

● INVESTMENTS, STRUCTURAL REFORMS TO BOOST GROWTH

Global slowdown to dampen India's exports: Finmin report

Inflationary pressure to ease further in coming months

FE BUREAU
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EASING GLOBAL COMMODITY prices and new kharif crop arrivals will dampen inflationary pressures in the coming months, and the pass-through of higher input prices to retail inflation is near complete, the finance ministry said in its latest monthly economic review report on Thursday.

India is well placed to grow at a moderately brisk rate in the coming years on the back of macroeconomic stability, despite the global monetary tightening, it said. So far in the current year, India's food security concerns have been addressed and will continue to receive the utmost priority from the government, according to the report.

"A rapid deterioration in global growth prospects, coupled with high inflation and worsening financial conditions, has increased fears of an impending global recession. The 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."

Merchandise exports declined 16.7% on year in October, the first drop in 20 months and the worst slide since May 2020, when a nationwide lockdown was imposed to contain the Covid outbreak. The World Trade Organisation recently warned of a darkened 2023 and projected that global trade growth will drop to only 1% next year from 3.5% in 2022.

India's retail inflation, which is measured by the Consumer Price Index (CPI), eased to a three-month low of 6.77% in October.

The wedge between CPI and WPI inflation has been closing again due to two reasons, it said. First, a moderation of international commodity prices has led to an easing of wholesale inflation. Second, the pass-through of input prices by producers to consumers amid robust demand has led to an increase in retail inflation.

"Thus, the gap has narrowed to 1.6% in October 2022 signalling that higher input prices pass-through is near completion. The magnitude of the pass-through of input cost to retail inflation is likely to be lower in the coming months."

Continued macroeconomic sta-

MONTHLY ECONOMIC REVIEW

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bility, of which fiscal prudence is a part, and execution of various path-breaking policies such as the Gati Shakti, National Logistics Policy and the Production-Linked Incentive schemes to boost the manufacturing share of employment lend further upside to India's growth prospects, it said.

Hiring by firms is likely to witness an improvement in the upcoming quarters, driven by a rebound in new business hiring as firms continue to benefit from the lifting of the Covid-19 restrictions and optimism engendered by the vigorous sales volumes experienced during the festive season, the report noted.