

Above-normal monsoon may ease food prices: Govt

FinMin report says rupee expected to remain within comfortable range

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With the prediction of an above-normal monsoon in 2024, the government is expecting food prices to come down, the finance ministry's monthly economic report for March has said.

The report, released on Thursday, said robust foreign inflows and comfortable trade deficits were expected to keep the rupee within a comfortable range.

"Further easing of food prices is on the anvil as IMD (India Meteorological Department) has predicted above-normal rainfall during the monsoon season, which is likely to lead to higher production, assuming good spatial and temporal distribution of the rainfall," the monthly report, released by the Department of Economic Affairs, said.

The ministry said the retail inflation rate in FY24 witnessed a significant decline, reaching its lowest level since the pandemic came. The food inflation rate declined from 8.7 per cent in February to 8.5 per cent in March.

The Reserve Bank of India in its State of the Economy report on Wednesday, however, cautioned while the retail inflation rate was within sight of hitting the 4 per cent target, extreme weather events, an increase in crude oil prices due to geopolitical uncertainties posed a risk.

The report said despite global challenges, India stood out with its strong economic performance, highlighting broad-based growth across sectors and asserting its pivotal role in supporting the global growth trajectory.

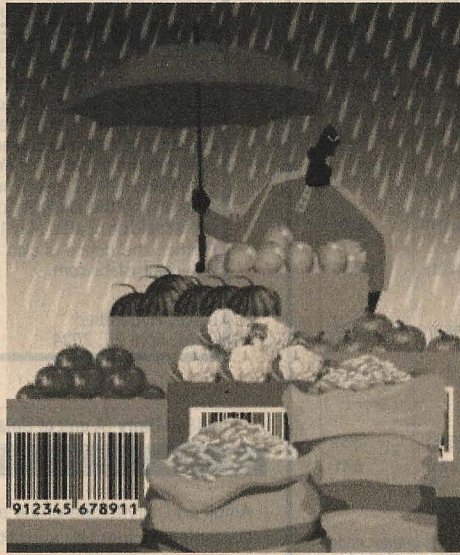


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"India continues to be the fastest-growing major economy with positive assessments of the growth outlook for the current FY, for India by international organisations and RBI," the report said. The finance ministry's report said leading indicators suggested an overall upturn in economic activities driven by expansion in both manufacturing and services.

"Geopolitical tensions remain a concern, but notwithstanding recent developments, risk perceptions have softened, offering a potential upside for growth."

The ministry is expecting the trade deficit to decline in the coming years with the production-linked incentive scheme increasing its coverage across sectors, even though slowing global trade presents a

challenging landscape for economies worldwide. The report noted electronic goods had emerged as a standout sector in the country's export basket amid a slowdown in global trade.

Electronics goods exports, the monthly report said, accounted for 6.7 per cent of India's outbound shipments in FY24, increasing from \$23.6 billion in FY23 to \$29.1 billion in FY24.

The monthly review added that strategic trade agreements like the India-EFTA (European Free Trade Association) Trade and Economic Partnership Agreement (TEPA) signalled India's commitment to expanding its global trade footprint and leveraging international partnerships for sustained economic growth.

INDIA: A BRIGHT SPOT

- India is the fastest-growing major economy with a positive growth outlook
- Retail inflation lowest since the Covid-19 pandemic
- India's foreign exchange reserves reached all-time high in March 2024
- Narrowing CAD at 1.2% of GDP signals economic stability
- Resilient growth, robust economic activity indicators, price stability, and steady external sector performance supporting India's growth