8/7/22
GS-3

Government can consider reviewing its fiscal capacity and to stimulate growth and mitigate the effects of high inflation & interest rate. Analyse.

India has rebounded in the economic sphere of turmoil accounted by high fuel prices and geopolitical strifes.

India and current account deficit

India's CAD in first quarter of this year was 2.7% of GDP. The tight monetary policy of the federal reserve resulted in capital flight of the institutional investors consuming our forex.

The inflationary threat is addressed by increase in duty on gold imports and impositions of windfall taxes. The GST collections are also robust with several items added in upward bracket in the raised GST council meet.

The further fall in crude oil prices and industrial metals will reduce high import costs. However, the merchandise export remains dull due to ~~with~~ which the deficit may extend from 1.7% of GDP

If, the crude oil supplies pick up and the ~~inter~~ inflation rates are reduced our exports will become competitive measures such as Remission of duties on exported products (RoDTEP) and retail direct scheme, hydrocarbon exploration projects can streamline deficits in longer run

A combination of actions on interest and inflation side can stimulate growth and bring our economy towards path of fiscal prudence.