



Economy will grow over 6.8% in FY23: CEA

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New Delhi, 30 November

The Indian economy is on track to register 6.8-7 per cent GDP growth in FY23, said Chief Economic Advisor (CEA) V Anantha Nageswaran, on Wednesday. He further said he is more optimistic about the growth story than many global agencies have forecast for India for the upcoming FY24. Nageswaran, while presenting the outlook following the release of GDP data for the July-September quarter, said he expects domestic demand to drive growth amid an uncertain external environment. He, however, cautioned that tightening of financial conditions in the US and

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other advanced economies remains a “future risk”.

The CEA said the economic recovery momentum is continuing and the GDP is averaging the 2019-20 level.

“Q2 GDP (growth) was in line with most market participants’ expectations. In 2022-23, the economy is on track to achieve 6.8-7 per cent growth,” Nageswaran said.

He further said key growth drivers -- such as sales recovery during the festival season, buoyant tax collections, credit growth, capital formation in both private and public sectors -- show that the Indian economy has maintained momentum despite global headwinds. He also noted that capex was strong in the first seven months of FY23, even though consumption was less. Regarding global agencies’ projections on Indian economic growth, the country’s top economist said that these agencies have not factored in improved balance sheets of financial and non-financial corporate sectors and the country’s growing digital infrastructure.

“India’s growth as estimated by most global agencies is based on the recent data of 2019-2020, and then 2021 onwards continues to rely on the lower capital formation... The fact that both financial and non-financial sectors have improved their balance sheets is not well factored in agencies’ forecasts... Besides, digital infrastructure has also played an important role in formalising the economy and providing better financial access to many excluded sectors — that too is not accounted for,” he explained.

The International Monetary Fund has projected the Indian economy to grow at 6.8 per cent FY23, while the Reserve Bank has pegged it at 7 per cent. About inflation, Nageswaran said the domestic price rise is expected to ease further, on the back of softening global commodity prices and expectations of a good Rabi crop. As far as the inflation outlook is concerned, the RBI expects the rate to ease to the target range in the third quarter of the current fiscal year, and decline even further in the last quarter of FY23, he said. He also expects the corporate earnings outlook to brighten as price pressure moderates and supply chains improve.

Elaborating on risks, the CEA said if financial conditions in the US and other advanced economies become tighter, then that will have implications on the strength of the dollar, capital inflows, etc, and also if the geopolitical environment deteriorates further, it may have implications for the supply of crude oil.