Economic Survey: Cautious optimism

The Economic Survey for 2017-18 paints the picture of an economy that gives reason for both optimism and caution. It projects that GDP growth could accelerate to 7-7.5% in 2018-19, from 6.75% in the current fiscal, reinstating India as the world's fastest-growing major economy. According to Chief Economic Adviser Arvind Subramanian, the key factors contributing to the positive prognosis are the reform measures: the July 1 implementation of the Goods and Services Tax and the steps taken to address the twin balance sheet problem in the banking sector. The latter includes the push to use the Insolvency and Bankruptcy Code for debt resolution and the initiative to recapitalise public sector banks. Adding to these domestic enablers are the fair winds of a global recovery that have already lent a lift to overseas demand for India's goods and services. But capitalising on these favourable factors while remaining vigilant to other macroeconomic threats, including a key risk in the form of persistently high oil prices, would require exemplary economic stewardship. Among the concerns the CEA has flagged is one relating to what the Survey calls "a classic emerging market 'sudden stall' induced by sharp corrections to elevated stock prices." With Indian stock indices continuing to soar to new highs on an almost daily basis, the Survey warns against "sanguineness about its sustainability". A correction in the stock market, besides triggering capital outflows, could force policymakers to raise interest rates, choking off the nascent recovery.

Arvind Subramanian on Economic Survey 2018: the key takeaways

On the fiscal front, the survey contends that the Centre needs to reappraise its priorities. The onus, it argues, has to be squarely placed on establishing and maintaining policy credibility. To this end, it argues against "setting overly ambitious targets for consolidation, especially in a pre-election year" that are based on optimistic and unrealistic assumptions. Instead, it recommends a "modest consolidation" that would signal a return to the path of calibrated deficit reductions. In doing so, it appears that the Survey is signalling that the government may have to retain the elbow room to stabilise the GST, complete the recapitalisation exercise and, most crucially, support agriculture. Devoting an entire chapter to 'Climate, Climate Change and Agriculture', the CEA and his team have stressed on the dangers climate change poses to the outlook for farm growth. With the potential to reduce annual agricultural incomes — by as much as 20-25% for unirrigated areas — the Survey calls for a range of mitigation measures including extensive provision of efficient irrigation technologies and a wholesale review of the cereal-centric approach to policy. Citing job creation and education as key priorities, the Survey sets out a plan for rapid economic expansion by recommending that policymakers keep their sights trained on strengthening "the only two truly sustainable engines — private investment and exports."

The draft of Assam's National Register of Citizens is a first step, but it opens up concerns

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