

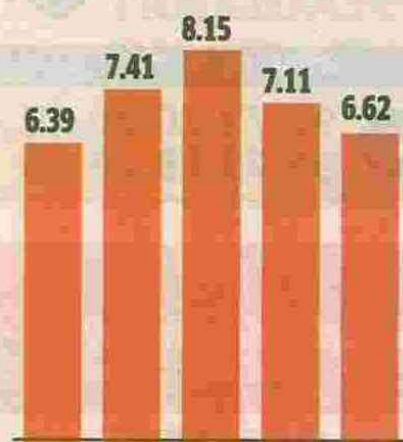
STATS OF THE NATION

Four years of the Modi govt: an analysis

Numbers can often be strung together to tell a story. But when each number has a story of its own, it is best to let them do their own talking: a reading of how the economy may play out in the fifth year of the Narendra Modi government. Most governments get into election mode in the last year of its term. Narendra Modi's government is different. The current dispensation has remained almost permanently in election mode, with the Prime Minister personally being involved in many state elections, with BJP often fighting these in Modi's name, often without declaring a chief ministerial candidate. Therefore, electoral signals have been spread out across the last four years of the government and mixed with economic reforms. The fifth year is not expected to be any different. No one really expects the government to be cautious either and expects it to pull out a few more rabbits out of the bag this year, too. The key fact that has the government enthused is that India is one of the fastest growing economies of the world, and is likely to emerge as the fifth largest. The economy is expected to double in seven years. This is a good proposition for any government to work with, be it in its last year or the first.

Growth on track despite disruptive reforms...

GDP growth at market prices (% YoY)



2013-14 2014-15 2015-16 2016-17 2017-18
 New GDP calculation method changed growth numbers. But it's clear despite note ban & GST, growth is back on 7% trajectory. Good rains will help Modi

...Oil started high, fell & is climbing again...

Crude oil price in \$/barrel



Modi govt started with crude at \$100/bbl. But then enjoyed a long period of modest oil prices. Costlier crude can be an election challenge

...Inflation has been moderate throughout...

Average annual wholesale inflation (% YoY)



Note: 2017-18 annual number not released
 Prices haven't become a political flashpoint, thanks to RBI, bumper harvests & easing commodity prices

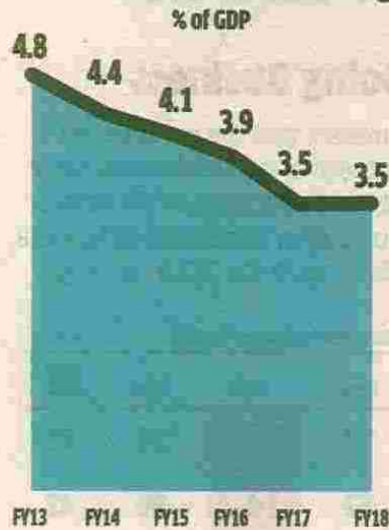
...But will the trend reverse with sharp rise in retail fuel prices?



Some Modi Moments: Drums, Yoga, Fans, Summits, Ceremony and, of course, Politics



Fiscal deficit is easing...



Modi govt has shown impressive fiscal conservatism, ignoring the temptation of boosting growth via pump-priming

...Strong rupee hurt exports initially but healthy \$ inflows kept BoP healthy

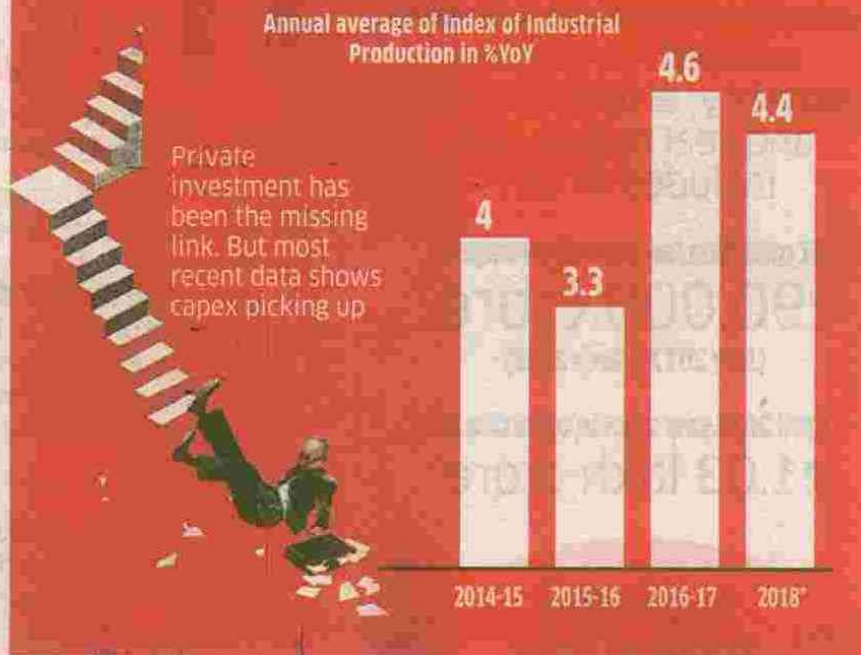


...But rupee has become weaker...
 (annual average, vs \$)



Modi govt started with relatively strong ₹ but change in US monetary policy & global uncertainty have hit the currency
 * Up to May 25, 2018

Industrial production recovered after a dip...



