

# Indian economy to grow 7.2% this fiscal, says Deloitte report

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With the disruptive impact of demonetisation and GST waning, the Indian economy is expected to grow 7.2 per cent in 2018-19 on the back of an uptick in investment activity, a new Deloitte report said.

The report — India Economic Outlook Report 2018 — highlighted that the Indian economy has once again regained the tag of the “fastest growing economy”.

The economy crossing the 8 per cent rubicon now largely depends on how effectively the various policies, especially those related to structural and infrastructure reforms, are implemented, the report released here on Thursday said. “The main message from our report is that the disruptive impact of demonetisation and GST seems to be over and we can expect much higher GDP growth this fiscal than 2017-

18,” Richa Gupta, Senior Economist and Senior Director, Deloitte India, told *Business-Line*. Deloitte has not put out a growth forecast for 2019-20 in its latest report.

For the just concluded fiscal 2017-18, the GDP growth has been pegged at 6.7 per cent, higher than the CSO’s latest estimate of 6.6 per cent. She said there is general expectation of a pick-up in private investment and one could see its return in the

second half this fiscal. There are signs of rural demand pick-up, which augurs well for return of private investments after some gap.

## Domestic factors

Much of India’s growth bump up depends on domestic factors, although the global economic recovery could help boost export activity, Gupta said.

The Deloitte report sees the consumer price index (CPI)

inflation for FY19 coming in at an average of around 3.9 per cent, slightly below the RBI’s long-term target of 4 per cent.

“We expect inflation to remain high in the range of 5-6 per cent during the first six months of the calendar year, after which we are likely to see a decline as a relatively higher base is expected to cushion against higher inflationary readings,” the report said.

Gupta said Deloitte does not see any RBI repo rate cut this year. “We certainly don’t see a cut in interest rates,” she said. As for the possibility of a rate hike, much would depend on the data, she said.

The Reserve Bank of India has steadily cut the repo rate from 7.25 per cent in August 2015 to 6 per cent in August 2017. Since then the RBI has held the policy rate steady, with a greater emphasis on reviving domestic growth.