

# Annex



# Recalibrating from Divergence to Convergence: The Indian Experience

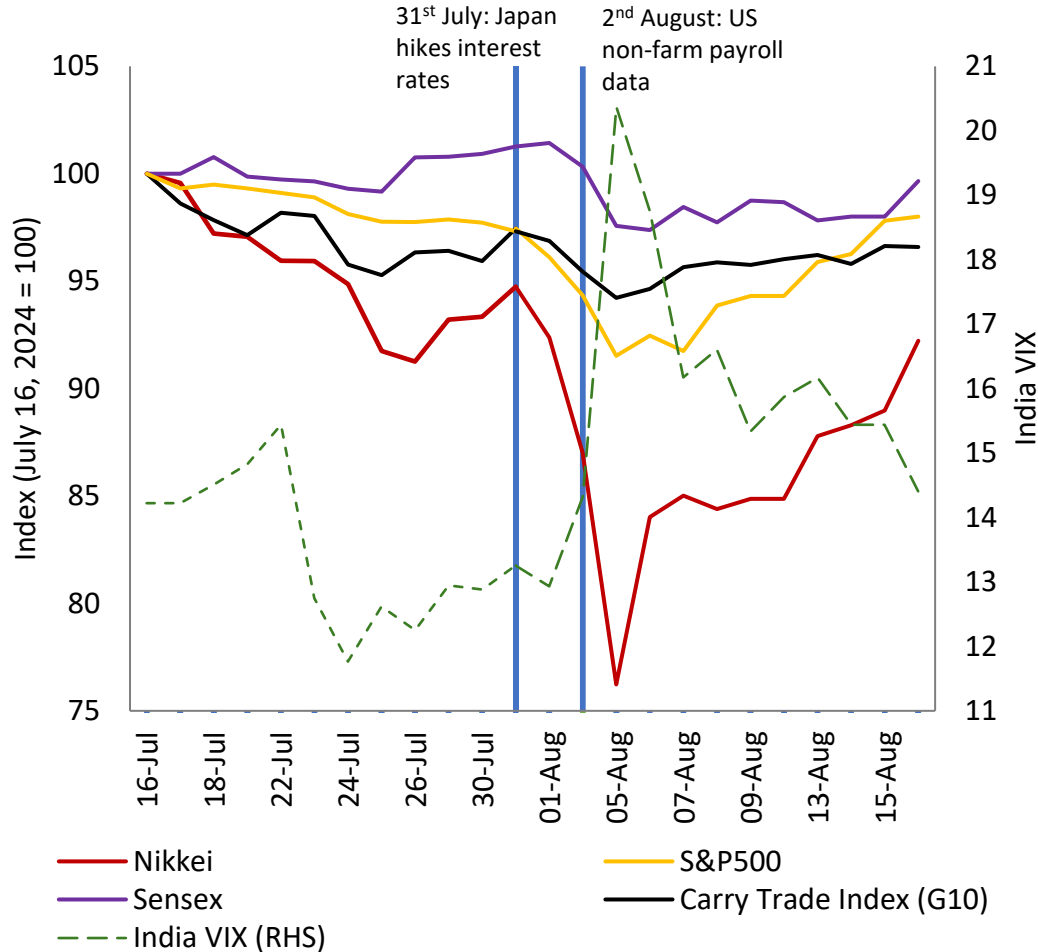




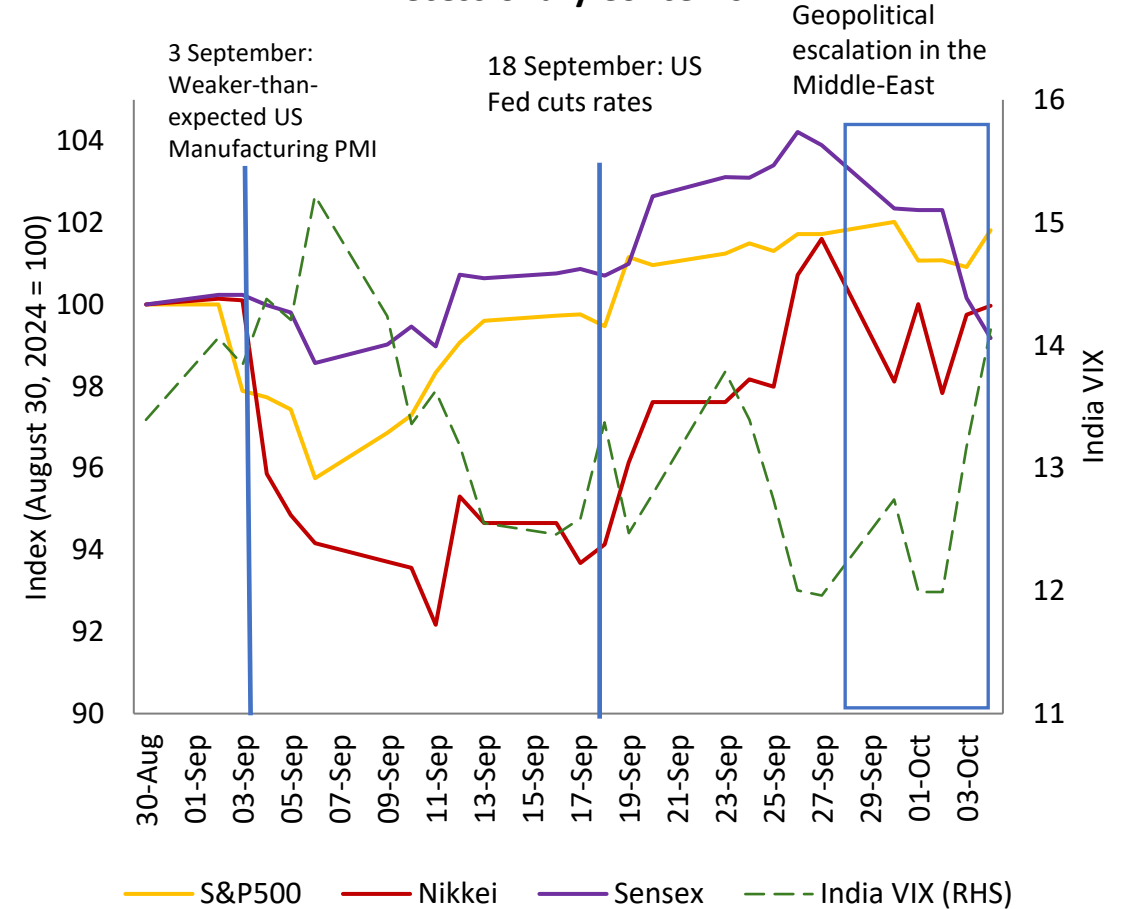
# Shock and awe



### Unwinding of the Yen Carry Trade



### Recessionary Concerns



**Notes:** The carry trade Index plots the Bloomberg Cumulative FX Carry Trade for Managed G10 currencies which measures the cumulative return of a buy-and-hold carry trade position that is long in the three highest yielding G10 currencies and is fully funded with short positions in the lowest three yielding G10 currencies.

