



Economy resilient amid global shocks: Das

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Amid global uncertainties and shocks, the Indian economy is resilient with financial stability maintained with a well-capitalised banking sector, Reserve Bank of India (RBI) Governor Shaktikanta Das said on Thursday.

“The international economic order stands challenged; financial markets are in turmoil due to monetary tightening in most parts of the world; food and energy supplies and prices are under strain; debt distress is staring at many emerging market and developing economies; and every economy is grappling with multiple challenges,” Das said in the Foreword to the Financial Stability Report of the RBI. “Amid such global shocks and challenges, the Indian economy presents a picture of resilience,” he said.

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and ₹27,770 crore through rights issues. Some investment bankers argued that the reason for tepid fundraising through QIPs and rights could also be due to the fact that companies this year were not in need of large capital.

'Economy'...

"Financial stability has been maintained," Das said.

He said the domestic financial markets have remained stable and fully functional and the banking system is sound and well-capitalised. The non-banking financial sector has also withstood the challenges.

The report pointed that the innate resilience has helped the economy withstand extraordinary external shocks, especially prolonged geo-political hostilities. It noted that the economy remains vulnerable to formidable global headwinds, which act as a drag on the domestic recovery.

"The stress test results presented in this issue of the FSR indicate that banks would be able to withstand even severe stress conditions, should they materialise," he said while adding in spite of formidable global headwinds, India's external accounts remain well-cushioned and viable.

The report presented a bleak outlook for 2023 with global growth expected to fall to 2.7 per cent with both advanced economies (AEs) and emerging market and developing economies (EMDEs) forecast to experience significant

output slowdown. Global trade volume is also expected to decelerate from 10.1 per cent in 2021 to 4.3 per cent in 2022, with EMDEs bearing the brunt.

Inflation is forecast to rise to 8.8 per cent in 2022, with both headline and core inflation staying well above targets in AEs and EMDEs. On domestic inflation, the FSR said the front-loaded monetary actions are expected to bring CPI inflation within the central bank tolerance band of 2-6 per cent. It said though CPI inflation has moderated but the persistence and broadening of core inflation may exert pressure on the headline numbers.

"Frontloaded monetary policy actions are expected to bring inflation into the tolerance band and closer to the target while anchoring inflation expectations," the report said.

While acknowledging improvement in profitability and capital levels of the domestic banking system, the FSR added that domestic financial markets remain choppy due to heightened uncertainty and volatility in global markets. "Preserving macroeconomic and financial stability in the current environment assumes importance to support the recovery, ensure financial stability and bolster India's long-term potential," it said.

CAD...

Aditi Nayar, chief economist, ICRA, said while it was expected that the CAD would widen to an all-time high, the size exceeded even the upper