

Outlook on India's Economy

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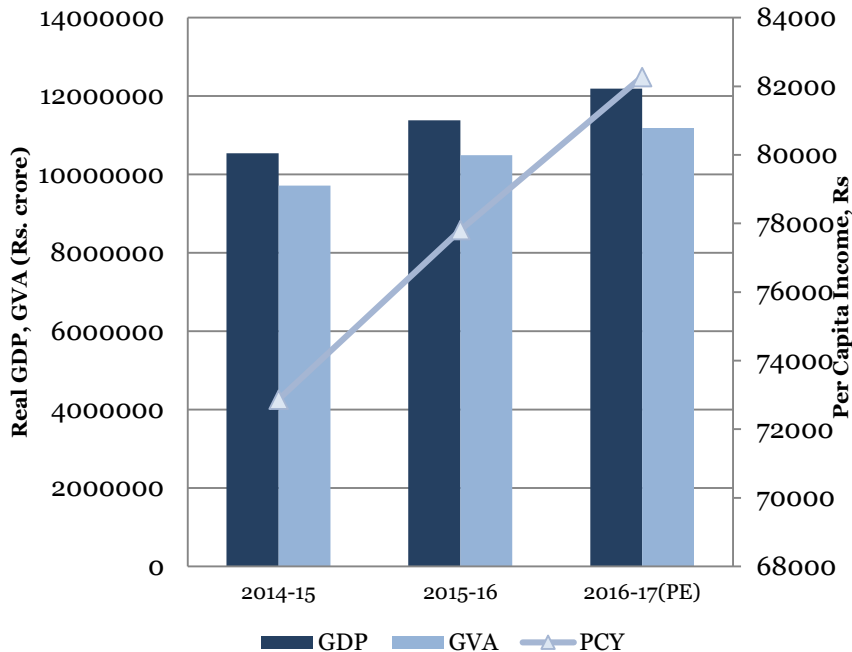
A Bright Spot in the Global Economic Landscape

World Bank Global Economic Prospects	Growth in Real GDP					
	Estimates			Projections		
	2014	2015	2016	2017	2018	2019
World	2.8	2.7	2.4	2.7	2.9	2.9
Euro area	1.2	2	1.8	1.7	1.5	1.5
China	7.3	6.9	6.7	6.5	6.3	6.3
India	7.2	7.9	6.8	7.2	7.5	7.7
Japan	0.3	1.1	1	1.5	1	0.6
BRICS	5.1	3.9	4.2	5	5.2	5.4
United States	2.4	2.6	1.6	2.1	2.2	1.9
Developing Countries	4.4	3.6	3.6	4.3	4.7	4.9

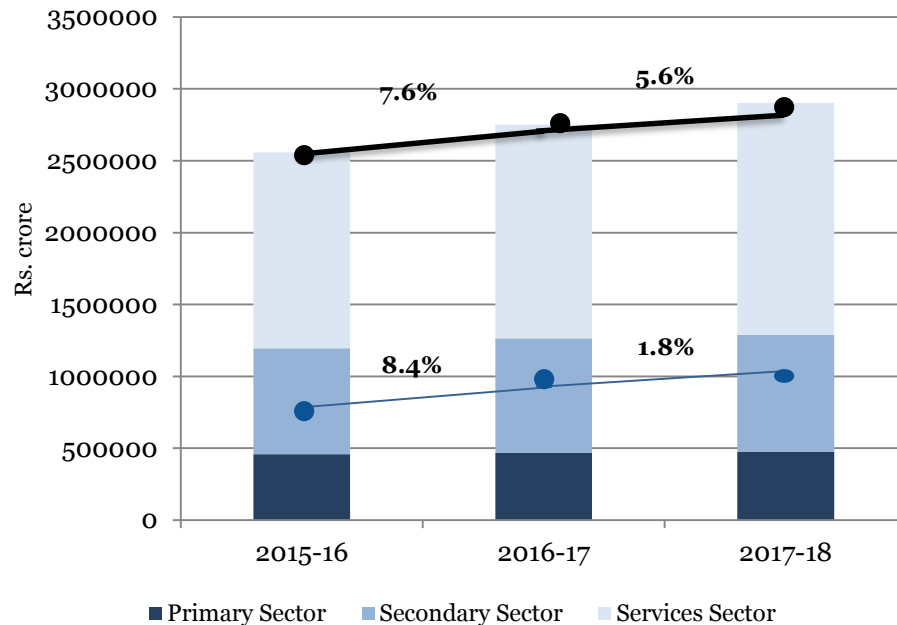
Source: The World Bank Global Economic Prospects Report (2017)

