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TEN NEGATIVE INDICATORS IN INDIAN ECONOMY: PARTLY INFLUENCED BY GLOBAL ECONOMIC SLOWDOWN

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ABSTRACT

The world economy has got disrupted since first Quarter of 2020 due to COVID Pandemic and subsequent lockdowns. The economies recovered to a large extent in the second and third quarters of FY 2021. Indian economy too got disrupted and recovered from the lows of -23% down to 7%. Though recovered, many sectors have yet to come to pre COVID level. Since, March, 2022 due to the Russia - Ukraine war and subsequent effect on oil prices and disruption of supply chain. Imports and exports to the region has further added fuel to the down turn of world economy fuelled by inflation and rate hikes all over the world. Though appeared recovery in Indian Economy, it is showing certain negative trends in the recent past. This article discusses the trends are indicating that Indian economy may have down turn in the near future. The present article is prepared on information available in public domain – in daily news papers and prominent website like www.ibef.org, https://cmie.com, https://tradingeconomics.com/

Purpose: *The present article narrates a real-time state of Indian economy at present ie., Quarter ending September, 2022. As well as other economic indicators like exports, imports, GDP growth, unemployment loss of job etc., The article examines descriptive facts prevailing in the Indian economy.*

Scope: *Similar situation may happen in from time to time or betterment. The economic indicators in general and particular will not stay at low or high. They are dynamic and coupled with so many other factors in the domestic and international factors. When studied continuously these factors, one can understand this dynamism.*

Keywords: *Economy, Indicators, Job Losses, COVID Pandemic, Indian Economy.*

Introduction

Since COVID pandemic and subsequent lockdowns, during 2020 – 2021, the economic growth of India has fallen to -23 % and picked up from Q2 FY 2022. Again it is showing down turn due to global economic and geo political issue in different parts of the world influenced by Russia-Ukraine war. Though India is having large domestic consumption segment, the country's economy is also suffering due to both domestic and global issues. Policy measures by the country's Central bank are unable to give any positive signs and lack of political will also disrupting the economic growth. Recently, in India certain trends which are changing indicating the possibility of economic slowdown and may lead to recession in the forth coming financial year.

Downgrade revision of GDP forecast World Bank from 7.5% to 6.5%. Fitch, RBI and Asian Development bank forecast around 7% in the current FY and Next year below 6% which may be downgraded further.

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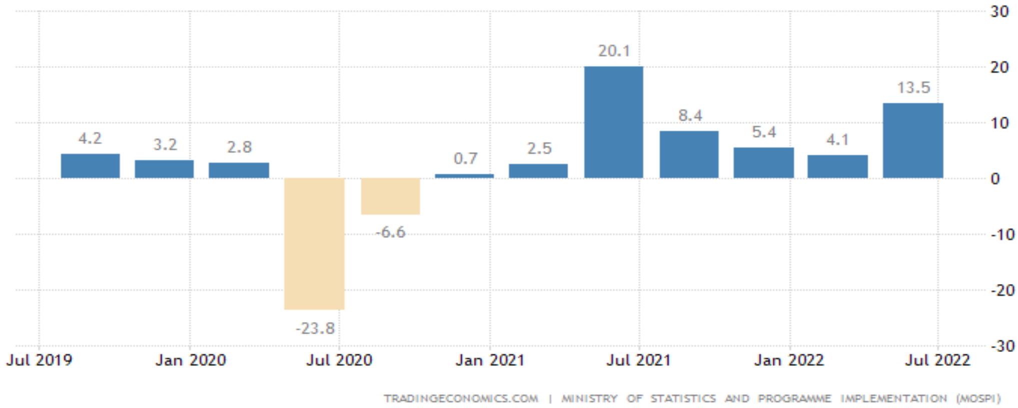
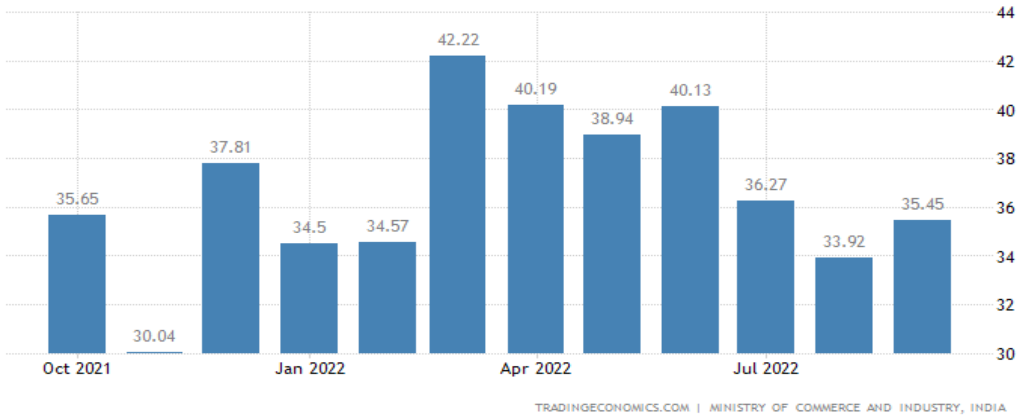


