistics and Programme Implementation (MOSPI). Data as on July 2025. YoY: Year-on-Year. RBI: Reserve Bank of India.

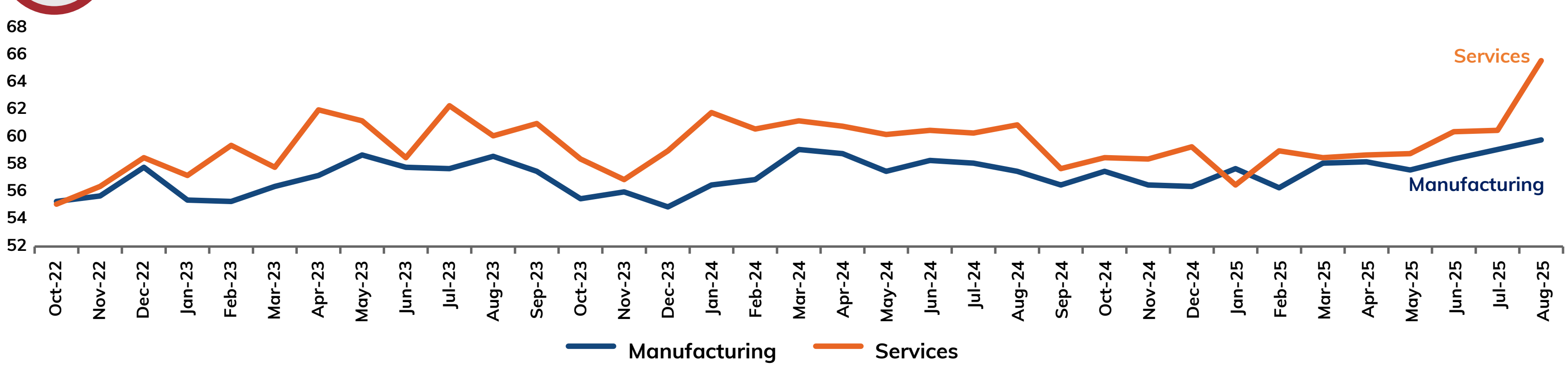
India's Private sector witnesses record growth in August 2025

The HSBC Flash India Composite Output Index, which tracks the month-on-month change in the combined output of India's manufacturing and service sectors, **climbed to 65.2 in August 2025 from 61.1 in July 2025. This marks the highest print since December 2005, indicating rapid expansion in private sector business activity.**

Sharp uptick in total new orders: The HSBC Flash India Services PMI Business Activity Index rose to an all-time high of 65.6 in August 2025, driven by new business orders in both domestic and export markets.

Improvement in factory operating conditions: The HSBC Flash India Manufacturing PMI rose to 59.8 in August 2025, denoting faster improvement in factory operating conditions across India. The Production Linked Incentive (PLI) Scheme plays a key role in strengthening domestic manufacturing prowess and enhancing India's global competitiveness.

INDIA'S PURCHASING MANAGERS' INDEX (PMI)



Source: S&P Global. Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The HSBC Flash India PMI is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined by S&P Global as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. GDP: Gross Domestic Product.

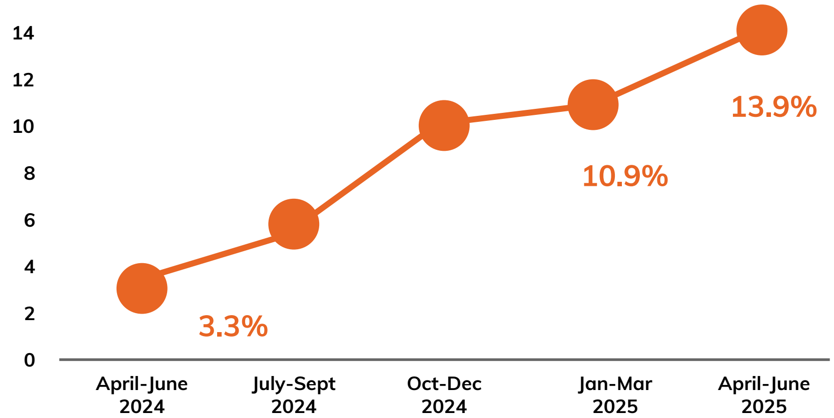
Job creation: Hiring picked up with higher sales volumes and healthy demand for Indian goods and services.

Higher Input prices: Input costs rose amid higher wage bills and greater raw material prices.

The FMCG Growth Story – Green shoots are emerging in urban consumption

In the April-June 2025 quarter, India's fast-moving consumer goods (FMCG) market garnered 13.9% year-on-year growth in value, driven by sustained rural demand and steady urban recovery.

FMCG SECTOR GROWTH - VALUE TERMS (%)

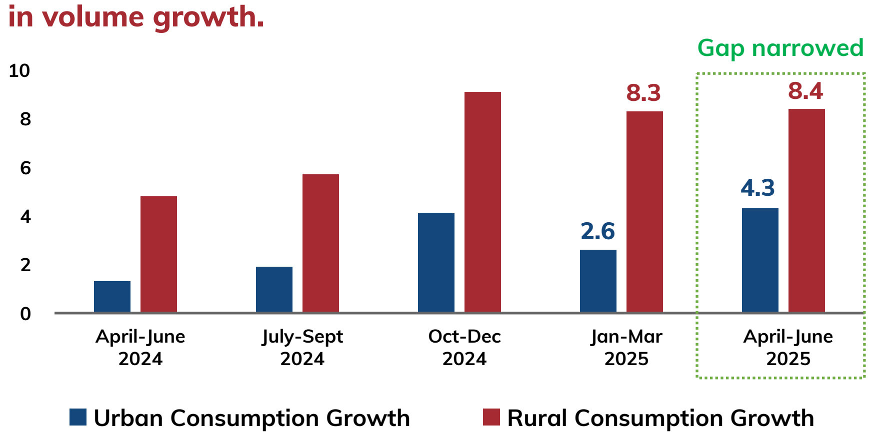


E-commerce continued its upward trajectory, driven by **higher shopper penetration and consistent spending patterns,** even among new shoppers.

Urban consumption is rebounding, underpinned by easing food inflation, supportive monetary and fiscal policy measures.

RURAL AND URBAN TREND - VOLUME GROWTH (%)

Rural India continues to grow faster than urban regions in volume growth.



During the April-June 2025 quarter, Home and Personal Care (HPC) witnessed consumption growth of 7.5%.

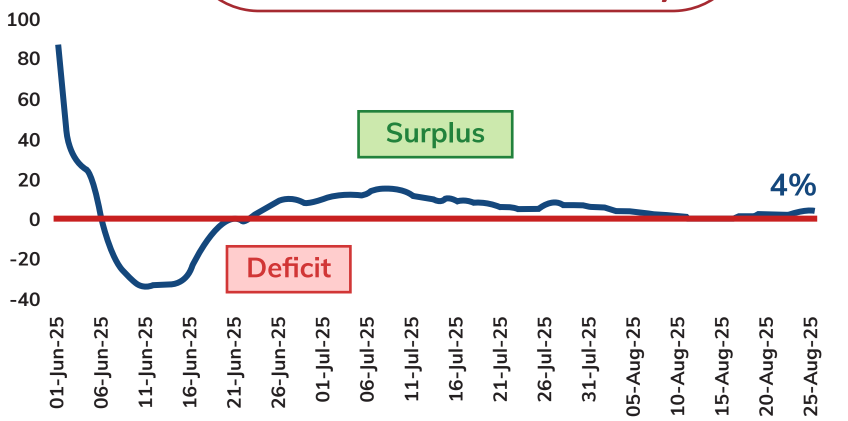
Source: NielsenIQ, FMCG: Fast Moving Consumer Goods. Data as on April-June 2025 Quarter. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s).