Signs of a Growth Slowdown

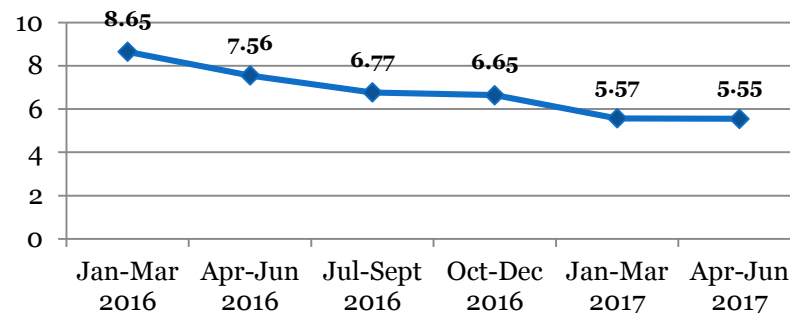
Real GDP, GVA and Per Capita Income



Quarterly Estimates of GVA April - June (Q1)



Quarterly Change in GVA (%)

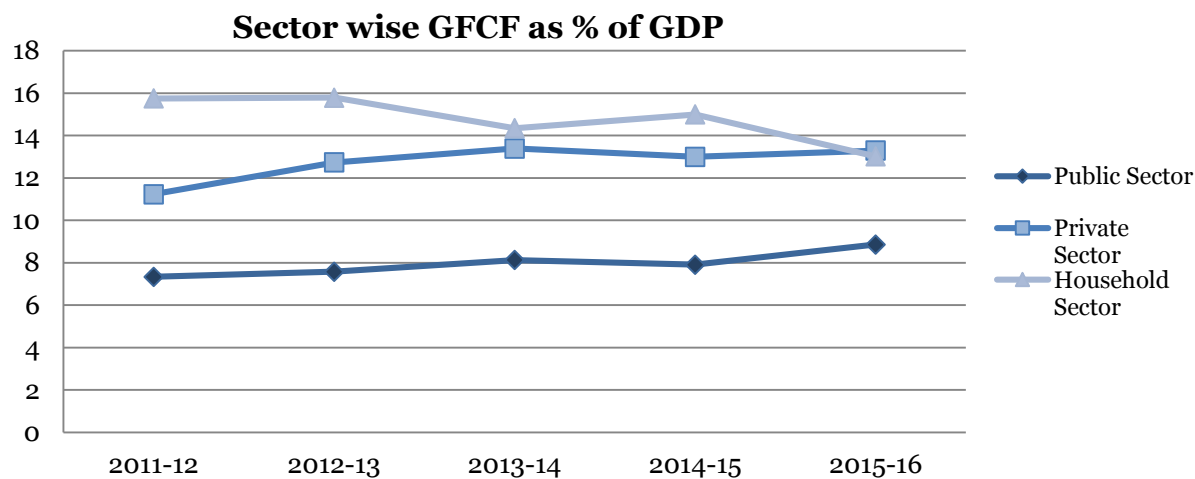


	% Change over Previous Year		
	GDP	GVA	Per Capita Income
2015-16	8	7.9	6.7
2016-17	7.1	6.6	5.8

Source: National Account Statistics (31st August, 2017)

