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Economic outlook for FY23 hinges on private consumption, investment demand: Report

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Synopsis

"Overall, various high-frequency indicators have been exhibiting a mixed trend so far in FY23. While indicators such as GST, E-way bill registrations, credit growth and PMI services have been performing well, others continue to lag. As a result, the economic recovery has remained uneven," the rating agency said.



Though there are signs of easing commodity prices, the economic outlook for the current financial year 2022-23 remains quite uncertain and will ride completely on the wheels of [private consumption](#) and [investment demand](#), said a report.

However, it is difficult to say if the decline in trend in commodity prices will continue amid a volatile economic environment, rating and research agency CareEdge said in the report, adding, that slowing global GDP growth, however, could also have a bearing on the economy.

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Challenges on account of geopolitical risks and inflation continue to hamper the growth momentum, whereas consumption demand is improving, albeit at a slower than desired pace.

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"CareEdge Economic Meter (CEM) continued on the downward trajectory in June for the third straight month. The score eased to 5.4 after ending the previous financial on a high of 7.6. The moderation in the score, in part, reflects the cooling down of pent-up demand following the Covid-19 third wave," it said.

Additionally, the economy is currently dealing with inflationary challenges which have particularly impacted the manufacturing sector, consumption has been slow to recover amid growing inflationary expectations.

Financial sector volatility amid growing interest rates, fund outflows, and weakening of domestic currency are some other challenges impacting the pace of the economic recovery.

That said, with progress in rainfall and improved [Kharif](#) sowing in July, the demand for agricultural laborers is expected to rise, which may bode well for rural employment as well as rural consumption demand.

Urban employment, too, is expected to gain from the rising economic activities, it added.

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