India on the Road to Recovery

The United Nations has in its ‘World Economic Situation and Prospects 2022’ Report suggested that, “India’s economic recovery is on a solid path, amid rapid vaccination progress, less stringent social restrictions and still supportive fiscal and monetary stances. GDP is projected to expand by 6.7 per cent in 2022 after a 9 per cent expansion in 2021, as base effects wane. Robust export growth and public investments underpin economic activity, but high oil prices and coal shortages could put the brakes on economic activity in the near term. It will remain crucial to encourage private investment to support inclusive growth beyond the recovery. India has taken an important step by committing to 50 per cent of its energy mix coming from renewable sources by 2030 and to reaching net-zero emissions by 2070.”

With reference to inflation and interest, the report highlights that, “In India, inflation is expected to decelerate throughout 2022, continuing a trend observed since the second half of 2021 when relatively restrained food prices compensated for higher oil prices. A sudden and renewed rise in food inflation, however, due to unpredictable weather, broader supply disruptions and higher agricultural prices, could undermine food security, reduce real incomes and increase hunger across the region... The Reserve Bank of India has begun to taper liquidity by increasing the volume of reverse repo operations and the cash reserve ratio; it is expected to raise interest rates throughout 2022.”

The World Bank is also optimistic about the India growth story, and in its ‘Global Economic Prospects’ Report, January 2022 emphasises that, “India’s economy is expected to expand by 8.3 percent in fiscal year 2021/22 (ending March 2022), unchanged from last June’s forecast as the recovery is yet to become broad-based. The economy should benefit from the resumption of contact-intensive services, and ongoing but narrowing monetary and fiscal policy support. In FY2022/23 and FY2023/24 growth has been upgraded, to 8.7 and 6.8 percent respectively, to reflect an improving investment outlook with private investment, particularly manufacturing, benefiting from the Production-Linked Incentive (PLI) Scheme, and increases in infrastructure investment. The growth outlook will also be supported by ongoing structural reforms, a better-than-expected financial sector recovery, and measures to resolve financial sector challenges despite ongoing risks.”

While India is headed on the road to recovery from the Covid-19 crisis, stronger public and private investment, inflation targeting and reforms to enhance output can drive growth in the long run.

Notifications

PIB

National Startup Awards 2021

India's Foreign Trade - December 2021


India and UK Launch Free Trade Agreement Negotiations


PM inaugurates MSME Technology Centre at Puducherry