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Source : www.thehindu.com Date : 2023-12-02

PATCHY EXPANSION: THE HINDU EDITORIAL ON PROVISIONAL ESTIMATES OF GDP FOR QUARTER ENDING SEPTEMBER 30, 2023

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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December 02, 2023 12:10 am | Updated 12:10 am IST

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The latest provisional estimates of GDP for the quarter ended September 30, released by the National Statistical Office, project real economic growth at 7.6%, a slight deceleration from the 7.8% logged in the preceding three months. Gross Value Added (GVA) across the eight broad sectors of the economy also reflected a marginal slowing, with second-quarter GVA registering a 7.4% expansion, 40 basis points slower than the April-June period's 7.8%. Robust double-digit expansions in manufacturing, mining, utilities and construction offset the loss of momentum across the other four sectors and helped ensure that the year-on-year growth in GVA comfortably exceeded the 7% pace for a second straight quarter. Manufacturing, buoyed by a favourable base effect due to the contraction in the year-earlier period, was the strongest performer by registering growth of 13.9%, a nine-quarter high. And construction witnessed its best showing in five quarters, expanding 13.3%. Of the four other sectors, the crucial ones of agriculture and the two services sectors of trade, hotels, transport and communication, and financial, real estate and professional services saw the pace of growth almost halving from the fiscal first quarter. While year-on-year growth in the agriculture, livestock and fishing sector slowed sharply to an 18-quarter low of 1.2%, the sector also experienced a sequential contraction for the third straight quarter, underscoring the precarity plaguing large portions of those earning from farming and allied activities in the rural hinterland.

The slowdown in two key components of the services economy — trade, hotels, transport and communication saw growth slide to 4.3%, from 9.2% in the June quarter, and the expansion in financial and realty services more than halved from the preceding period to 6% — also merits a closer watch as the post-pandemic rebound in services appears to have lost steam. Adding to the need to view the headline growth number with circumspection is the fact that the lynchpin private final consumption expenditure, the single-largest component of demand in the economy, is struggling for traction. Growth in private consumption spending slowed appreciably to 3.1% in the September quarter, from 6% in the preceding three-month period, as rural demand remained affected by the vagaries of a below-average monsoon. The NSO data also reveal that the recent economic momentum owes its fillip in large measure to front-loaded government spending, both in terms of consumption demand and asset-creating capital investments. The challenge for policymakers will be to help broaden the growth base so as to ensure that all boats are lifted equally, both to sustain the momentum and reduce inequality.

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economy (general) / manufacturing and engineering / mining / construction and property / agriculture / hotel and accommodation / transport / communication infrastructure / fishing industry / economy, business and finance / rains

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Source : www.thehindu.com Date : 2023-12-07

CREATING CERTAINTY: THE HINDU EDITORIAL ON THE GOODS AND SERVICES TAX

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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December 07, 2023 12:10 am | Updated 12:58 am IST

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The Goods and Services Tax (GST), which turns six and a half years old this month, has yielded almost 3.4 lakh crore through October and November. While revenues in October marked the second highest monthly collections, November's kitty is the third highest. Both these months also recorded accelerated revenue growth after a sequence of slowing upticks that culminated with September recording a 27-month trough of 10.2%. October's GST inflows were up 13.4% and November's by 15.1%, with revenues from domestic transactions up 20%, the highest in 14 months. Festive fervour surely bolstered last month's nearly 1.68 lakh crore of GST revenues, which were based on transactions in October, and that trend may persist this month as well on the back of anticipated last-minute Deepavali spending. Prior to this two-month spike, GST revenues had crossed 1.65 lakh crore on only three occasions, which were typically driven by year-end compliances. Now, the average monthly collection so far in 2023-24 stands at 1.66 lakh crore, and economists believe central GST receipts may surpass Budget estimates even if one factors in a relative slowdown in the final quarter of this year.

