

Foreword

This issue of the Financial Stability Report (FSR) comes at a very critical juncture when the cumulative impact of the extraordinary shocks to the entire world over the last three years is still working its way through across countries. The international economic order stands challenged; financial markets are in turmoil due to monetary tightening in most parts of the world; food and energy supplies and prices are under strain; debt distress is staring at many emerging market and developing economies; and every economy is grappling with multiple challenges.

Amidst such global shocks and challenges, the Indian economy presents a picture of resilience. Financial stability has been maintained. Domestic financial markets have remained stable and fully functional. The banking system is sound and well-capitalised. The non-banking financial sector has also withstood these challenges. Stress test results presented in this issue of the FSR indicate that banks would be able to withstand even severe stress conditions, should they materialise. Furthermore, in spite of formidable global headwinds, India's external accounts remain well-cushioned and viable.

Going forward, core issues of management of climate change, dealing with unanticipated and fresh shocks, if any, further strengthening the buffers of our financial system, harnessing fintech innovations and deepening financial inclusion will continue to receive priority attention from regulators and policy makers.

In 2023, India is well positioned to play a leading role in the world stage as part of its G20 presidency. The biggest challenge for G20 as a group is to reignite the efficacy of multilateralism.

On the domestic front, we recognise the destabilising potential of global risks, even as we draw strength from the robust macroeconomic fundamentals of the Indian economy. The Reserve Bank and the other financial regulators remain vigilant and in readiness to ensure the stability and soundness of our financial system through appropriate interventions, whenever necessary, in the best interest of the Indian economy.

Shaktikanta Das

Governor

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