GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA UNSTARRED QUESTION No. 544
TO BE ANSWER ON 06 FEBRUARY 2023

Impact of Global Recession on Indian Economy

544. **SHRI JANARDAN SINGH SIGRIWAL:**
SHRI SUBBARAYAN K.:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of various reports published in media and the warning given by IMF Managing Director regarding global recession which is expected to occur in 2023;
(b) if so, the reaction of the Government thereto;
(c) whether the Government has made any assessment on impact of global recession in India;
(d) if so, the details and the findings thereof; and
(e) the corrective measures taken/to be taken by the Government to counter the same?

ANSWER

MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a)-(b): The government has taken note of the January 2023 update of the World Economic Outlook (WEO), which has projected global growth to decline from an estimated 3.4 percent in 2022 to 2.9 percent in 2023. The WEO also projects global inflation to fall from 8.8 percent in 2022 to 6.6 percent in 2023. The government is further aware of the downside risks to these projections from uncertain outcomes associated with the reopening of the Chinese economy and persisting war in Europe. The government is therefore of the view that countries around the world will continue to face policy challenges to navigate their respective economies.

(c)-(d): Following the war in Europe, global supply chains were disrupted resulting in the increase of global commodity prices. To restrain the consequent inflation, major central banks around the world undertook monetary tightening. High global inflation and monetary tightening have together slowed global growth. The government recognises the impact of slowing global growth on the Indian economy. The impact was seen in the first half of 2022-23, in the widening of the current account deficit (CAD), uptick in retail inflation, the outflow of portfolio investments, and the appreciation of the US$ against the ₹. In the second half of 2022-23, retail inflation has fallen below the tolerance ceiling, portfolio investments have started to return, the ₹ has stabilized against the US$, but export growth has declined with the slowing of global growth. The current account deficit thus needs to be closely monitored. India has a solid cushion of forex reserves to finance the CAD and intervene in the forex market to reduce the excess volatility in the Indian rupee. The Indian economy, however, as per the January 2023 update of WEO, was the fastest-growing major economy in 2022 and will be so in 2023 as well. This reflects India's underlying economic resilience and strong macroeconomic fundamentals.

(e): Government of India has implemented several measures to limit the impact of external factors on India's inflation and growth. The price situation of major essential commodities is monitored by the Central Government on a regular basis and corrective action is taken from time to time. Several supply-side measures have been taken by the Government to address inflation. These include *inter alia*, reduction in excise duty by Rs. 8 per litre on petrol and Rs. 6 per litre on diesel on May 21, 2022, prohibition of export of wheat products under HS Code 1101, imposition of export duty on rice, reduction in import duties and cess on pulses, maintenance of buffer stock for onion and pulses, rationalisation of tariffs on edible oils, oil seeds, and inputs used in manufactured products.

To boost growth, a series of measures have been announced in the Union Budget 2023-24, including an increase in capital investment outlay for the third year in a row by 33 percent to ₹10 lakh crore (3.3 percent of GDP); the enhanced outlay for PM Awas Yojana, launch of Aspirational Blocks Programme covering 500 blocks for saturation of essential government services; increase in agriculture credit target to ₹20 lakh crore with a focus on animal husbandry, dairy and fisheries; and setting up of Agriculture Accelerator Fund to encourage agri startups by young entrepreneurs in rural areas, among others. Direct capital investment by the Centre is also complemented by the provision made for creation of capital assets through Grants-in-Aid to States. The 'Effective Capital Expenditure' of the Centre is budgeted at 13.7 lakh crore (4.5 per cent of GDP) for 2023-24. The newly established Infrastructure Finance Secretariat will oversee the increase in private investment in infrastructure. Further, to improve logistics performance, one hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors, have been identified and will be prioritised.

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