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Fundamentals healthy, but growth skips many

SURVEYING ECONOMY NDA fares better than predecessors on macro indicators

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NEW DELHI: The Narendra Modi government will present its sixth (and therefore interim) budget on Friday. Full-fledged budgets are preceded by the presentation of an Economic Survey, a document prepared by the office of the Chief Economic Advisor (CEA), which conventionally used to contain a detailed discussion about various sectors of the economy. The document was given a broader ambit under the three previous CEAs; Kaushik Basu, Raghuram Rajan and Arvind Subramanian, who started including topics that went beyond the ritualistic annual discussion on the state of the economy in earlier surveys. Because it is an interim budget, incumbent CEA Krishnamurthy Subramanian will not be presenting an Economic Survey on Thursday and we will have to wait for the next government's budget to see whether the new Economic Survey will be different from its earlier versions.

Since there is not going to be an economic survey this year, HT has analysed important economic and policy indicators to provide a snapshot of the state of the Indian economy after five years of the present government. The analysis throws up two contradictory conclusions.

One, this government will leave the Indian economy with much better macro fundamentals – growth, inflation, external and fiscal deficits – than those it inherited from its predecessor. Two, this improvement has failed to ensure either widespread gains for various stakeholders or unequivocal confidence in economic observers.

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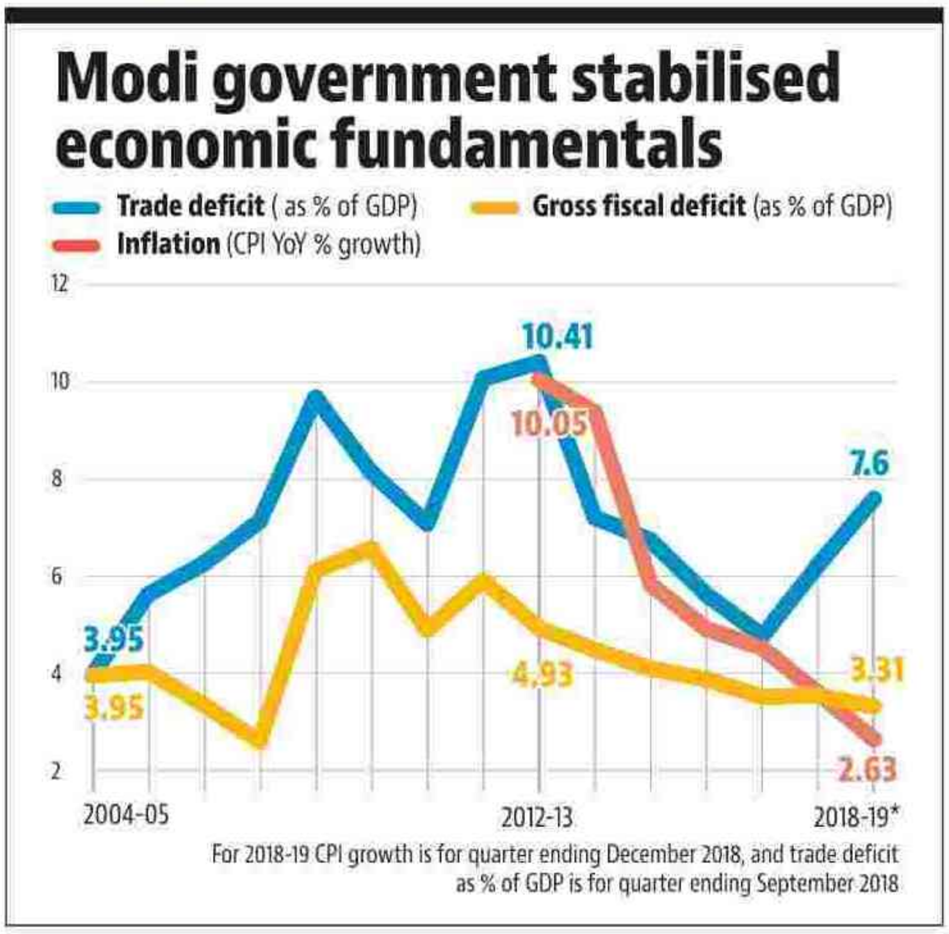

For 2018-19 CPI growth is for quarter ending December 2018, and trade deficit as % of GDP is for quarter ending September 2018

A significant part of the improvement in macro fundamentals is due to the fact that this government has not had to face high crude prices for most of its tenure. For a big oil-importing economy like India, crude prices are fait accompli in shaping macroeconomic outcomes.

The nature of growth under the present government has not helped the most employment-intensive sectors in agriculture, industry and services. This has prevented the fruits of higher growth from percolating to a large section of the workforce. Or, for that matter, creating jobs.

Last, but not the least, is the rising concern that the government has damaged what used to be a bipartisan institutional consensus about autonomy of institutions such as the Reserve Bank of India (RBI) and statistical agencies. Not only has this raised concerns about the robustness of in-built checks and balances in India's economic governance, serious doubts are being raised, and increasingly so, on the integrity of important economic indicators or the lack of them. Put simply, the data has enough doubters.

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