

India's Resilient Economy Poised For Revival; Variants Withstanding

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In the early half of this year, India was caught unaware and became one of the worst impacted nations by the deluge of the second Covid-19 outbreak. The pandemic was not just one of the worst health and humanitarian crisis but the second-wave further created major economic setback for nations across the world impacting the overall growth trajectory. However, equipped with strong macro and micro growth drivers, India is expected to recover and grow faster than earlier predictions. As we look back the world is now sampling a possible encore in an infectious new coronavirus strain in Omicron. Several European nations announced their first cases, as governments worldwide have started pulling down the shutters to contain the spread. With the risk of Omicron spreading globally, we must be well prepared & cautious as warned by WHO.

Will be hygiene to call out the obvious criticality of a robust and fully operational public health infrastructure. Continuation of vaccination drives, upgrades to existing availability in boosters, across the country – supported by close public private partnerships is sacrosanct. The Government's efforts should be lauded for taking several initiatives to accelerate vaccination at a mass scale which will have far-reaching health implications in saving lives but also is the foundation for economic resurgence.

That said, if the impact isn't violent and we are able to contain it – as per the latest IMF estimates, India is expected to grow at 8.5% retaining its position as the fastest growing economy in 2022. **According to Brickwork Ratings, India's GDP is expected to grow at 10-10.5% in FY2022 from an earlier expectation of 9% growth. The WTO predicts merchandise trade volume growth of 10.8% in 2021 followed by a 4.7% rise in 2022. These economic drivers augur well for India as it provides an opportunity to enhance our exports on the back of rising manufacturing capabilities.**

Additionally, owing to the country's thrust on infrastructure investments, positive consumer sentiment, as well as increased Government expenditure in managing the fiscal deficit is likely to unlock new opportunities. With a large agrarian economy, good monsoon, and initiatives such as PM KISAN Yojna, Jal Jeevan Mission, and electricity for all have assisted in delivering robust growth supported by rural demand. The pandemic brought to the fore the buoyancy of the rural economy which demonstrated greater resilience and swift recovery. These emerging growth indicators highlight the resilience of the Indian economy despite the devastating impact of the pandemic.

Over the last year, the Government has played a pivotal role in creating a conducive economic environment encouraging entrepreneurship, innovation, and domestic growth opportunities making India an attractive FDI destination. Flagship Initiatives like 'Make in India, for the world' and 'Atmanirbhar Bharat' have already gathered headwinds and have been instrumental in stabilizing the economy during volatile times fast becoming the backbone for growth. Additionally, the Centre's latest initiatives including National Monetization Pipeline (NMP), Gati Shakti give impetus seamless movement of goods, services, and people which will create a multiplier effect on the economy and create employment opportunities.

With impetus on digitalization, India is now home to the second largest number of internet users in the world and continues to grow. With organizations rapidly embracing digital transformation catapulted by the pandemic, the Indian IT industry is ever booming coupled with a vibrant start-up ecosystem. Despite the challenges posed by the pandemic, India's start-up industry remains a cradle for several unicorns with promising foreign inflow as well as many raring to make their IPO debut amongst positive market sentiment.

With the capex to gross domestic product (GDP) ratio expected to rise by 6% points between FY21-FY26 (Morgan Stanley), it is a clear inflection point for India's macro environment. I personally believe the young and agile workforce of India, improved women participation, and rapid urbanization will further push the economy. What fascinates me is India's dynamic creativity and innovative mindset amidst a highly competitive global landscape.

While India is on its path to recovery, there is an urgent need to undertake stronger reforms to safeguard the economy against global challenges emanating from rising crude oil prices, increasing input and raw material costs, energy crisis from coal supply. We also need to closely monitor areas leading to economic erosion especially concerning illicit trade. Furthermore, stronger collaboration between Government and Corporate India is sure to make India emerge stronger from the pandemic.