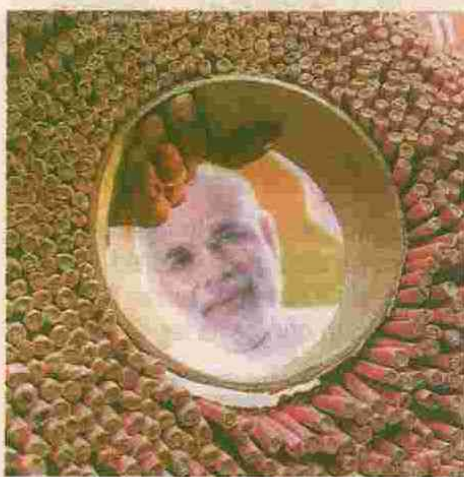
* March data

...The Sensex, however, has had a 4-year party



India's stock market has been among the best performing in the emerging economy group. Much depends on who wins the 2019 elections. Note: Figures are closing price; May 13 is taken as starting date because it was a day before the Lok Sabha election results

Source: Finance ministry, RBI, World Bank, Sensex, Investing.com, news agencies



...& 6 Big Changes That Defined 4 Years of Modi

Demonetisation

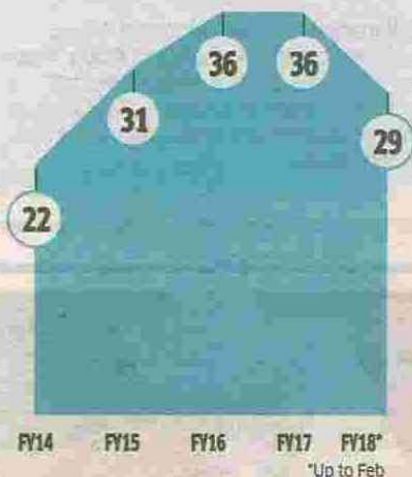
On November 8, 2016, the government announced that ₹500 and ₹1,000 currency notes in circulation would be withdrawn and new ₹500 and ₹2,000 notes were issued. The move was reportedly aimed at targeting black money, though that narrative did change over the course of the year. The move sent shockwaves across the economy. Economic growth was subdued and several small businesses were shut. Some still argue that the economy is yet to recuperate from that shock. The currency in circulation has now steadily grown, and the government is pumping in new currency notes

Currency with public on May 11, 2018
₹18,578 billion

Currency with public on October 17, 2016
(before note ban)
₹17,564 billion

Foreign Investment

Net foreign direct investment (\$ billion)



Foreign direct investments have gone up since BJP came to power. The government had eased foreign investment norms in some crucial sectors, including retail, aviation and construction

Unified Tax

India has been looking at a unified goods and services tax (GST) regime for almost two decades. The Modi government took it upon itself to push through the indirect taxes reform. The GST has more tax slabs that envisioned and has been revised multiple times. The small and medium businesses have complained that compliance has gone up while margins have come down. Teething troubles are still being ironed out

Multiple rates

0%, 5%, 12%, 18% and 28%

There are special rates for gold, precious stones, and a cess on some luxury items

Major revenue earners for state governments, such as petrol, diesel, electricity, alcoholic drinks and real estate, not included in GST

GST collection has been an average of
₹90,000 crore
(July 2017-March 2018)

April 2018 saw spurt in collection at
₹1.03 lakh crore

Expanding Political Base

Politically, BJP has expanded its footprint across India during the past four years. It had a government in seven states in May 2014 – the Modi government was sworn in on May 26. Today, it either heads the government or is part of the ruling coalition in 22 states. Major electoral gains include Maharashtra, Haryana, Uttar Pradesh, Assam and Tripura. It also emerged as the single largest party in the recent Karnataka polls but fell short of getting the numbers to form a government

Ease of Doing Business

One of the key parameters that the government wanted to improve was ease of doing business. Modi had made it clear that India's ranking on the World Bank chart should improve. After slipping briefly, India managed to go up 30 places in the 2018 rankings

World Bank's Ease of Doing Business Ranking

	Brazil	Russia	India	China	South Africa
2014	116	92	134	96	41
2015	120	62	142	90	43
2016	116	51	130	84	73
2017	123	40	130	78	74
2018	125	35	100	78	82



Thinking Out of the Box

This government has tried to radically change how governance works in India. A look at some of those moves:

- Demonetisation and GST are among the most radical moves

- The Budget date was changed to February 1. The advancement from the last day of the month was to ensure departments get more time to spend the money allocated to them

- The Railway Budget, an annual event of great political opportunism, was done away with. The portfolio was used as a bargaining chip in coalition politics

- Planning Commission was replaced with NITI Aayog

- Conflicting ministries were brought under one minister – like steel and mines or coal and power

Process started for privatisation of Air India

- The insolvency and bankruptcy code implemented in 2016 laid out the rules for a court-monitored time-bound process of dealing with bad loans. This has led to ₹4 lakh crore worth of recoveries

