

Global pressure and the public sector banks in India

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After several false starts, global growth and trade have been gaining traction in 2017 so far, supported by accommodative monetary policy and conducive financial conditions. Despite commodity prices firming up, inflation has remained quiescent in both advanced and emerging economies. Global financial markets have been generally buoyant and the effects of geopolitical events, including announcements, have been muted or short-lived. With accommodative policies in advanced economies (AEs) supporting asset prices and spurring a search for returns, investor appetite for emerging market economies (EMEs) as an asset class has been stoked, propelling capital flows to them, albeit with some discrimination against economies with relatively weaker macro fundamentals. Nonetheless, risks to the outlook are still tilted to the downside, with political and policy uncertainties posing threats to global financial stability. In this environment, banking regulators are preparing for the full implementation of Basel III prudential regulations and the adoption of the revised global accounting standards. In parallel, developments like FinTech and the growth of crypto currencies are presenting both opportunities and challenges.