



EAC Newsletter

May 2022

With the world economy still recovering from the pandemic Covid-19, the Russia-Ukraine crisis has created another roadblock in the recovery process, negatively impacting the sentiments of stakeholders of the socio-economic development of the many economies. At domestic front, the economy is experiencing high inflation, being stoked by upward pressure created on crude oil prices and other commodity prices by the ongoing geo-political conflict.

Though RBI's recent step is considered to address the inflationary pressure, 40 bps hike in the repo rate and 50 bps hike in Cash Reserve Ratio (CRR) will hurt the consumer and business sentiments. Economy is still recovering from the pandemic impact of Coronavirus, yet there are worries from geo-political developments, such as likely contagious impact on trade and finance.

Nevertheless, the pace of India's economic activity is expected to remain strong on the back of various structural reforms undertaken by the Government during the last 2 years. This is visible by the all-time high PHDCCI Economy GPS Index at 145.5, supported majorly by the growth of GST revenue collections, which shows that FY 2023 has embarked with high economic activity.

The gross GST collections in April 2022 went all time high breaching earlier record of Rs. 1,42,095 crore collected in the Month of March 2022 and has recorded a sequential growth of 17.9% in April 2022.

At industry output front, the IIP growth at 1.7% in February 2022 is encouraging as compared to the level marked in last three months of 1.5% in January 2022, 0.7% in December 2021 and 1.0% in November 2021. On the back of improved business sentiments, rejuvenation in industrial activity and strong performance of the various economic and business indicators, the uptick has been registered in the growth of IIP.

At this juncture, there is a need to address the high commodity prices and shortages of raw materials to support the consumption and private investments in the country. India is

currently witnessing cost push inflation, therefore, the supply side measures from the Government will substantially support to contain inflationary pressures. Further, the innovative measures by the RBI could result in maintaining the liquidity in the economy. The RBI is urged to remain accommodative and repo rate should come down to the level of 4%. Any increase in the interest rate will further impact the costs of doing business, which are already high viz-z-viz high raw material cost. The overall focus is required on preserving macro-financial stability in the economy.

EAC Newsletter for the month of May 2022 is available at [click here](#).

We welcome your suggestions and comments for the same.

Warm Regards,

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