Factors supporting growth of Rural India

ICICI PRUDENTIAL MUTUAL FUND

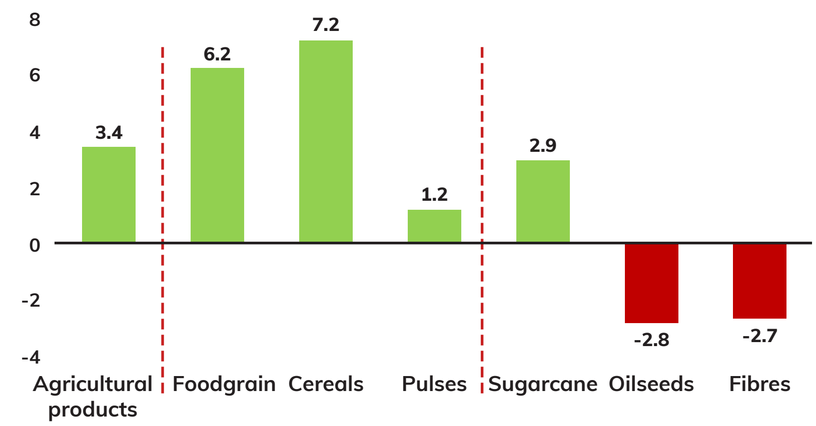
Rural demand is displaying healthy growth, led by an uptick in real wages, prospects of a good monsoon, healthy reservoir levels and robust agricultural growth. As of August 22, 2025, total sown area recorded a 3.4% year-on-year increase, supported by strong growth in foodgrains, especially cereals and pulses, and an increase in sugarcane sowing.

AII-INDIA CUMULATIVE RAINFALL (% DEVIATION FROM LONG PERIOD AVERAGE)



Source: CareEdge Ratings, India Meteorological Department, Centre for Monitoring Indian Economy, Data as on August 25, 2025.

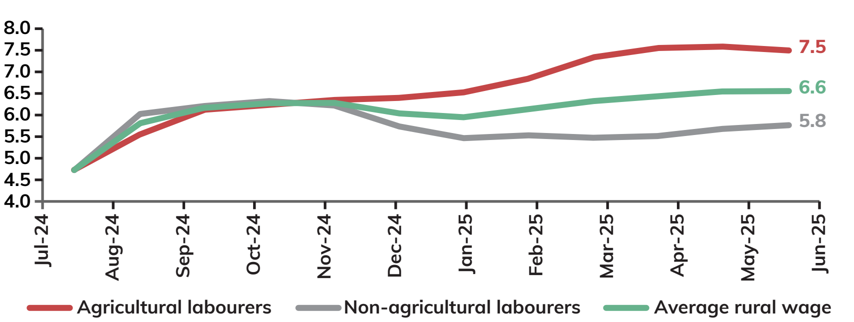
KHARIF SOWING (% CHANGE IN ACTUAL AREA SOWN, YEAR-ON-YEAR)



Source: Ministry of Agriculture & Farmers Welfare, Centre for Monitoring Indian Economy. Data as on August 22, 2025.

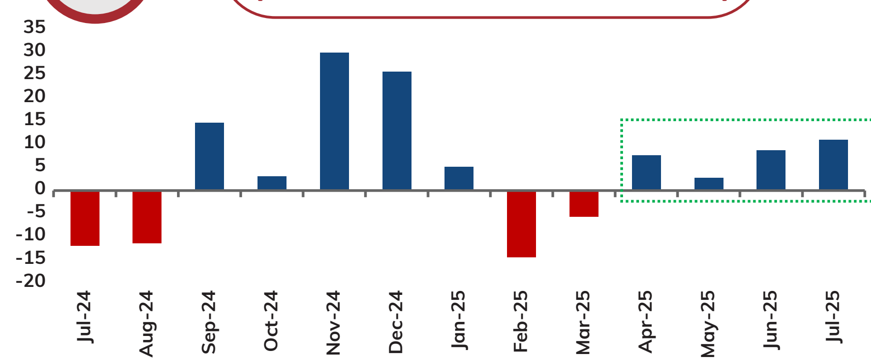
Rural labour wage growth remained largely stable in June 2025.

RURAL NOMINAL WAGE (YEAR-ON-YEAR %)



Retail tractor sales posted robust growth, aided by favourable monsoon conditions.

RETAIL TRACTOR SALES (YEAR-ON-YEAR GROWTH %)



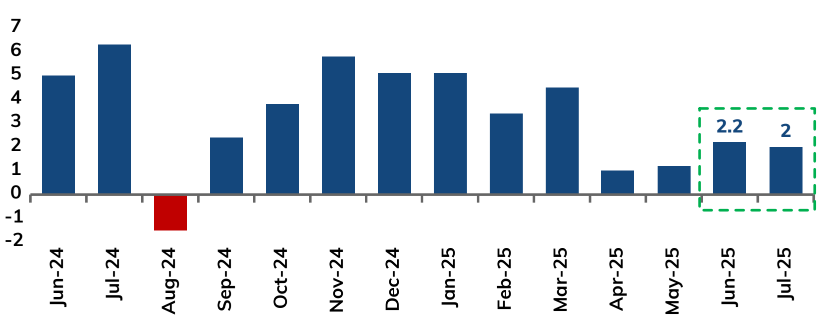
Source: Reserve Bank of India (RBI) Bulletin, August 2025. Labour Bureau, Ministry of Labour and Employment.

India's Industrial production picks up steam

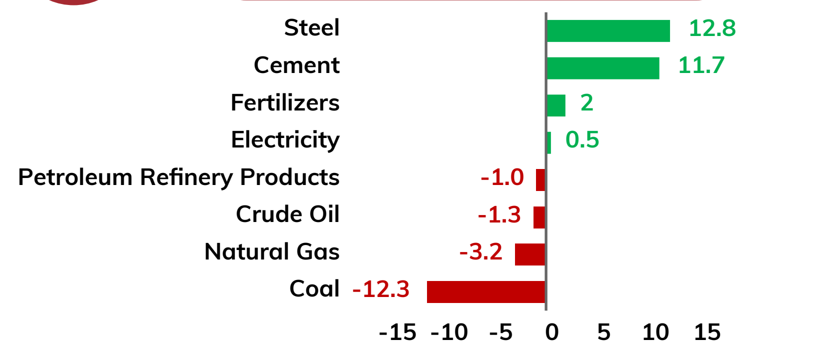
India's core sector output, a key indicator of India's infrastructure sector, recorded a growth of 2%, which is slightly lower than the revised growth of 2.2% in June 2025. A decline in the output of coal, crude oil, natural gas, and refinery products dragged the overall performance. **The production of coal declined significantly due to heavy monsoon rains that disrupted operations. The increasing adoption of cleaner fuels is likely to affect the consumption of petrol,** which in turn would impact refinery production.

Cement and steel production remained strong, supported by ongoing construction activities across India.

INDEX OF EIGHT CORE INDUSTRIES (%)



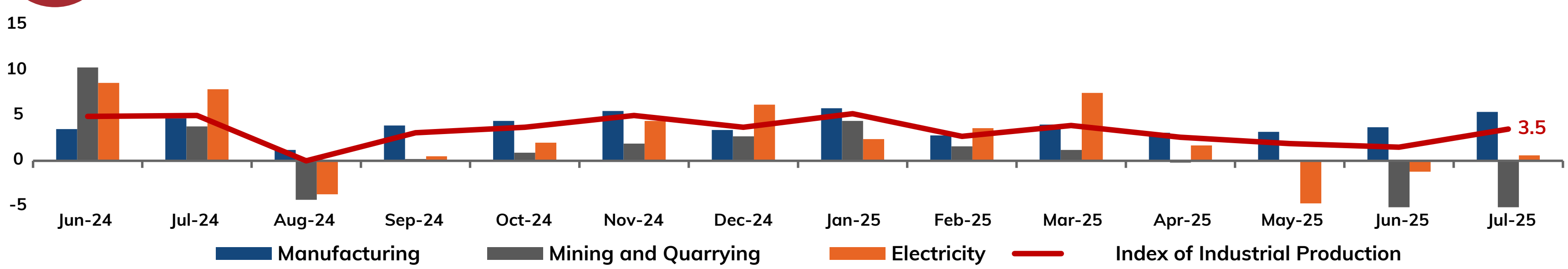
SECTOR OUTPUT GROWTH IN JULY 2025 (%)



Source: Ministry of Commerce and Industry. July 2025 print is provisional. Year-on-year growth.

