

Strong demand, balance-sheets to galvanise economy: RBI

ECONOMY BULLETIN. Various indicators such as e-way bills generation, indirect tax mop-up, rising retail and auto sales point to a resurgent economy

Our Bureau
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High visibility of structural demand and healthier corporate and bank balance-sheets can be the galvanising forces for economic growth going forward, according to the RBI Monthly Bulletin. It underscored that India's real GDP growth was at a six-quarter high in the third quarter of FY24, powered by strong demand momentum, robust indirect taxes, and lower subsidies.

However, private final consumption expenditure remained low, despite the third quarter coinciding with the festival season, according to an article titled *State of the Economy*, authored by RBI officials, including Deputy Governor MD Patra. Even the government's final consumption contracted during the quarter.

MODERATION IN FMCG
"Market research indicates that the domestic fast-moving consumer goods (FMCG) sector may experience moderate growth over



MEASURED PROGRESS. Market research indicates that the domestic fast-moving consumer goods sector may experience moderate growth over the next six months REUTERS

the next six months," the article said.

On the other hand, the demand outlook for premium consumer businesses is robust, and the growth pattern is expected to persist into the medium term.

This suggests significant per capita income shifts are happening, the officials wrote.

"Small town opportunities are leading to growth of business across lifestyle segments, with companies that

entered these markets enjoying the fruits of being first movers," they said.

High-frequency indicators point towards a continued verve in domestic demand conditions in February, going by e-way bills, toll collections, automobile and retail sales growth, etc., the officials said.

MOMENTUM BACK
Economic activity gained momentum in February after a slight moderation in Janu-

ary, and GDP growth for Q4 (January-March) 2023-24 is nowcast at 7.2 per cent, per the article.

Looking ahead to the next fiscal year, the authors said projections from the in-house Dynamic Stochastic General Equilibrium (DSGE) model suggest that GDP growth is likely to remain robust at 7.4 per cent during 2024-25.

PRIVATE CAPEX CYCLE

The officials observed that the aggregate demand in the third quarter of 2023-24 was investment-driven, with some indications of a revival of the private capex cycle.

Capacity utilisation in several sectors has reached a point where there have to be new investments.

The officials noted that the new Household Consumption Expenditure Survey (HCES) shows that per capita spending on durables and discretionary products has been rising in both rural and urban markets, with real per capita income up 1.5 times since 2011-12 at a compound annual growth rate of 4 per cent.