**Source:** Bloomberg.



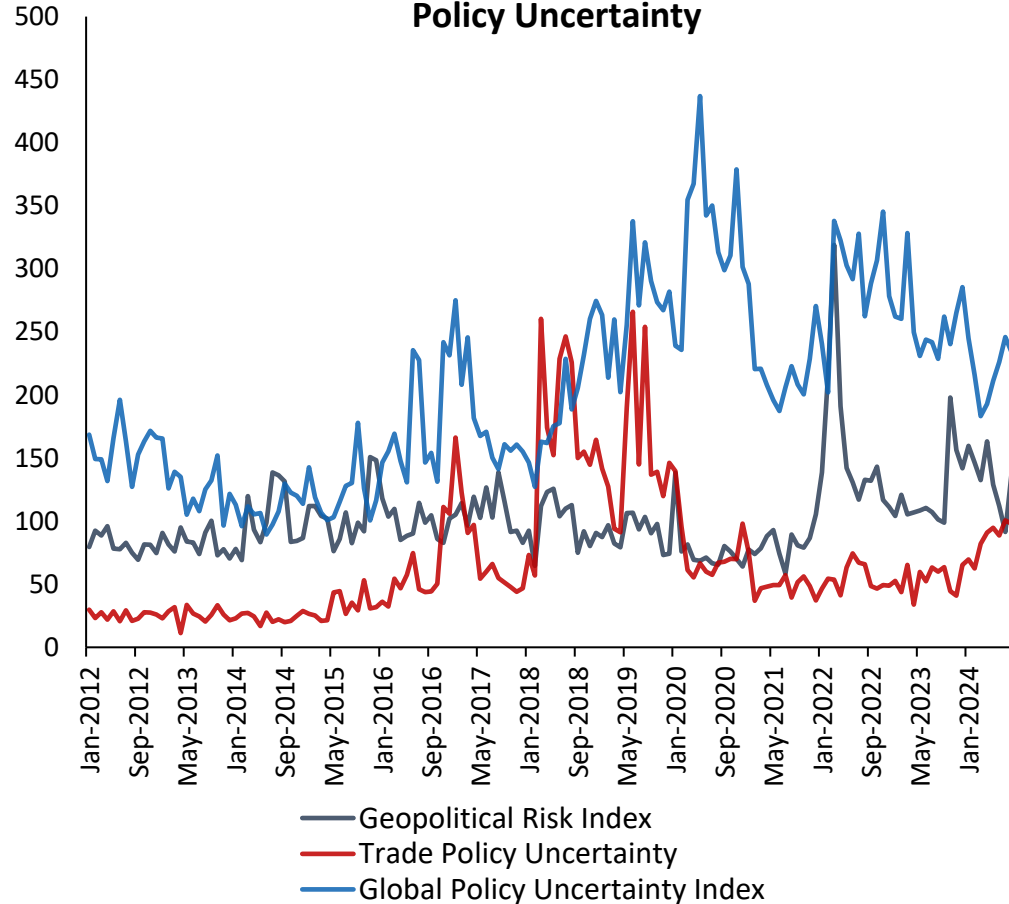
# Assessing Global Risks



# Assessing global risks (1): Geopolitical stress and policy uncertainty

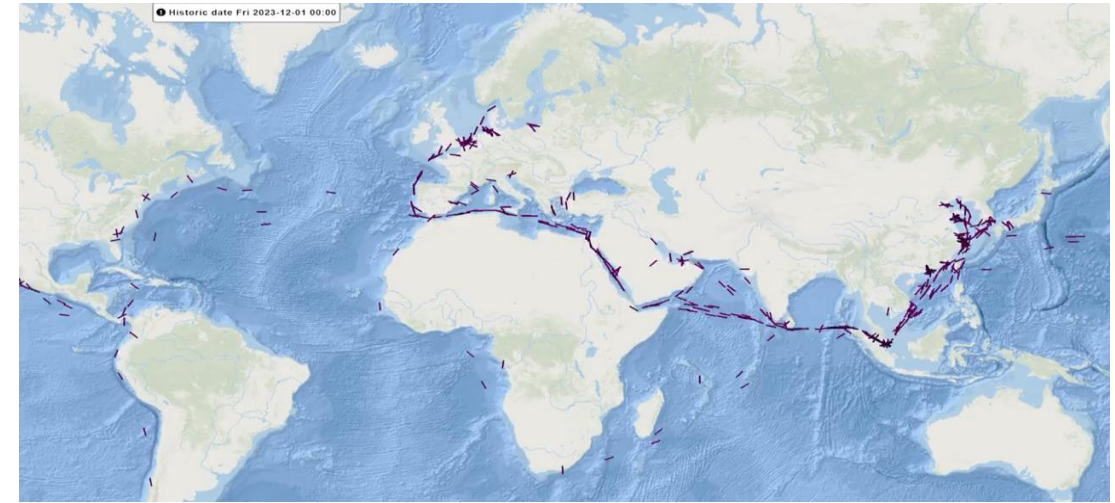


**Geopolitical Risks, Trade Uncertainty and Global Policy Uncertainty**

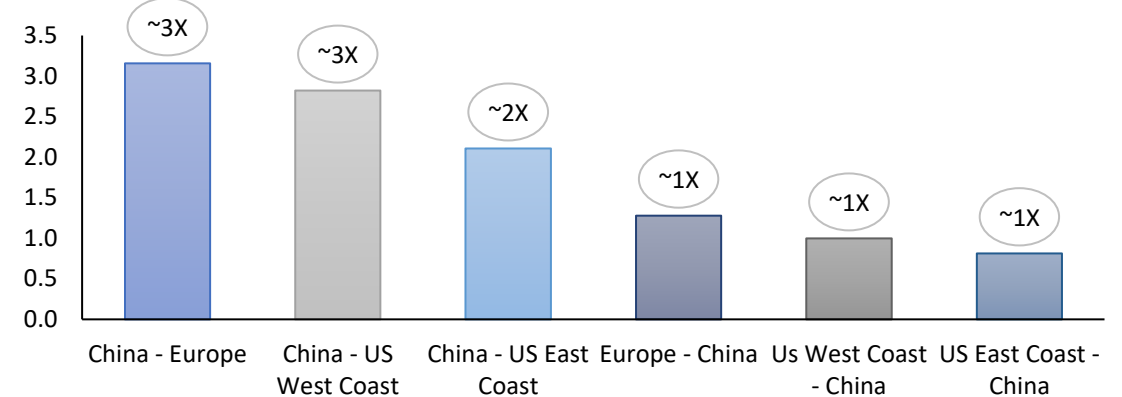


Source: <https://www.policyuncertainty.com/>

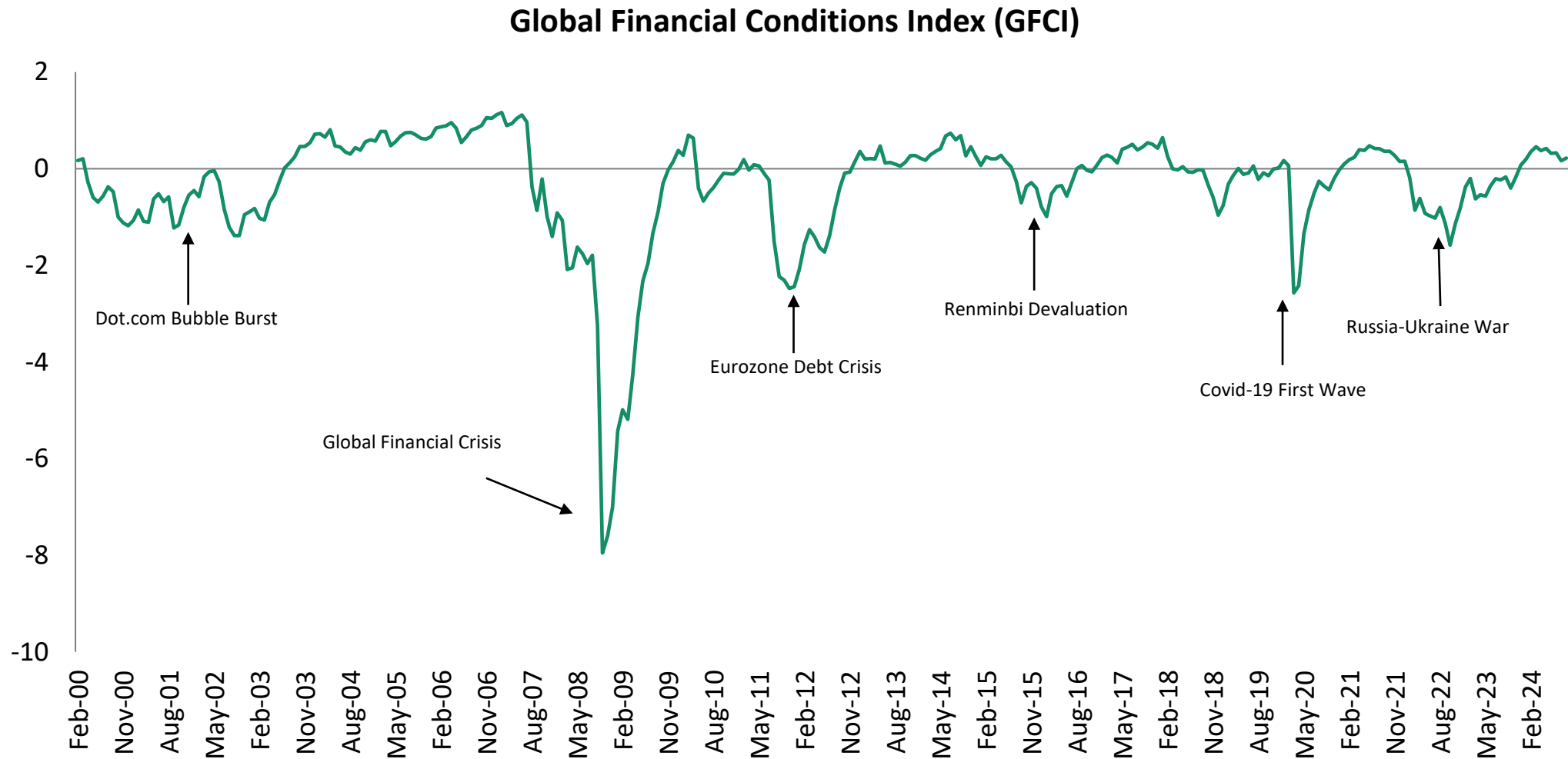
**Shift in Container Shipping Routes from the Suez Canal to the Cape of Good Hope and Elevated Freight Rates**



**Freight Rates Across Key Routes are still Higher (2024 over 2019)**



# Global financial conditions



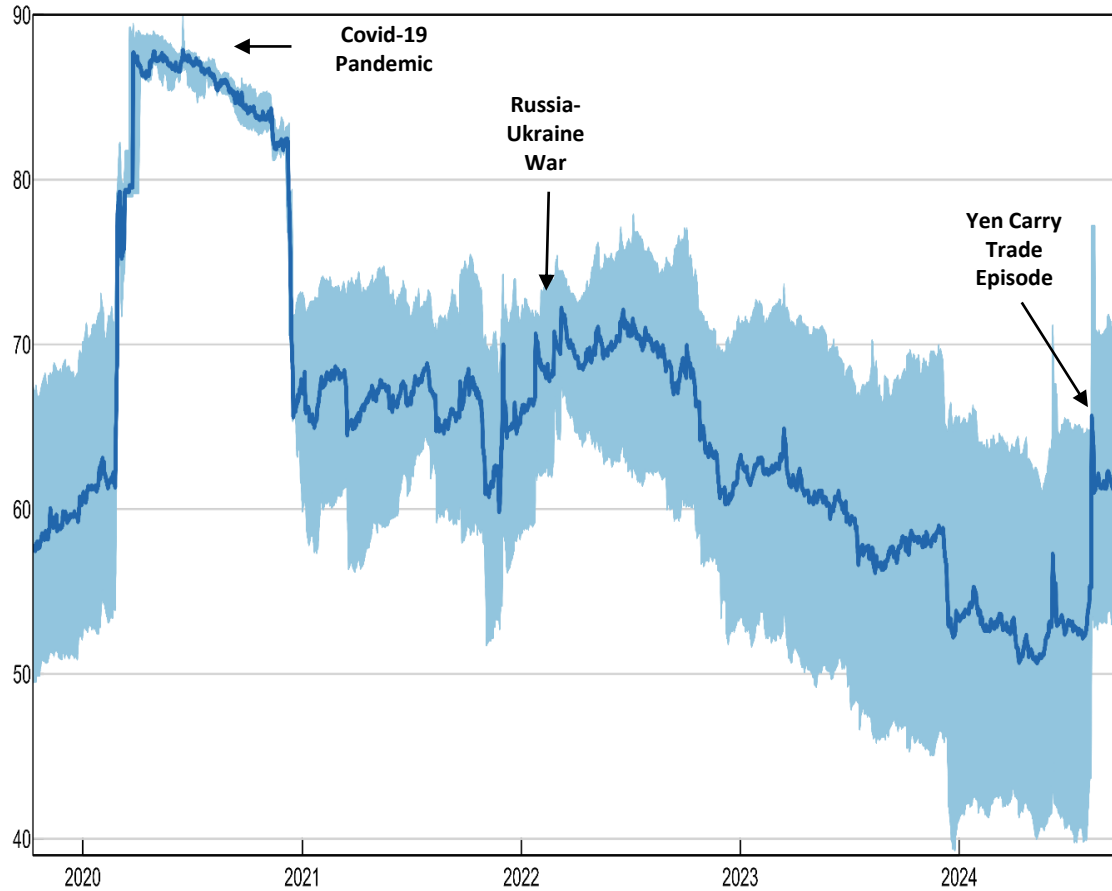
Source: Bloomberg



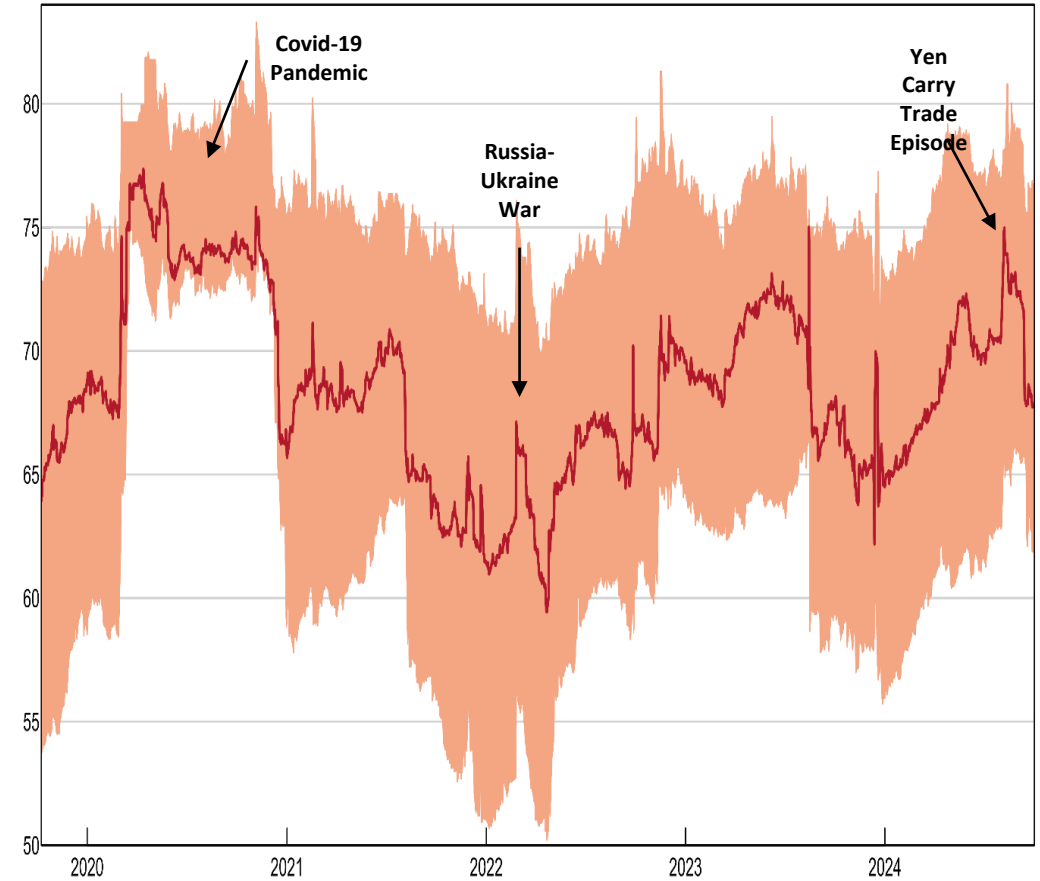
# Assessing global risks (2): Financial market spillovers



### Total Global Equity Market Spillovers



### Total Global Currency Market Spillovers



**Note:** Solid blue (orange) line depicts the global equity (currency) market volatility spillover index computed using the Diebold-Yilmaz connectedness approach on daily data for 21 major equity markets (22 major currencies) including India. As a robustness check, the shaded area provides a min/max range based on varying lag-length structures of the underlying VAR model. **Sources:** Bloomberg and RBI staff estimates.





