

India's growth trajectory secure: FinMin

But cross-border spillovers can play spoilsport, says report

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Improved monsoon, solid fiscal performance, and capex push by the public and private sectors augurs well for India's macroeconomic stability and growth, the finance ministry's monthly economic review for June 2023 said.

But the report said that while India's domestic fundamentals remain strong, negative cross-border spillovers and adverse global develop-

ments could act as a deterrent in achieving the high growth path this financial year.

"An improved matching of aggregate supply and aggregate demand in the Indian economy underpins the progress made in the control of domestic inflation and the consequent strengthening of macroeconomic stability," the review said. It said "the price of such stability and growth is eternal policy vigilance".

Released a week ahead of the Reserve Bank of India's (RBI's) monetary policy, the review said that since inflation had been reined in only recently while threats of supply-side shocks, including El Nino, persist, "the RBI and the government continue to



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be guarded for appropriate and timely policy response." The report took note of the recent spike in the prices of fruits, vegetables, and pulses leading

to a sequential increase in food inflation for June.

On wheat, the monthly review said that going forward the weather and input support were likely to increase the production in 2023, making larger quantities available for procurement.

The report also said the RBI was maintaining its policy rates at levels higher than a year ago and closely monitoring the possible impacts of global and domestic shocks on the prices in India.

The monthly review noted that a smaller merchandise trade deficit and a consistent service trade surplus augur well for a narrower current account deficit in relation to GDP during the June quarter.

"Fiscal consolidation, coupled with the narrowing of the current account deficit, is essential for avoiding the challenge of a rising twin deficit, thereby ensuring macroeconomic stability in times of geopolitical stress on the global economy."

The review said that increased digitisation drive, growing preference for remote working and greater proliferation of Global Capability Centres were expected to further increase India's services exports.

In line with the global trend, India's contact-intensive sectors have steadily grown, with a shift in the composition of the consumption basket towards services, in a lockdown-free environment, the report said.