In July 2025, India's industrial production increased to a four-month high of 3.5%, up from 1.5% in June 2025, supported by the manufacturing and electricity sectors. Infrastructure and construction goods also registered a healthy growth, supported by government capital expenditure.

INDEX OF INDUSTRIAL PRODUCTION - MANUFACTURING, MINING AND QUARRYING, ELECTRICITY (YEAR-ON-YEAR %)



Source: Ministry of Statistics and Programme Implementation (MOSPI). The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s).

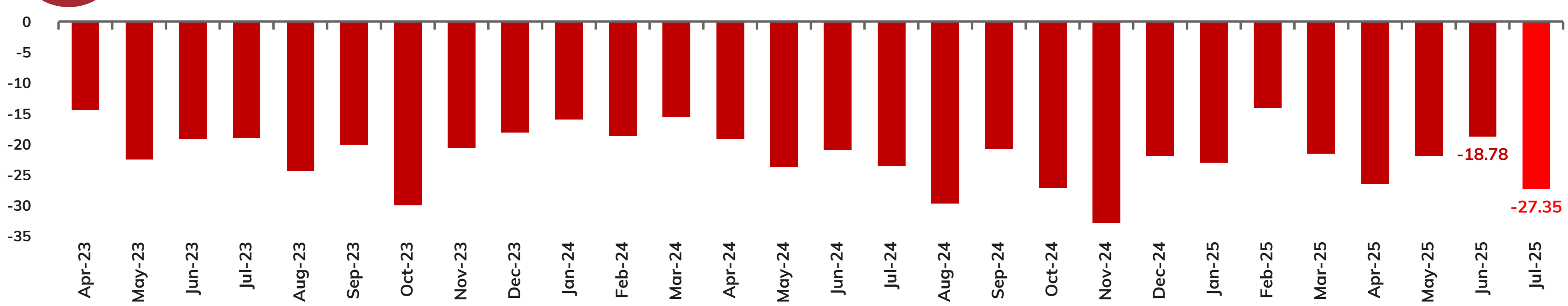
India's Trade deficit widens amidst global headwinds

ICICI PRUDENTIAL MUTUAL FUND

In July 2025, India's merchandise trade deficit widened to an eight-month high of $27.35 billion, a sharp increase from $18.78 billion in June 2025 as imports surged faster than exports. Indian exporters are facing **renewed pressure from higher trade tariffs levied by the U.S., slowing global economic growth and lingering impact of geopolitical tensions.**

In the wake of mounting global trade uncertainties, **the Government is focusing on improving India's export competitiveness, bolstering export promotion and diversifying import markets.**

INDIA'S MERCHANDISE TRADE BALANCE ($, BILLION)



In July 2025, India's merchandise imports climbed sharply to $64.59 billion, up from $53.92 billion in the preceding month.

The surge in imports was driven by higher demand for petroleum and crude products, electronic goods and machinery.

In July 2025, India's merchandise exports rose to $37.24 billion, up from $35.14 billion in preceding month.

The major drivers of merchandise exports included engineering goods, electronics, gems and jewellery, pharmaceuticals and chemicals.

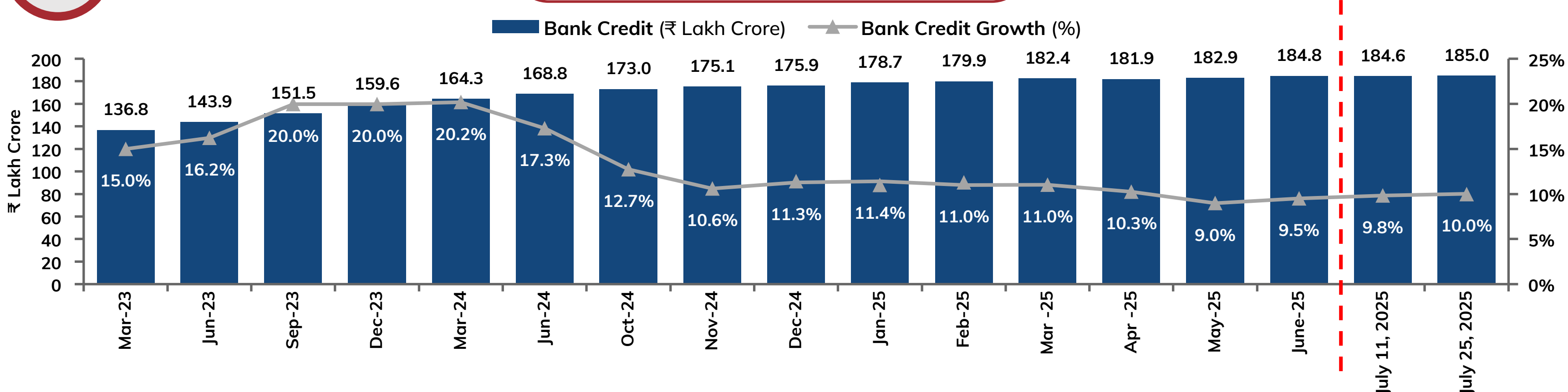
Source: Ministry of Commerce and Industry. U.S.: United States. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s).

India's Credit offtake increased sequentially but remains below preceding year level

ICICI PRUDENTIAL MUTUAL FUND

As of July 25, 2025, credit offtake stood at ₹185.0 lakh crore, marking a 10.0% year-on-year growth, which is significantly slower than that of the corresponding period last year. **Credit offtake remained weak across key segments,** such as Commercial real estate, Non-banking financial companies and Personal loans.

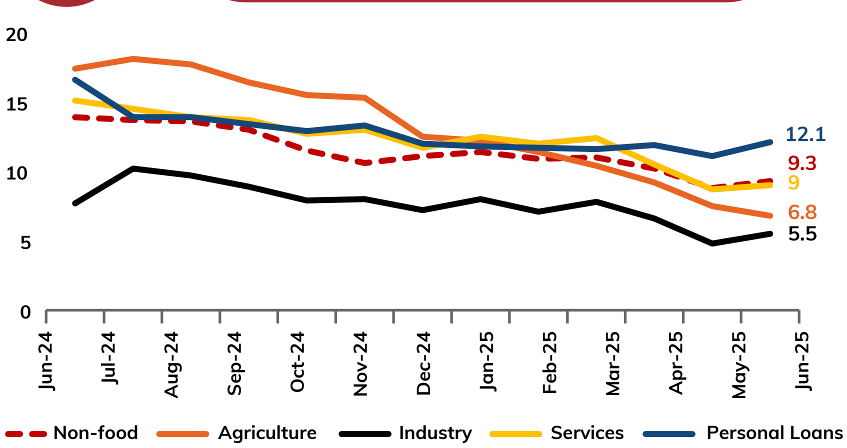
BANK CREDIT GROWTH TREND



Source: Reserve Bank of India (RBI), CareEdge Ratings. The quarter-end data reflects the quarter's last fortnight's data.

The growth of Personal loans across mortgages, consumer durables and credit cards have weakened compared to the past year.

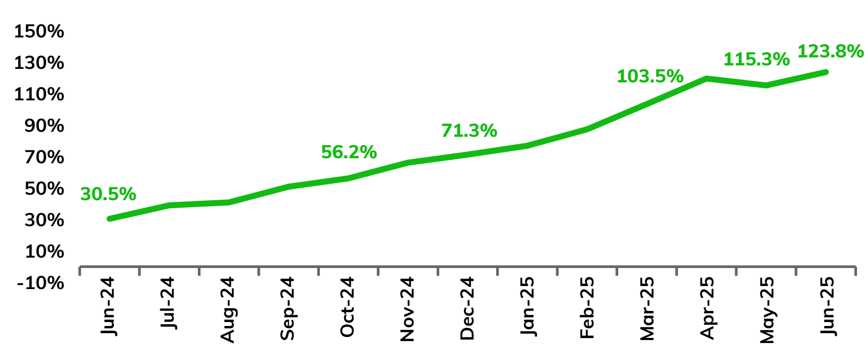
BANK CREDIT ACROSS NON-FOOD SEGMENTS (YEAR-ON-YEAR %)



Source: Reserve Bank of India (RBI), CareEdge Ratings.