# Implications for India

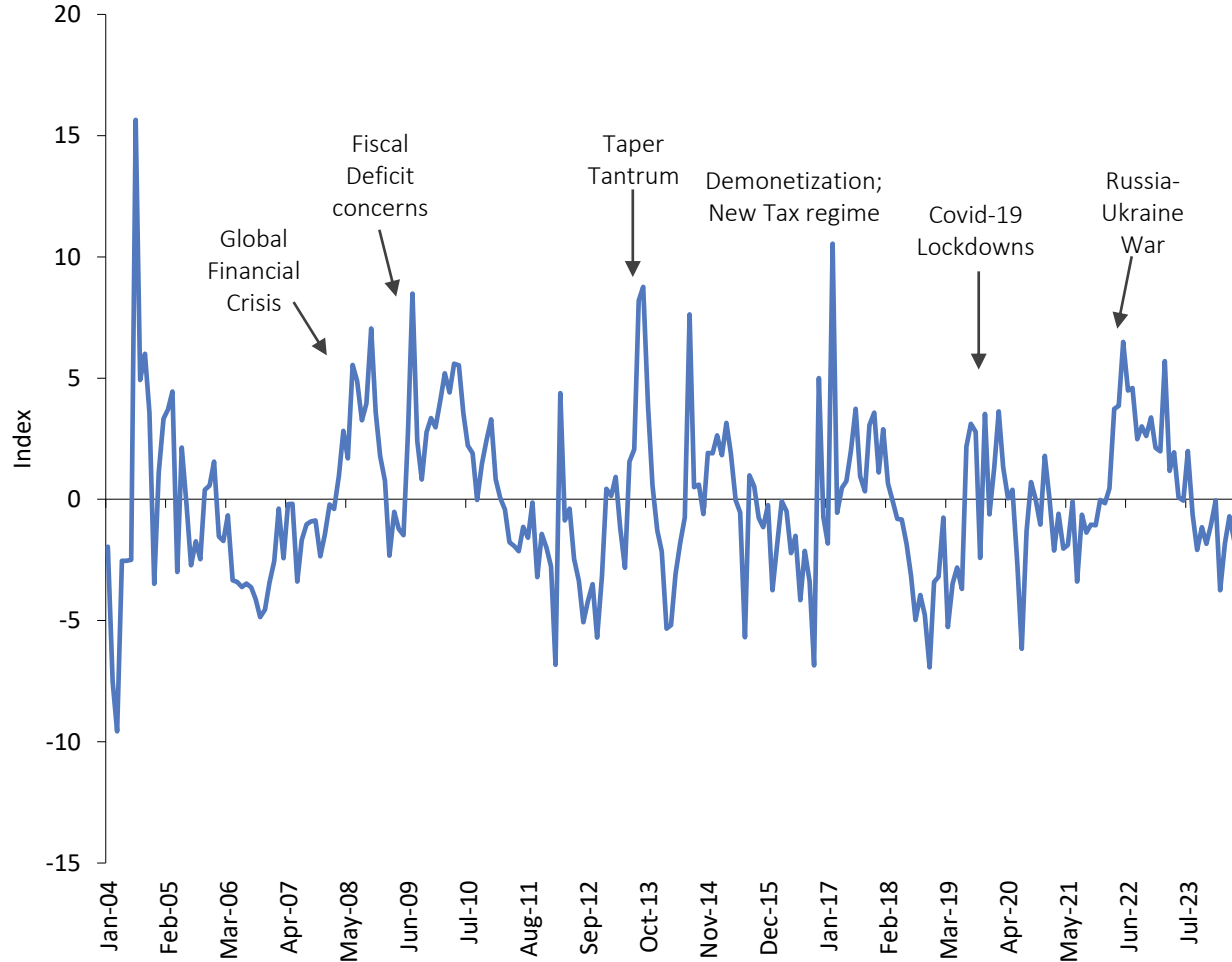




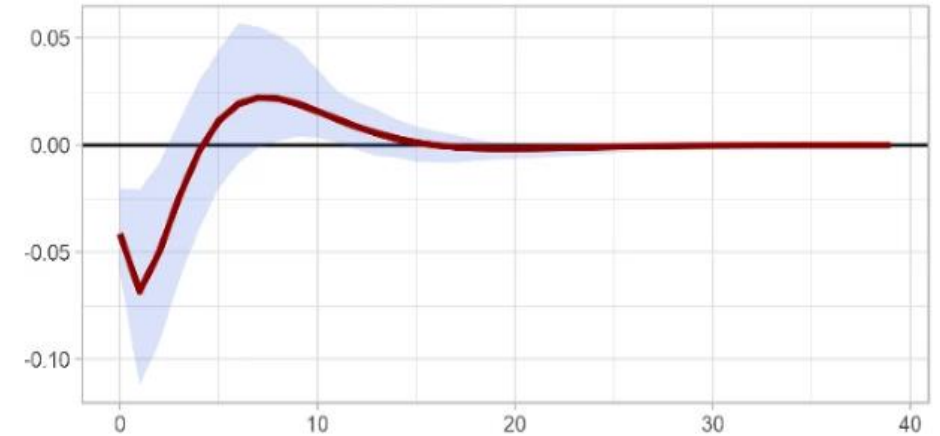
# Implications for India (1): Economic policy uncertainty



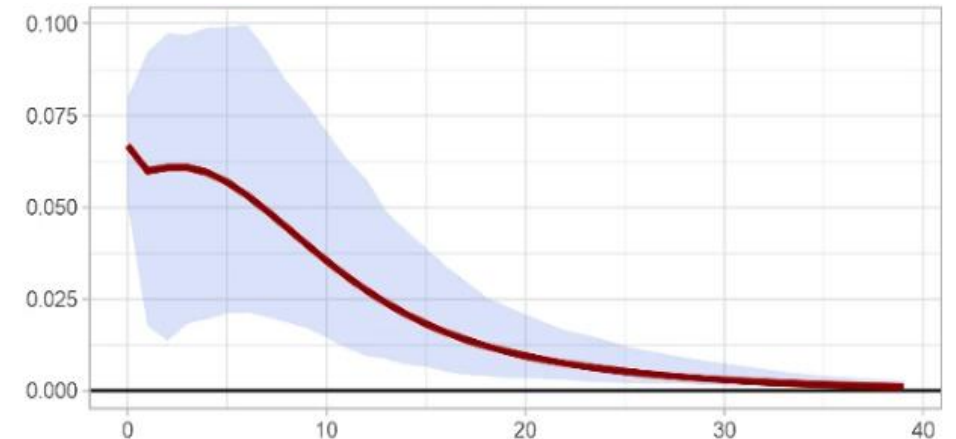
Google Trends-based Uncertainty Index (India – GUI)



Response of GDP Growth (YoY%) to GUI Shock



Response of Headline Inflation (YoY%) to GUI Shock



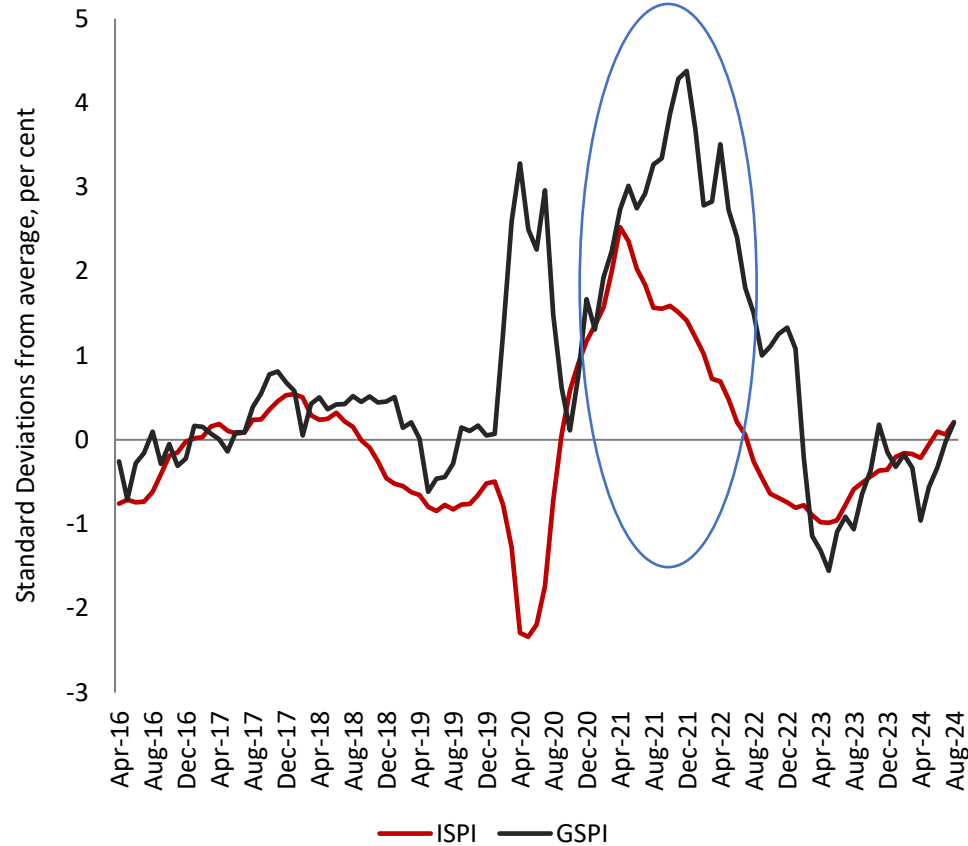
**Left panel:** Solid blue line show the Google Trends-based uncertainty index for India (India-GUI); **Right panel:** Solid red line shows the estimated impulse responses of domestic GDP growth (YoY%) and headline inflation (YoY%) to a one standard deviation shock to India-GUI. The shaded region shows the 90 percent confidence interval. **Source:** Pratap, B. and Priyaranjan, N. (2023).



