

'NARENDRA MODI DIVIDEND' MAY PUSH UP GROWTH, ECONOMY SET TO GROW BY 6.4% IN 2015-16: WORLD BANK

NEW DELHI: A 'Modi dividend' could lift India's economic growth to 6.4% in 2015-16, the World Bank has said, referring to a possible boost to the animal spirits of entrepreneurs due to the coming to power in May of a government perceived to be more market-friendly than the previous one. "The Indian economy, 80% of the (South Asia) region's output, is set to grow by 6.4% in 2015-16 after 5.6% in 2014-15...India is benefiting from a 'Modi dividend'," noted the World Bank's bi-annual report, South Asia Economic Focus. Apart from the rather unusual personalisation of the sources of India's economic growth, the report is otherwise along conventional lines.



China's Growth Will Slow to 7.2%

The World Bank calls for structural reforms and prudent macroeconomic management for a better medium-term outcome. "The Modi effect is definitely playing out as far as capital inflows are concerned. Inflation needs to trend downwards, but the external and fiscal positions look very promising," said Soumya Kanti Ghosh, chief economic adviser at SBI. He added that the current year's growth could turn out to be higher than the 5.6% estimated by the World Bank. As far as India's giant neighbour is concerned, the World Bank has estimated that China's growth will slow to 7.2% next year, a cut from the 7.5% estimated in April this year. The bank also does not see any threat for India because of the likely withdrawal of US monetary stimulus over the rest of 2014 and 2015, as the economy is now stronger in terms of its ability to manage current account.

India's economic growth will accelerate to touch the 7% mark in 2016-17, according to the report, which took note of recent policy measures undertaken. These include liberalisation of foreign direct investment in railways and defence, disbanding of the Planning Commission and its replacement by an economic advisory body, financial inclusion as well as actions to simplify land acquisition and reform labour laws. India's economy turned around sharply in the first quarter of 2014-15 to grow at 5.8%, bucking the dismal sub-5% growth of the last two years. "India's growth performance remains strong vis-a-vis emerging market peers," the World Bank said. Private investment is expected to pick up thanks to the new government's business orientation and declining oil prices should boost private sector competitiveness, it added. "The 'Modi Dividend' is coming out from the positive sentiment, as reflected in the stock market.

All economic indicators look positive, aided by the base effect and actual recovery in some areas. But there is a lot of resolution shown by the government in areas like fiscal deficit and current account deficit. We expect economy to see an all round recovery soon," said Madan Sabnavis, chief economist at CARE Ratings.