Within the Personal loan segment, Gold loans increased by 123.8% year-on-year in June 2025, driven by higher gold prices and reclassification of several agricultural loans as 'loans against gold jewellery' under the retail segment.

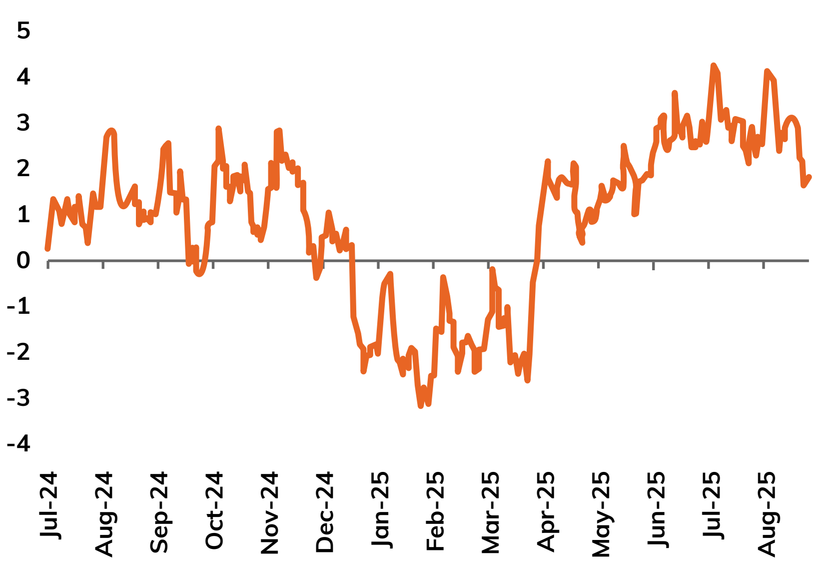
GOLD LOANS (YEAR-ON-YEAR %)



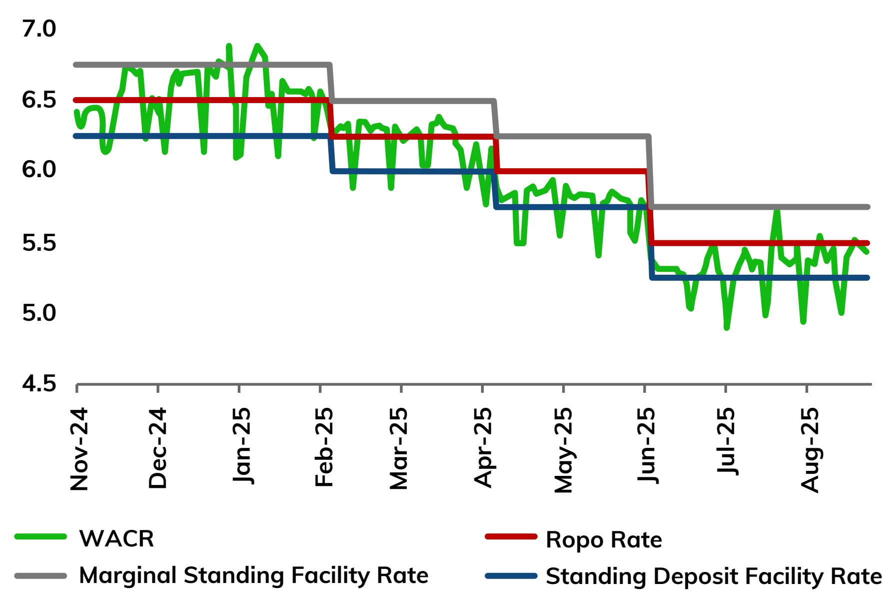
India's Banking System Liquidity conditions are comfortable

India's Banking system liquidity surplus averaged ₹3 lakh crore in August 2025 (up to August 25, 2025). In recent months, the central bank has been conducting both Variable Rate Reverse Repo (VRRR) and Variable Repo Rate (VRR) auctions to manage liquidity conditions.

BANKING SYSTEM LIQUIDITY (₹ LAKH CRORE)



CALL RATE & POLICY CORRIDOR (%)



Source: Reserve Bank of India (RBI). CEIC. CareEdge Ratings Report. Data as of August 25, 2025. Positive values denote liquidity surplus. WACR: Weighted Average Call Rate. Bps: Basis points.

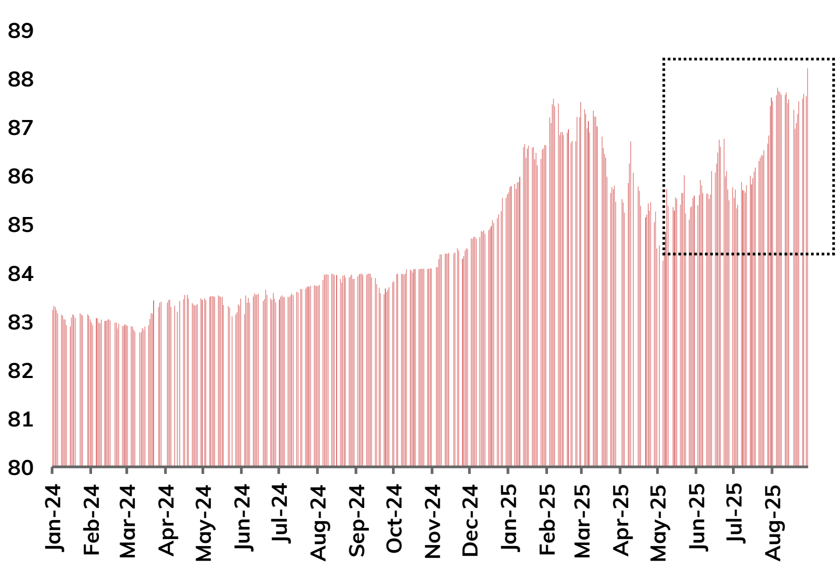
The Cash Reserve Ratio (CRR) would be reduced by 100 bps to 3.0%, in four staggered tranches of 25bps each, beginning September 2025. This move is expected to **enhance the lending capacity of banks and release primary liquidity of about ₹2.5 lakh crore into the banking system by December 2025.**

The Plight of the Indian Rupee

On August 29, 2025, the Indian Rupee slid to around 88.21 levels against the U.S. Dollar: Firstly, the Indian Rupee reels under the pressure of aggressive trade tariff rate imposed by the U.S. on Indian goods. Secondly, **Foreign Portfolio Investors continue to sell Indian equities,** which has weakened the value of the Indian Rupee against the U.S. Dollar.

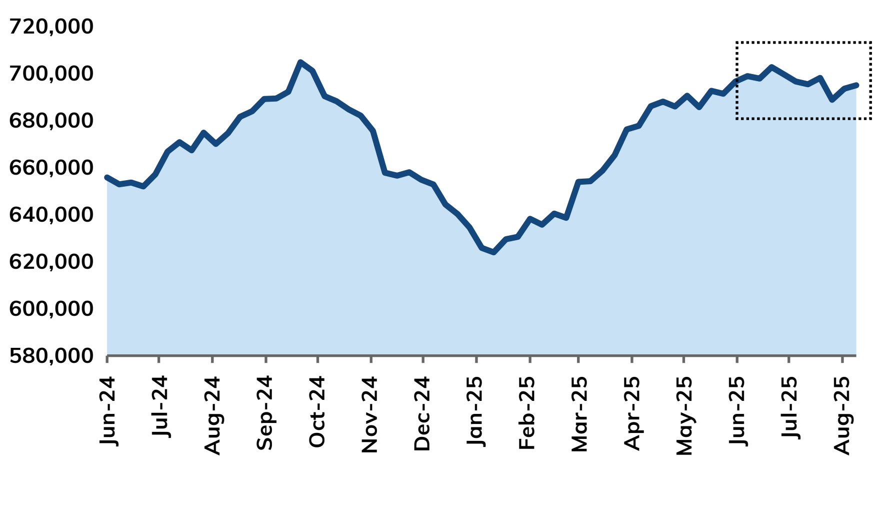
During the month, S&P Global Ratings upgraded India's Sovereign Rating to 'BBB', which is likely to encourage higher inflows of foreign capital and support the domestic currency.

USD/INR



Source: Reuters, Data as on August 29, 2025 U.S.: United States.