With revenues buoyant, in no small part due to tighter compliance and a crackdown on tax evaders, the government must consider resetting its ambitions and work towards making the GST a truly good and simple tax, as it was promised to be. At a recent industry interaction, responding to concerns about the manner in which a spate of GST demand notices and investigations have unfolded in recent months, Finance Minister Nirmala Sitharaman said the GST is still at a stage of moving from "uncertainty to certainty" on some grounds and those aspects are being sorted out now. That certainty needs to be pursued at a broader level to provide genuine comfort to investors about India's tax regime being stable and predictable. For one, pending taxpayer appeals against central GST levies have risen by a quarter this year to hit nearly 15,000 cases by October and it is necessary that appellate tribunals cleared by the GST Council become operational at the earliest to unwind this pendency and set clear precedents for future tax treatment disputes. It is equally critical to lay down a road map to bring in excluded items such as petroleum and electricity into the GST framework as well as the rejig of its complicated multiple rate structure. With the general election ahead, some dithering on such reforms may be understandable, but the GST Council must not lose focus of the unfinished agenda and keep deliberating on its to-do list, so that these steps can be fast-tracked after the Lok Sabha election.

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Source : www.thehindu.com Date : 2023-12-11

FALLING BEHIND: THE HINDU EDITORIAL ON MONETARY POLICY COMMITTEE AND INFLATION

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

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December 11, 2023 12:10 am | Updated 12:36 am IST

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The Monetary Policy Committee's decision to hold benchmark interest rates level, while raising its forecast for full-year GDP growth by 50 basis points and flagging food price shocks-induced volatility in inflation, is replete with the risk of policymakers falling behind the curve on anchoring inflation expectations. Notably, after observing that "uncertainties in food prices along with unfavourable base effects are likely to lead to" headline inflation quickening in November-December, and that "recurring food price shocks are impeding the ongoing disinflation process", the MPC has rather surprisingly opted to keep the RBI's repo rate unchanged at 6.5% for a fifth straight bi-monthly meeting. To be sure, retail inflation has moderated since the MPC last met in early October, with the headline reading softening by almost two percentage points, from August's 6.83% to 4.87% in October. But, by the MPC's own reckoning, that moderation may be fleeting, as price gains accelerate yet again in November and December, and with volatility in oil prices and financial markets, amid heightened global uncertainty, there are added risks to the outlook on prices. The RBI's latest 'Households' Inflation Expectations Survey', undertaken in November, reveals that most households expect faster inflation in the three-months- ahead and one-year-ahead time horizons, and at median levels of 9.1% and 10.1%, respectively, unequivocally underlining the fact that price gain expectations are still far from durably anchored.

The dissonance in messaging from the central bank is exemplified in the MPC's decision to upgrade its projection for real GDP growth in the fiscal year ending in March 2024 to 7%, from 6.5% as recently as in October. For this, it cites robust investment, besides continued strengthening in manufacturing, buoyancy in construction and a gradual rural recovery that it sees helping 'brighten the prospects of household consumption'. If the RBI's cumulative 250 basis points increase in the benchmark interest rate since May 2022 through to February 2023 and the subsequent retention of the 6.5% rate have not damped the growth impulses barring consumption, then it would indicate that consumption is still struggling to gain traction largely because, as Deputy Governor Michael D. Patra observed at the MPC's last meeting, "people are not increasing discretionary spending in view of high inflation". This seems to be borne out in the RBI's November round of its bi-monthly 'Consumer Confidence Survey', which showed consumers retained negative sentiments on both current and future price conditions. With policymakers only too well aware that sans price stability, as Mr. Patra noted, "the benefits of expanding GDP and employment will be frittered away by the erosion of purchasing power", the MPC has its task cut out.

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interest rate / inflation and deflation / Reserve Bank of India / oil and gas - upstream activities / survey

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ACCELERATION FORETOLD: ON VOLATILE FOOD PRICES

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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December 16, 2023 12:10 am | Updated 12:42 am IST

