

As food prices spiral, fight against inflation not over: RBI report

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The spike in food prices at the onset of the monsoon season has corroborated the Reserve Bank of India's (RBI's) view that the fight against inflation is far from over, the State of the Economy report of the central bank said.

At the same time, the report said that the country is poised to become the fastest-growing major economy in the world, notwithstanding some sequential moderation in economic activity in June.

Consumer Price Index (CPI)-based inflation rate increased to 4.8 per cent in June 2023, from 4.3 per cent in May, primarily on account of an increase in food inflation.

"Between May and June, CPI recorded a positive momentum of 100 basis points (bps), which was partially offset by a favourable base effect of around 50 bps, resulting in a rise in headline inflation by 50 bps," the report said.

The month-on-month increase in food and fuel prices was roughly 220 bps and 5 bps, respectively.

Core group (excluding food and fuel) prices remained broadly unchanged.

"Food price spikes typical of the onset of the monsoon drove up headline inflation in June, corroborating the monetary policy committee's view that the fight against inflation is far from over and monetary policy has to stay the course on the arduous last leg of the journey to align inflation with the target," the report said.

The RBI's inflation target is 4 per cent, within a range of 2 per cent on either side. The central bank, which increased the policy repo rate by 250 bps between May 2022 and February 2023, kept rates unchanged in the April and June policy reviews.

Need to grow at 7.6% to be a developed nation by '47: RBI

The study by Reserve Bank of India staffers said for India to become a developed country by 2047-48, would require real GDP to grow at 7.6 per cent per annum over the next 25 years, raising its current per capita GDP of \$2,500 to \$22,000.

The sustainable path to development requires investment in physical capital and comprehensive reforms across sectors covering education, infrastructure, healthcare and technology to raise productivity, the study said.

"Collaboration between the government, private sector, civil society, and citizens is essential for driving this transformation," the study, which is not the official view of the central bank, said.

According to World Bank, a country with a per capita income of \$13,205 or more in

2022-23 is classified as a high-income country. The International Monetary Fund classifies countries into two major groups: Advanced Economies and Emerging Market and Developing Economies. **BS REPORTER**



Outward remittances rise to \$2.9 bn in May

Outward remittances under the Reserve Bank of India's (RBI) liberalised remittance scheme (LRS) rose in May 2023 to \$2.88 billion as compared to \$2.33 billion in April, mainly due to an uptick in travel spend.

People in India spent close to \$1.5 billion on international travel in May, against \$1.10 billion in April.

The remittance under travel head was also substantially higher from about \$1 billion in May 2022, according to data

released by the RBI in its monthly bulletin for July. The outward remittances under LRS rose strongly by 41.58 per cent on a year-on-year (YoY) basis, in May, from \$2.03 billion in May 2022. Resident Indians remitted \$27.14 billion in FY23 under LRS. After international travel, people spent most on maintenance of close relatives (\$490 million) followed by gifts (\$390 million), and studies abroad (\$247 million) in May. **ABHIJIT LELE**

On the growth front, the report painted an encouraging picture. "The Indian economy is poised to be the fastest-growing major economy in the world despite some sequential moderation in economic activity in June," it said.

"The index of supply-chain pressure for India remains below its historical average, supporting growth impulses. Our economic activity index nowcasts gross domestic product (GDP) growth for Q1:2023-24 at 7.8 per cent," it said.