



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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August 19, 2024

## RBI Bulletin – August 2024

Today, the Reserve Bank released the [August 2024](#) issue of its monthly Bulletin. The Bulletin includes monetary policy statement, five speeches, seven articles, and current statistics.

The seven articles are: I. [State of the Economy](#); II. [Are Food Prices Spilling Over?](#); III. [Union Budget 2024-25: An Assessment](#); IV. [Estimate of Spare Capacity for India's Services Sector](#); V. [Evolution of FinTech and Central Banks: A Text Mining-Based Survey](#); VI. [Private Corporate Investment: Growth in 2023-24 and Outlook for 2024-25](#); and VII. [Measuring Progress in Sustainable Development Goals \(SDGs\): An Application of Natural Language Processing \(NLP\) on Budget Documents](#).

### I. State of the Economy

Persistent geopolitical tensions, rekindled fears of a potential recession in key economies and financial market volatility in response to monetary policy divergence cast a shadow on global economic prospects even as inflation moderated grudgingly across countries. In India, aggregate demand conditions are gathering momentum with revival in rural consumption on the back of growing incomes. This stimulus to demand is expected to reinvigorate the hitherto subdued participation of the private sector in total investment. Headline inflation moderated from its spike in June to 3.5 per cent in July, but this was primarily due to the downward statistical pull of base effects.

### II. Are Food Prices Spilling Over?

*By Michael Debabrata Patra, Joice John and Asish Thomas George*

In the context of the recent experience with elevated food prices in India, this paper examines the drivers of food inflation persistence and its spill overs to understand the implications for monetary policy.

#### Highlights:

- The persistence of food inflation - in terms of the time taken to return to normalcy after a shock - has increased mainly on account of rising expectations driven by repeated supply shocks due to adverse climatic incidents of rising intensity.
- Persistent food inflation is spilling over through general inflation expectations to costs, services charges and output prices, although this fuller impact is offset by monetary policy.

- Monetary policy vigil is warranted so as to prevent the generalisation of inflationary pressures, in order to achieve overall price stability and thereby preserve and strengthen the foundations of a high growth trajectory.

### **III. Union Budget 2024-25: An Assessment**

*By Aayushi Khandelwal, Harshita Yadav, Akash Raj, Saksham Sood, Ipsita Padhi, Bichitrananda Seth, Anoop K. Suresh, and Samir Ranjan Behera*

This article presents an assessment of the Union Budget 2024-25. The Budget strikes a balance between accelerating growth, boosting job creation and strengthening macroeconomic stability.

#### **Highlights:**

- In 2024-25, the gross fiscal deficit is budgeted to fall to 4.9 per cent of GDP from 5.6 per cent of GDP in 2023-24 (Provisional Accounts, PA).
- Capital expenditure is budgeted to increase to 3.4 per cent of GDP in 2024-25 from an average of 1.7 per cent during 2010-20 while revenue expenditure is budgeted to grow by 6.2 per cent in 2024-25 (Budget Estimate, BE) over 2023-24 (PA).
- On the receipts side, gross tax revenue is budgeted to increase by 10.8 per cent, with a buoyancy of 1.1, which is in line with its average during 2010-11 to 2018-19.

### **IV. Estimate of Spare Capacity for India's Services Sector**

*By Abhilash Arun Satape, Nivedita Banerjee, Arti Sinha, M. Sreeramulu and Supriya Majumdar*

Given the predominant share of the services sector in national output, an estimate of spare capacity in the services sector is important. This article provides the conceptual background and methodological aspects for estimating spare capacity for the Indian services sector.

#### **Highlights:**

- The article presents quarterly estimates of spare capacity since January-March 2021 based on the data received through Services and Infrastructure Outlook Survey (SIOS).
- The results suggest that the spare capacity of Indian services sector was in the range of 11 to 14 per cent during the 3-year period 2021-24, although it may be noted that the sample period largely coincides with the post-pandemic period.
- Information on spare capacity in the services sector along with the capacity utilisation for manufacturing sector can strengthen inputs for the understanding of inflation and output dynamics and for policy formulation.

### **V. Evolution of FinTech and Central Banks: A Text Mining-Based Survey**

*By Manu Sharma, Dirghau Keshao Raut, Shobhit Goel and Madhuresh Kumar*

With the growing digital economy and its applications for finance, policymakers require established frameworks that facilitate further innovation and consumer confidence. Against this backdrop, this article analyses policy focus of the global central banks/ multilateral institutions in the areas of FinTech employing a Natural

Language Processing based Text Mining approach to central banks' news articles, speeches, and interviews.

### **Highlights:**

- The analysis suggests that 'payment systems' are a priority, both in terms of innovations and regulation by the central banks among different areas of FinTech.
- Central bank digital currency (CBDC) and its usage is emerging as the central area of policy discussions and initiatives, with the focus shifting towards modalities of CBDC implementation from the earlier concerns related to applicable technology and financial implications.
- FinTech policy considerations at global level have dawned on BigTech firms and the specific technologies (including IoT, DLT and Cloud computing) apart from the entities applying these technologies. The Reserve Bank of India gives due emphasis to consumers, service delivery and financial inclusion. The regulatory focus aims to bring the regulator and the market/innovators together.

## **VI. Private Corporate Investment: Growth in 2023-24 and Outlook for 2024-25**

*By Kamal Gupta, Rajesh B Kavediya, Sukti Khandekar and Snigdha Yogindran*

Investment activities by the private corporate sector plays a significant role in driving the overall investment climate in the economy. Using data on phasing plans of capital expenditure (capex) indicated by the private corporate sector, this article provides an assessment of the investment intentions as well as the near-term outlook of private corporates.

### **Highlights:**

- The investment intentions of private corporates remained buoyant during 2023-24 as reflected in higher total number of projects as well as the total cost of projects sanctioned by banks/FIs, with green field (new) projects accounting for the lion's share of about 89 per cent in the total cost of projects financed.
- Infrastructure sector continued to attract major share of envisaged capital investment, led by 'Roads & Bridges' and 'Power' sectors.
- Phasing plans indicate that aggregate capex intended by the private corporate sector in 2023-24 increased significantly by about 57 per cent over the preceding year.
- The phasing profile of the pipeline projects finances suggests that the envisaged capex is estimated to increase significantly to ₹2,45,212 crore in 2024-25 from ₹1,59,221 crore in 2023-24.

## **VII. Measuring Progress in Sustainable Development Goals (SDGs): An Application of Natural Language Processing (NLP) on Budget Documents.**

*by Rajni Dahiya and Shashi Kant*

This article offers a novel approach leveraging advancements in natural language processing (NLP) to measure progress toward achieving sustainable development goals (SDGs). It employs topic modelling to explore the heterogeneity in focus on SDGs in budget documents of the Union Government and select States (Andhra Pradesh, Karnataka, Kerala, Odisha, Tamil Nadu, and West Bengal) in India and examines how their focus on different SDGs has varied across years.

**Highlights:**

- The article demonstrates the application of large language models (LLMs) to extract information from budget documents and unveil the government's overall narrative and messaging surrounding SDGs.
- Results show that the combined focus on SDGs by the Union Government and the select States has increased in 2023 compared to 2012, indicating a stronger commitment by both.
- The emphasis on different SDGs varies over time depending on the changing circumstances and there is considerable heterogeneity among the Union Government and select States with reference to their focus on individual SDGs.
- It is found that SDGs are not mutually exclusive and targeting a particular SDG may help achieve other linked goals too. Analysing the interconnectedness of the SDGs help in the identification of integrated policy approaches that address multiple goals simultaneously.

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

**Press Release: 2024-2025/927**

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