

First milestone of monetary policy passed as inflation stays below 6%: RBI bulletin

Our Bureau
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Macroeconomic stability is getting further entrenched with inflation being brought into the tolerance band and lead indicators suggesting that the current account deficit is on course to narrow through the rest of 2022 and 2023, according to an article in RBI's latest monthly bulletin.

Recent data arrivals indicate that the first milestone of monetary policy is being passed – bringing inflation into the tolerance band (of 4 per cent +/- 2 per cent), said RBI officials in the article “State of the Economy”.

The objective during 2023 is to tether inflation therein so that it aligns with the target by 2024 – the second milestone, they added.

FISCAL CONSOLIDATION

Fiscal consolidation is underway at central and sub-national levels, graduated to nurture the

ON TRACK

- Fiscal consolidation is under way at central and sub-national levels
- Current account deficit is on course to narrow through the rest of 2022 and 2023
- 2023-24 may see deceleration in real GDP growth from 7 per cent in 2022-23 to 6.5 per cent
- Softening of commodity prices and other costs amid strong revenues appears to have boosted corporate performance
- India will be a \$3.7-trillion economy in 2023

pace of the economic recovery, per the article.

Lead indicators suggest that the current account deficit is on course to narrow through the rest of 2022 and 2023, the authors said.

They noted that the softening of commodity prices and other costs amidst strong revenues appears to have boosted corporate



performance. The officials noted that the prospect of India as a bright spot amidst 2023's encircling gloom is burnished by most recent history and current developments.

By cross-country standards, the economy exhibited resilience through 2022 in the face of the triad of shocks – war; monetary policy tightening; and recurring

waves of the pandemic, they added. “An important factor in the overall outcome has been the measured responses of monetary and fiscal policies in sharp contrast to the aggressive tightening worldwide,” the authors said.

GDP GROWTH

The officials observed that year 2023-24 may see deceleration in real GDP growth from 7 per cent in 2022-23 (NSO estimates) to 6.5 per cent as projected in the RBI's monetary policy report of September 2022.

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 authors said 2023 may well be the opening ajar of a window in which India's time on the world stage is arriving.