

Reserve Bank optimistic of 7.3% GDP growth in Q1FY25

ROBUST OUTLOOK. Growth momentum well sustained, says RBI Governor

Our Bureau
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The Reserve Bank of India (RBI) is quite optimistic that the first quarter (Q1FY25) GDP growth print will be as per its projection of 7.3 per cent even as it expects the current account deficit (CAD) for FY24 to be lower than 1 per cent of the GDP.

"If you look at fourth quarter (Q4FY24), the momentum of economic activity was much stronger (GDP grew 7.8 per cent).... The same strong momentum of economic activity has continued in the first quarter of FY25," RBI Governor Shaktikanta Das said in his keynote address at an event hosted by a business channel.

He noted that as per data available with RBI up to June third week, the growth momentum is well sustained.

The Governor said RBI, therefore, is sanguine and optimistic that the GDP print for Q1FY25 will indeed be as per its projection of 7.3 per cent.

"...and there is no reason why the momentum will slowdown," he said.

Das emphasised that the current confluence of various macroeconomic factors



UPBEAT. The current confluence of various macroeconomic factors is strongly favourable for growth and stability, says Governor Shaktikanta Das REUTERS

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'MARKETS CHANGE'

"But having said that, I would also like to qualify it by saying it should not lull us into any kind of complacency or overconfidence. It takes very little time for the cycle to change. Markets keep changing, international developments keep happening; there could be surprises.

"So, one has to be alert and agile at all times. We need to be watchful of developments in every corner of our own and global economy," Das said.

On the external sector, the

Governor highlighted that India's current account deficit (CAD) has remained very low. In the first three quarters of FY24, the CAD was 1.2 per cent GDP.

"Our teams are working on the numbers, but the fourth quarter (Q4FY24) numbers look to be even lower. And... I will not be surprised (next week when we publish the CAD numbers) if the FY24 CAD is even lower than 1 per cent for FY24.

"So, the CAD looks very promising and the reserves have reached \$655.8 billion. So, this gives lot of confidence to global investors about the stability of Indian

markets," Das said. He underscored that RBI will continue to build up reserves opportunistically, whenever there is an opportunity, whenever the market allows it.

"We don't shy away from that. Strong reserves help us to curtail volatility in the market and also give confidence to global investors that India will be able to fulfil its external payment obligations," Das said.

GOLD PURCHASES

On RBI stepping up gold purchases, the Governor said that its priority is to diversify the deployment of India's forex reserves in more currencies and different kinds of assets, particularly gold.

"Gold prices, in the long run, have always increased...; if you see the long period average, the prices have invariably gone up. Gold, therefore, can be considered as a permanent hedge against external uncertainties.

"We buy gold whenever there is an opportune moment. This is a part of our reserve deployment strategy. But, we will not mindlessly go on buying gold. We have to also be mindful of international prices," he said.