17/22 With a depreciating currency and rising inflation

5-3 prospects of sustaining investment and economic recovery are likely harder. Comment.

The India rupee has depreciated 7% against the dollar since January 2022 making dollar ₹80. At this juncture it is likely harder for sustaining investments and recovery.

Hammering inflations and depreciation

Due to increased depreciation, the imported items mainly oil is costly and it increases the inflation. In a positive note the fixed investment to GDP ratio has increased to 32% from 30%.

The gross capital formation for sectors stands as services > Industry > manufacturing and industry

The GCF for agriculture

reduced from 7.7% and 33% to 6.2% and 32.5% respectively from 2014-15 to 2019-20.

The crowding in effect happens only when there is public investment. The share of road in services sector doubled from 6% to 13%. Due to higher depreciation the foreign capital financing GCF fell from 4% to 2.5% as result GCF in manufacturing decreased 19% to 16.5%. Imports from China were also on the rise.

Way forward

Governments' effort in public investment led economic growth is crucial. Schemes such as Gati shakti can add strength. The make in India scheme must be revamped to meet the current existential crises.