Growth has been fuelled by a consumption boom, while investment has been falling

	Rates of Expenditure Components to GDP				
	2012-13	2013-14	2014-15	2015-16	2016-17
Private Final Consumption Expenditure	56.20	56.70	56.00	55.00	55.80
Government Final Consumption Expenditure	10.60	10.00	10.20	9.80	11.00
Gross Fixed Capital Formation	34.10	32.60	31.30	30.90	29.50
Export of goods and services	24.90	25.20	23.80	20.90	20.30
Less Import of goods and services	31.30	27.00	25.30	22.10	21.10
Others	5.00	2.80	4.40	4.00	4.50



Source: National Accounts Statistics

The Challenge of Productive Job Creation in India's Dualistic Labour Markets

Employment Estimates (in millions)				
Year	Total	Primary Sector	Secondary Sector	Services Sector
2013-14	481.3	232	110.5	138.8
2015-16	468.6	221.2	105.2	142.2

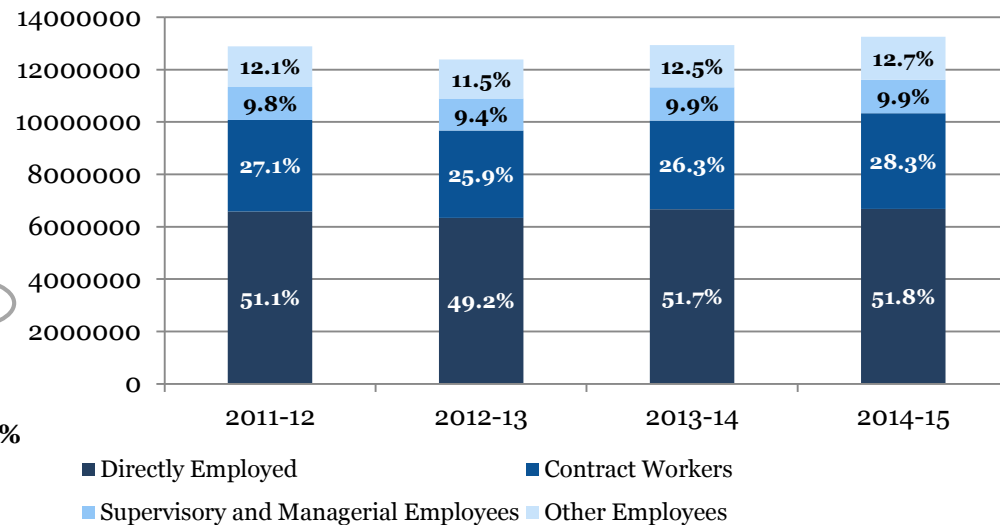
Source: Labour Bureau's Employment Unemployment Survey

Employment in Organised Manufacturing Sector

	Employment by Sector 2011-12 (in million)					
	Organised		Unorganised		Total	
	Formal	Informal	Formal	Informal	Formal	Informal
Agriculture	0.5	17.7	0.1	213.6	0.6	231.3
Manufacturing	6.1	14.6	0.4	38.7	6.5	53.3
Non-Manufacturing	2.7	19.7	0.3	32.7	2.9	52.3
Services	24.2	16.1	1.2	85.8	25.4	101.9
Total	33.5	68.1	1.9	370.8	35.4	438.9

