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RBI Bulletin – June 2023

Today, the Reserve Bank released the [June 2023](#) issue of its monthly Bulletin. The Bulletin includes [Monetary Policy Statement June 8, 2023](#), seven speeches, five articles and current statistics.

The five articles are: [I. State of the Economy](#); [II. Weather Events and their Impact on Growth and Inflation in India](#); [III. OPEC Oil Supply Announcements: An Assessment of Impact on the Indian Economy](#); [IV. Financial Literacy in India: Insights from a Field Survey](#); and [V. Retail Credit Trends - A Snapshot](#).

I. State of the Economy

Global economic activity has sustained its growth momentum in the second quarter of 2023, *albeit* with two diverging roads. While economies like India are rebounding, some others are slowing or contracting. India's real GDP growth in Q4:2022-23 at 6.1 per cent was the highest among major economies of the world, and CPI inflation came down to a 25-month low of 4.3 per cent in May 2023. *Kharif* sowing has begun on the back of a record *rabi* harvest, and the manufacturing sector has posted a pick-up in net profits. Credit growth is rebasing to more durable sources of funding, and the Indian rupee is turning out to be the most stable currency among emerging market peers.

II. Weather Events and their Impact on Growth and Inflation in India

By Saurabh Ghosh and Kaustubh

This study aims at investigating the impact of weather events like El Niño, La Niña and the Indian Ocean Dipole (IOD) on rainfall, and, consequently on India's growth and inflation dynamics.

Highlights:

- Regardless of El Niño Southern Oscillation (ENSO), positive IOD years could have higher average rainfall. In general, El Niño years have lower growth in agriculture, while La Niña years have better growth in agriculture.
- Food inflation variations correspond more with IOD than ENSO. Negative IOD years exhibited higher median food inflation than neutral or positive IOD years, while contrary to expectations, median food inflation was lower in El Niño years except in 2009 (drought year). Therefore, El Niño may not always result in higher food inflation.
- Empirical findings indicate that the relationship between rainfall and inflation is non-linear, as the latter also depends on agricultural growth and international commodity prices besides rainfall.

III. OPEC Oil Supply Announcements: An Assessment of Impact on the Indian Economy

By Bhanu Pratap, Ramesh Kumar Gupta, Jessica M. Anthony, Deba Prasad Rath and Thangzason Sonna

Given its dominant position as a supplier of crude oil, the decisions of the Organization of Petroleum Exporting Countries (OPEC) regarding oil supply influence market expectations. In this context, this article examines the impact of global oil supply-related announcements on Indian financial markets and the macroeconomy.

Highlights:

- A high-frequency data analysis reveals increased volatility in the prices of domestic crude oil basket, INR exchange rate, equity prices of oil and gas sector firms, and sovereign bond yields around OPEC announcements.
- Empirical evidence, based on a structural vector autoregression with external instrument (SVAR-IV) framework, demonstrates that such oil supply-related news shocks lead to a rapid and persistent increase in domestic consumer prices, accompanied by a sharp but temporary decline in economic output.

IV. Financial Literacy in India: Insights from a Field Survey

By Ramesh Jangili, Srinivasa Sai Charan Marisetty and Yashoda Bai Mood

The Reserve Bank of India and other financial regulators have been undertaking several initiatives to enhance financial awareness and literacy amongst the general public. To assess the current levels of financial literacy, a survey was conducted at the “Numaish- All India Industrial Exhibition” in Hyderabad during April-May 2022. Responses were obtained through a structured questionnaire on financial literacy covering broadly three components — knowledge, behaviour and attitude. This article assesses the level of financial literacy amongst several target groups and suggests key areas for policy focus.

Highlights:

- Amongst the respondents, some of them with relatively better financial knowledge levels were found to be lagging in financial behaviour or attitude.
- Daily wage workers and labourers exhibited weaker financial behaviour, despite having better financial knowledge.
- The focus of financial literacy should be placed also on improving financial attitude in addition to financial knowledge and behaviour.

V. Retail Credit Trends - A Snapshot

By Sujeesh Kumar and Manjusha Senapati

This article provides a snapshot of the trends in retail bank credit in India. It examines: (i) the role of retail credit in the overall recovery in the bank credit growth during the COVID-19 pandemic period; (ii) the major factors that determine the retail credit growth (using panel framework for April 2007 - December 2021); and (iii) whether the ‘retail shift’ - the phenomenon reflecting the relative increase in disbursements to

retail credit in bank loan portfolio - observed recently in banks' loan portfolio is permanent or transient in nature.

Highlights:

- The average contribution of retail loans to overall credit growth was much higher than industrial/services sectors credit both during and after the COVID period.
- Empirical assessment of the retail credit cycle suggests that the ongoing 'retail-shift' is cyclical and not permanent.
- Amongst the categories of retail credit, housing loans are found to be most sensitive to interest rates and asset quality of banks, followed by vehicle loans and unsecured loans.

The views expressed in the Bulletin articles are of the authors and do not represent the views of the Reserve Bank of India.

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(Yogesh Dayal)
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