

RBI Financial Stability Report, June 2024

The Reserve Bank of India released the Financial Stability Report, June 2024. According to the Report, in the recent past, the World has seen a number of high-impact shocks, and the broader international condition still remains uncertain. The global economy and the financial system are exhibiting resilience amidst heightened risks and uncertainties. The risks of a hard landing for the global economy have declined, despite modest progress in disinflation and ongoing supply chain fragmentation and realignment.

Financial markets have adjusted to changes, including modifications in certain central banks' monetary policy stance, globally. In this setting, the global financial system confronts significant risks such as high levels of public debt, stretched asset values, expanding economic and financial fragmentation, recurrent geopolitical conflicts and dangers linked with financial technology, cyber threats, and climate change. Despite these difficulties, the Indian economy has been demonstrating strength and resilience, with robust macroeconomic fundamentals. India's economic activity is growing steadily and the financial system is stronger and more vibrant than it was before the recent crises. Emerging market economies (EMEs) are still sensitive to external shocks and spillovers.

The Indian economy is growing steadily on the back of strong macroeconomic foundations and a strong and stable banking system. Moderate inflation, a strong external position, and continued fiscal consolidation are supporting business and consumer confidence. Domestic financial conditions are supported by solid balance sheets of financial institutions, which include strong capital buffers, improved asset quality, and robust profitability.

Rising profitability and reduced non-performing assets have supported India's scheduled commercial banks. Return on assets and return on equity are at decadal highs at 1.3% and 13.8%, respectively, while gross non-performing assets and net non-performing assets ratios have dropped to multi-year lows of 2.8% and 0.6%, respectively.

Global regulatory efforts continue to focus on supporting financial stability, ensuring effective implementation of global norms and their refinement. India's domestic regulatory measures continue to improve the safety and resilience of the financial system. Amidst this environment, geopolitical concerns, tighter global financial conditions, and capital outflows as the most significant near-term risks for India.

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Warm Regards,

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