Source: National Sample Survey Organisation

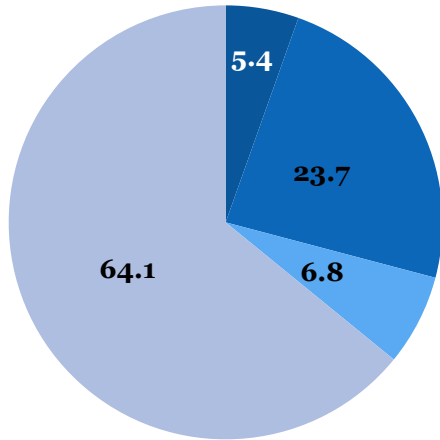
92.8%



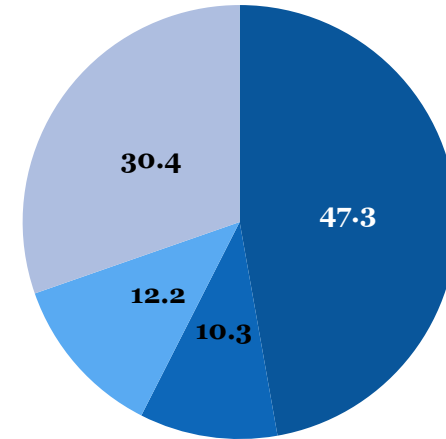
Source: Annual Survey of Industries

Disconnect between Jobs and Growth

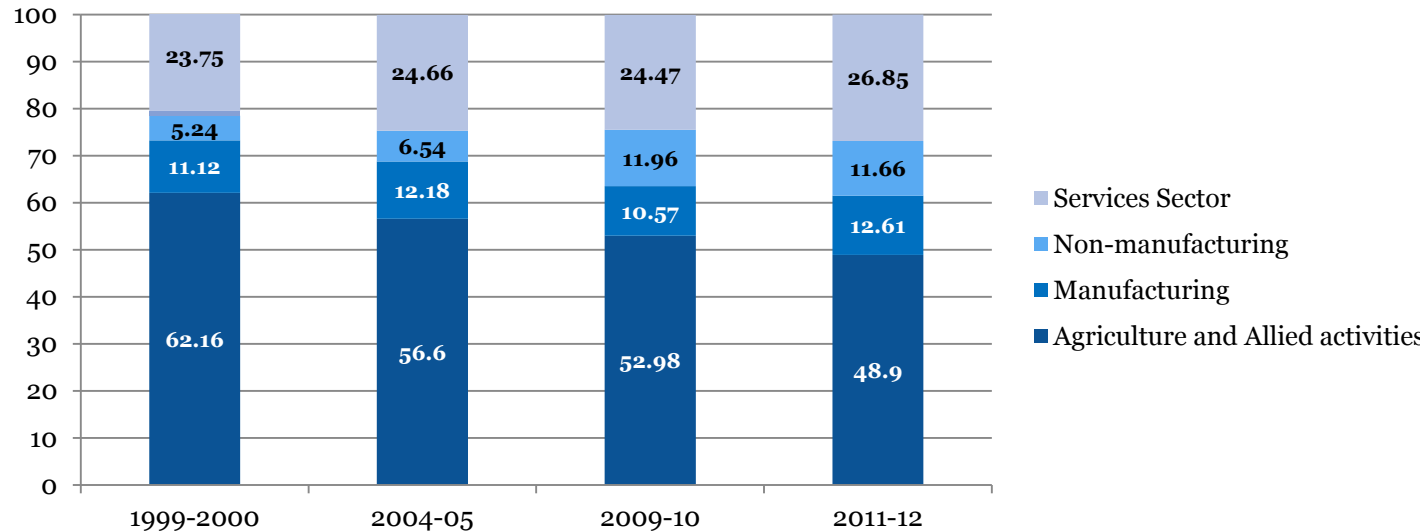
**Sectoral contribution to GVA growth
2014-15 to 2015-16 (in percent)**