# Implications for India (2): Supply chain pressures



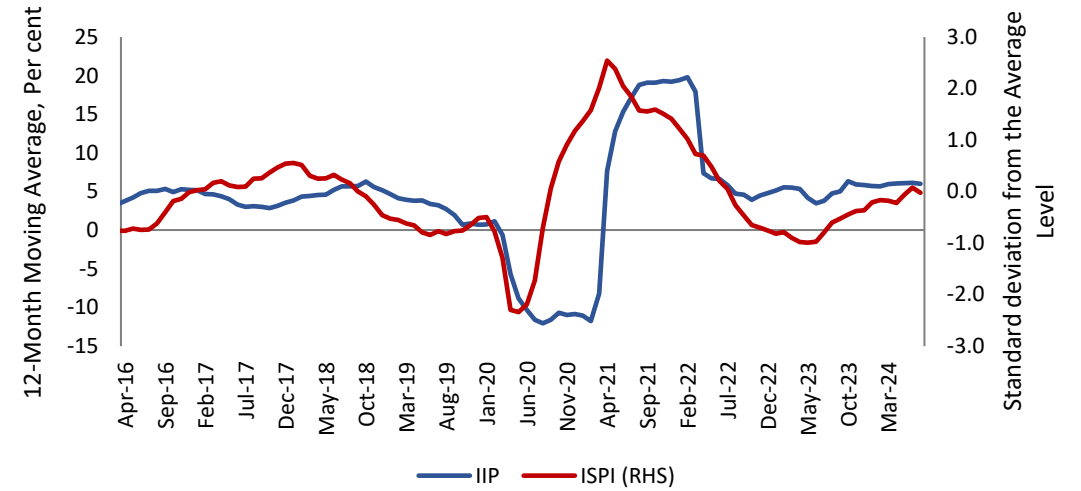
**Supply Chain Pressures and Core Inflation**



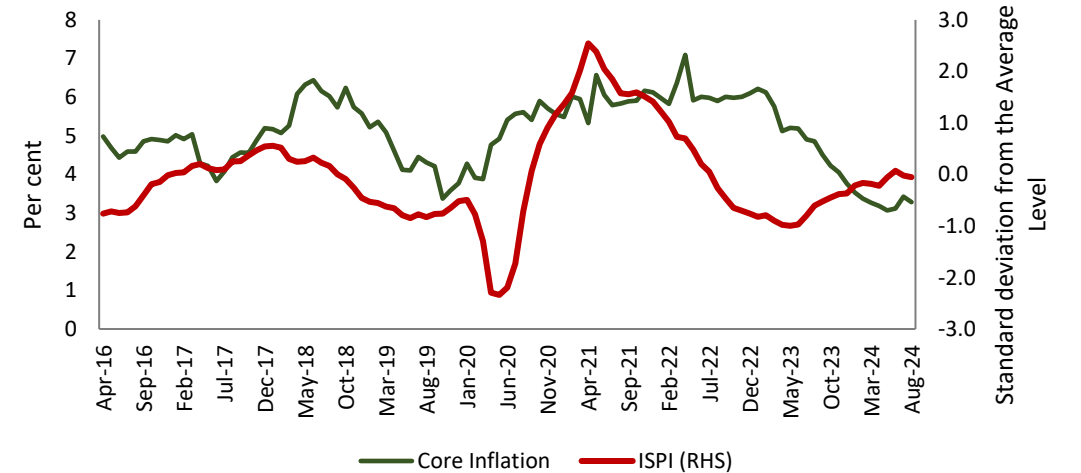
ISPI: Indian Supply Chain Pressure Index; GSPI: Global Supply Chain Pressure Index

Sources: New York FED and RBI staff estimates.

**Supply Chain Pressures and IIP Growth**



**Supply Chain Pressures and Core Inflation**

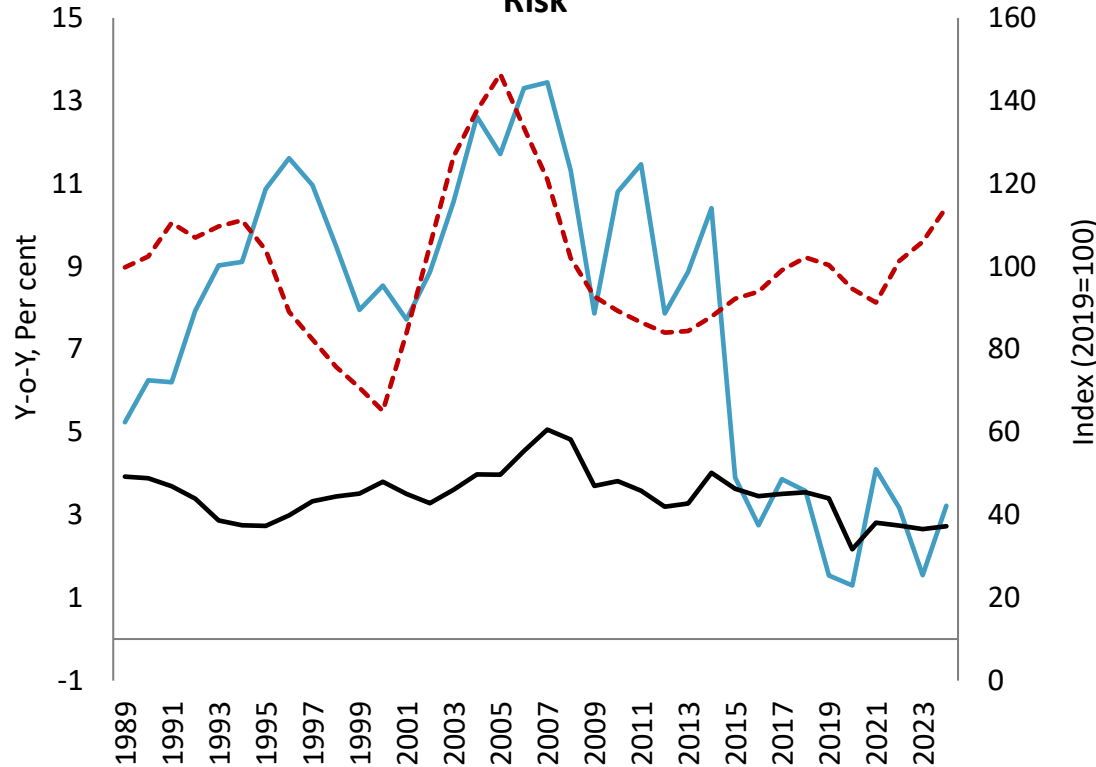




# Implications for India (3): Goeconomic fragmentation and trade flows

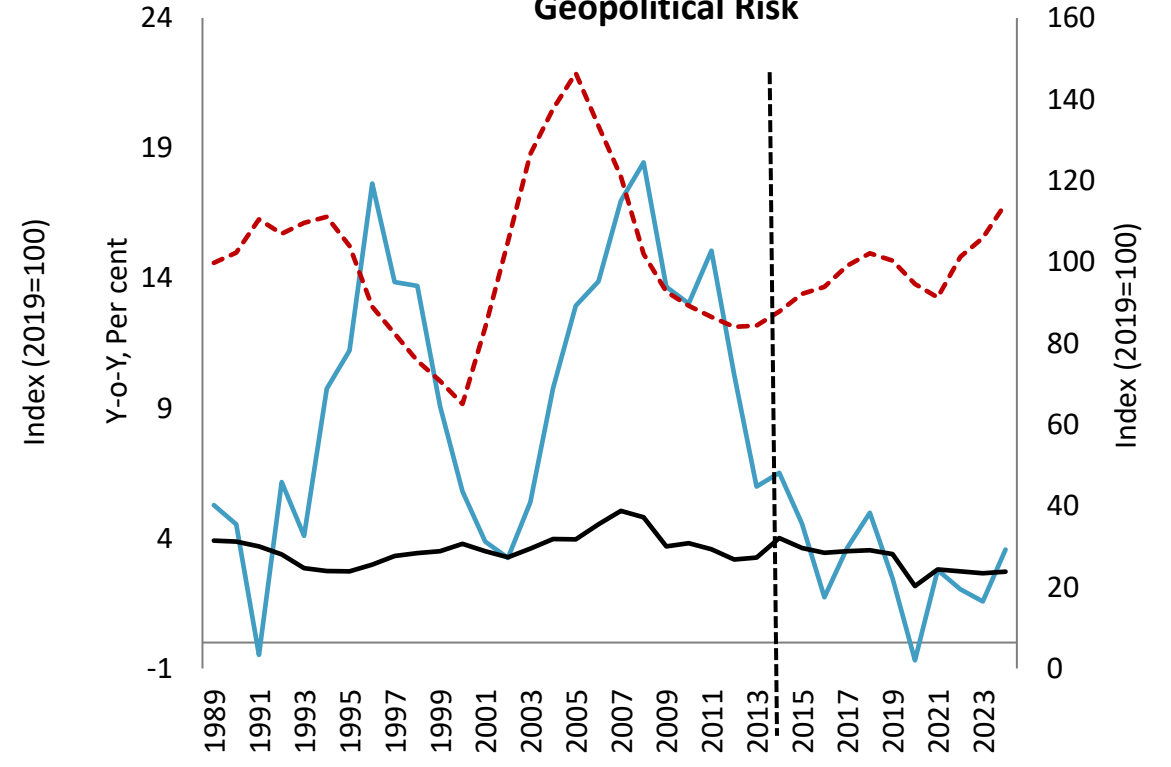


**India's Merchandise Exports and Global Geopolitical Risk**



- India's Merchandise Exports: Volume (5-Year MA)
- World Real GDP
- - - Global Geopolitical Risk Index (5-Year MA) [RHS]

**India's Merchandise Imports and Global Geopolitical Risk**



- India's Merchandise Imports: Volume (5-Year MA)
- World Real GDP
- - - Global Geopolitical Risk Index (5-Year MA) [RHS]

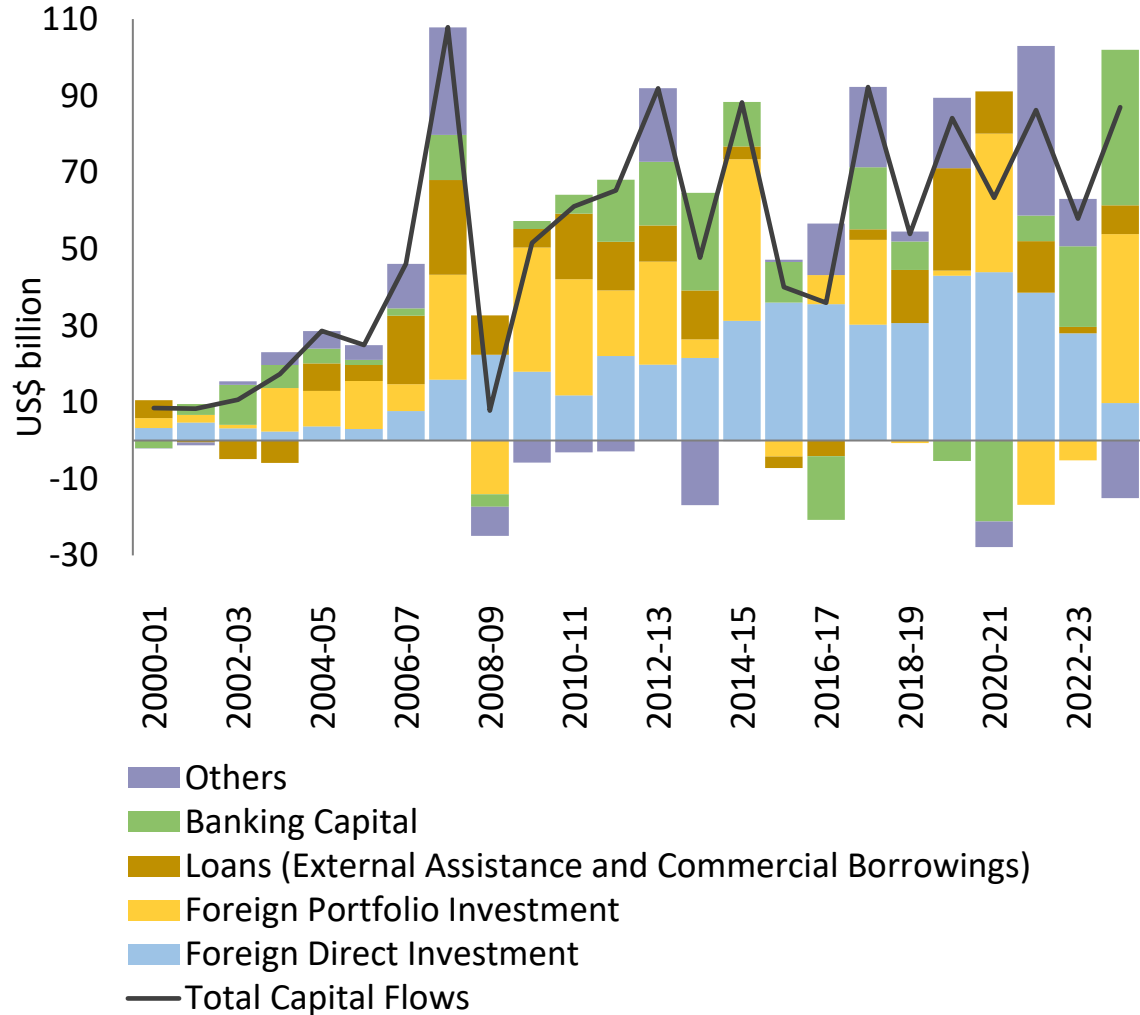
Sources: Caldara, D. and Lacoviello, M. (2021), IMF and RBI.