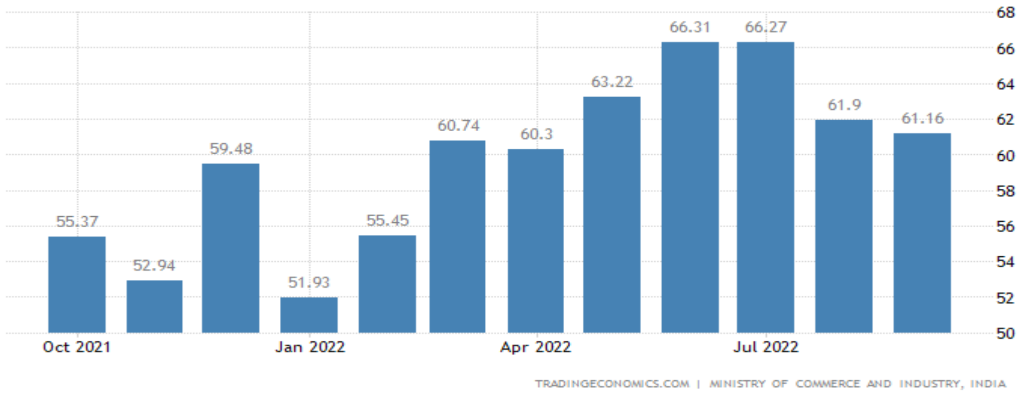
https://tradingeconomics.com/india/gdp-growth-annual

Indian Exports of Manufactured Goods peaked up in February, 2022 but slow domn and decreased by September 2022. Exports down due to Global Growth Slowdown, Interest rate hikes by almost every country's Central Banks, decrease in world trade which is revised from 3% to 1%.



https://tradingeconomics.com/india/exports

Imports also showing decreasing trend and the decrease generally considered a positive indicator as trade deficit or Current Account deficit comes down. But the reason for decrease in imports is worry some as it is due to decrease in domestic consumption.

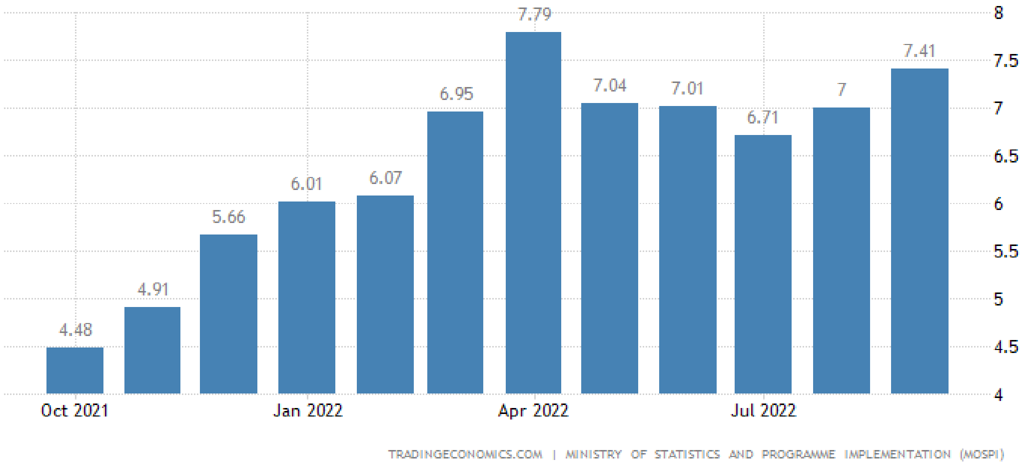


https://tradingeconomics.com/india/imports

Rise in Oil prices after down from 100 – 110 USD per barrel during July – August, 2022 and now increasing slowly towards 85 -90 USD per barrel. This is mainly due to Saudi Arabia does not increase production on par with demand, sanctions on Russia, intensifying Russia – Ukraine war. The rise in oil prices puts pressure on Indian Economy.