**Sector wise Employment
2015-16 (in percent)**



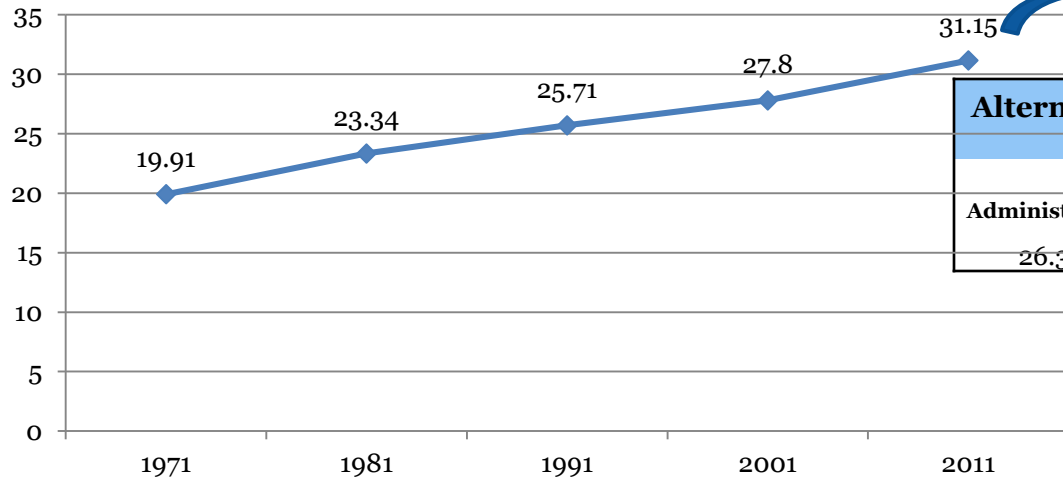
Sectoral Distribution of Employment



Source: National Sample Survey

Urbanization Without Industrialization

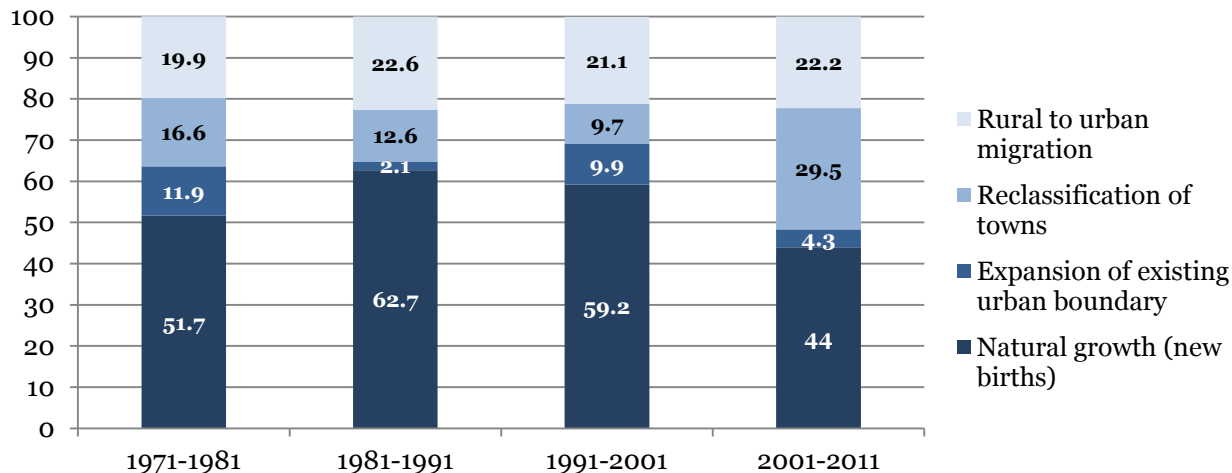
Percentage share of Urban Population



Alternative Estimates of Urbanization Rates in India

Administrative	Census	5000+ population	2500+ population	Satellite built-up
26.31	31.15	47.2	64.94	63.02

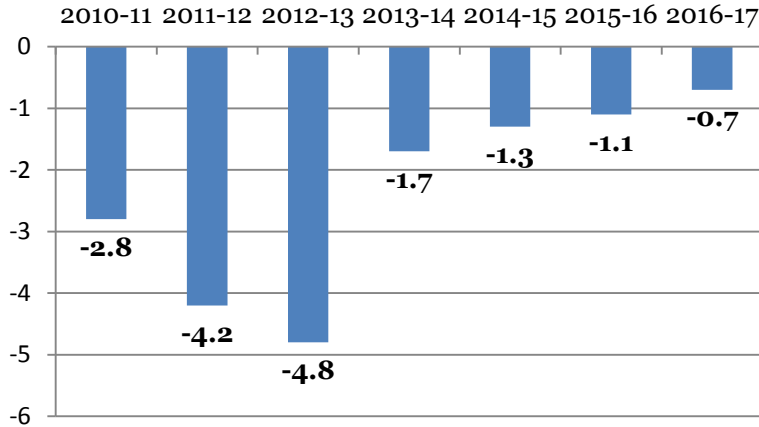
Increase in Urban Population



Source: High Powered Expert Committee on Urbanization (2011)

