

# Growth outlook strong despite Q2 blip: RBI Bulletin

Our Bureau  
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High-frequency indicators point to a slowdown in the second quarter of 2024-25, with the economy experiencing a temporary dip in momentum, according to the *State of the Economy* article published in the latest Reserve Bank of India Bulletin.

This deceleration is partly attributed to the unusually heavy rain in August and September. Despite these short-term challenges, India's overall growth outlook remains strong, driven by robust domestic factors and a promising revival in demand, especially in the festival season.

## DOMESTIC FACTORS

"Despite ongoing geopolitical tensions, India's growth outlook remains strong, fuelled by robust domestic factors. However, some high-frequency indicators showed a slowdown in the second quarter of 2024-25, partly due to unusual factors like heavy rainfall in August and September," the Bulletin said. Private investment is showing encouraging signs, as lead indicators reflect growing business optimism. Consumption spending is also expected to pick up pace as festival off-take increases, with rural demand benefit-

ing from an improved agricultural outlook.

Despite inflation surging in September on rising food prices, aggregate demand is projected to recover, fuelled by rising consumer confidence, the Bulletin said.

## GLOBAL LANDSCAPE

The global economic landscape, however, remains uncertain, with geopolitical tensions in West Asia and rising commodity prices, especially crude oil and metals, posing risks for net importers like India. The course of the global monetary policy will need to account for both inflationary pressures and growth risks stemming from these developments.

- Domestically, private investment is set to rise in response to increased consumption demand and the financial sector, backed by healthy balance-sheets, is ready to support productive investments.

- India's equity markets have seen new peaks this year, bolstered by strong macroeconomic fundamentals. However, concerns over stretched valuations and geopolitical uncertainty have led to some market pull-back. Nevertheless, the primary market issuance pipeline remains robust, and the external sector is supported by high foreign exchange reserves.