

GS-3 - Economy.

4. What are the global factors impacting India's economy? Critically analyze the measures taken by RBI to control the inflation that remained high for most of the year.

2022, Global economy has seen major downturn due to various factors like spiking inflation and supply chain disruption due to geopolitical tensions. These factors impacted India's economy development prospects.

Global factors impacted India's Economy

1. Russia-Ukraine war → led to disruption of supply chain across the world. Food, fuel prices have spiked.

Effect on India.

- i) For the upcoming budget it is estimated.
8% of food subsidies expenditure
- ii) In order to address the food price spikes - supplementary funds has been sourced to expand the free food grain upto dec 2022 - ^{as} food subsidies
- iii) fertilizer subsidies also spiked due to global price hike

Inflation → impact

1. Due to supply chain disruption due to war. - food prices especially - wheat, fertilizer, and others increased - translated on consumer price hike.
2. US - has faced 40 year high - inflation
3. India too faced high inflation breaching 6%.
upper tolerance level - > 10 months peaking 7.8%.

Measures to cool - Inflation

1. Reserve bank of India → increased Rate hikes at rate of 50 basis point → from 4.9% to 6.25%.
2. Major food items like wheat exports has been banned.
3. Ban on rice exports for domestic availability.
4. petrol and fuel prices has been largely kept

unchanged for several months.

5. Inflation has reached 5.9%, recently, largely due to decline in vegetable price. ~~drop~~ But pulses & cereals price remains high.

Government is taking measures to control price hike in pulses & cereals.

way forward

Though the situation seems dark-

World bank projected India's growth at 6.9%, highlighted Indian economy's resilience ~~across~~ cutting across global headwinds. Recently

emerging B.7 variant ^{seems a} threat, for the upcoming year