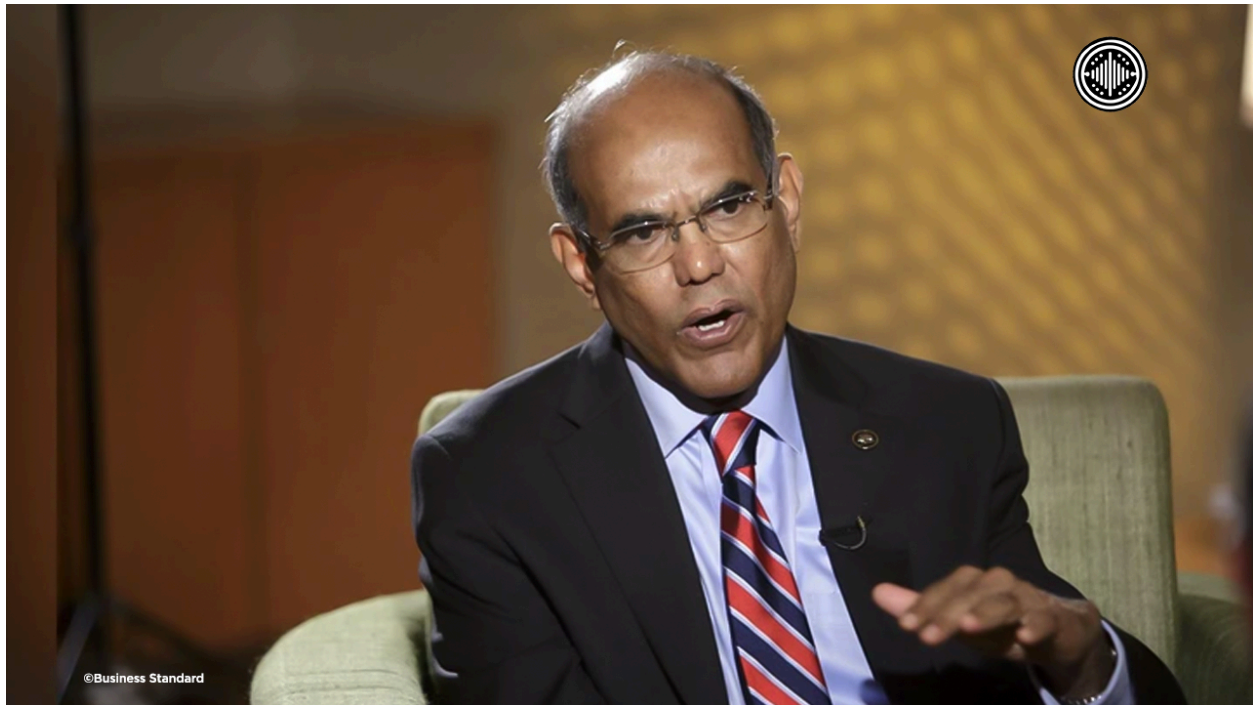


## Ex-RBI Governor Subbarao: India Can Withstand Short-Term Growth Hit



Former Reserve Bank of India (RBI) Governor D. Subbarao has stated that India's fast-growing economy can withstand a 50 basis points (bps) sacrifice in growth for up to one year. This assessment comes in the wake of rising trade tensions and a steep 50% tariff hike on Indian exports by the U.S., a development Subbarao warns could have significant medium to long-term implications. While acknowledging the potential for a short-term economic slowdown, the veteran economist emphasized that a sustained sacrifice would jeopardize India's long-term developmental goals.

Subbarao's analysis, detailed in a recent interview, explains that the tariff increase could reduce India's GDP growth from an estimated 6.5% to as low as 6.0% or 6.1%. Given that exports currently constitute about 22% of India's GDP, with the U.S. accounting for approximately 17% of that share, the economic impact is considerable. However, he believes the country's economic momentum and resilience will allow it to absorb a temporary shock.

"India may be able to weather even a 50 basis point sacrifice in growth for a year because it is still a fast-growing economy," Subbarao stated. He cautioned, however, that this short-term resilience should not be mistaken for long-term sustainability. He stressed that a 50 bps loss on a year-on-year basis would seriously undermine the country's objective of becoming a "Viksit Bharat," or a developed economy, by 2047, a goal that requires consistently high growth rates.

A more serious concern, according to Subbarao, is the specific impact on labor-intensive sectors that are major exporters to the U.S., such as machinery, gems, and jewelry. The hit to these sectors would disproportionately affect low-income households. To mitigate the long-term risks, Subbarao urged India to pursue policies that diversify its export base, explore new trading partners, and enter into free trade agreements with other blocs like the EU and East Asian nations, regardless of the outcome of trade negotiations with the U.S.

The commentary from the former RBI chief provides a nuanced perspective on the economic challenges facing India, balancing a view of short-term resilience with a stern warning about the necessity of long-term strategic planning to maintain a high-growth trajectory.