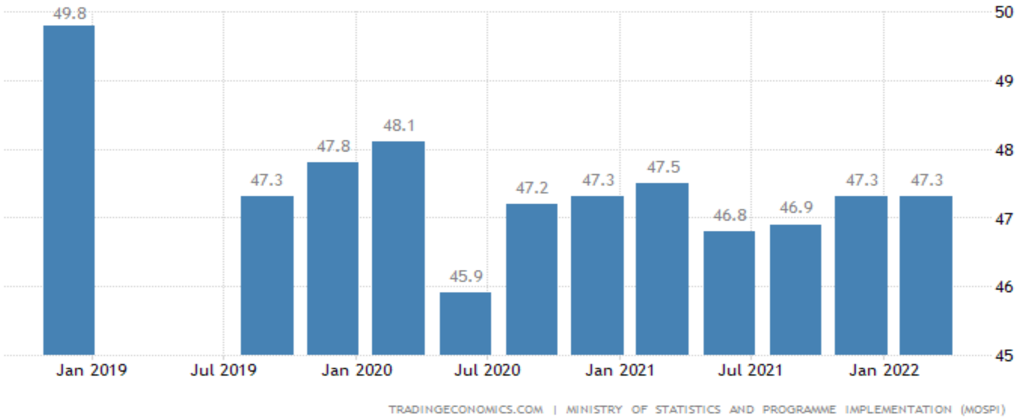
https://tradingeconomics.com/commodity/crude-oil

Rise in inflation specific to food inflation and is expected to rise further beyond RBIs comfort zone.



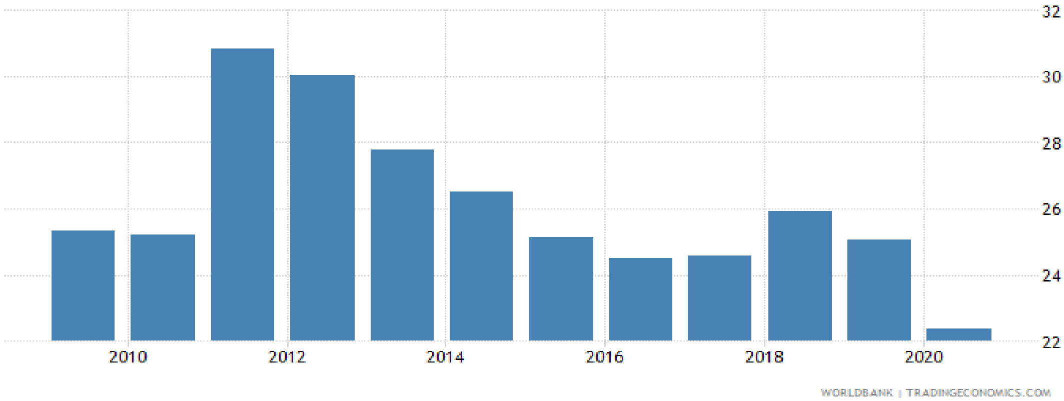
https://tradingeconomics.com/india/inflation-cpi

Labour force participation rate is coming down. Unemployment rate at 7.6% and about 4 crore people facing joblessness specific to rural area which will hamper rural spending which is important for domestic consumption growth. Joblessness leads different distresses in the economy.



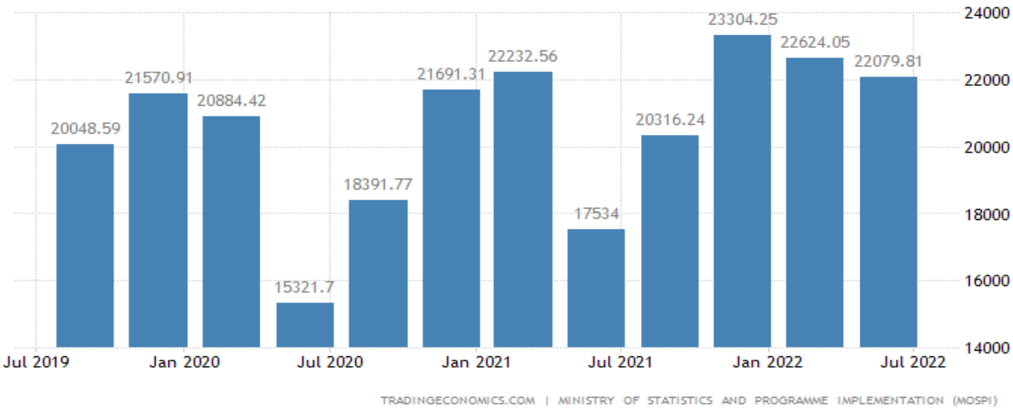
https://tradingeconomics.com/india/labor-force-participation-rate