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November's resurgence in headline retail inflation, while clearly not unexpected after the RBI just last week predicted a likely 'uptick', is a stark reminder of the risks volatile food prices pose. While the National Statistical Office's provisional reading of headline inflation shows the Consumer Price Index rose by 5.55% year-on-year to a three-month high, from October's 4.87%, food price gains measured by the Consumer Food Price Index accelerated by a steep 209 basis points to 8.7% last month. Propelling the upsurge in food prices were cereals and vegetables, constituents of the 'food and beverages' subgroup, that logged 10.3% and 17.7% inflation, respectively. Cereals, that account for almost one-tenth of the CPI and logged double-digit inflation for a 15th straight month, also saw a month-on-month acceleration in inflation with rice, wheat, and the coarse cereal of jowar, a rural hinterland staple, all registering palpable sequential price gains. Vegetable prices were back on a boil with the year-on-year inflation rate surging by almost 15 percentage points from October's 2.8%. While price gains in the perishable tomato swung from two straight months of sizeable deflation to a more than 11% year-on-year rate of inflation last month, the extent of increase could be truly gauged from the fact that prices surged a steep 41% from the preceding month's levels, as per data aggregated on the Centre for Monitoring Indian Economy's website. And the key masala essentials of ginger and garlic registered more than 100% rates of inflation for the seventh and third months, respectively.

From the TOP or tomato, onion and potato triumvirate of India's most widely consumed vegetables, onion prices remained the biggest source of concern as year-on-year inflation ballooned to 86%, from October's 42% pace, and the sequential pace swelled to 48%. With reports that inclement weather and depleting groundwater are likely to cause a near 25% shortfall in onion output during the key rabi season, the outlook for prices of the nutrient-dense bulb moderating in the near future appears bleak, the government's move to impose a ban on its exports notwithstanding. Only potato prices, which continued to remain in deflationary territory, offered some respite. Pulses and sugar are other areas of concern, with the first witnessing more than 20% inflation and the sweetener also experiencing an uptick in the pace of price gains to 6.55%. With sugar production also expected to take a hit due to lower rainfall, the number of supply-related challenges policymakers face to rein in price gains is rising. With the RBI having opted to refrain from raising rates for now, the onus is squarely on the government to help temper inflation, or risk suffering an erosion in broader consumption and economic growth.

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inflation and deflation / Reserve Bank of India / food / fruit and vegetable / economy (general)

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RATE OF PERMANENT DISABLEMENT BENEFIT (PDB) AND DEPENDANT'S BENEFIT (DB) INCREASED UNDER ESI SCHEME

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The 192nd Meeting of Employees' State Insurance Corporation was held today at ESIC Headquarters under the Chairmanship of **Shri Bhupender Yadav,** Union Minister for Labour and Employment, Environment, Forest and Climate Change and Chairman, ESIC. **Shri Rameswar Teli,** Union Minister of State for Labour & Employment, Petroleum and Natural Gas graced the meeting as Vice-Chairman.

During the meeting, the following important decisions directed towards availability of medical care and cash benefits to Insured Workers and their family members were taken:

Rate of Permanent Disablement Benefit (PDB) and Dependant's Benefit (DB) increased under ESI Scheme

In order to neutralise the impact of inflation, the proposal to increase the basic rate of Permanent Disablement Benefit (PDB) and Dependant's Benefit (DB) was approved by ESI Corporation. The PDB is paid at the rate of 90% of wages in the form of monthly payment depending upon the extent of loss of earning capacity as certified by a Medical Board. The DB is paid at the rate of 90% of wage in the form of monthly payment to the dependants of a deceased Insured person in cases where death occurs due to employment injury or occupational hazards.

9 new ESI hospitals in the state of Maharashtra, Madhya Pradesh and Uttarakhand and 17 new ESI dispensaries in Gujarat to be set up under ESI Scheme

With the vision to improve the healthcare infrastructure, the proposal for setting up 09 new ESIC Hospitals in the state of Maharashtra, Madhya Pradesh and Uttarakhand and 17 new dispensaries in Gujarat was approved.

Number of beds to be increased in the ESIC hospital, Bibvewadi, Maharashtra, and ESIC hospital, Rourkela, Odisha

The sanctioned bed strength is set to increase from 100 to 120 and from 75 to 150 in ESIC hospital, Bibvewadi, Maharashtra and ESIC Hospital, Rourkela, Odish, respectively; as ESI Corporation accorded the approval for the same during the meeting.