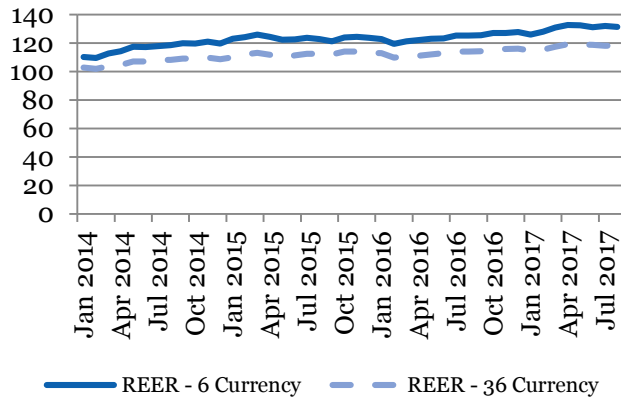
Current Account Position Stable but Exports Slumping and Rupee Rising

Current Account Deficit (as percent of GDP)

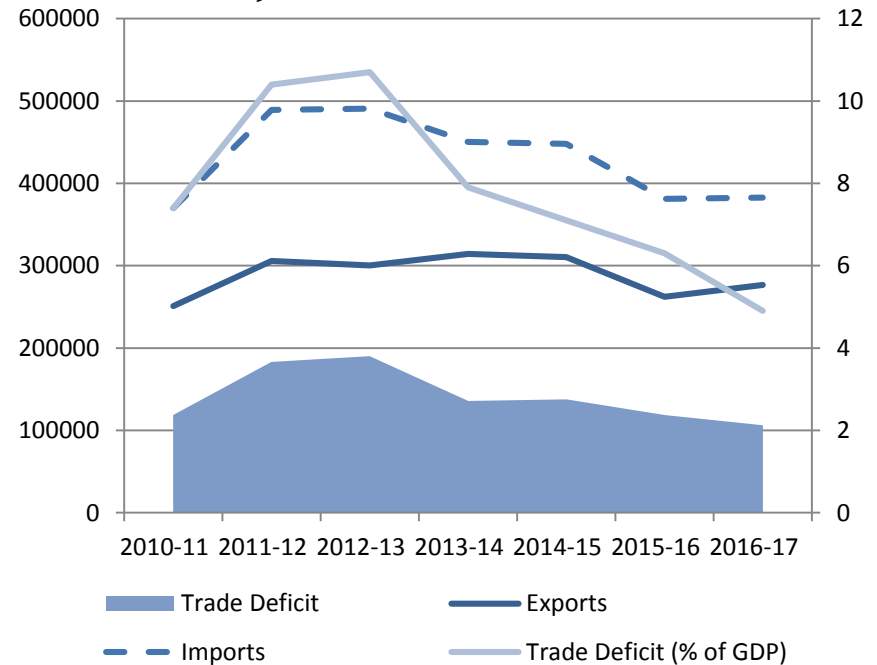


Source: IMF WEO Database

Real Effective Exchange Rate



Exports and Imports (US \$ billion) & trade balance (US \$ billion and per cent of GDP)



