

₹2K note move can take FY24 growth past 6.5%: SBI report

It expects 8.1% Q1 GDP growth with an upward bias due to the RBI decision

PRESS TRUST OF INDIA

Mumbai, 19 June

The decision to withdraw ₹2,000 currency notes and response to it so far suggest that the move can help boost FY24 gross domestic product (GDP) growth to beyond 6.5 per cent estimated by the Reserve Bank of India (RBI), a report said on Monday.

The real GDP growth for the first quarter of FY24 will come at 8.1 per cent with an upward bias and the RBI's 6.5 per cent estimate can also be exceeded, economists at the country's

largest lender SBI said.

"We expect Q1 FY24 GDP growth at 8.1 per cent with an upward bias due to the impact of ₹2,000 note withdrawal event...this reinforces our projection that FY24 GDP could be higher than 6.5 per cent, basis the RBI estimate," a note said.

It can be noted that earlier this month, the RBI informed that over half of the currency notes in the denomination have returned back, with 85 per cent of it coming as deposits into banks, while the remaining 15 per cent have been

exchanged at bank counters.

Based on this experience, the SBI note said the consumption can get a ₹55,000 crore boost because of the move.

It estimated ₹3.08 trillion to come back as deposits into the system, of which ₹92,000 crore will come into saving banks accounts, of which 60 per cent will get withdrawn, thus giving an immediate increase in consumption at ₹55,000 crore. In the long run, the boost can be ₹1.83 trillion because of the consumption multiplier, it said.

"One of the major benefits

of withdrawal of ₹2,000 note might be the immediate uptick in consumption demand," the report said.

It is expected that high-value amounts could move to high-value spends, such as gold/jewellery, high-end consumer durables like AC, mobile phones, and real estate, according to the note.

It cited reports of an increase in fuel payments and cash on delivery, with online food aggregator Zomato reporting three-fourths of users opting for cash payments by ₹2,000 notes.