ESIC Hospial, Andheri, Mumbai to be upgraded as Multi Super Specialty Hospital

To provide all the super specialty treatment facilities hassle free & under one roof, the proposal for development of ESIC Hospital, Andheri, Maharashtra as Multi-Specialty hospital with the capacity of 500 beds was approved. This step is taken to modernize the facilities in the hospital to provide IPs and their dependants with modern treatment facilities.

Audited Annual Accounts 2022-23 and Annual Report 2022-23 of ESIC adopted by ESI Corporation for placing the same before the Parliament

The Annual Accounts of the Corporation for the year 2022-23 together with the report of CAG and Annual Report of ESI Corporation for the year 2022-23 along with its analysis were approved and adopted by the ESI Corporation during the meeting.

Ms. Arti Ahuja, Secretary (L&E), Ms. Dola Sen, MP, Shri Ram Kirpal Yadav, MP, Shri Khagen Murmu, MP, Dr. Rajendra Kumar, Director General, ESIC attended the meeting alongwith Principal Secretaries/Secretaries of the State Governments, representatives of Employers, Employees and experts in the medical field.

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MJPS

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A CLOUDY HORIZON: THE HINDU EDITORIAL ON TRADE DATA

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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December 18, 2023 12:15 am | Updated 12:15 am IST

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From a rare upward swing this October, India's goods exports retreated into contraction last month, dipping 2.8% from 2022 levels to touch $33.9 billion. Imports dropped 4.33% to $54.5 billion, cooling the merchandise trade deficit to $20.6 billion, almost a third below October's record high. Sequentially, the decline in imports was sharp, despite the Commerce Ministry lowering October's import bill by $1.6 billion from the initial $65 billion estimate. On the other hand, though exports contracted in November, they were higher than October's tally, which was the lowest in 12 months, yet denoted a year-on-year uptick unlike in November. Such statistical noise may be hard to listen through, but it is clear that exports have recorded their weakest values in a year, over the last two months. Similarly, the significant dip in imports in November can be attributed to factors like a decline in discretionary demand for high-value goods such as gems and jewellery and the global dip in prices of key items like petroleum products. Economists expect the deficit to stay range-bound between $20 billion and 25 billion through the remaining four months of the year. But it is difficult to be certain — one may recall that imports had hit an 11-month high of $60.1 billion in August before easing over 10% in September and resurging in October.

Making sense of such divergences, with a yo-yo effect of sorts every other month, is hazardous, and is exacerbated by significant data corrections that have returned after a few months of relative certainty. August's goods trade deficit was moderated by nearly three billion dollars, with the overall export-import tally seeing revisions of $5 billion. The magnitude of upward revision in the monthly merchandise trade deficit has averaged around $1.5 billion since July compared to an average of $0.5 billion in the first quarter of 2023-24, a QuantEco research note has flagged. At the risk of repeating the obvious, the government must get a better grip on the data it bases its decisions on. Officials hope for an uptick in exports in the final quarter of the year, citing similar trends in recent years. With the World Trade Organization expecting global trade flows to strengthen in 2024 and the US Federal Reserve signalling interest rate cuts that other central banks would take a cue from, global demand may perhaps look up more consistently. But to capture that, India needs to do more to compete with rivals. For instance, a rough government-commissioned study on logistics costs indicates they dropped a little over the past decade. Ongoing infrastructure spends may gradually lower them further, but reducing petroleum prices for users, in tandem with global trends, would boost competitiveness far more effectively.

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exports / India / imports / jewelry / petrol / trade balance / USA

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Source : www.pib.gov.in Date : 2023-12-19

UNION MINISTER BHUPENDER YADAV TO LAUNCH REPORT ON 'A GREEN AND SUSTAINABLE GROWTH AGENDA FOR THE GLOBAL ECONOMY'

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

Shri Bhupender Yadav, Minister for Environment, Forest & Climate Change and Labour & Employment, in the presence of Shri Amitabh Kant, Sherpa, G20 India, Shri Suman Bery, Vice Chairman, NITI Aayog, Shri B.V.R. Subrahmanyam, CEO, NITI Aayog, Shri Ajay Seth, Secretary, Department of Economic Affairs and Shri Kapil Kapoor, Regional Director for Asia, International Development

Research Centre will launch a report on ‘A Green and Sustainable Growth Agenda for the Global Economy’. The launch will also be graced by His Excellency Kenneth Félix Haczynski da Nóbrega, Ambassador of Brazil to India. It is a comprehensive report addressing the prospects and challenges of green and sustainable growth for the global economy. The report has been prepared by NITI Aayog in collaboration with the International Development Research Centre (IDRC), Ottawa, and the Global Development Network (GDN), New Delhi.

