

India is better placed than others to face inflation, says CEA Nageswaran

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Arup Roychoudhury | New Delhi June 01, 2022 Last Updated at 01:04 IST



Chief Economic Advisor V Anantha Nageswaran

that high global prices of commodities with significant import dependency was a concern with regard to items like crude oil, edible oil, fertiliser, metals, etc. Among other headwinds, he listed tightening of monetary policies in most countries, supply chain bottlenecks, delays and shortage of key inputs and potential global recession with an impact on export growth for India.

“Balancing growth, inflation, fiscal and current deficits and the external value of the currency will be the continuing policy focus this financial year,” Nageswaran said.

India faces the continued risk of inflation but is better placed than many developed and developing countries to face the situation, Chief Economic Advisor V Anantha Nageswaran said on Tuesday, adding that the risk of stagflation in the economy was rather low.

“Stagflationary risk to India is quite low compared to other countries,” he said at a media briefing after the release of FY22 and January-March GDP data. “India’s problem in handling inflation is not an isolated case. However, it is better placed than other nations as the fiscal and monetary authorities have both taken steps to alleviate the pressure,” Nageswaran said.

Stagflation is the phase when an economy faces moderation in GDP growth as well as high inflation.

India’s real GDP grew by 8.7 per cent for the year ending March 31, 2022 compared with a contraction of 6.6 per cent for the same period last year. For the January-March quarter, the economy grew 4.1 per cent.

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Nageswaran said that except contact services like hospitality, tourism and leisure, all other sectors had bounced back to register a strong recovery compared to pre-pandemic levels and that the economy primarily showed strong growth in FY22 on the back of exports and government spending.

When asked about the precarious fiscal situation in FY23, Nageswaran said that inflation may lead to nominal GDP for the year being higher than the budgeted 11.2 per cent, which will help keep the fiscal deficit in check.

Speaking about the headwinds for the economy, primarily due to global conditions, Nageswaran said