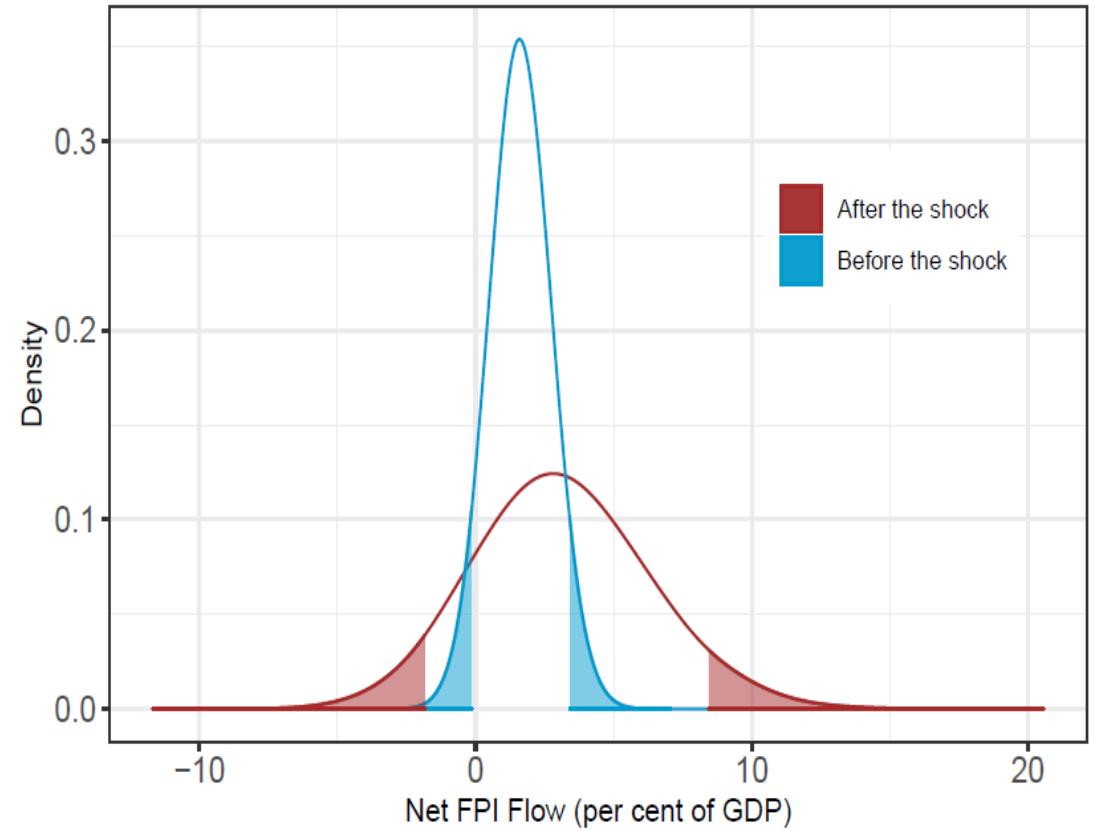
# Implications for India (4): Capital flows at risk analysis



### India's Net Capital Flows



### Impact of Rise in US CBOE VIX

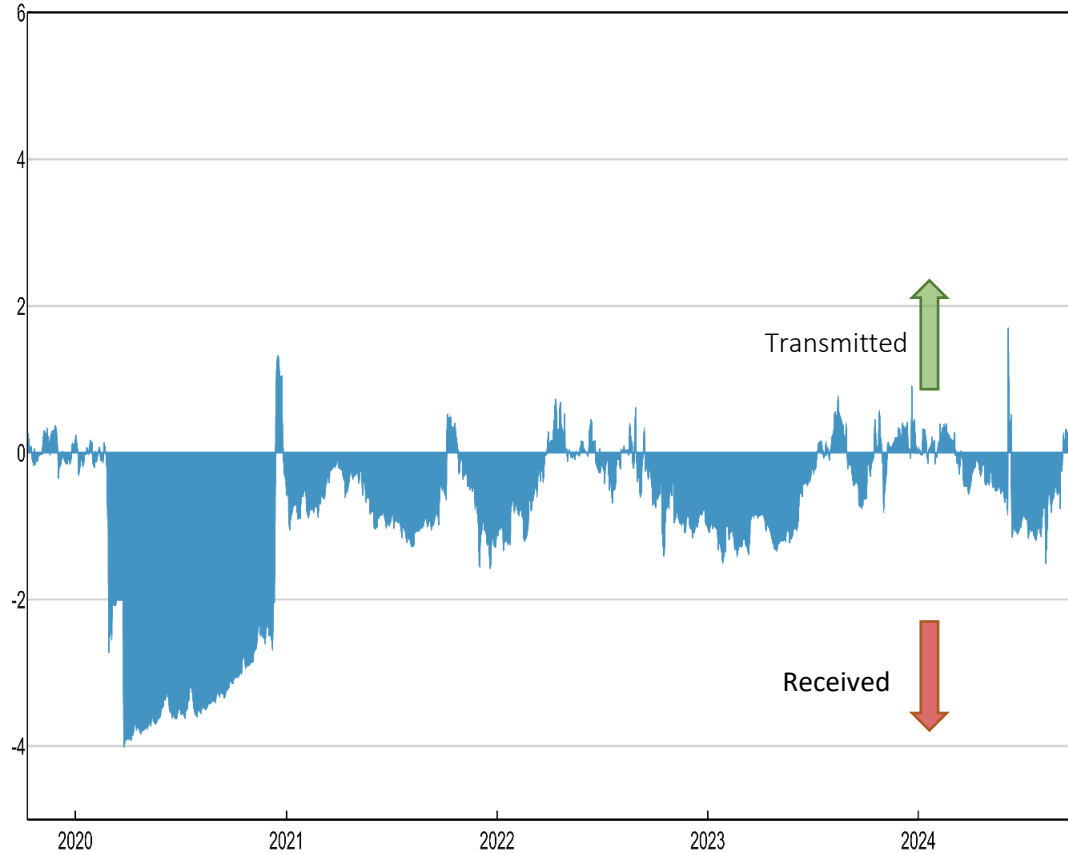




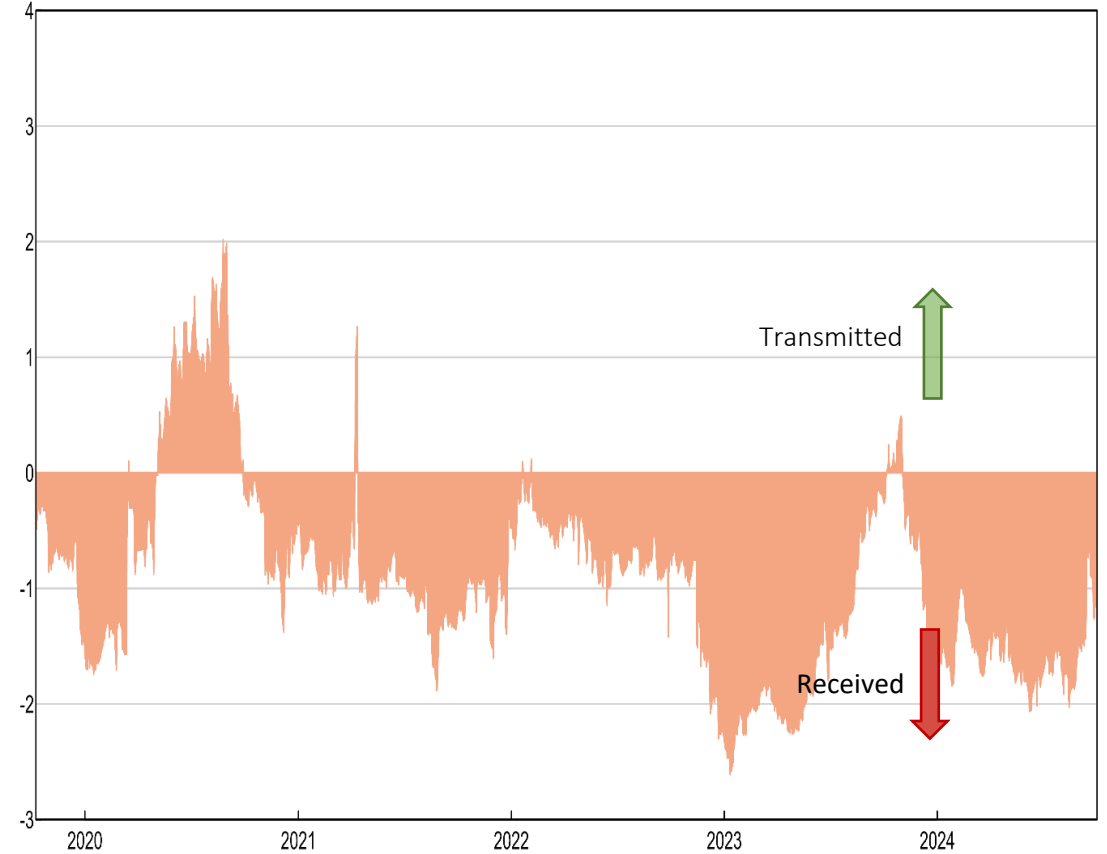
# Implications for India (5): Financial market volatility spillovers and spillbacks