Private investment is not growing as expected. It will increase not because the government incentives but because of consumption driven by purchasing power. Incentives support supply side but government ignoring the demand side and failed to increase purchasing power of the people through job creation.



https://tradingeconomics.com/india/gross-fixed-capital-formation-private-sector-percent-of-gdp-wb-data.html

Private consumption expenditure through consumption in the domestic economic segment of 140 Crore population has not picked up due to unemployment rate, inflation, lack of purchasing power due to joblessness.



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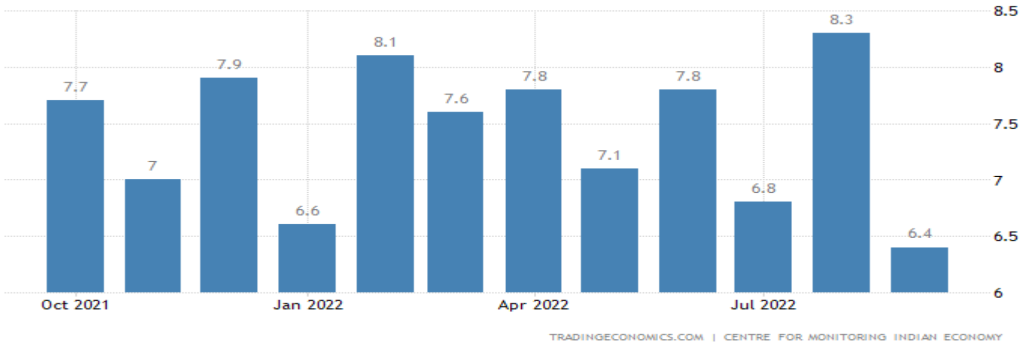
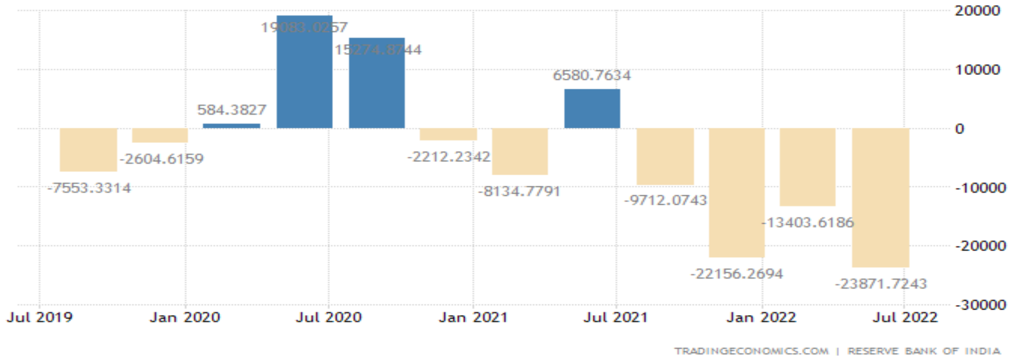
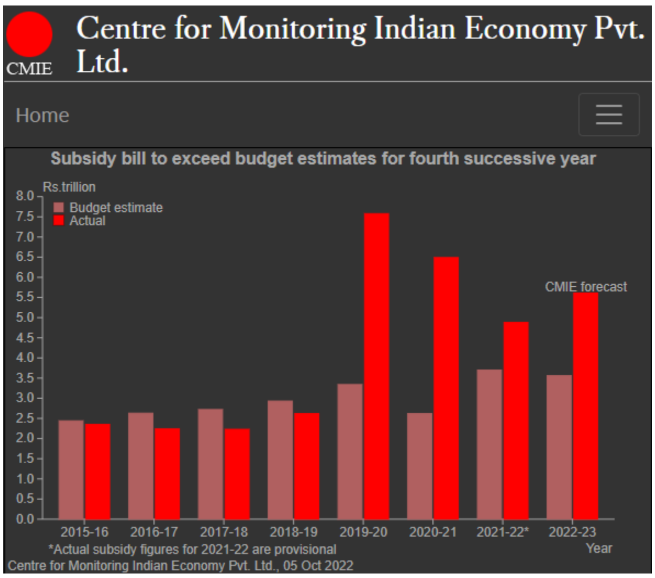