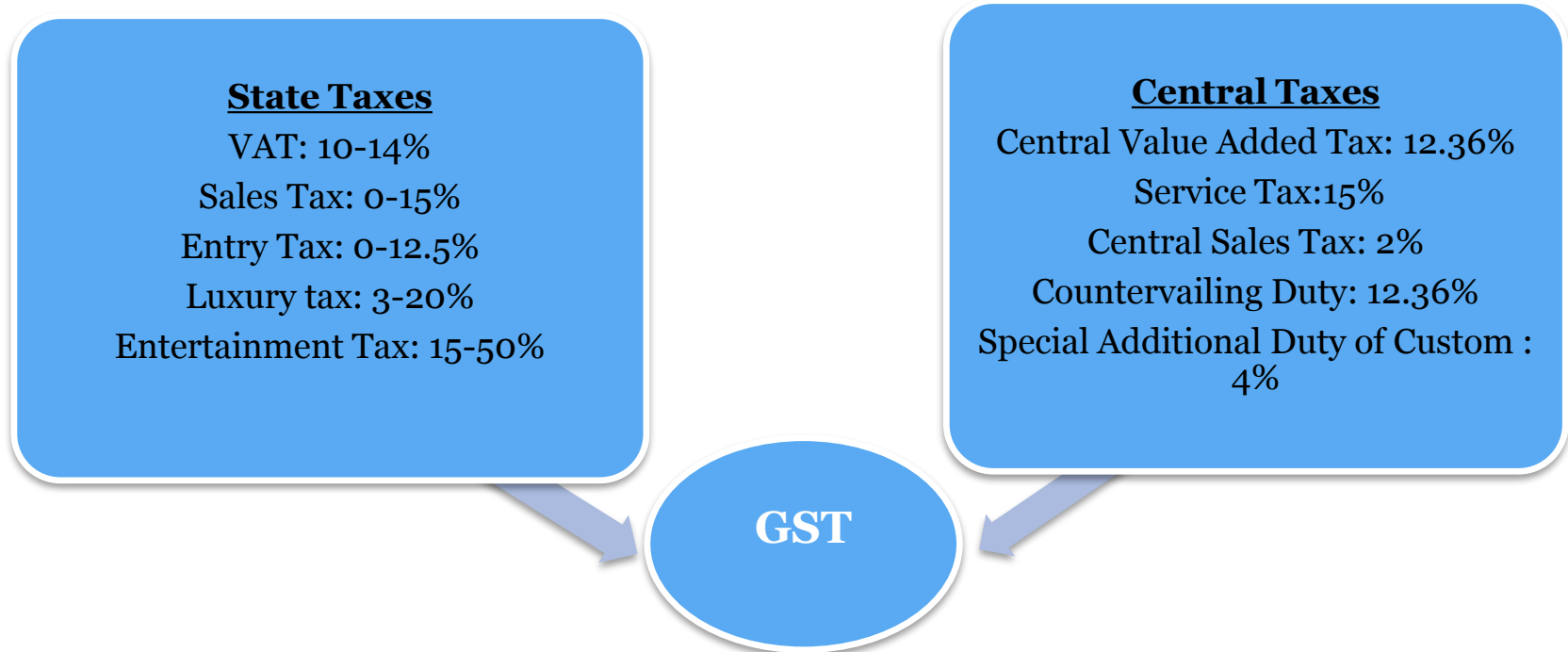
Source: Economic Survey Volume II, 2016-17

Commitment to Fiscal Consolidation

Key Fiscal Indicators of Central Government (% of GDP)				
	2014-15	2015-16	2016-17 (RE)	2017-18 (BE)
Revenue Deficit	2.94	2.51	2.05	1.91
Fiscal Deficit	4.10	3.89	3.52	3.24
Revenue/Fiscal Deficit Ratio	0.72	0.65	0.58	0.59
Revenue Receipts (A+B)	8.85	8.73	9.38	9.00
A. Net Tax Revenue to Centre	7.26	6.90	7.17	7.28
B. Non- Tax Revenue	1.59	1.84	2.20	1.71

