Global Challenges for Indian Economy

What is the issue?

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Indian economy is facing a challenging situation due to various protectionist measures taken globally.

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What are the concerns with Indian economy?

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- Economic growth for 2018 has been assumed by the government at less than 8 per cent, which is lower than that in FY16.
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- The Capital Account Deficit is high and quantum of investments from foreign investors are in stagnation.
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- Private investment also appears to be stagnant while states are also not in a position to invest given their tenuous fiscal structures
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- India is facing a banking conundrum such has higher unidentified NPAs, limited resolution of the IBC cases, capital shortages for growth of banks.
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- The stock market has been aggressive in FY18 where it was hard to find linkage with fundamentals and might face further stress.
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- Thus the comfort which was experienced by Indian economy on several fronts in the last fiscals may not be available now and it can potentially cause volatility.
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How global polices affects Indian economy?

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- In recent times most of protectionist policies of the West are aimed at high spending on infrastructure which would provide opportunity for investors.
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- USA’s ‘America First’ is aimed at making the US a powerful economy through a strong dollar policy affects Indian rupees.
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- US policy will also mean reversal of capital flows from emerging markets.
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- A stand-off on the trade war between the US and China is existing, therefore the India cannot expect high returns.
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- An unchanged level of uncertainty on the political relations in the oil world affects the petroleum prices in India.
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What measures needs to be taken by the government?

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- Government is taking various measures in its policy for recapitalization of banks and taking banks out of their debt crisis.
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- Disinvestment plans for getting released from stressing PSUs will help government to revive its growth target.
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- Since FY18 is pre-election year government cannot introduce any radical economic reform government need to find out policies to manage the changing global scenario.
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Source: Business Line

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