https://tradingeconomics.com/india/unemployment-rate

The financial situation of governments (both state and union governments) continue to deteriorate due to frees and freebies for political benefit. The combined fiscal deficit of state and union governments is at above 10% of GDP. Due to this additional spending of governments hampered. To generate more revenue to spend more, governments should look impose additional or windfall tax on super rich. Unfortunately, this segment is extending support to political parties specific to ruling parties. Political commitment will help the governments to increase revenue in this way for spending more to boost economic growth.



https://tradingeconomics.com/india/current-account#:~:text=10%2DYear%20High-,India%20 current%20account%20deficit%20widened%20to%20%2423.9%20billion%20in%20the,equivalent%20to%202.8%25%20of%20GDP.



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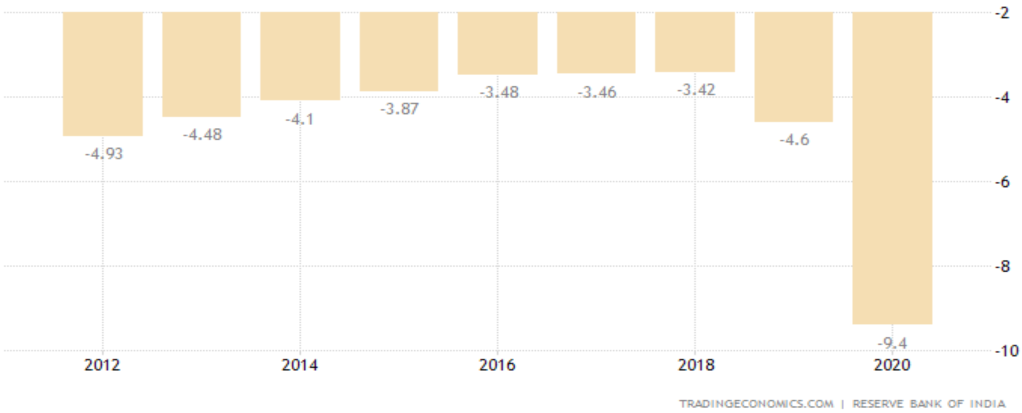
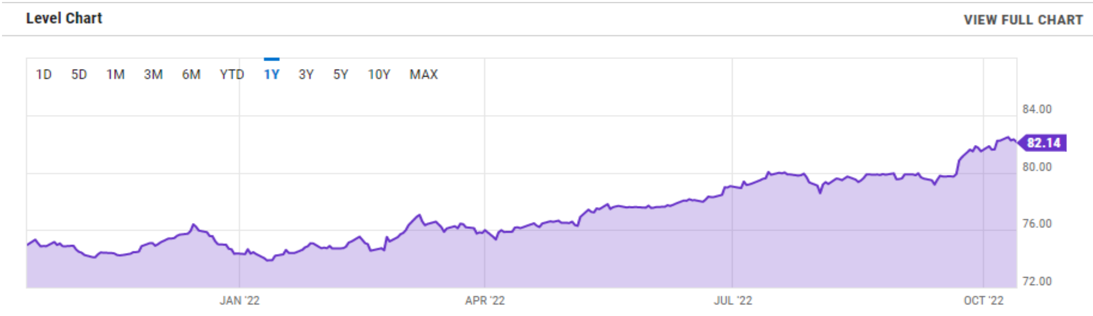


https://tradingeconomics.com/india/government-budget

Rupee depreciation and Current Account Deficit reaching 3% which is above the RBI's comfort zone of 2.5%. The exchange rate of INR against dollar is hovering at Rs. 82 – 83 per USD and may go down to Rs. 85.



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https://tradingeconomics.com/india/currency

Conclusion

Only Central Banks intervention with Rate adjustments will not serve the purpose. For example, the food inflation doesn't have direct relation with Repo, Reverse Repo, CRR and other quantitative measure of RBI. This is mostly related to demand-consumption-supply. Governments should take many policy measures keeping political interest a side and giving priority to the nation's development.

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