

General elections, a "source of uncertainty" RBI

As the general elections draw closer, the Reserve Bank has warned that any political instability after May 2014, post-results, will drag the beleaguered economy further down, and that a stable new government would be desirable.

"A potential additional source of uncertainty is the coming general elections. A stable new government would be positive for the economy," RBI governor Raghuram Rajan said in his foreword to the eighth edition of the RBI's Financial Stability Report 2013, released this morning.

Warning that any political instability will lead to further erosion of investor confidence in the economy, Rajan said, "With confidence in the financial system still fragile, six years into the crisis, policy certainty is something that investors look for in the current environment."

Though the government is claiming that GDP will grow at over 5 per cent, many analysts peg it at a little over 4 per cent this fiscal. The warning from RBI comes as some political observers are expecting a hung Parliament after the Lok Sabha elections.

(Economic Times)