

# Economy resilient, on track to grow at about 7% in FY23: RBI report



■ Q2 GDP growth seen at 6.1-6.3%

■ CPI inflation easing across BRICS, emerging market economies

■ Liquidity normalising but is still in surplus mode

■ Bank credit growth surging, led by services, personal loans, agriculture and industry

■ Net NPAs sliding towards 1% of total assets

■ Volatility in G7 currencies has surpassed that in EM currencies for first time since March 2020

## Headline inflation showing signs of easing, it says

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India's gross domestic product (GDP) is expected to grow between 6.1 per cent and 6.3 per cent in the June-September quarter (Q2FY23) based on high-frequency indicators and economic prediction models, according to a Reserve Bank of India (RBI) report released on Friday.

"If this is realised, India is on course for a growth rate of about 7 per cent in 2022-23," said the State of the Economy report authored by RBI staffers including Deputy Governor M D Patra. The RBI has said views expressed in the article are those of the authors and do not represent its views.

The Q2 GDP numbers will be out by the end of this month. The monetary policy review in October projected Q2 GDP growth at 6.3 per cent.

"With headline inflation beginning to show signs of easing, the domestic macroeconomic outlook can best be characterised as resilient but sensitive to formidable global headwinds," the report said.

India's retail inflation softened to a three-month low of 6.77 per cent in October from 7.41 per cent in September as food prices declined substantially, which could prompt the Monetary Policy Committee (MPC) of the RBI to slow down on rate hikes. Since May this year, the MPC has raised the policy repo rate by 190 bps to 5.9 per cent.

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clients. According to data by Dewesoft, there are around 4,550 man-made satellites in Earth's orbit. At least 50,000 satellites are expected to be launched in the next 10 years, the majority of which will be for the lower orbit, indicating the potential of Skyroot's launch.

Chennai-based Agnikul Cosmos plans a full-scale commercial launch of its rocket Agnibaan by April 2023.

## Twitter...

Musk brought back leaders who had departed, either as part of his own layoffs or through resignation, to convince others to stay, one of the people said. One returning leader is Ella Irwin, who will manage employees in Trust and Safety, according to a person familiar with the matter, who declined to be identified discussing non-public changes.

Musk later sent a follow-up email on remote work, according to a screenshot viewed by Bloomberg. "Any manager who falsely claims that someone reporting to them is doing excellent work or that a given role is essential, whether remote or not, will be exited from the company."

## RBI report..

The report observed that there was a change in the thinking of global central banks as some of them had slowed rate increases, and indicated that the end of rate hikes was in sight.

"...data arrivals of the most recent vintage on the far side of the Atlantic and in India suggest a grudging let-up in inflationary pressures. Consumer price index (CPI) inflation has somewhat eased across BRICS economies and in several other emerging market economies (EMEs) as well, benefiting from lower commodity prices," it said. Touching upon the recent easing of pressure on the domestic currency, the State of the Economy article said a "relief rally" swept across the

globe on November 11 after US data showed a larger-than-expected decline in the country's inflation. The data sparked hopes of the Federal Reserve adopting a softer approach to what has been an extremely aggressive tightening cycle so far. Between October 27 to November 11, the rupee strengthened by 2.2 per cent against the US dollar, 1.2 per cent versus the British pound and 0.5 per cent against the euro, the article noted.

"In the recent period, the US dollar's rally to successive highs has sent currencies across the world into a downward spiral, but a closer look reveals that EME currencies are posting only half the losses seen in advanced economy (AE) currencies," it said.

A depreciating rupee adds to domestic inflationary pressures by pushing up India's import bill.

According to the article, volatility in G7 currencies has surpassed that of emerging market currencies for the first time since March 2020. "This reflects resilience and the fact that early, aggressive rate hikes have delivered real rates or close to them, offering higher carry – Latin America has led the way," it said. Citing the Bank for International Settlements' triennial survey of over-the-counter foreign exchange turnover, the article said that trading in OTC markets reached \$7.5 trillion a day in April 2022, rising 14 per cent from three years back.

While the share of the rupee dropped to 1.6 per cent from 1.7 per cent three years ago, in exchange traded derivatives, the share of the rupee was at 12.9 per cent, the fourth largest in the world, the article said.

Commenting on the liquidity situation, the report said system liquidity was normalising in consonance with the stance of monetary policy but it was still in surplus mode, with the central bank absorbing about ₹1.5 trillion on a daily basis on average. "The effective absorption rate rose by 1.75 percentage points between end-

April and mid-November in response to monetary policy actions." The report said that commercial bank credit growth had been surging, led by services, personal loans, agriculture and industry. The capital adequacy ratio, which is well above 16 per cent, reflects the banking sector is well capitalized with provision coverage ratio of over 70 per cent.

"Gross non-performing assets have consistently declined, with net NPAs sliding down towards 1 per cent of total assets," it said while acknowledging that inflation is impacting corporate performance.

## Jet staff..

However, ownership has not been transferred to JKC to date because the matter of clearing the previous employees' provident fund and gratuity dues is under litigation. JKC wants the State Bank of India-led consortium of lenders to pay them and has moved the NCLAT on this. Jet Airways Chief Executive Officer Sanjiv Kapoor said on Twitter on Friday "no staff has been let go".

"However with the ownership transfer timeline slipping due to factors outside our control, some temporary hard decisions had to be taken," he added. The team working to revive Jet Airways was not responsible for the airline running out of cash and suspending operations in 2019, he noted. "They are trying to revive the airline using fresh capital, to give consumers more choices, to create more jobs and bring back old jobs. They deserve our full appreciation," he mentioned. In its statement, JKC said it had not breached any terms of the approved resolution plan and it remained committed to restart Jet Airways. After the NCLT's approval in June 2021, all conditions outlined in the resolution plan were satisfied by May 20 this year and the necessary filings in this regard were made before the NCLT on May 21, it mentioned.