

Indian economy to grow at 7.4% in FY16: Ficci

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The Indian economy is expected to grow at 7.4 percent in the current fiscal, slightly lower than 7.6 percent projected in advance estimates of Central Statistics Office, industry body Ficci said today. "The results of latest round of Ficci's Economic Outlook Survey put across a median GDP growth forecast of 7.4 percent for the current fiscal year," it said. Earlier this month, the CSO had estimated that Indian economy is expected to record a five-year high growth rate of 7.6 percent in 2015-16 on improved performance in manufacturing and farm sectors. The Ficci poll was conducted during January/February 2016 among

economists belonging to the industry, banking and financial services sector. According to its results, agriculture sector is expected to record a growth of 1.7 percent in 2015-16, 0.3 percentage points lower than estimated growth in the previous round. "Rabi sowing has been low in many areas owing to relatively warm winter this season. Industrial growth is projected to



improve to 7.1 percent in 2015-16, while services sector growth is estimated at 9.7 percent," it said. The outlook of the participating economists on inflation remained moderate. The median forecast for Wholesale Price Index based inflation rate for 2015-16 has been put at (-)1.8 percent, with a minimum and maximum range of (-)2.8 percent and (-) 0.4 percent, respectively. The Consumer Price Index based inflation has a median forecast of 5 percent for 2015-16, with a minimum and maximum range of 4.6 percent and 6.3 percent, respectively. In addition to the projections on key macro parameters, the poll asked economists to list their top expectations from the forthcoming Union Budget 2016-17. The participating economists unanimously felt that there is an urgent need to strengthen the domestic capex cycle and it would remain most imperative to give a thrust to investments in infrastructure sector. Also, they said, taking further measures towards assuring ease of doing business will be important. Further, the respondents said that they expect greater efforts towards promotion of M SME s, especially those based in the rural areas in order to boost employment levels and the rural economy. It was also suggested

that the limit of original investment in plant and machinery/equipment for classification of M SME units needs to be revised. The participating economists said that they look forward to passage of GST and Bankruptcy Bill in the ongoing Budget session. They also suggested that a clear roadmap for rationalising corporate tax should be laid down in the Budget. Pointing out that expanding revenue base and lowering the tax burden on middle class remains vital, the economists felt that more disposable income in hands of people would give a thrust to domestic demand. Higher income tax exemption limits for home loans and infra bonds is also desirable, they said. It was felt that as the agricultural sector has been under tremendous strain for the past two years, more farmer centric schemes to protect against adversaries should be announced in the forthcoming Budget. The economists said that they look forward to government sticking on to the path to fiscal consolidation but not at the cost of curtailing productive expenditure. They were of the view that both fiscal and monetary policies are important and we cannot really afford to lose sight of any one of these. "The task of striking a balance between growth, fiscal consolidation and inflation is challenging; but a discerning majority felt that at this juncture it remains imperative to give a thrust to growth," Ficci stated. It was pointed out that the government should continue to undertake productive investments even if that means a minor slippage in the fiscal target. The participating economists also mentioned that the government should continue trimming the revenue expenditure. The government should focus on raising divestment proceeds and a further rationalisation of subsidies should remain a priority. This would aid the fiscal consolidation process. The poll also sought views of the economists on whether the global economy is heading towards another recession, this time possibly led by China. Most of the economists agreed that the impact of a slowdown in China, which is the second largest economy, on global growth is inevitable. This is expected to cause some volatility in the system, especially on other emerging markets. However, the economists opined that a repeat of the 2008 crisis was unlikely but one can expect continuing divergence in growth rates of developed and emerging economies. The surveyed economists also felt that as China tries to rebalance, it will take a few years before the economy is able to get back on track. As far as impact on India is concerned, economists felt that the slowdown in China will have limited impact on India as we remain a domestic/consumption oriented economy with sound macro-economic fundamentals. On the top trends that will define 2016, the economists cited monetary policy decisions by central banks of countries like the United States, Japan, China and Eurozone; movement in the commodity prices, especially oil; Japan adopting negative interest rate policy and China further devaluing its currency; China's ability to stabilize its economy; among others.