The publication is a collective contribution to the body of knowledge on this subject, providing valuable inputs for Brazil and the upcoming G20 presidencies. The report launch is scheduled for 19th December, 2023 at New Delhi. Following the report launch, an interactive panel discussion will take place highlighting the key topics in the report.

The report is a summary of the key discussions from the policy conference organised by NITI Aayog, International Development Research Centre (IDRC) and Global Development Network (GDN) on 28th – 29th, July 2023, that focused on green and sustainable growth. A G20 side event, it brought together 40 leading thinkers to deliberate on a new growth model for G20 members. These leading experts provided insights and ideas on energy, climate, and growth; technology, policy, and jobs; the growth implications of a fractured trading system and reshaping global finance for sustainable growth in addition to themes related to multilateralism as well as adjustment, resilience, and inclusion in an uncertain world. The report embodies the collaborative spirit of G20, tackling crises and challenges. It provides a realistic view of international development, acknowledging uneven progress and offering insights as benchmarks for researchers and stakeholders. Recommendations arising from the conference are highlighted as critical for shaping dialogue and building consensus among member states. Some of the key ideas and thoughts shared by the experts during the two-day deliberations were also incorporated in the G20 New Delhi Leaders’ Declaration.

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Shri Bhupender Yadav, Minister for Environment, Forest & Climate Change and Labour & Employment, in the presence of Shri Amitabh Kant, Sherpa, G20 India, Shri Suman Bery, Vice Chairman, NITI Aayog, Shri B.V.R. Subrahmanyam, CEO, NITI Aayog, Shri Ajay Seth, Secretary, Department of Economic Affairs and Shri Kapil Kapoor, Regional Director for Asia, International Development

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INDIA'S JOBS CRISIS, THE MACROECONOMIC REASONS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

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December 25, 2023 12:16 am | Updated 02:55 am IST

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'The Indian economy has historically been characterised by the presence of both open unemployment as well as high levels of informal employment' | Photo Credit: The Hindu

There are many indications everywhere that India continues to be going through a jobs crisis. Official data sources as well as many on-the-ground reports point to this fact. What are the macroeconomic reasons for this crisis?

At the outset, it is useful to distinguish the two types of employment that prevail in an economy such as India. The first is wage employment which is a result of labour demanded by employers in their pursuit of profits. The second is self-employment where labour supply and labour demand are identical, i.e., the worker employs herself. A further useful distinction can also be made between wage labour and jobs. The first includes all forms of labour done for an employer including daily wage work at one extreme and highly paid corporate jobs at the other. But, jobs generally refer to relatively better paid regular wage or salaried employment. In other words, all jobs are wage labour, but all wage labour cannot be called jobs. When we speak of a jobs problem, we are speaking of inadequate labour demand particularly for regular wage work.

The Indian economy has historically been characterised by the presence of both open unemployment (out of work job-seekers) as well as high levels of informal employment consisting of the self-employed as well as casual wage workers. The last is also called "disguised unemployment" because, being similar to open unemployment, it also indicates a lack of adequate employment opportunities in the formal sector.

This lack of opportunities is reflected by a more or less stagnant employment growth rate of salaried workers in the non-agricultural sector in the last four decades. What explains such constraints in the labour demand of formal sector?

The labour demand in the formal non-agricultural sector is determined by two distinct factors. First, since firms in the formal sector hire workers to produce output for profit, labour demand depends on the amount of output that firms are able to sell. Under any given level of technological development, labour demand in the formal sector rises when demand for output rises. Second, labour demand depends on the state of technology that dictates the number of workers that firms need to hire to produce one unit of output. Introduction of labour-saving

technologies enables firms to produce the same amount of output by hiring a lower number of workers.

