

# Worst over for global economy: RBI gov

## Domestic economy resilient, says Das

**BHASKAR DUTTA**

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The global economy is expected to contract significantly this year but the worst seems to be behind us, both in terms of growth and inflation, Reserve Bank of India (RBI) Governor Shaktikanta Das said on Friday.

“On the growth front, projections are now veering around to a softer recession as against a severe and more widespread recession projected a few months back,” Das said at an event in Dubai.

According to the International Monetary Fund’s latest economic outlook, global growth is forecast to slow to 2.7 per cent in 2023 from 3.2 per cent in 2022. The RBI said last month that it expected India’s economy to grow at 6.8 per cent in the current financial year.

Although easing inflation in various countries had resulted in what appeared to be a pivot towards lower rate hikes or pauses by central banks, Das said global monetary authorities had “emphatically” reiterated their resolve to bring inflation closer to their targets.

### GOVERNOR'S VIEW

■ **Global recession** could be softer than expected earlier

■ **Welcome decline in India's inflation** in Nov, Dec

■ **Core inflation** remains sticky and elevated

■ **Global interest rates remaining higher** for longer a distinct possibility

■ **Services exports, remittances strong**, partially offsetting trade deficit



**SHAKTIKANTA DAS**  
RBI governor

However, there was a distinct possibility of high policy rates persisting for a longer span of time, he added.

Das voiced optimism about the prospects of India’s economy, saying that within a hostile and uncertain global environment, the domestic economy remained resilient.

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## RBI gov...

He pointed towards a robust financial system, and the fact that Indian banks and corporates were in a better shape than they were before the Covid-19 crisis.

While expressing comfort about the “welcome” decline in domestic inflation in November and December of 2022, Das warned that core inflation remained sticky and elevated.

India's Consumer Price Index (CPI) inflation fell to 5.72 per cent in December from 5.88 per cent in November. The RBI's target for CPI inflation is 4 per cent, and its tolerance band is 2-6 per cent.

Core inflation, which excludes the volatile components of food and fuel, has been above 6 per cent since May 2022.

On the functioning of financial markets, Das said that progress notwithstanding, some challenges remained. An issue flagged by the governor was the fact that secondary-market liquidity in government bonds continued to be concentrated in only a few securities and tenors.

“Access of the retail segment to markets, especially derivative markets, needs to improve further... Likewise, there remains a need for improvement in ensuring liquidity for

retail investors in the government securities markets,” he said.

The government securities market serves as the pricing benchmark for a vast variety of credit products in the economy, including corporate debt. In 2021, the RBI launched the Retail Direct scheme to facilitate retail investment in government bonds. The scheme, however, has not yet drawn significant interest.

Das reiterated that India's current account deficit in FY23 would be eminently manageable. Given global headwinds, such as the US Federal Reserve's aggressive monetary tightening and the sharp rise in commodity prices following the Ukraine war, India's CAD is expected to rise to 3-3.5 per cent of gross domestic product in the current financial year from 1.2 per cent in the previous year. The average CAD was 3.3 per cent in the first six months of the current financial year.

“The slowing global demand is weighing on merchandise exports, but our exports of services and remittances remain strong. The net balance under services and remittances remains in a large surplus, partly offsetting the trade deficit,” Das said.

With India's external debt ratios remaining low by international standards, the RBI had been able to take steps to inter-

nationalise the rupee instead of opting for capital controls, even during episodes of large outflows, he said.

## Adani stock...

“The questions raised are not on the business of the company but on other things like corporate governance. Today's fall is a result of a short position created by some global trader who has chosen an instrument which is not listed in the Indian market. This is a dangerous situation and has led to panic among investors. Hindenburg Research's model has to do with shorting of stocks. They have always shorted stocks with high valuations. The only concern is they are shorting Indian stocks from outside the country,” said Devan Choksey, founder and promoter, KRChoksey Holding.

Hindenburg Research claimed that its findings were a result of a two-year investigation. The report said seven key listed companies of the Adani group had as much as 85 per cent downside purely on a fundamental basis owing to sky-high valuations.

Hindenburg also alleged that key listed Adani companies had taken on substantial debt, including pledging shares of their inflated stock for loans, putting the entire group on precarious financial footing.