TOTAL FOREIGN EXCHANGE RESERVES OF INDIA ($, MILLION)



Source: Centre for Monitoring India Economy (CMIE). Data as on August 15, 2025.

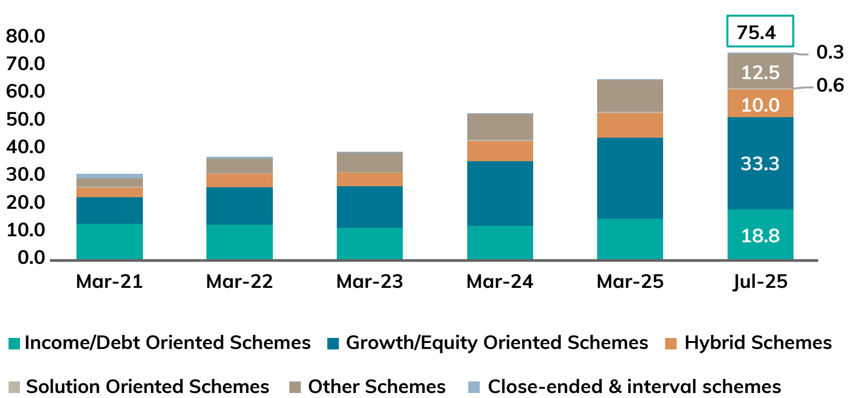
A healthy level of foreign exchange reserves acts as a buffer against global financial unrest. **India's foreign exchange reserves rose to $695.10 billion in the week ended August 15, 2025 with Gold reserves to the tune of $86.16 billion.**

The Growth of India's Mutual Fund Industry

ICICI PRUDENTIAL MUTUAL FUND

The Assets Under Management of the Indian Mutual Fund Industry has grown to ₹75.36 lakh crore as on July 31, 2025.

NET ASSETS UNDER MANAGEMENT (₹, LAKH CRORE)



In July 2025, Equity mutual fund inflows reached a record high of ₹42,702 crore, rising 81% from ₹23,587 crore in June 2025. **Debt mutual funds staged a strong comeback with inflows of ₹1.06 lakh crore in July 2025,** compared to outflows in the previous month.

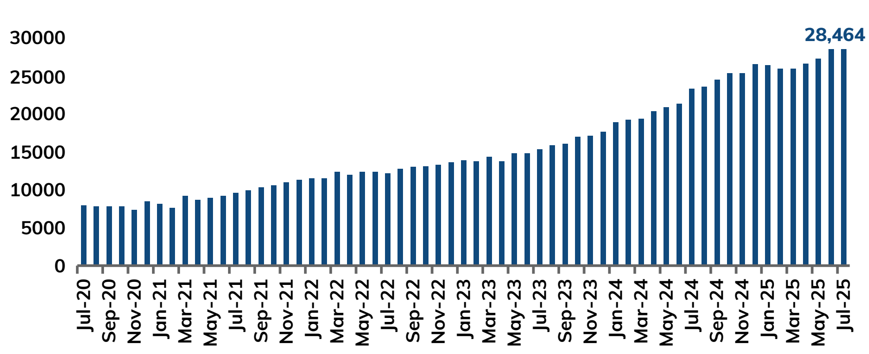
MONTHLY FLOW OF MUTUAL FUNDS (₹, CRORE)

Category	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25
Equity	42,702	23,587	19,013	24,269	25,082	29,303	39,688
Debt	1,06,801	-1,711	-15,908	2,19,136	-202,663	-6,526	1,28,653
Hybrid	20,879	23,223	20,765	14,248	-947	6,804	8,768
Others	8,259	3,997	5,526	20,229	14,149	10,249	10,255
Solution-oriented schemes	283	206	177	206	241	246	243
Closed-ended and interval schemes	-131	-207	-465	-1,261	-297	-13	-55
Total	1,78,794	49,095	29,108	2,76,827	-164,435	40,063	1,87,551

Source: Association of Mutual Funds in India (AMFI), Crisil Intelligence. For Monthly Flow of Mutual Funds, cells in green to red signify the highest to lowest inflows in that period.

In July 2025, the total monthly contribution of Systematic Investment Plan (SIP) reached another high of ₹28,464 crore.

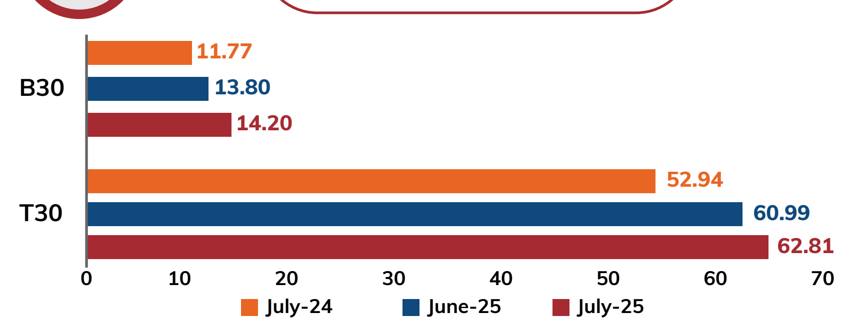
SIP CONTRIBUTION (₹, CRORE)



Source: Association of Mutual Funds in India (AMFI).

Assets from B30 locations have increased from ₹11.77 lakh crore in July 2024 to ₹14.20 lakh crore in July 2025.

B30 AND T30 ASSETS (₹, LAKH CRORE)

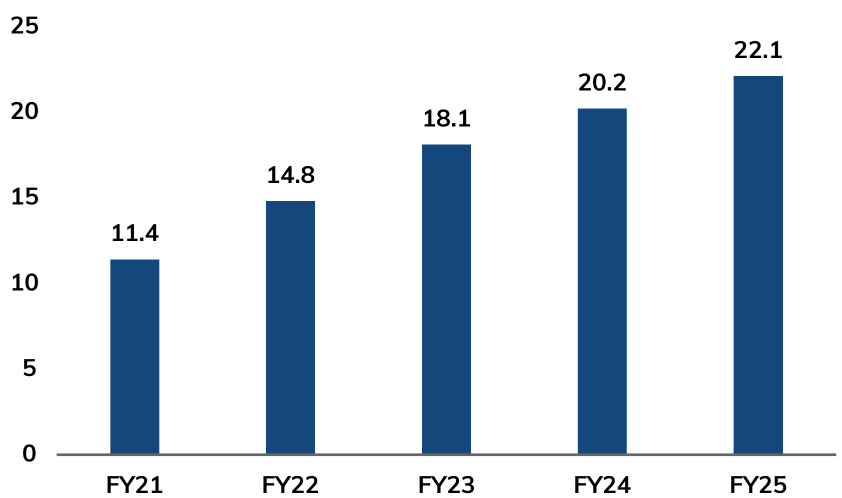


Source: Association of Mutual Funds in India (AMFI), ICRA Analytics. T30 refers to the Top 30 geographical locations in India and B30 refers to the locations beyond the Top 30.

The Birth of GST 2.0

Introduced in 2017, the Goods and Services Tax (GST) has been a major step towards replacing a maze of indirect taxes with a single, unified system. By improving transparency and efficiency, **GST helped lay the foundation for a stronger, more integrated economy.**

GROSS GST COLLECTION (₹, LAKH CRORE)



In FY2024-25, gross GST collections hit a record ₹22.08 lakh crore, reflecting a year-on-year growth of 9.4%.

The number of active taxpayers has witnessed a sharp rise. As of 30 April 2025, there were over 1.51 crore active GST registrations

E-Way Bills were introduced to monitor goods movement and reduce tax evasion. These were later integrated with e-Invoicing and return filing systems.

Source: GST Portal, Government of India, Press Information Bureau. GST: Goods and Services Tax. FY: Financial Year.

The current GST structure consists of four main rate slabs rates, applicable to most goods and services across the country: 5%, 12%, 18% and 28%. In August 2025, the Government announced the plan to simplify India's GST structure to two tiers of 5% and 18%, indicating that the 12% and 28% slabs would be removed. Additionally, select Sin goods would attract a tax rate of 40%. The GST Council is likely to roll out the new reform in September-October 2025.