Since economic policy is generally framed in terms of output growth (think of GDP or value-added), rather than the level of output, let us examine this argument in terms of growth rates. Employment growth rate is determined by the relative strength of two factors — the output growth rate and the labour productivity growth rate (growth rate of output per worker). If labour productivity growth rate does not change, higher output growth rate increases employment growth rate. In other words, policies that promote higher economic growth would also achieve higher employment growth. On the other hand, if labour productivity growth rate rises, employment growth rate falls for a given output growth rate.

In India, the employment growth rate of the formal and non-agricultural sector remained unresponsive despite a significant rise in the GDP growth rate and the value added growth rate during the 2000s as compared to the decade of the 1980s and 1990s. The lack of responsiveness of employment growth rate to changes in output growth rate reflects a phenomenon of jobless growth. It indicates a strong connection between labour productivity growth rate and output growth rate. Why should this be the case?

As an economy grows, it is generally seen that it also becomes more productive. That is, in the process of producing a greater amount of total output, firms become capable of producing more output per worker. This happens because of what economists call “economies of scale”. As firms produce more output, they find it easier to adopt labour-saving technologies. But the extent to which labour-saving technologies are introduced depends on the bargaining power of labour.

We can make a distinction between two types of jobless growth regimes based on the tightness of the connection between output growth and labour productivity growth.

In the first case, the responsiveness of labour productivity growth rate to output growth rate is weak. The possibility of jobless growth in this case emerges exclusively on account of automation and the introduction of labour-saving technology. But employment growth rate in such regimes would necessarily increase if output growth rate happens to increase. Under weak responsiveness of labour productivity, the positive effect of GDP growth rate on employment would dominate over the adverse effect of labour-saving technologies. Here, the solution to the jobs crisis is just more rapid economic growth.

In the second case, which happens to be the Indian one, the responsiveness of labour productivity growth rate to output growth rate is high. Here, the positive effect of output growth rate on employment fails to counteract the adverse effect of labour-saving technologies. Employment growth rate in such regimes cannot be increased simply by increasing GDP growth rate.

The extent to which labour productivity growth rate responds to output growth rate is reflected by what is termed as the Kaldor-Verdoorn coefficient. In a recent working paper (by us), we show that India’s non-agricultural sector is characterised by a higher than average Kaldor-Verdoorn coefficient, as compared to other developing countries. It is this distinct form of jobless growth regime in India that makes India’s macroeconomic policy challenge qualitatively different from other countries.

The central contribution of the Keynesian revolution in macroeconomics was to highlight the role of aggregate demand as the binding constraint on employment. Fiscal policy was perceived to increase labour demand by stimulating output. The developing countries that inherited a dual economy structure during their independence, confronted additional constraints on output. The

Mahalanobis strategy identified the availability of capital goods as the binding constraint on output and employment, putting forward the policy for heavy industrialisation. The structuralist theories based on the experiences of developing countries highlighted the possibility of agrarian constraint and the balance of payment constraints. Both these constraints led to key policy debates in India, particularly during the decade of the 1970s and early 1990s. Nonetheless, what remained common to all these different frameworks was the presumption that increasing the output growth rate in the non-agricultural sector would be a sufficient condition for increasing the employment growth rate in the formal sector.

But the evidence suggests that the employment challenge can no longer be met only through more rapid GDP growth. Rather, a separate policy focus is needed on employment in addition to the focus on GDP growth.

Such employment policies will need both demand side and supply side components. For example, to the extent firms in India find it easier to automate due to a lack of adequate skilled labour, increasing the quality of the workforce through better public provisioning of education and health care, as well as bridging the skills gap, are important. On the demand side, direct public job creation will be needed.

Financing such expenditures while maintaining debt-stability requires the reorienting of the current macroeconomic framework in a significant way, including increasing the direct tax to GDP ratio by reducing exemptions and improving compliance, and a more imaginative use of macro-policy to pursue a constructive employment agenda.

