

'Global recession fears may impact exports'

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The fear of a global recession has increased and is likely to impact India's global export outlook, said a report prepared by the Finance Ministry's Economic Affairs Department on Thursday. Still, India's overall growth will get an impetus from other developments.

"A rapid deterioration in global growth prospects, coupled with high inflation and worsening financial conditions, has increased fears of an impending global recession. Global slowdown may dampen India's exports businesses outlook; however, resilient domestic demand, a re-invigorated investment cycle along with strengthened financial system and structural reforms will provide impetus to economic growth going forward," the report said.

STAYING OPTIMISTIC

On Thursday, Moody's Analytics said India is headed for slower growth next year more in line with its long-term potential. On the upside, inward investment and productivity gains in technology as well as agriculture could accelerate growth. But, if high inflation persists, the RBI may take its repo rate well above 6 per cent, causing GDP growth to falter.

◎ GROWTH PATH

FinMin report says re-invigorated investment cycle, resilient domestic demand, along with strengthened financial system and structural reforms will provide impetus to economic growth going forward

However, the Finance Ministry report was still optimistic and listed seven reasons for the same. In a world where monetary tightening has weakened growth prospects, India appears well-placed to grow at a moderately brisk rate, it said.

It said private sector balance sheets are healthy and incipient signs of a new personal sector capital formation cycle are visible. But, more importantly, when the private sector turned cautious due to its balance sheet stress, the government raised capital expenditure substantially.

FURTHER UPSIDE

"Continued macroeconomic stability, of which fiscal prudence is a part of, and execution of various path-breaking policies ... to boost the manufacturing share lend further upside," said the report.