

# Strong fundamentals keeping economy resilient despite global uncertainties, says RBI bulletin

**Our Bureau**  
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The economy remains largely resilient, supported by strong macroeconomic fundamentals, despite global uncertainties, according to the Reserve Bank of India's latest monthly Bulletin.

Easing inflation, improving kharif season prospects, front-loading of government expenditure, targeted fiscal measures and congenial financial conditions for faster transmission of rate reductions should support aggregate demand in the economy going forward, per the assessment of RBI officials in the *State of the Economy* article published in the Bulletin.

## **TARIFF UNCERTAINTIES**

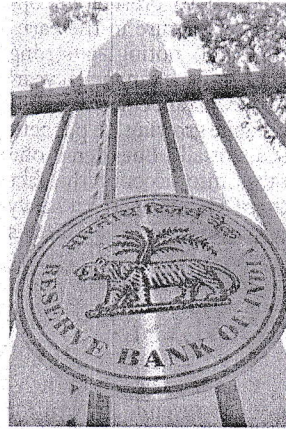
The authors noted that the global macroeconomic enviro-

nment remained fluid in June and July, amidst geopolitical tensions and tariff policy uncertainties.

"Domestic economic activity held up with improving kharif season prospects, continuation of strong momentum in the services sector and modest growth in industrial activity," the authors said. The officials underscored that high-frequency indicators for June signalled steady demand conditions. Urban demand saw a revival in June, recovering from the moderation in May.

"Rural demand remained resilient. Retail automobile sales growth moderated marginally but stayed above the average level, while tractor sales recorded stronger growth," they said.

The authors emphasised that amid global economic uncertainties, the front-load-



ing of spending by the Central and State governments, with a focus on higher capex, is helping to offset some slowdown witnessed in private capex expenditure.

## **RETAIL INFLATION DOWN**

The article noted that headline CPI (consumer price in-

dex) based inflation remained below 4 per cent for the fifth consecutive month in June (at 2.1 per cent, the lowest reading of the current CPI series after 2.8 per cent in May), driven by falling food prices.

Core inflation edged up to 4.4 per cent in June from 4.2 per cent in May, primarily due to an increase in gold and silver prices and, at the margin, from an uptick in services inflation. Abstracting the impact of gold and silver prices, core inflation continued to remain benign.

The RBI officials observed that central banks of many advanced economies (AEs) kept policy rates unchanged, as the last mile of disinflation turned out to be stickier than expected, while also awaiting clarity on the trade tariff front and its implications for inflation. Mounting risks to

growth in many economies, on the other hand, also led central banks across AEs and emerging market economies (EMEs) to pre-emptively reduce key policy rates.

## **FIN MARKETS HOLD UP**

Financial markets, however, seem to have taken trade policy uncertainties in their stride, possibly reflecting optimism on reaching trade deals that are less disruptive to the global economy.

"Even so, under-pricing of macroeconomic risk by financial markets remains a concern. The average trade tariff rates are set to touch levels unseen since the 1930s... The evolving pattern of global trade flows and supply chains is far from settled. These uncertainties pose considerable headwinds to global economic prospects," cautioned the officials.