



PHD Research Bureau
PHD Chamber of Commerce and Industry



EAC Newsletter

July 2022

The Indian economy is on the road to recovery despite challenges arising from geo-political distress. The passenger vehicles have registered a y-o-y growth in the recent months indicating towards the demand activity pick up. However, the demand for two wheelers needs revitalisation, given the cramped rural demand. The ongoing rise in fuel prices and crude oil prices are slowing the pace of economic momentum. However, the newly imposed export duty on ATF and crude oil along with excise duties on petroleum products by the government is expected to control the cascading impact of high crude prices on end consumers and further inflation build-up.

The external debt of India has increased due to the increase in import value of crude oil, as the crude oil forms a major chunk of India's import basket. The fast paced depreciation in Rupee is advocated to the rising crude oil and fuel prices. Also, the rising interest rates in the US market are leading to capital outflows from the Indian market. This is another factor that the trade deficit of India has risen in June 2022 compared to in May 2022. Despite this, India has sufficient forex reserves to control the free-fall of Indian Rupee in times ahead.

In the coming times, a prevalence of good monsoon is expected to subside the food inflation. The India rural demand may revive in the coming months on the back of higher agricultural output, expectations of a better monsoon and government support through policies as well.

The risks of stagflation are low in India compared with the rest of the world. Though inflation is high, the economic demand is slowly recovering and given the pace of employment and hiring process by the companies in the Q1 of 2023.

Despite the ongoing pitfalls, the major macroeconomic fundamentals are strong of Indian recovery, on the back of high GST collections every month, rise in the SENSEX activity, encouraging core infra and IIP indicating fast paced manufacturing activity and high service sector PMI.

Going ahead, balancing growth, inflation, fiscal and current deficits and the external value of the currency should be the continuing policy focus for the government this

financial year.

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We welcome your suggestions and comments for the same.

Warm Regards,

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