### Net Equity Market Spillovers from Rest of the World



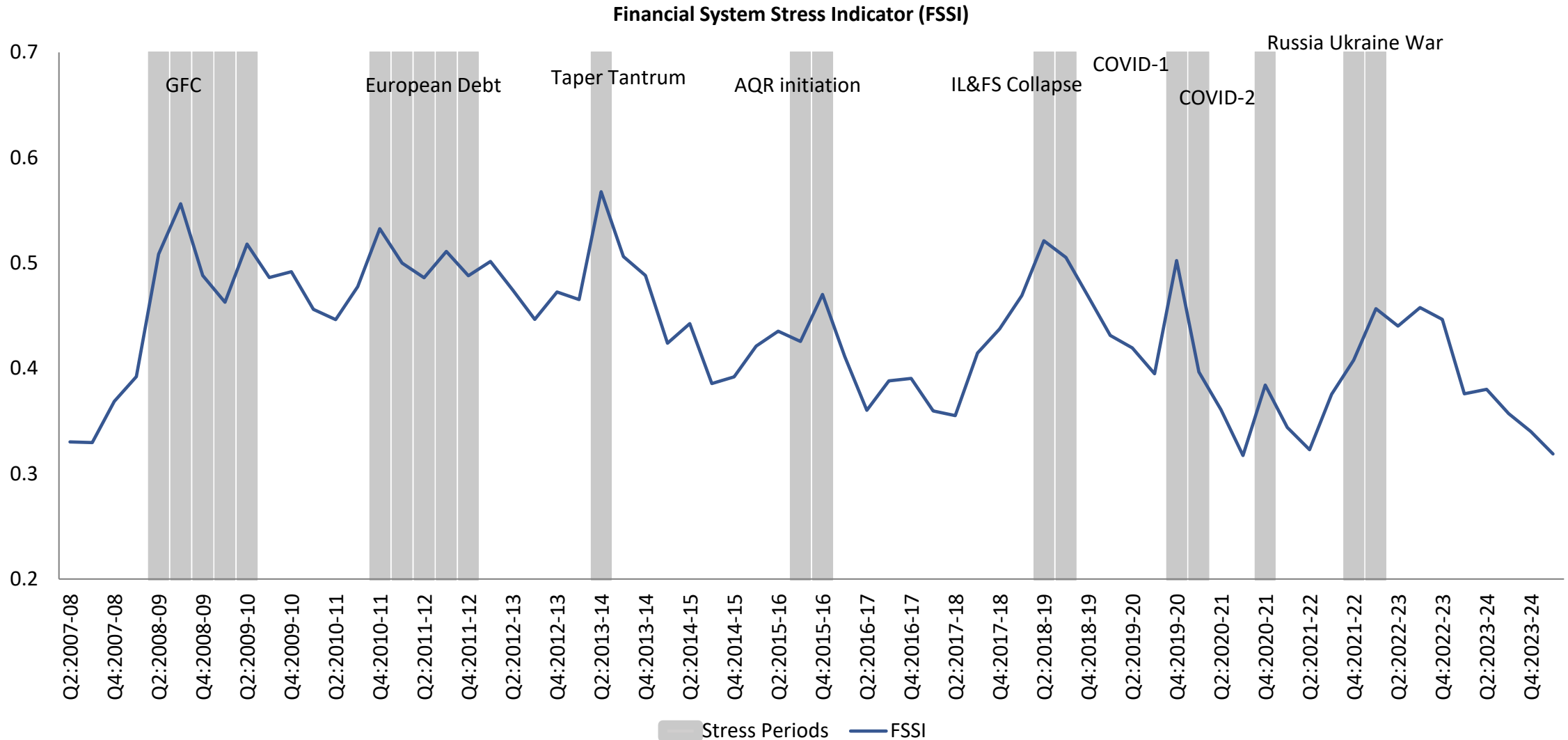
### Currency Market Spillovers from Rest of the World



**Note:** The above plots show the net volatility spillovers from rest of the world (all other markets) to India estimated using the Diebold-Yilmaz connectedness approach. The left plot corresponds to equity market volatility spillovers while the right plot depicts the currency market spillovers to India on a net basis. **Sources:** Bloomberg and RBI staff estimates.



# Implications for India (6): Global events and financial system stress



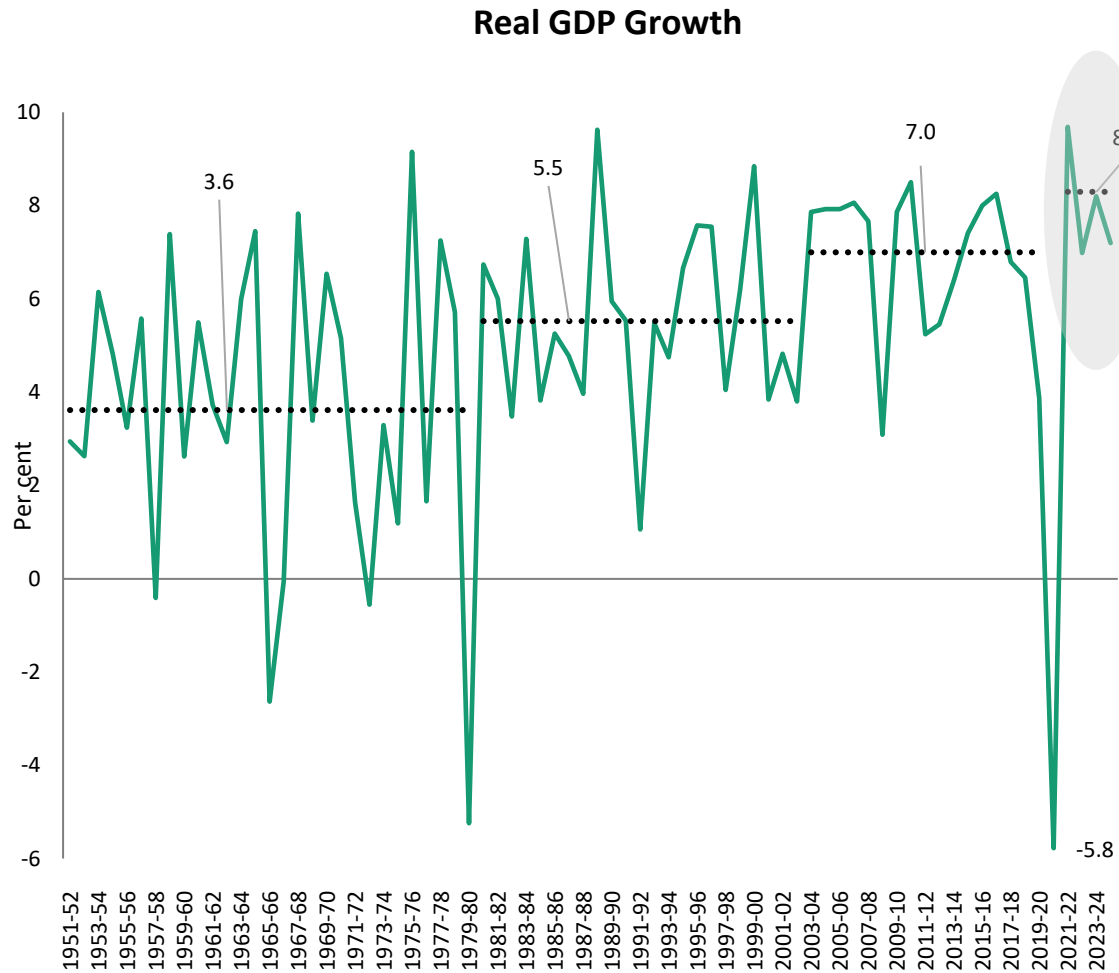




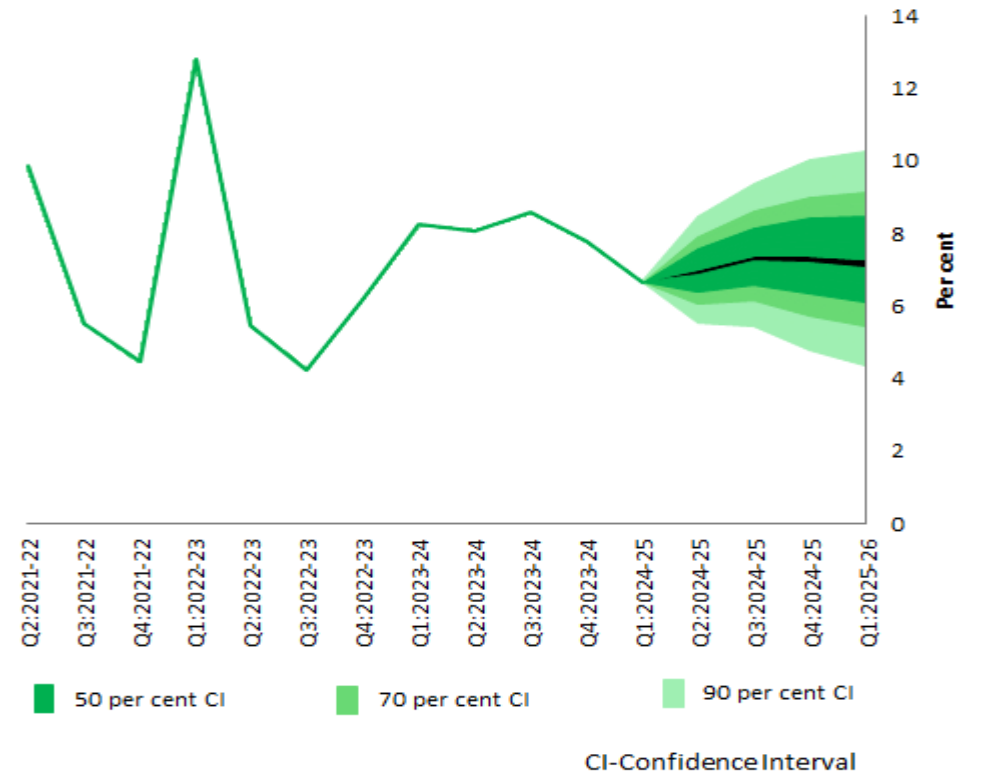
# Outlook for India



# Outlook for India (1): Growth



### Quarterly Projection of Real GDP Growth (y-o-y)



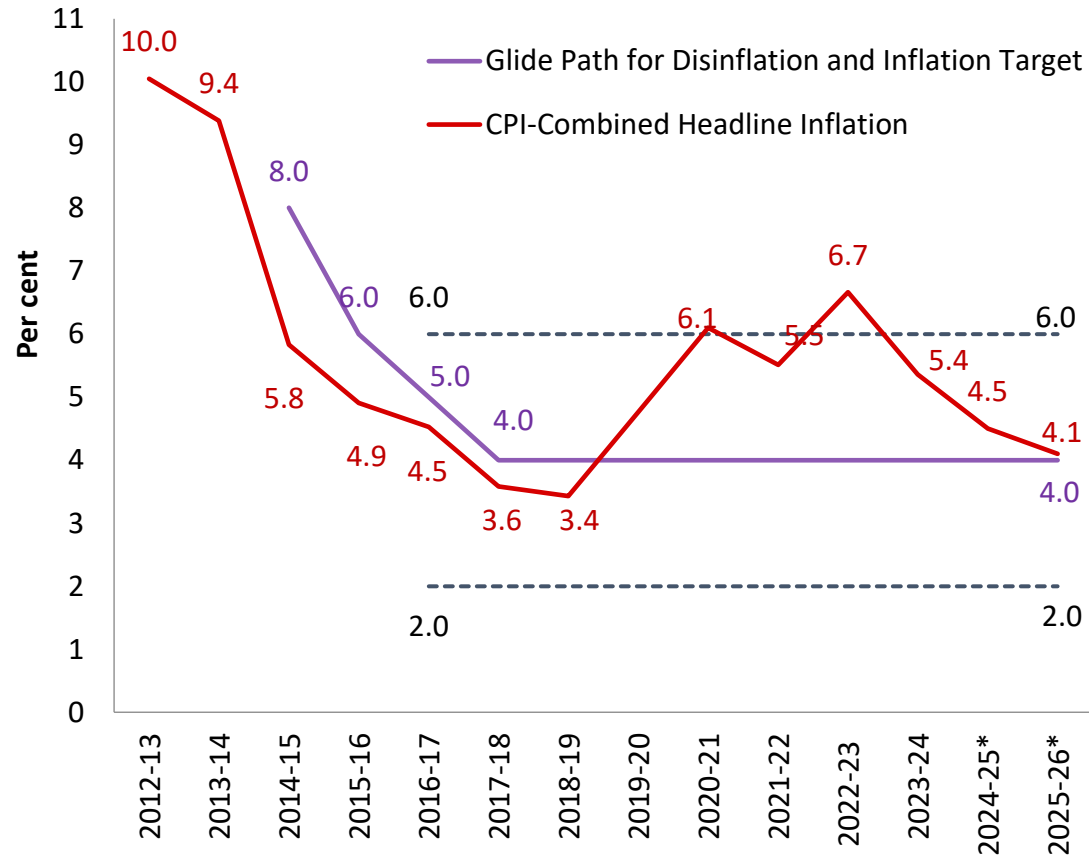
	Q1: 2024-25	Q2: 2024-25	Q3: 2024-25	Q4: 2024-25	Q1: 2025-26
Real GDP Growth (yoy, per cent)	6.7	7.0	7.4	7.4	7.3



