

Indian economy on cusp of take-off, says RBI report

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Mumbai: There is growing optimism that India is on the cusp of a long-awaited economic take-off and recent indicators are pointing to a quickening of the momentum of aggregate demand, an RBI report said on Tuesday.

RBI's State of the Economy report also said that non-food spending is being pushed up by the green shoots of rural spending recovery. According to the central bank, this is the first time in two years that rural demand for FMCG has outpaced urban markets. "In the quarter just gone by, FMCG volume growth of 6.5% was driven by rural growth of 7.6% relative

to urban growth of 5.7% on the back of robust demand for home and personal care products," the report said. RBI quoted NielsenIQ data, which it had unveiled earlier this month, to support the revival in rural demand. It added that a modest easing of headline inflation in April confirms the expectation that an uneven and lagged pace of alignment with the target is underway.

The report sounded caution about the outlook for the global economy, which it said was turning fragile as the descent of inflation is stalling, re-igniting risks to global financial stability.

Despite the increase in capital flow volatility, the re-

port does not see any negative economic impact. "In the emerging world, capital flows have turned volatile again as nervous investors turn risk averse. Nonetheless, confidence is holding up better in many emerging economies where growth has remained resilient as in India, Indonesia and Mexico," the report said. It added that equity valuations were supported by resilient Q4 earnings and strong domestic macroeconomic data releases.

Foreign portfolio investors turned net sellers in Indian capital markets in April after two months of widening geopolitical tensions, rising commodity prices and surging US bond yields.