

INDIA'S SLOWING ECONOMIC RECOVERY FACES FRESH GEOPOLITICAL RISKS

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

India's economy is growing slower than previously forecast after the latest wave of coronavirus cases earlier this year hampered activity and as risks mount from higher prices of commodities amid Russia's invasion of [Ukraine](#).

Gross domestic product probably expanded 9.1% in the year to March 31, the quickest pace among major economies, according to the median estimate in a Bloomberg survey ahead of official data to be published Monday. That's slower than the 9.2% expansion seen in both the previous survey and official statistics ministry estimates last month.

The loss of momentum comes amid disruptions from waves of virus outbreaks and lingering external risks, most notably from high commodity prices that are being exacerbated by the Russia-Ukraine crisis.

A slower pace of expansion could hurt investment and job creation, testing fiscal and monetary policies that have remained loose despite rising inflation pressures.

Asia's third-biggest economy is facing a "drag in manufacturing output and impact of omicron variant in contact-intensive sectors," said Sameer Narang, an economist with ICICI Bank Ltd.. "Geopolitics remains a risk."

Higher oil prices can worsen the outlook for inflation and impact disposable incomes in a nation where private consumption accounts for some 60% of GDP. It can also widen the current-account gap and be a drag on the rupee, which last week was the second-worst performer among 11 Asian currencies tracked by Bloomberg.

Quarterly GDP data, also due Monday, is expected to show growth slowing to 5.9% in the final three months of 2021, from an 8.4% expansion in the preceding quarter. That was before the omicron variant of the coronavirus began spreading earlier this year, forcing many Indian states to impose curbs.

Prime Minister Narendra Modi's government last week flagged that the pandemic recovery will be challenged by geopolitical risks.

"When value chains are facing challenges and threats because of these disturbances, our recovery, not just for India, but countries everywhere will be severely hampered," Finance Minister Nirmala Sitharaman said Friday. "Hopefully, some kind of restoration of peace at the earliest will happen based on which recoveries can be sustainable"

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