

## RBI projects India GDP growth rate at 7.8% for FY23



Laborers work at a building construction site in Mumbai, India (AP)

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**Reserve Bank of India** (RBI) Governor Shaktikanta Das on Thursday projected India's economic growth for the financial year 2023 (FY23) at 7.8%.

The growth rate for the current financial year is retained at 9.2%.

The governor said there was some loss of economic momentum due to third pandemic wave and the demand for contact intensive sector is muted.

Private consumption, the mainstay of domestic demand, continues to trail its pre-pandemic level. The persistent increase in international commodity prices, surge in volatility of global financial markets and global supply bottlenecks can exacerbate risks to the outlook, Shaktikanta Das said.

Going forward, government's thrust on capital expenditure and exports are expected to enhance productive capacity and strengthen aggregate demand. This would also crowd in private investment, the governor further said.

Further, the Central bank has left the benchmark interest rate or repo rate -- the rate at which banks borrow from the Central bank -- unchanged at 4% for the tenth consecutive time and decided to continue with accommodative stance.

The RBI has adopted an ultra-loose monetary policy in the wake of coronavirus pandemic and in order to shore up the economy with adequate liquidity, it has last slashed key rate to record low of 4% and it has been held at that level since May 2020.

"The RBI policy was largely on expected lines with, yet again, a clear emphasis on ensuring that the economy is on a path of durable growth recovery. It showed a clear tilt towards growth and a view that inflation, where elevated, is driven more by the supply disruptions rather than entrenched demand side pressures," said chief economist at HDFC Bank Abheek Barua.

"Also, its projections show that inflation is on a downward trajectory. This was the first policy of the calendar year and perhaps sets the tone for the rest of the year. Were that indeed the case, the RBI is likely to follow a gentle approach to the normalization and ultimately withdrawal of monetary support unlike Western central banks that have switched to a hyper-aggressive mode. This is consonant with the growth and inflation dynamics specific to India," he added.

The monetary policy committee (MPC) three-day deliberations ended today. The bi-monthly policy meeting came in the wake of Union Budget 2022, inflationary concerns and evolving geo-political situation.

There was a general consensus among analysts and commentators that RBI will maintain status quo on benchmark interest rate or repo rate.

According to a Reuters poll, India's retail inflation that will be officially released on Monday, likely accelerated to 6% in January, the upper limit of the Central bank's tolerance band, driven by higher consumer goods and telecom prices along with a comparatively low rate a year ago.

Inflation is climbing across the world and India is no exception but price rises have stayed relatively tame by historical standards, allowing the central bank to leave interest rates unchanged for now.

It may be noted that Economic Survey has projected a growth rate of 8-8.5% for the next financial year ending March 2023. All macro indicators indicated the economy was well placed to face challenges, helped by pick ups in farm and industrial output growth, said the report.

Growth will be supported by "widespread vaccine coverage, gains from supply-side reforms and easing of regulations, robust export growth, and availability of fiscal space to ramp up capital spending," the survey said.

The survey expectations for the next fiscal year are conservative compared to the 9% expansion seen by IMF.

Indian economy has gained momentum during the July-September period, inching gradually back to normalcy as coronavirus related disruptions eased significantly in the aftermath of a devastating second wave.

Gross domestic product (GDP) for the second quarter of the financial year grew by 8.4% from a year ago, one of the fastest rates among major economies..

According to the first advance estimates, India's GDP may grow 9.2% in the current financial year ending March 2022.