

India's growth an outlier, inflation a concern: FinMin

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INDIA'S ECONOMIC GROWTH in the current financial year would be a positive outlier in the world, the finance ministry said on Tuesday, but added that among the downside risks to growth is high inflation.

However, the decline in international crude oil prices and continued moderation in core inflation are likely to control inflationary pressures going forward, the ministry said, in the monthly economic report for October. "... Reserve Bank of India has also indicated that any further tightening of monetary policy will likely occur when transmission is closer to completion and if the situation warrants," the ministry said. Inflationary risks have kept both the government and the RBI on high alert, it added.

It said a fuller transmission of the monetary policy may also temper domestic demand.

The Indian basket of crude oil prices averaged \$83.93/bbl so far in November compared with \$90.08 in October and \$93.54 in September.

Retail inflation moderated to a

four-month low of 4.9% in October. The fall in inflation was mainly due to the decline in core (non-food, non-fuel) inflation, while food inflation in October remained the same as in September. Core inflation fell to 4.3% in October from 4.5% in September.

The RBI, which has raised its key policy interest rate by 250 bps since April 2022 to tame prices, aims to rein inflation at around 4%.

The Centre is on track to achieve the budgeted deficit target of 5.9% for the current fiscal, the ministry said. It said financial flows in the external sector also need constant monitoring as they impact the value of the rupee and the balance of payments.

The rapid reversal of rate hike expectations in the US and the slide in the US 10-year Treasury yield, coupled with the decline in oil prices, is good news for emerging markets in general, India included. However, the 'priced to perfection' US stocks continue to be a source of potential risk for global stocks, it added. "On balance, however, India's growth experience in FY24 will continue to be a positive outlier as compared to other major economies," the ministry said.

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