# Outlook for India (2): Inflation

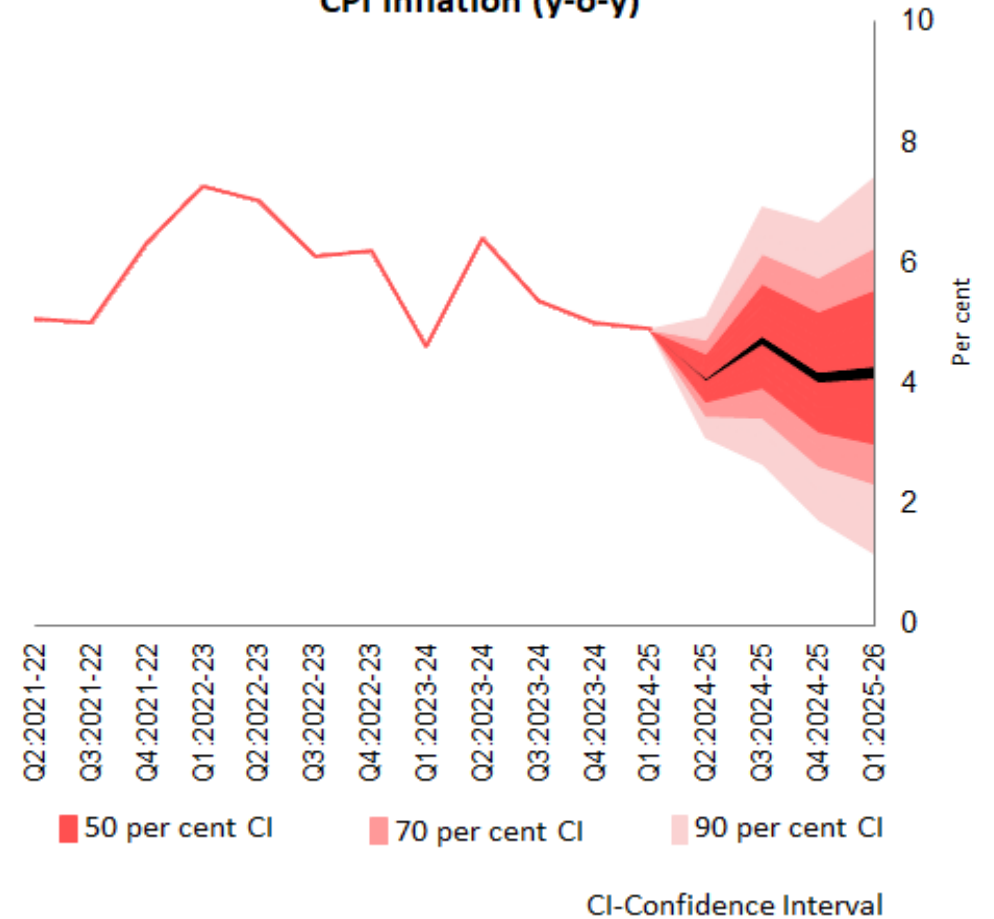


**Glide Path for Disinflation and Inflation Outcomes**



\* Projections

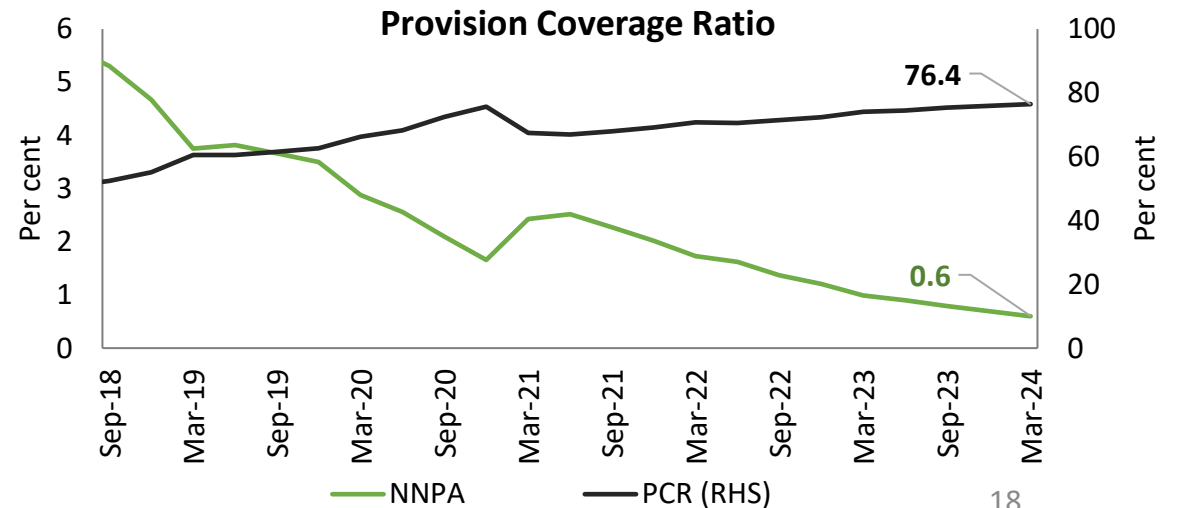
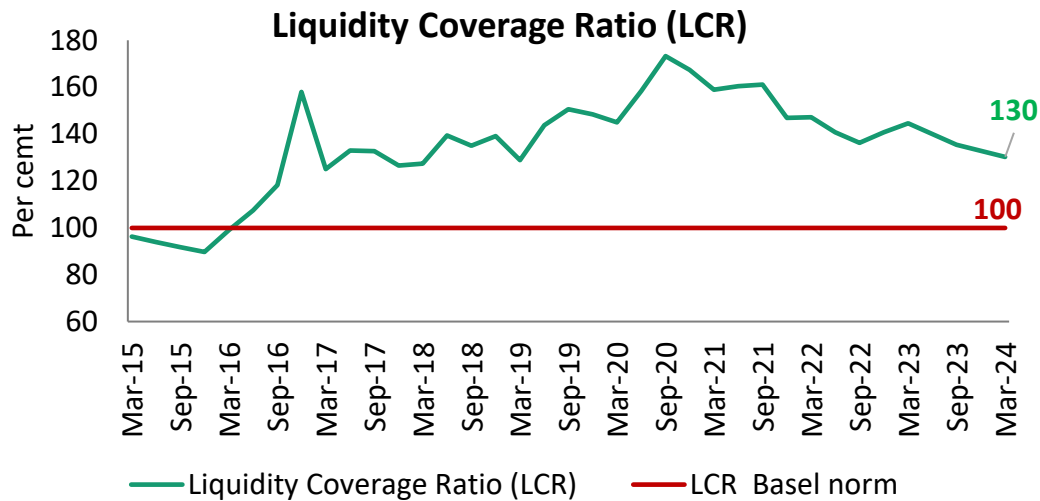
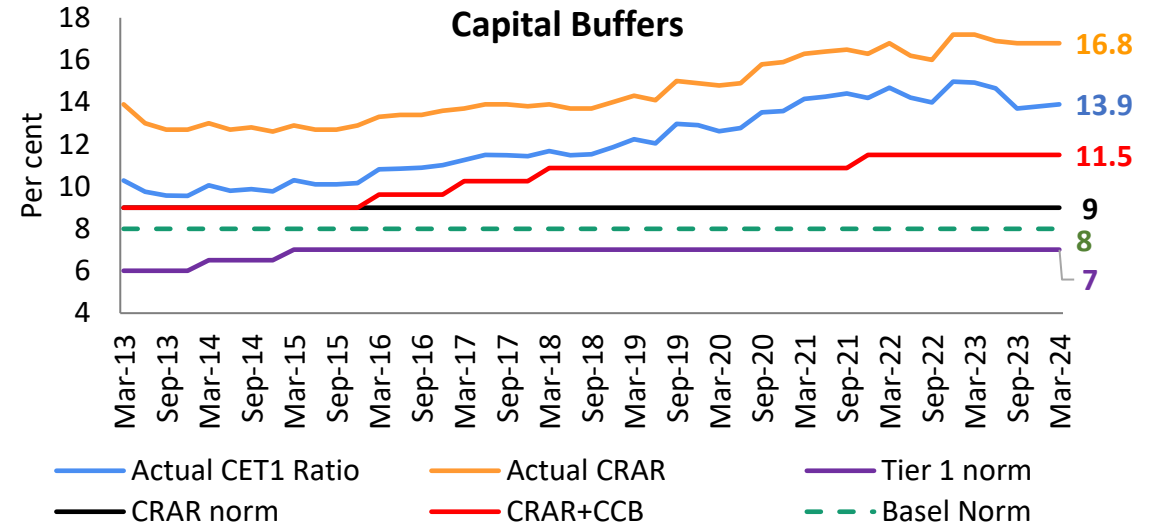
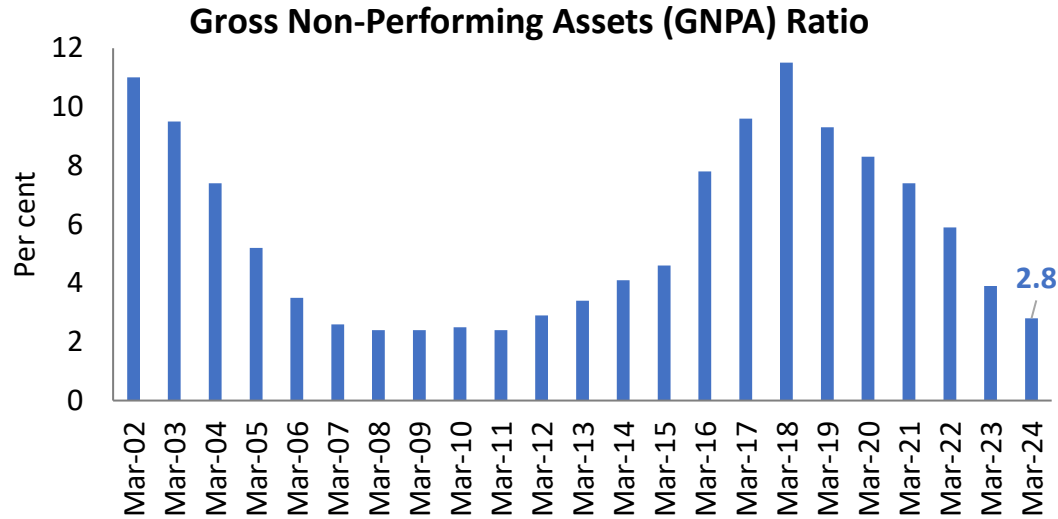
**Quarterly Projection of CPI Inflation (y-o-y)**



