

# Rural demand picking up, likely to hold this year: Das

RBI gov says premature to change stance, FY24 CAD may be less than 1%

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Reserve Bank of India Governor Shaktikanta Das on Tuesday said gross domestic product (GDP) growth

for the first quarter of 2024-25 was projected to be 7.3 per cent, expressing confidence in continued economic momentum driven by rural demand revival, government expenditure, and services exports.

At the same time, Das said that while inflation had been decreasing, the last mile of disinflation could be challenging due to volatile food prices. He said a change in policy stance at this point could be premature.

According to Das, the current

account deficit (CAD) for FY24 could be lower than 1 per cent.

“We see a very strong momentum of economic activities,” Das said at an *ET Now* event.

“And that same strong momentum of economic activity has also continued into the first quarter of this year. We are therefore optimistic that the projection for the first quarter of this year will indeed be 7.3 per cent, and there is no reason why the momentum will slow down,” he said.

The Monetary Policy Committee (MPC) had revised the growth forecast for FY25 to 7.2 per cent from the previously predicted 7 per cent. Growth in the first quarter was projected at 7.3 per cent, Q2 at 7.2 per cent, Q3 at 7.3 per cent, and Q4 at 7.2 per cent, against the previous projections of 7.1 per cent, 6.9 per cent, 7 per cent, and 7 per cent, respectively.



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SHAKTIKANTA DAS, RBI Governor



## Das...



He said rural demand, particularly on the consumption side, was now showing clear signs of improvement.

"Fast-moving consumer goods sales in rural areas have increased, and demand under the Mahatma Gandhi National Rural Employment Guarantee Act has decreased. The agricultural outlook is also optimistic, with projections of an above-normal southwest monsoon this year," Das said.

"Consequently, rural demand is rebounding, which was previously lacking. As government and private investment expenditures unfold, the rural demand is expected to be well-sustained throughout the year." The RBI is confident that rural demand this year will be sustained.

While the central bank aims to reduce India's retail inflation to its 4 per cent target, Das said the final phase of the disinflationary process was proving to be challenging due to persistent food inflation.

Observing that any kind of

adventurism on the rate front should be avoided, the RBI governor said growth-inflation dynamics were favourable.

"...at the current juncture, we thought it's most appropriate to avoid any kind of adventurism and stick to the path of inflation that we had earlier laid out. As a central bank, we will remain very watchful and determine our actions as we go forward." He said there is enough room for the RBI to focus on inflation.

The CAD of India could be lower than 1 per cent in FY24, Das said. During the third quarter of FY24, CAD stood at 1.2 per cent of GDP, down from 1.3 per cent of GDP in the second quarter. "Our CAD has remained very low. In the first three quarters of FY24, the CAD was 1.2 per cent. Our teams are working on the fourth quarter number, which looks to be even lower. And when you look at the annual CAD number, I will not be surprised next week when we publish it. It could be even lower than 1 per cent," he said.

Separately, Das said the regulator would soon invite applications for the self-regulatory organisation (SRO) for non-banking finance companies (NBFCs). Last month, the RBI released the final framework for recognising self-regulatory organisations in the financial technology sector (SRO-FT), encouraging entities to have a representative membership from the fintech sector.

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