

Macro resilience to help India confront global headwinds: RBI

SILVER LINING. Decline in banks' GNPA ratio to continue, says Financial Stability Report

Our Bureau
Mumbai

The Indian economy remains vulnerable to formidable global headwinds, which can drag its recovery, cautioned the RBI's *Financial Stability Report (FSR)*.

"The Indian economy is confronting strong global headwinds (extraordinary external shocks, especially prolonged geopolitical hostilities).

"Yet, sound macroeconomic fundamentals and healthy financial and non-financial sector balance sheets are providing strength and resilience and engendering financial system stability."

As a corroboration, the FSR points to the declining tendency in the gross non-performing assets (GNPAs) ratio that is likely to continue. Under the baseline scenario of the stress testing framework, it is projected to fall further to 4.9 per cent in September 2023.

MANY CHALLENGES

In his foreword to the report, Reserve Bank Governor Shaktikanta Das noted that the in-

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SHAKTIKANTA DAS
RBI Governor



ternational 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 markets and developing economies; and every economy is grappling with multiple challenges.

The Governor observed that amid such global shocks and challenges, India presents a picture of resilience. He emphasised that financial stability has been maintained.

STRESS TESTS

On banks' assets position, the FSR said the GNPA ratio had

declined to a seven-year low of 5 per cent in September 2022 — down from 5.7 per cent in June 2022 and 5.9 per cent in March 2022.

Stress test results reveal that Scheduled Commercial Banks (SCBs) are well-capitalised and capable of absorbing macroeconomic shocks even in the absence of any further capital infusion by stakeholders, the report said.

Under the baseline scenario, the aggregate CRAR (Capital to Risk-Weighted Assets Ratio) of 46 major banks is projected to slip from 15.8 per cent in September 2022 to 14.9 per cent by September 2023.

Stress tests indicate that

some non-banking financial companies (NBFCs) may be vulnerable to liquidity shocks. Pockets of stress are observed in select NBFC cohorts — NBFC-Investment and Credit Companies (GNPA ratio of 6.9 per cent) and NBFC-Factor (GNPA ratio of 6.8 per cent).

The FSR noted that in the financial sector, buoyant demand for bank credit and early signs of a revival in investment cycle are happening due to improved asset quality, a return to profitability and resilient capital and liquidity buffers.

CAD hits a high of \$36.4 billion in Q2

India's current account deficit (CAD) doubled sequentially to an all-time high of \$36.4 billion in Q2 FY23 from \$18.2 billion in the previous quarter, and was nearly four times higher than the \$9.7 billion posted in Q2 year ago. CAD for FY22 was at \$38.77 billion. The Q2 CAD was equivalent to 4.4 per cent of GDP against 2.2 per cent in the previous quarter and 1.3 per cent in the year-ago period, data released by the RBI showed.

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