

Sansad TV Perspective: India's Resilient Economy

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the [IAS exam](#), especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic: '**India's Resilient Economy**'.

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Participants -

1. Dhanendra Kumar, Former Executive Director, World Bank
2. Anand Singh Bhal, Former Principal Economic Advisor, Govt. of India
3. Subhomoy Bhattacharjee, Consulting Editor, Business Standard

Context -The World Bank has said that the Indian economy is expected to grow at the rate of 6.6 percent in the fiscal year 2023-24, though it projected a gloomy outlook for the world economy.

Introduction -

- According to the [World Bank](#) report, India is expected to be the fastest-growing economy among the seven largest emerging markets and developing economies. According to the World Bank, the key challenge for policymakers around the world is to lower the likelihood of a global recession, especially one that could result from rapid and synchronous monetary policy tightening that causes widespread financial stress.
- Addressing the Madhya Pradesh Global Investor Summit, Prime Minister Shri Narendra Modi said institutions and credible voices that track the global economy have unprecedented confidence in India. The [National Statistical Office](#) in its first advance estimate of economic growth for the current financial year 2022-23 has pegged that the Indian economy will grow at 7 per cent.

World Bank Report - Recession for the Global Economy

- The World Bank in its report released in December 2022, said that the growth worldwide will decelerate in 2023 and the world economy is close to recession.
- The World Bank has slashed its forecast for global growth this year by nearly half, to just 1.7% from its previous projection of 3%. The three big economies - U.S, EU and China

are also slowing down simultaneously. As per the report, the EU economy won't grow at all, China will grow at 4.3% and the US at 0.5%.

- The impact of a global downturn would fall particularly hard on poorer countries such as Sub-Saharan Africa, which is home to 60% of the world's poor.
- The World Bank report also noted that rising interest rates in developed economies like the United States and Europe will attract investment capital from poorer countries, thereby depriving them of crucial domestic investment. At the same time, the report said, those high-interest rates will slow growth in developed countries at a time when [Russia's invasion of Ukraine](#) has kept world food prices high.

Indian Economy Resilient

India's economy has demonstrated resilience despite a challenging external environment, says the World Bank in its latest India Development Update, a World Bank flagship publication. The report titled "Navigating the Storm", finds that while the deteriorating external environment will weigh on India's growth prospects, the economy is relatively well positioned to weather global spillovers compared to most other emerging markets.

The report forecasts that the Indian economy will grow at a slightly lower rate of 6.6 percent in the 2023-24 fiscal year.

Reasons for India's Resilience -

Strong macroeconomic fundamentals have placed India in a good position compared to other emerging market economies.

- India's economy is relatively insulated from global spillovers compared to other emerging markets. This is partly because India has a large domestic market and is relatively less exposed to international trade flows.
 - A 1% decline in growth in the US is associated with a 0.4 % decline in India's growth, the effect is around 1.5 times larger for other emerging economies.
- The [current account deficit](#) is adequately financed by improving foreign direct investment inflows and a solid cushion of foreign exchange reserves (India has one of the largest holdings of international reserves in the world).
 - India received the highest annual FDI inflows of \$84, 835 mn in FY 21-22.
- Policy reforms and prudent regulatory measures have also played a key role in developing resilience in the economy.
- The fiscal and monetary policies have also played a role in managing the challenges that have emerged over the past year.

The domestic macroeconomic situation of India has been resilient, it, however, remains sensitive to global headwinds which are clouded with downside risks.