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DEBT DEBATE: THE HINDU EDITORIAL ON THE IMF'S LATEST INDIA CONSULTATION DETAILS, FINANCE MINISTRY'S RESPONSE

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The Finance Ministry, last Friday, issued a statement titled 'Factual position vis-à-vis IMF's Article IV consultations with India'. For context, the International Monetary Fund (IMF), under its Articles of Agreement, holds bilateral discussions with members, usually every year. IMF staffers collect economic and financial information, and discuss policies with top officials, before preparing a report that is discussed by the Fund's executive board. The Ministry statement, four days after the IMF released its latest India consultation details, noted that "certain presumptions have been made taking into account possible scenarios that does not reflect factual position". In particular, the Ministry was referring to an IMF view that adverse shocks could lift India's general government debt to, or beyond 100% of GDP in the medium-term (by 2027-28). The Ministry asserted this was only a worst-case scenario and not a fait accompli, and emphasised that other IMF country reports show much higher extreme 'worst-case' scenarios, for instance, at 160%, 140% and 200% of GDP, for the U.S., the U.K. and China, respectively.

The combined debt of central and State governments stood at 81% of GDP in 2022-23, from 88% in 2020-21. Under favourable circumstances, the IMF reckons this could even go down to 70% by 2027-28. The shocks faced by India so far in this century were global, and affected the entire world economy, be it the 2008 financial crisis or the pandemic, the Ministry pointed out. Reacting to initial news flashes, it further clarified its statement was not a rebuttal to the IMF but "an effort to arrest misinterpretation or misuse" of its comments to imply that General Government debt would exceed 100% of GDP in the medium term. Semantics experts may argue whether the communiqué was confrontational or clarificatory. India's Director on the IMF Board had already placed on record reservations about its staff's conclusions on debt risks ["sounds extreme"], and some other aspects of the economy. In the broader picture, IMF staff's perceptions of India's fiscal position have actually improved over the past year. From arguing in 2022 that India's fiscal space is at risk, they now believe sovereign stress risks are moderate. This is in no small part due to the ability of the Centre, whose debt levels were about 57% of GDP last year, to meet fiscal deficit targets in recent times. Reducing debt and spends to stay the course on its commitment to bring the deficit to 4.5% of GDP by 2025-26 from an estimated 5.9% this year, is critical. While reacting to an adverse detail in a report sometimes ends up drawing more attention to it, actions tend to always speak louder than words.

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DESPERATION IN DISTRESS: ON MIGRATION ATTEMPTS BY INDIANS TO THE DEVELOPED WORLD

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In a world where the movement of labour is curtailed and restricted, it is no surprise that people affected by distress in their homeland seek opportunities in the developed world despite the enormous risks during their journeys. The recent episode of the forced return of 303 Indians who were detained at a French airport is suspected to be another such instance, or worse, trafficking. About 20 of them sought asylum in France, while the rest returned to Mumbai on Tuesday. However, it is well-known now that an alarming number of Indians, nearly 1,00,000 and five times the number in the previous year, attempted to enter the U.S. between October 2022 and September this year, according to U.S. Customs and Border Protection data. More than half these attempts were through the heavily guarded Mexican border, with the rest being attempts to use the sparsely manned Canadian border. The rise of Indians risking the rather treacherous route to enter the U.S. through Mexico came to light when a six-year old girl from Punjab was found dead in the Arizona desert in June 2019. This was about nine months before the COVID-19 pandemic, which led the Trump Administration to invoke the rarely used Title 42 of the U.S. Code that deals with public health, empowering border agencies to turn away asylum seekers even without a hearing. After the COVID-19 years and since the Biden Administration came to power, such migration attempts began to steadily rise again. That Indians are willing to take risks and bear enormous difficulties only to become illegal immigrants in the U.S. suggests that they are doing so either in desperation or are being misled.

Initial reports from the current incident also bear the tell-tale signs of what has been reported in the past about such cases — the majority of the air passengers were men from Punjab, Haryana and Gujarat; about a dozen were unaccompanied minors. Immediate reasons for such migrations have been cited by some Sikhs as alleged religious persecution, while others cited the distress in farming. Regardless of the reasons, it is time the Indian government paid attention to the trafficking racket that appears to be widespread especially across parts of rural Punjab and Haryana, where gullible people fall prey to tall promises of a better future in the U.S. Their situation has been exacerbated by the crisis that they face in farming with plummeting incomes and overexploited and fragmented farmlands. A crackdown on exploitative middlemen in the labour market can only be the beginning.

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