

## Foreword

As we come to the close of 2023, the global economy and the financial system continue to recover from successive high-intensity shocks over the last four years. There are multiple challenges on the horizon: slow and divergent growth prospects; elevated debt levels; growing geo-economic fragmentation; and prolonging conflicts. High interest rates and large fiscal deficits have added to debt servicing pressures in most countries. As growth prospects remain subdued, policymakers face a daunting task in balancing the pressing requirements of investment in critical public infrastructure, especially those relating to health and education as well as supporting the most vulnerable sections of society.

Inflation has been moderating and a sense of optimism about soft landing of the global economy is taking hold. Global interest rates have peaked in the current monetary policy tightening cycle, though macroeconomic conditions remain too fragile and uncertain for a definite view on growth and inflation conditions going forward. On balance, therefore, it would be prudent to proceed with caution on the evolving outlook and risks.

Against this challenging global backdrop, the Indian economy exhibits macroeconomic resilience, with a robust financial system that is supporting its growth dynamics. We remain alert and committed to act early and decisively to prevent any build-up of risks. Our recent macroprudential measures to curb lenders' exuberance towards certain segments of retail loans underline our commitment to preserve financial stability without compromising availability of funds for productive requirements of the economy.

India is one of the fastest growing major economies in the world with a rising potential growth profile. The sharp rebound in growth is underpinned by sound macroeconomic fundamentals, robust domestic demand and prudent public policies. Achieving durable price stability, ensuring medium-term debt sustainability, further strengthening financial sector resilience, creating new growth opportunities and promoting inclusive and green growth remain key policy priorities.

As this issue of the Financial Stability Report highlights, the health of the Indian financial system is steadily improving on the back of multiyear high earnings, low level of stressed assets, and strong capital and liquidity buffers with financial institutions. We have made significant progress since the onset of the COVID-19 pandemic in steering the economy and the financial system. Now is the time to consolidate these gains and enable the economy to move to a higher growth trajectory with macroeconomic and financial stability.

Even as we confront global headwinds and emerging challenges from technological disruptions, cyber risks and climate change, our endeavour is to continue to fortify the financial system, promote responsible innovation and invigorate inclusive growth. The Reserve Bank and the other financial regulators remain invested in preserving financial stability and fostering a financial system that is resilient to shocks and supportive of growth.

**Shaktikanta Das**

Governor

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