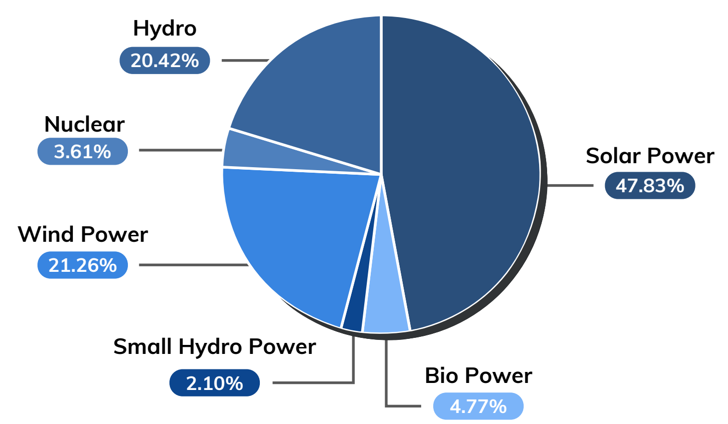
Need for slab rationalization: The government announced the three pillars of focus for the revised reforms, which include structural reforms, rate rationalization and ease of doing business. The revised GST reforms aims to lower costs for essentials, boost consumption and enhance industry competitiveness.

Fiscal Pressure: While the move would support domestic consumption, concerns loom around the impact on India’s fiscal deficit as a drop in tax collections could result in higher market borrowings.

More Solar Power to India: The Renewable Energy Leap

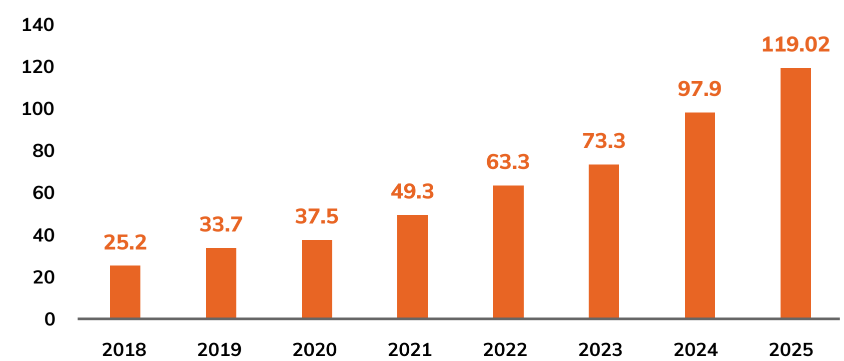
From being heavily dependent on fossil fuels, India has emerged as a global clean energy leader, ranking fourth globally in Renewable Energy Installed Capacity. **Solar energy has been the cornerstone of India's renewable energy strategy, accounting for around 48% of India's total renewable energy capacity.** Government schemes, such as the **Production Linked Incentive (PLI) scheme, PM-Surya Ghar: Muft Bijli Yojana, PM-KUSUM and the National Solar Mission spurred domestic production and reduced dependency on imports.**

NON-FOSSIL FUEL INSTALLED CAPACITY IN INDIA (%)



Source: Ministry of Power, Government of India, Press Information Bureau. Data as on August 2025. PM-KUSUM: Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyaan.

SOLAR ENERGY CAPACITY (GIGAWATTS)



Source: Reserve Bank of India Bulletin, August 2025.

According to the International Renewable Energy Agency, India has become the world's third-largest solar power generator, trailing only China and the United States.

SOLAR ENERGY

Reduces India's dependence on imported fossil fuels

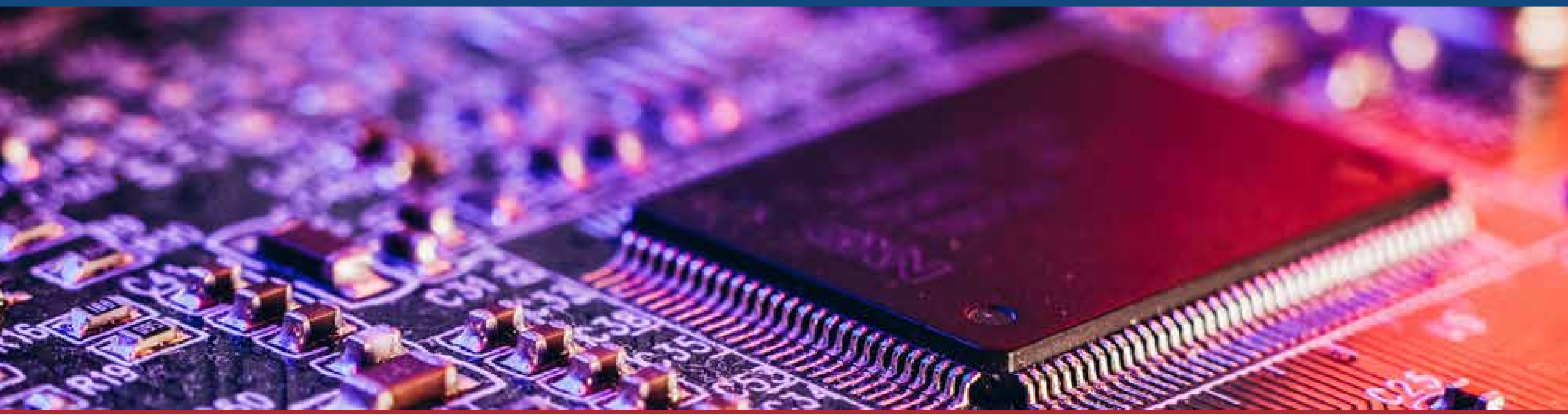
Key component of India's multi-pronged approach to meet the **target of 500 GW of non-fossil fuel electricity capacity by 2030.**

Reasonable costs of solar panels have made it increasingly accessible to consumers

Generated **employment opportunities across rural and semi-urban regions, supporting economic growth.**

