

New India: The world's next engine of growth

written by iasexam.com | 10/01/2023



Context - The pandemic has proven to be the breakout moment in India's long overdue emergence as the world's next engine of growth. New India is bearing fruit at a time when one-third of the world's economy is facing a slowdown.

Speaking at FICCI's 95th annual general meeting, the Finance Minister said that the upcoming budget will set the template for the next 25 years, which is India's Amrit Kaal.

Current Global Outlook

- **Prospectus of global growth** - According to the International Monetary Fund (IMF), global growth will nearly halve to 3.2 per cent in 2022 and fall further to 2.7 per cent in 2023, reflecting stalling growth in the US, China and the Euro Zone.
- **Global inflation** - Higher food and energy prices have led to global inflation peaking at 8.8 per cent in 2022 which is, however, expected to decline to 6.5 per cent in 2023 and 4.1 per cent in 2024.
- **Failure of Developed Nations to tame Inflation** - Developed nations have adopted excessive stimulus measures. According to a report by the McKinsey Global Institute, in 2020 and 2021, households globally added \$100 trillion to global wealth on paper as asset prices soared and \$39 trillion in new currency and deposits were minted and debt and equity liabilities increased by about \$50 trillion and \$75 trillion, respectively, as governments and central banks stimulated economies.
- **Physical Pain inflicted by the Russia-Ukraine Conflict** - Meanwhile, the continuing

Russia-Ukraine conflict is inflicting fiscal pain beyond the immediate region

- **China's COVID Policy disrupting Supply Chains** - While China's Covid policy has disrupted supply chains, which are now once again threatened by a potential fallout of an abrupt reversal.
- **India's inflation is largely imported** - India's own fight against inflation, which is largely imported, has been aided by fiscal and monetary policy working in tandem with a little help from easing commodity prices.

India at a Bright Spot inspite of Challenges

1. **Fastest-growing large economy in the world** - However, India stands out as a rare bright spot with the economy estimated to grow around 7 per cent in FY23 and a growth forecast of 6.1-6.5 per cent in FY24, thus retaining the tag of the fastest-growing large economy in the world.
2. **Inflation coming down within RBI's tolerance level** - In an encouraging sign, retail inflation eased to 5.88 per cent in November, thus coming within the RBI's tolerance band after 11 months. While it is too early to declare victory in terms of taming inflation, policymakers must now chart out a path that prioritizes growth.
3. **India likely to become 3rd largest economy** - Having recently surpassed the UK to become the world's fifth-largest economy, India is likely to overtake Japan and Germany before the end of the decade to become the third-largest economy in the world.

What India has to share with the World?

- **G20 leadership to bring about structural transformation** - Its priority as G20 president is to focus on areas, which have the potential to bring about structural transformation leading to accelerated, inclusive and resilient growth.
- **Concept of LiFE for a sustainable lifestyle** - Similarly, the concept of LiFE (Lifestyle for the Environment) draws upon ancient sustainable traditions to reinforce modern-day environmentally conscious practices.
- **Knowledge sharing** - Finally, knowledge sharing in areas like digital public infrastructure and financial inclusion will enable the wider adoption of disruptive technologies.

Conclusion

Investors both domestic and global must now come forward and participate in the India growth story which, in turn, will give a much-needed boost to global growth going ahead. Speaking at the World Economic Forum last year, PM Modi said "Make in India, Make for the World". There has never been a better time to invest in India and reap the benefits of what it has to offer.