How India Is Able to Control Inflation During the Russia–Ukraine War

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EXECUTIVE SUMMARY

The case study focusses upon the control of inflation in India during the time of higher inflation rates globally. Post pandemic and Russia-Ukraine war have had a great negative impact on ongoing slow growth of the economies globally. All the economies all over the world are facing economic instability, having higher inflation and increasing unemployment in the economy. The study discusses the policy regarding crude oil, which is a major contributor in Consumer Price Index for inflation, increase in exports of agricultural products, and gains in trade from the trade of fertilizers. The case will try to study the impact of Russia-Ukraine war on the economy in context of India, draw attention towards the situation faced by the countries after the sanctions on Russia implemented by them. How the countries globally are facing energy security and India through its policy is importing many of the commodities at discounted prices compared to prices in the international market.

INTRODUCTION

The outbreak of war situation is always very crucial for the world not only in the political and economic sense but also in the aspect of human lives. The hit of the pandemic coronavirus on global economic activity is not over yet. Countries are struggling to gain momentum and stability in productivity and economic activities yet to recover the losses; the Russia- Ukraine war broke.

The global connect today is so strongly interlinked that a country like Russia being an economic power, its decisions certainly hamper the economies globally. The war being inhuman can never be supported and advised in any situation. Along with the loss of lives and inhumanity, it also impacts trade (export/ import), GDP, economic imbalances, inflation, and scarcity of goods and hits strongly each sector of the economy globally.

The case will try to study the effect of the war between Russia and Ukraine on the economy in the context of India. The case will draw attention to the situation when the European countries were facing inflation along with the job cuts; how India was able to reduce its ever-increasing inflation rate which continued since the impact of COVID-19. The case discusses the policy adopted by the Indian government during the war period, foreign policies, foreign trade, and the results which helped India to control inflation and managed for itself energy security.

As the war between Russia and Ukraine started, economists and experts believed that there will be a very severe impact on the world economy. Coupled with the post-COVID-19 and high prices of crude oil, the development and recovery of the economies in the world presented a challenge.

IMPACT DUE TO SANCTIONS ON RUSSIA

The invasion of Russia on Ukraine led to many economic sanctions on Russia by the countries like U.S.A., European nations, Canada, and other international organizations in order to limit Russia's access to money. Sanctions are basically the penalties that are imposed on any country when they break any international law. Some of the sanctions or penalties being imposed on Russia are- the removal from the system of Swift which would delay the payments of exports of gas and oil to Russia by banning banks of Russia from the International financial managing system. to other nations, a ban on oil, and refined oil, freezing of plans of gas pipelines by Germany, stopping of coal imports by European Union, etc.

This has shocked the global economy which is struggling yet to recover from the pandemic. The sanctions being imposed have disrupted the global supply chain which has led to slow economic growth and high commodity prices all over the world, leading to high inflation rates all over the world. IMF forecasts that there will be a slowdown of growth in the economy from 6.0 percent in 2021 to 3.2 percent and 2.7 percent in the year 2022 and 2023 respectively. Traditionally European Union has been Russia's strongest economic partner are now facing the greatest economic disruption. It is because European countries are majorly dependent on their energy requirements and the imports from Russia in crude and natural gas.

The sanction and ns have also disrupted the global market of grain and fertilizers. Russia is the largest exporter of wheat in the world and has a major share in the global export of fertilizers. However, the import and export of agricultural trade are being exempted from the financial sanctions being imposed on Russia, in view of the global food security.

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