

'\$3.7-trn economy in 2023'

Report says CAD may narrow in 2023

BHASKAR DUTTA
Mumbai, 19 January

Lead indicators suggest that domestic current account deficit (CAD) is likely to reduce in 2023, while macro-economic stability has received a boost from inflation being brought back to the official tolerance band, according to the Reserve Bank of India's (RBI's) January 2023 Bulletin.

"With the merchandise trade deficit reaching an all-time high of \$83.5 billion in a quarter, and a rise in net outgo from the income account, the current account deficit increased to 4.4 per cent of GDP in Q2FY23," the State of the Economy article in the Bulletin said.

"It is noteworthy, however, that the CAD for Q1 was revised down from 2.8 per cent to 2.2 per cent on account of downward adjustment in Customs data. Similar adjustments may impinge on the CAD for Q2FY23 as Customs data or imports are revised," the RBI staff wrote.

In November 2022, the government's chief economic advisor had said the CAD for the current fiscal year was expected at around 3-3.2 per cent of GDP, which is much higher than 1.2 per cent in the previous year. The State of the Economy article counts RBI Deputy Governor Michael Patra as one of its authors. The views expressed in the article are those of the authors and do not represent those of the RBI.

Early developments in 2023 suggest that macro-economic stability is getting further entrenched in India, with the latest data showing that the first "milestone" of monetary policy – bringing inflation into the RBI's 2-6 per cent tolerance zone – was being passed, the RBI staff wrote. The objective for 2023 is to "tether" inflation so that it aligns with the RBI's 4 per cent target by 2024. This aim represents the second milestone of the RBI's monetary policy, the article said.

Turning to economic growth, the article said the next fiscal year may see a deceleration in real GDP growth from 7 per cent this year – according to the estimates of the National Statistics Office – to 6.5 per cent as had been projected by the RBI in September 2022. The RBI has projected India's GDP growth at 6.8 per cent for this fiscal year. "At current prices and exchange rates, therefore, India will be a \$3.7-trillion economy in 2023, maintaining its lead over the UK as the fifth-largest economy of the world. According to the IMF's calculations, India will move into fourth place in 2025 and into the third place in 2027 as a \$-5.4 trillion economy," the article said.



NRI deposits hit \$134 bn in Nov

ABHIJIT LELE
Mumbai, 19 January

The Reserve Bank of India (RBI) scaled down figures for non-resident Indians (NRIs) at the end of October 2022 by \$1.88 billion to \$132.66 billion.

This was caused predominantly by a revision in the amount for outstanding non-resident (external), or NRE, deposits by \$1.9 billion in October to \$94.75 billion, according to the RBI bulletin for January.

Old data for October 2022 had shown that outstanding amounts in NRI deposits had broken the streak of continuous fall for the first time in the

MARGINAL DIP

■ FCNR-B ■ NRE ■ NRO (\$ billion)

	FCNR-B	NRE	NRO	Total
Oct '22 (old)	16.08	96.65	21.79	134.54
Oct '22 (revised)	16.1	94.75	21.79	132.66
Nov '22	16.71	95.31	22.46	134.49

Note: FCNR-B is Foreign Currency Non-Resident (Bank); NRE is Non-Resident External (NRE) deposit; NRO is Non-Resident Ordinary (NRO) account
Source: RBI Bulletin - January 2023

fiscal year. The revised figure of \$132.66 billion (October 2022) indicates the trend of depletion continued in October 2022.

However, there was a rise in outstanding NRI deposits at the end of November 2022,

which stood at \$134.49 billion, from the revised figures for October 2022.

The outstanding NRI deposits continue to be lower than \$140.74 billion in November 2021 and \$139.02 billion in March 2022.

RBI net bought \$ for 1st time in 5 months

BHASKAR DUTTA
Mumbai, 19 January

The Reserve Bank of India (RBI) net purchased US dollar worth \$4.36 billion in the domestic currency market in November 2022, marking the first time since May 2022 that the central bank net bought the US currency.

The RBI purchased US dollar worth \$22.28 billion and sold US dollar worth \$17.92 billion in November, data in the central bank's January 2023 Bulletin showed. In April and May of 2022, the RBI had net bought \$1.9 billion and \$2 billion, respectively, in the foreign exchange market. However, from June to October, the central bank sold dollars every month. In June, the net sales were at \$3.7 billion, followed by \$19.05 billion in July. In August, the RBI net sold \$4.3 billion, followed by \$10.36 billion in September and \$922 million in October.

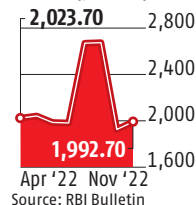
Indians remitted nearly \$2 billion

Indians sent out close to \$2 billion in November under the Reserve Bank of India's (RBI's) liberalised remittance scheme (LRS), latest data released by the central bank showed.

Outward remittances under the scheme jumped 29 per cent to \$1.99 billion compared to \$1.54 billion in the year-ago month.

Sequentially, outward remittances under the scheme were up about 3.5 per cent.

GAINING PACE Outward remittances under LRS Amount (\$ million)



Source: RBI Bulletin

SUBRATA PANDA