Indias Growth at 7.5%

The article is related to
General Studies-Paper-II& III
(Governance, IR & Indian Economy)

The Hindu

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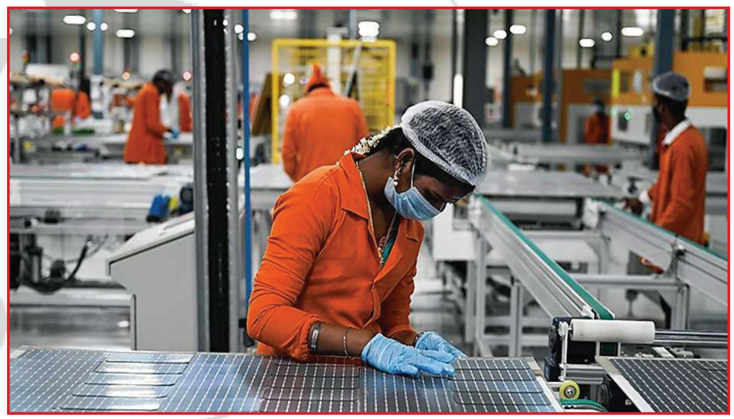
ADB projects India FY23 growth at 7.5%

Elbow room: The ADB expects capacity utilisation rates in Indian industry to improve over the first half of 2022-23.

The Asian Development Bank (ADB) forecasts that India's GDP growth will moderate to 7.5% in 2022-23, from an estimated 8.9% in 2021-22. The multilateral lender, however, sees the pace picking up in 2023-2024 to reach 8%.



The ADB has factored in the Russia-Ukraine conflict's implications for India, which would be largely indirect through higher oil prices, and has assumed that the severity of the COVID-19 pandemic would subside with a rise in vaccination rates.

Although oil prices will exert upward pressure on inflation, the impact would be moderated by fuel subsidies and oil refineries stocking up on cheap crude from the Russian Federation, the ADB noted, predicting an average inflation rate of 5.8% in 2022-23, and 5% in 2023-24. There would still be an upward pressure on consumer prices with oil prices expected to average more than $100 a barrel through 2022.

In its Asian Development Outlook report released on Wednesday the bank stated that food prices were expected to rise in tandem with increasing commodity prices.

Higher public capital spending was expected to improve the efficiency of India's logistics infrastructure, crowd-in private investment, generate jobs in construction and sustain growth, the bank said, emphasising that economic activity this year would hinge on catalytic effects of public investment.

The ADB expects capacity utilisation rates in Indian industry to improve over the first half of 2022-23, creating room for fresh investments, as private consumption could pick up amid the ebbing pandemic severity and mobility restrictions.

A key Challenge

"Inflation will accelerate and the current account deficit will widen due to the surge in global oil prices," it said, identifying the mobilisation of domestic resources as a key challenge at 'all levels of government' as India's tax to GDP ratio of about 17% has been largely unchanged since the early 1990s.

Mobilising resources was particularly challenging for the State governments and improving their fiscal resources was critical for India's sustained and inclusive growth, the lender said.

"This is especially important because of rising State fiscal deficits since 2011-12 and higher ratios of State debt-to-GDP since 2015-16. Worsening State finances have macroeconomic implications, especially on general government finances," the ADB noted. India's general government debt, a third of which was accounted for by the States, touched almost 90% of the GDP in 2020-21 and was expected to stay high in the medium term.

Stressing that States were constrained in 'how much and from where they can borrow', the ADB highlighted that the implementation of the Goods and Services Tax had reduced their autonomy to raise revenues.

Expected Question (Prelims Exams)

Q. Consider the following statements.

1. Asian Development Bank (ADB) was established in the year 1966, with head office at Manila (Philippines).
2. Asian Development Bank has 67 members from the Asia Pacific region.

Which of the above statements is /are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) None

Expected Question (Mains Exams)

Q. Discuss the role and functions of Asian Development Bank. **(250 Words)**

Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC main examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.