# 'Unlike global economy, India will not slow down'

**ON FIRM GROUND.** RBI says India's resilience, reliance on domestic drivers key positives

**Our Bureau**
Mumbai

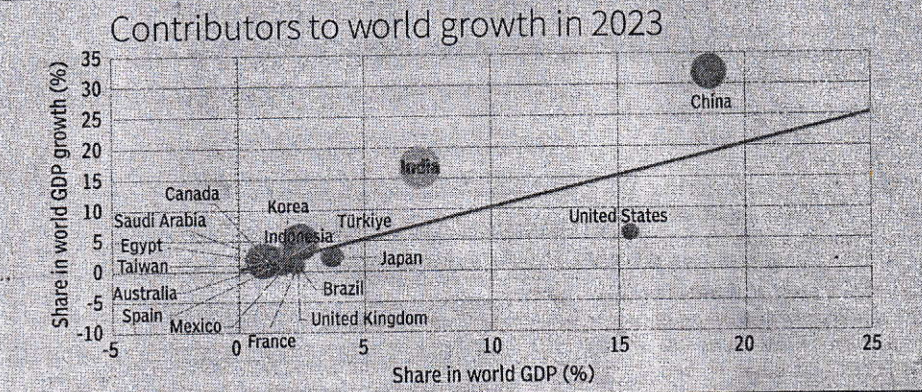
India's economy is intrinsically better positioned than many parts of the world to head into a challenging year, according to an article in the Reserve Bank of India's latest monthly bulletin.

This is mainly due to the country's demonstrated resilience and reliance on domestic drivers, per the article *State of the Economy*. This assessment is based on the National Statistical Organisation's (NSO) end-February data.

In this regard, the article, compiled by senior RBI officials, referred to the NSO's second advance estimate (SAE) of national income, which placed real GDP growth at 7 per cent for 2022-23 — the same as in the first AE.

The SAE of national income indicates that the recovery from the pandemic was stronger than earlier believed (with momentum picking up steadily since the second quarter of the current financial year), led by private consumption and supported by a rebound in government consumption during 2021-22, they added.

During Q3 (October-December) 2022-2023, India's GDP growth slowed to 4.4 per cent from 6.3 per cent in the preceding quarter.




Sources: WEO October 2022 database; and RBI staff estimates Note: Size of the bubble represents ratio of the share in world GDP growth to share in world GDP.

"The Q3 data carry valuable information content for the rest of the year. Private consumption may edge down further, going by high-frequency indicators, perhaps mainly due to elevated inflation," per the article.

### PRIVATE INVESTMENTS

The authors stressed that investment must be regenerated from private sources alongside public sector's push to consolidate and improve the quality of spending so as to provide a congenial habitat for the private effort.

"The Q4 (January-March) data release will nevertheless need to be read with a pinch of salt because unfavourable base effects will be strong. Our nowcast of real GDP growth for Q4:2022-23 is placed at 5.3 per cent," the officials said.

### OPTIMISTIC ABOUT INDIA

"Unlike the global economy, India would not slow down — it would maintain the pace of expansion achieved in 2022-23. We remain optimistic about India, whatever the odds," the official said.

The article said that the consumer price inflation remains high and core inflation continues to defy the distinct softening of input costs.

Over FY24, inflation is expected to range between 5.0 and 5.6 per cent (per the February 2023 Monetary Policy Statement) if India survives an El Nino event affecting the south-west monsoon, and given the global uncertainties.

## 'Indian banks can weather contagion effects of SVB, Credit Suisse meltdown'

Indian banks and rated finance companies can endure potential contagion effects from the demise of Silicon Valley Bank (SVB) and UBS' hasty takeover of Credit Suisse AG, according to S&P Global Ratings. It noted that Indian institutions have no meaningful direct exposure to SVB, Signature Bank and Credit Suisse. S&P Global Ratings expects the secondary impacts to be manageable, although the decision to write-off Credit Suisse's Additional Tier (AT)-1 bonds may contribute to a higher cost of capital for banks.

Read more on p7