



China's economic slowdown – Impact on India

Description

Theme:

- China's economy is slowing down due to the zero-covid policy (mass testing, strict isolation & lockdowns). After the arrival of covid vaccines, most countries stopped the zero-covid strategy. But as of August 2022, China is still pursuing it. As a result, sales, factory output & other economic activities slowed down. Asian Development Bank (ADB) has cut China's GDP growth forecast to 4% in 2022, down from an earlier estimate of 5%.

China's economic slowdown – Impact on India:

- China is the world's largest crude oil importer. So, crude oil prices have dropped significantly due to economic slowdown in China. As India imports more than 80% of its crude oil requirements, the import bill will reduce and hence will help India's economy. It can also result in the strengthening of the value of Rupee.
- Many countries are adopting China plus one policy, in which companies avoid investing only in China and diversify their businesses to other destinations. This will speed up due to China's economic slowdown. It is a big opportunity to many countries including India to make better trade deals with major economies.
- 5.04% of India's total exports are to China. As sales dropped in China, it will significantly impact the exporters in India.
- 15.43% of India's total imports are from China. India is importing a lot of raw materials that are useful for many industries including electronics, pharmaceuticals. As factory outputs are dropped in China, India has to bring these materials from other sources, which can increase the costs. This can result in increase in prices of some output products. As India along with many countries is struggling with inflation, impact on imports from China can further worsen the situation.

Conclusion:

China's economic slowdown offers India an opportunity to make better trade deals with major economies as many countries are actively working reduce their dependence on China. Moreover, the reduced crude oil prices can reduce India's import bill and can strengthen the value of Rupee.

Your Turn...

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References:

- [Will India gain or lose from the China slowdown?](#)
- [China's Slowdown Spills Over to Major Economies Through Imports](#)

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