	Q1: 2024-25	Q2: 2024-25	Q3: 2024-25	Q4: 2024-25	Q1: 2025-26
CPI Inflation (yoy, per cent)	4.9	4.1	4.8	4.2	4.3



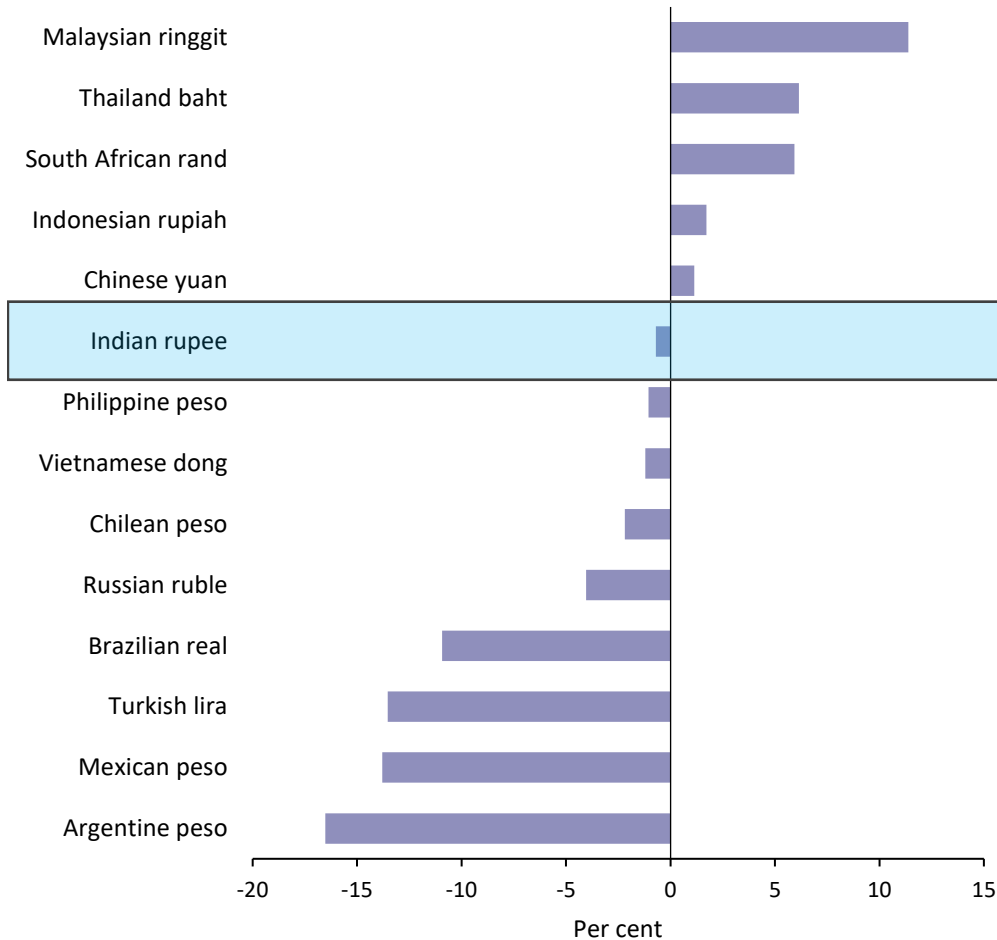
# Outlook for India (3): Improving financial soundness and buffers





# Outlook for India (4): Exchange rates and external sector indicators

**Appreciation(+)/Depreciation (-) against US dollar  
(September 30, 2024 over January 1, 2024)**



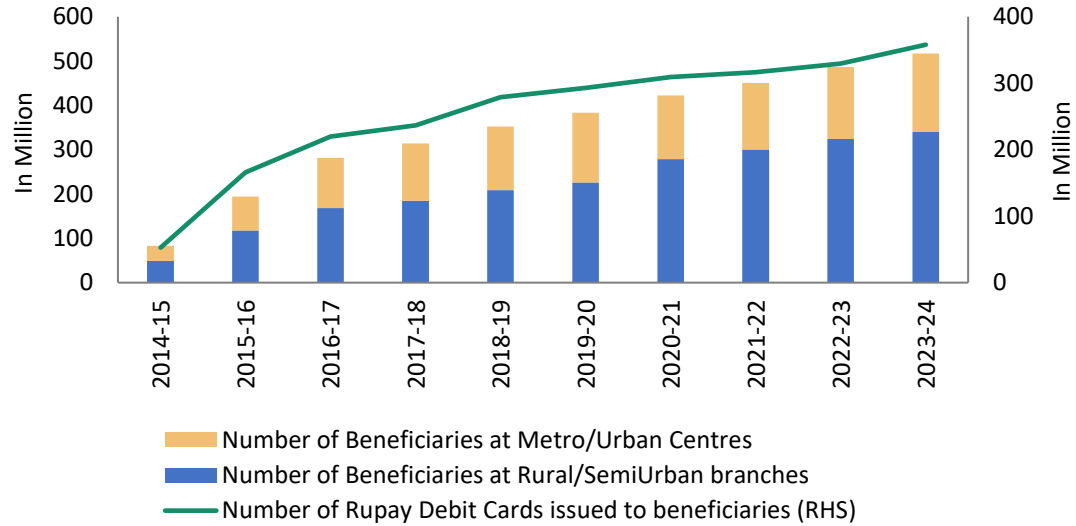
**External Sector Indicators (Per cent / Months)**

Indicator	End-Mar 2013	End-Mar 2023	End-Mar 2024	End-Jun 2024
External Debt to GDP (%)	22.4	19.0	18.9	18.8
Short-term Debt (original maturity) to Total Debt (%)	23.6	20.6	19.1	19.4
Short-term Debt (original maturity) to GDP (%)	5.3	3.9	3.6	3.7
Reserves to Total Debt (%)	71.3	92.7	96.6	95.6
Short-term Debt (original maturity) to Reserves (%)	33.1	22.2	19.7	20.3
Short-term Debt (residual maturity) to Reserves (%)	59.0	47.4	44.9	46.0
Reserve Cover of Imports (in months)	7.0	9.6	11.3	11.2
Debt Service Ratio (%)	5.9	5.3	6.7	6.6
IIP (Net)/GDP ratio (%)	-17.8	-11.3	-10.3	-10.3
CAB/GDP ratio (%)	-4.8	-2.0	-0.7	-1.1

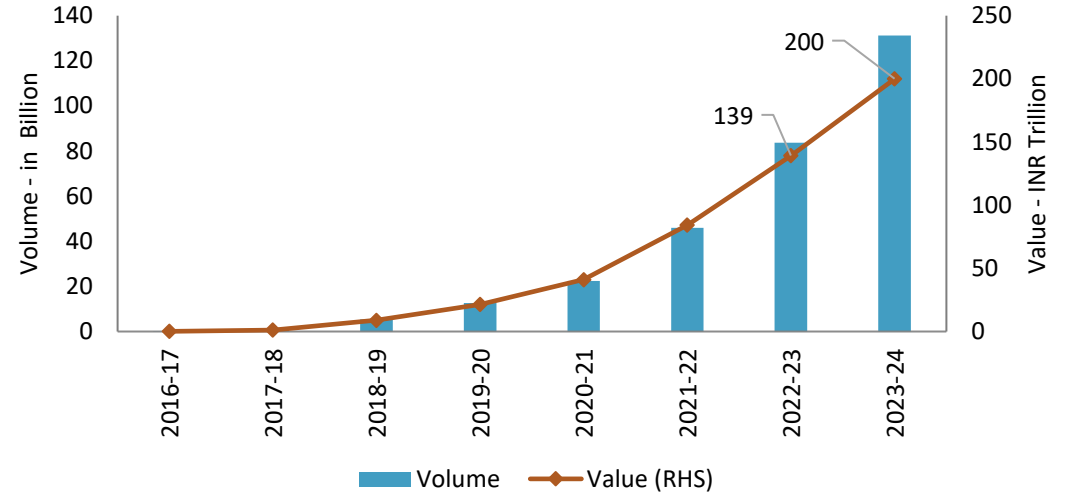


# Outlook for India (5): Digital revolution

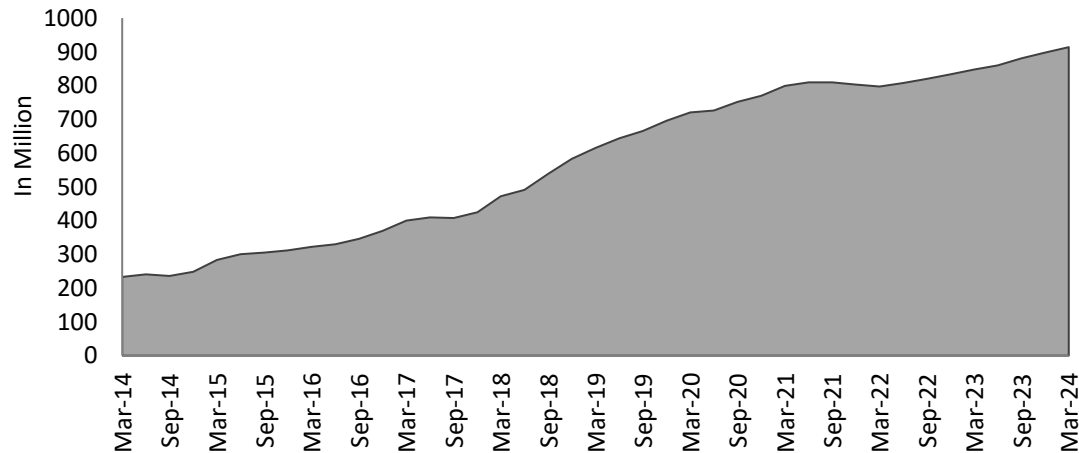
**Jan Dhan Beneficiaries**



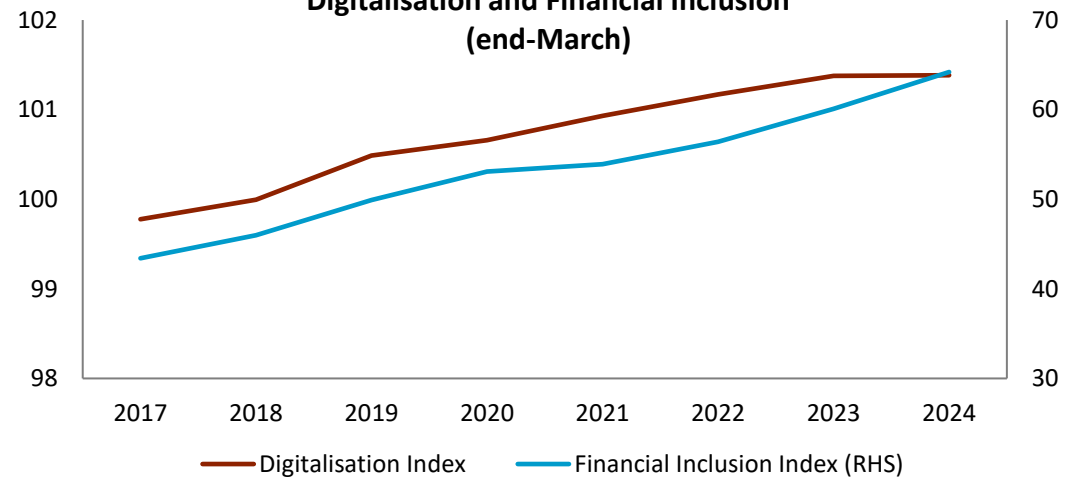
**UPI Transactions**



**Mobile Internet Subscribers**



**Digitalisation and Financial Inclusion (end-March)**







Thank You!