Continued technological advancements would **encourage foreign investment.**

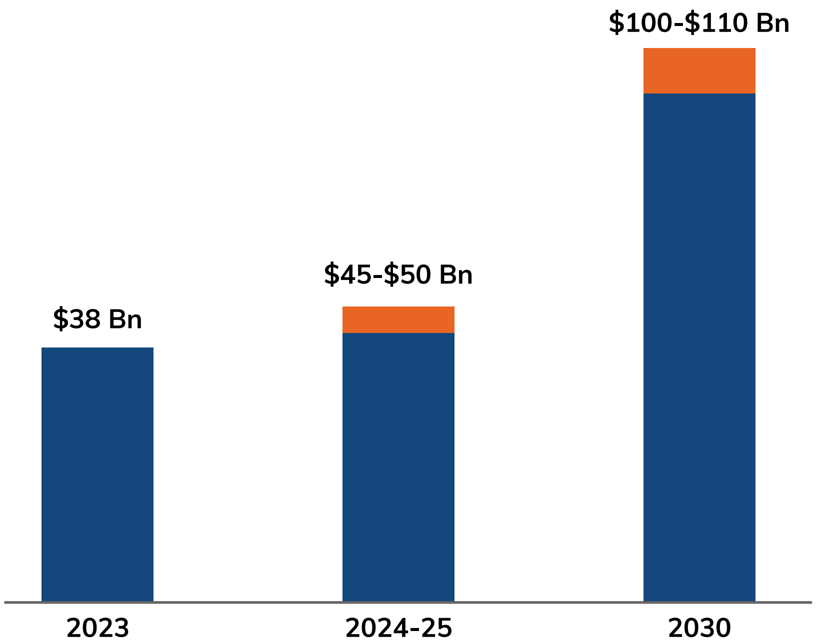
India's Semiconductor Revolution



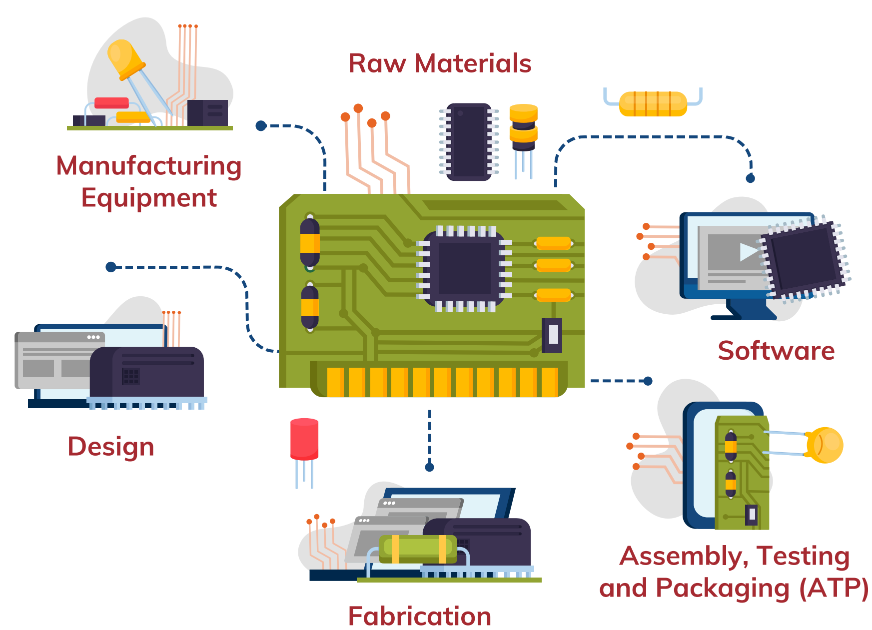
Currently, countries like Taiwan, South Korea, Japan, China and the U.S. dominate the semiconductor industry. **The India Semiconductor Mission was approved by the Union Cabinet in December 2021, with an outlay of ₹76,000 crore to strengthen India's integration into the global electronics value chain.**

In August 2025, the Union Cabinet approved four more projects under the India Semiconductor Mission, which would establish semiconductor manufacturing facilities with an outlay of ₹4600 crore. Two of these plants would be setup in Odisha, and one each in Punjab and Andhra Pradesh. Given the growing demand for semiconductors across industries, such as electronics, defense, automobiles and telecom, the projects **would act as a catalyst for growth of India's electronic manufacturing ecosystem.**

SIZE OF THE INDIAN SEMICONDUCTOR MARKET (U.S. $, BILLION)



As per industry estimates, the **size of the India's semiconductor market** was about $38 billion in 2023, which **is expected to grow to $100-110 billion by 2030.**



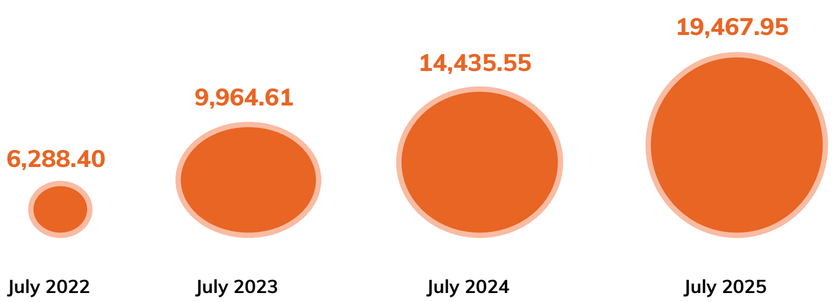
Source: Ministry of Electronics and Information Technology. Government of India, Press Information Bureau. Press release as on August 12, 2025. U.S.: United States. Bn: Billion. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s).

How Indians used the Unified Payments Interface (UPI) in July 2025

ICICI PRUDENTIAL MUTUAL FUND

The volume of UPI transactions rose to a record high of 19,467.95 million in July 2025.

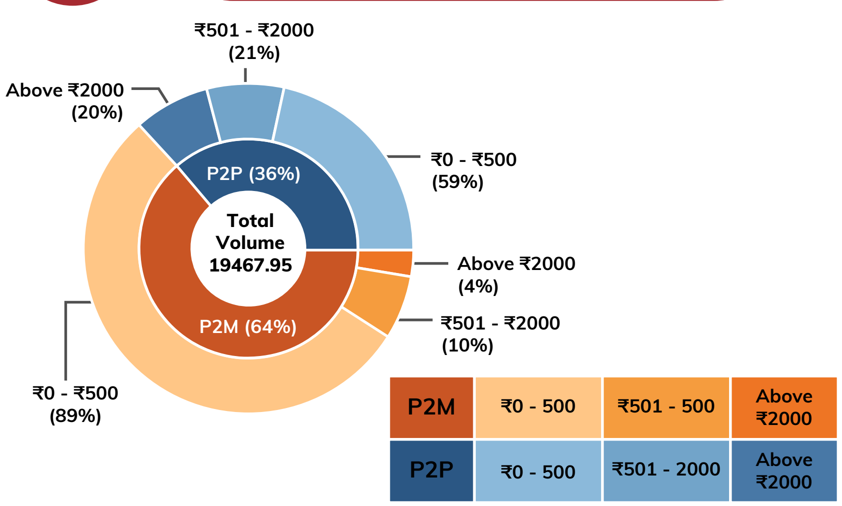
UPI TRANSACTIONS VOLUME (MILLION)



Note: This data excludes the transactions having debit/credit to the same account.

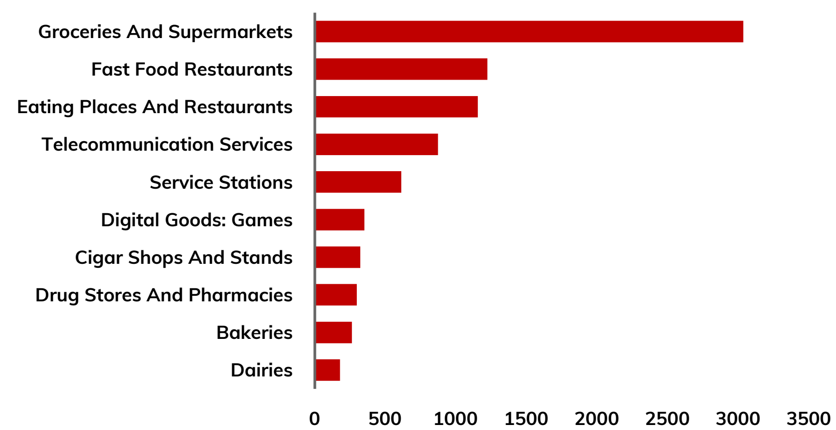
64% of the payments were peer-to-merchant (P2M) payments, while the remaining 36% were peer-to-peer.

UPI TRANSACTIONS BY VOLUME (MILLION)



Groceries and supermarkets emerged as the top merchant category by volume.

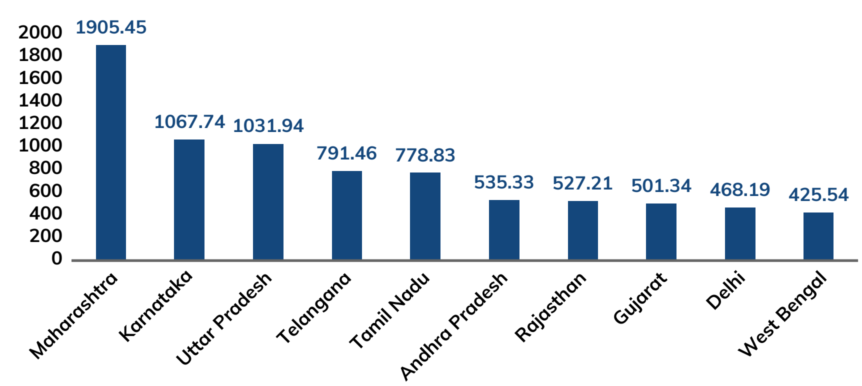
TOP 10 MERCHANT CATEGORIES BY VOLUME (MILLION)



Note: Data as on July 2025. Telecommunication services includes Including Local And Long Distance Calls.

Maharashtra recorded the highest number of UPI transactions, followed by Karnataka and Uttar Pradesh.

TOP 10 STATES BY UPI TRANSACTION VOLUME (MILLION)



Note: National Payments Corporation of India (NPCI). Data as on July 2025. P2P transactions are payments done by person to a person i.e. Peer to Peer Payments. P2M transactions are payments done by person to a merchant i.e. Peer to Merchant Payments. UPI: Unified Payments Interface.

The Narrative of High-Frequency Indicators

ICICI PRUDENTIAL MUTUAL FUND

In July 2025, GST e-way bills touched a record high, led by pre-festive inventory build-up and higher compliance. **Conventional electricity generation remained subdued,** driven by early rains and softer industrial output. **Digital payments, a key indicator of overall economic activity, registered a robust double-digit growth** during the month.

High Frequency Indicators-Economic Activity Year-on-year Growth (%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
GST e-way bills	19.2	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8
GST revenue	10.3	10.0	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5
Toll collection	9.4	6.8	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8
Electricity demand	4.0	-5.0	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.0
Petroleum consumption	10.7	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	0.7	1.4	-4.0
Of which Petrol	10.5	8.6	3.0	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9
Diesel	4.5	-2.5	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4
Aviation turbine fuel	9.6	8.1	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3	3.3	-2.3
Digital payments - volume	36.7	34.9	36.3	40.3	30.1	33.1	33.0	26.7	30.8	30.0	29.2	28.3	29.0

<<<<<<Contraction--Expansion>>>>>>

Source: Reserve Bank of India Bulletin, August 2025. Goods and Services Tax Network (GSTN), Central Electricity Authority (CEA), Ministry of Petroleum and Natural Gas, Government of India. The year-on-year growth % has been calculated for all indicators. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.

Automobile production recorded its fastest growth in a year, led by strong output of three-wheelers and two-wheelers.

High Frequency Indicators-Industry Year-on-year Growth (%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Automobile production	16.8	4.4	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7
Passenger vehicle production	1.2	0.7	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1
Tractor production	8.1	-1.0	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5
Two-wheelers production	21.1	4.9	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3
Three-wheelers production	6.0	9.0	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0
Crude steel production	6.8	2.6	0.3	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	14.0
Finished steel production	6.9	2.7	0.7	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8
Import of capital goods	11.6	12.3	10.9	7.0	4.7	6.1	15.5	-0.5	8.6	21.5	14.3	2.6	12.2

<<<<<<Contraction--Expansion>>>>>>

Source: Reserve Bank of India Bulletin, August 2025. Ministry of Statistics and Programme Implementation (MoSPI), Society of Indian Automobile Manufacturers (SIAM), Office of Economic Adviser, Government of India, Joint Plant Committee, Directorate General of Commercial Intelligence & Statistics, and Tractor and Mechanisation Association. The year-on-year growth % has been calculated for all indicators. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series.

Other Key Developments

The U.S. trade deficit narrowed sharply in June 25: The U.S. trade deficit narrowed to $60.2 billion in June 2025 from a revised $71.7 billion in May 2025, marking a 16% decline. This was driven primarily by a steep fall in imports amid rising tariffs and cooling domestic demand (Source: U.S. Bureau of Economic Analysis. U.S.: United States).

The Bank of England delivers a 25 bps rate cut: On August 06, 2025, the Bank of England reduced the key interest rate to 4%. The central bank has set an inflation target of 2% over the medium term, which would help to sustain growth and employment. (Source: Bank of England. Bps: Basis points).

India's commitment to the Export Promotion Mission: The Export Promotion Mission, announced in the Union Budget 2025-26, aims to enhance export competitiveness by facilitating improved access to export credit, enabling cross-border factoring and assisting MSMEs in addressing non-tariff barriers in global markets. Given the uncertain global trade environment, the Indian government strives to expedite the rollout of the Export Promotion Mission (MSME: Ministry of Micro, Small & Medium Enterprises).

Government enhances budgetary allocation for the flagship scheme Pradhan Mantri Kisan Sampada Yojana (PMKSY): On July 31, 2025, the Indian government increased the budgetary outlay for the Pradhan Mantri Kisan Sampada Yojana by ₹1,920 crore to ₹6,520 crore, which would help boost the food processing sector. The funds would be utilized for 50 multi-product food irradiation units and 100 food testing labs (Source: Government of India, Press Information Bureau).

India's Fiscal Deficit widens, driven by a sharp rise in government's capital expenditure: India's fiscal deficit for April-July 2025 stood at ₹4.68 lakh crore, which is 29.9% of the full year estimate (Source: Controller General of Accounts).

India's WPI inflation in deflation zone: In July 2025, India's wholesale price index (WPI)-based inflation slipped to a 25-month low of -0.58%, signaling continued deflationary pressure. The negative rate of inflation is primarily due to decrease in prices of food articles, mineral oils, crude petroleum, manufacture of basic metals, etc. during the month. (Source: Ministry of Commerce & Industry, WPI data is provisional).

Other Key Developments

A snapshot of India's rural progress: The Rural Economic Conditions and Sentiments Survey published by the NABARD in July 2025, reveals that 76.6% of rural households reported an increase in consumption, marking a sustained trajectory of consumption-led growth.

A SNAPSHOT OF RURAL PROGRESS

76.6%
Households reported increased consumption.

39.6%
Households reported higher incomes.

20.6%
Households reported increased saving.

52.6%
Households sourced loans solely from formal institutions.

78.4%
Households perceiving current inflation to be at or below 5%.

Source: NABARD, Rural Economic Conditions and Sentiments Survey (RECSS), July 2025. NABARD: National Bank for Agriculture and Rural Development.

The Government approves four multi-tracking projects across India: On July 31, 2025, the Government approved four multi-tracking projects covering 13 districts across the states of Maharashtra, Madhya Pradesh, West Bengal, Bihar, Odisha and Jharkhand, increasing the existing network of Indian Railways by about 574 kilometers. The total estimated cost of the projects is around ₹11,169 crore, which is expected to be completed up to 2028-29. The would enhance mobility, resulting in improved operational efficiency (Source: Cabinet Committee on Economic Affairs).

Introduction of the Insolvency and Bankruptcy Code (Amendment) Bill, 2025: The Insolvency and Bankruptcy Code (Amendment) Bill was introduced in the Lok Sabha on August 12, 2025. It introduced a creditor-initiated insolvency resolution process for certain categories of corporate debtors notified by the government. This initiative could help reduce delays, improve access to credit and minimize disruptions to ongoing business operations (Source: Insolvency and Bankruptcy Board of India).

Passage of the new Income Tax bill in the Parliament: India's Parliament has passed the Income-tax (No. 2) Bill, 2025, replacing the Income Tax Act, 1961, with effect from April 01, 2026. The bill seeks to simplify, rationalize and shorten the existing Income Tax Act, 1961, guided by three core principles: a) Textual and structural simplification for improved clarity and coherence. b) No major tax policy changes to ensure continuity and certainty. c) No modifications of tax rates, preserving predictability for taxpayers. (Source: Ministry of Finance).

And it is a wrap for the month

Uncertainties around U.S. trade policies and the lingering impact of geopolitical tensions on global supply chains continue to influence the market. While countries like the European Union, Vietnam and Japan entered into trade deals with the U.S., steeper tariffs levied on Brazil, Canada and India have rattled exporters. Crude oil prices exhibited volatility amid tepid demand conditions and the decision of the OPEC cartel to increase crude oil production.

On the positive front, India's financial conditions remained congenial and supportive of domestic economic activity. Progress of monsoon augurs well for India's Kharif sowing. India's retail inflation eased, supported by sustained cooling of food prices. Going forward, India's sovereign rating upgrade by S&P Global Ratings bodes well for capital inflows.

PICTURE OF THE MONTH

The above picture is only for representation purpose. U.S.: United States. OPEC: Organization of the Petroleum Exporting Countries.

Disclaimer

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

In the preparation of the material contained in this document, the AMC has used information that is publicly available, including information developed in-house. Some of the material(s) used in the document may have been obtained from members/persons other than the AMC and/or its affiliates and which may have been made available to the AMC and/or to its affiliates. Information gathered and material used in this document is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and / or completeness of any information. We have included statements / opinions / recommendations in this document, which contain words, or phrases such as "will", "expect", "should", "believe" and similar expressions or variations of such expressions, that are "forward looking statements". Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our services and / or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices etc. ICICI Prudential Asset Management Company Limited (including its affiliates), the Mutual Fund, The Trust and any of its officers, directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. Further, the information contained herein should not be construed as forecast or promise. The recipient alone shall be fully responsible/are liable for any decision taken on this material.