Source: Union Budget, 2016-17

A New Tax Regime : Goods & Services Tax

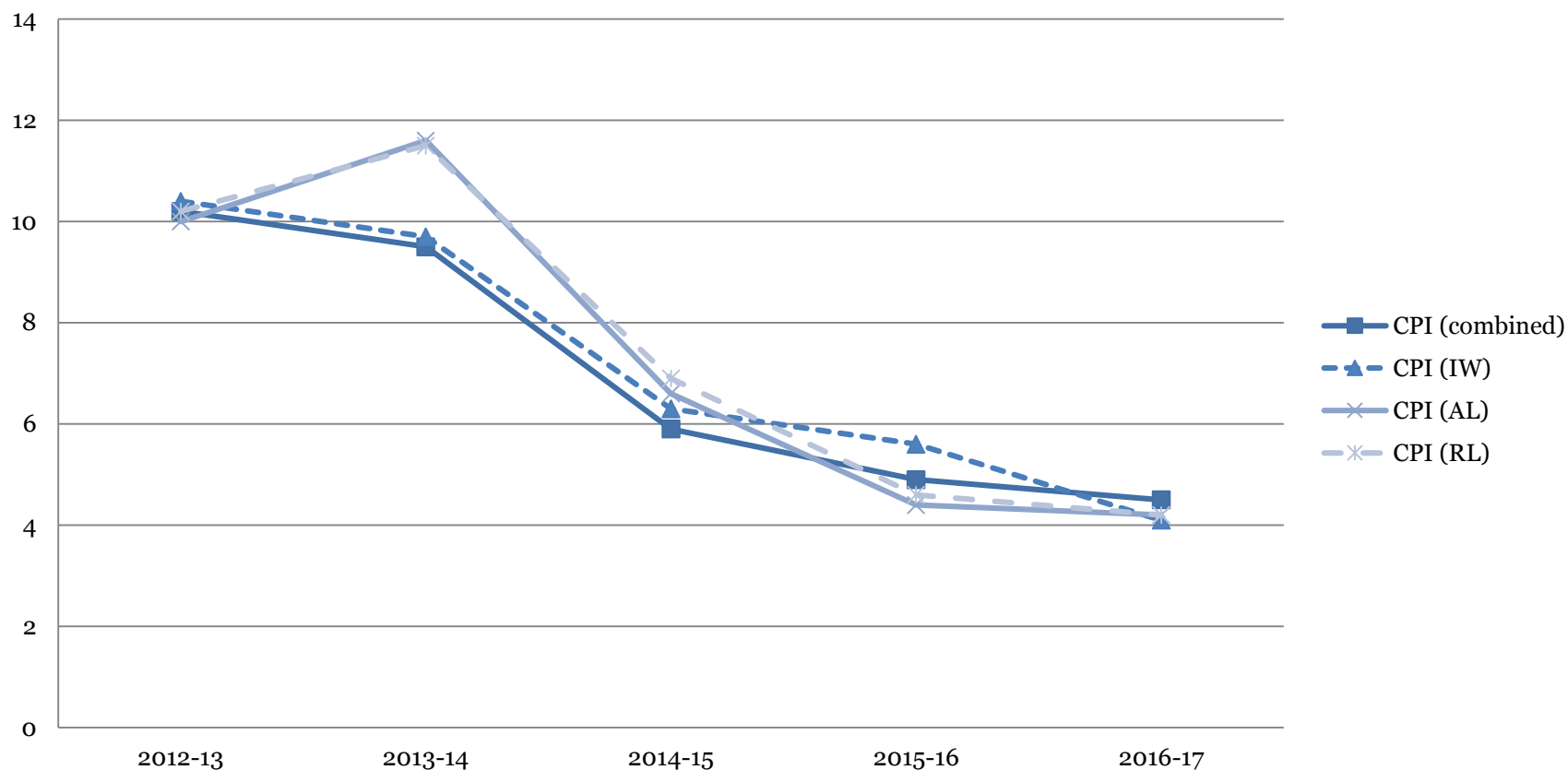


Standard GST Rates				
0%	5%	12%	18%	28%
Food grains, fresh vegetables, fresh milk, newspapers, hearing aids	Tea and coffee, sugar, milk food for babies, medicines, coal, LPG for household use, renewable energy devices	Butter, fruits juices, biogas, fertilizers, candles, leather goods, utensils, tractors, electrically operated vehicles, bicycles	Toothpaste, refined sugar, corn flakes, ice-cream, petroleum jelly, chemicals and industrial intermediates	Air conditioners, refrigerators, beauty or make-up preparations, sanitary wares, fax machines, motor cars

Note: Petroleum Products not included in GST

Paradigm Shift to Low Inflation?

General inflation based on different price indices (in per cent)

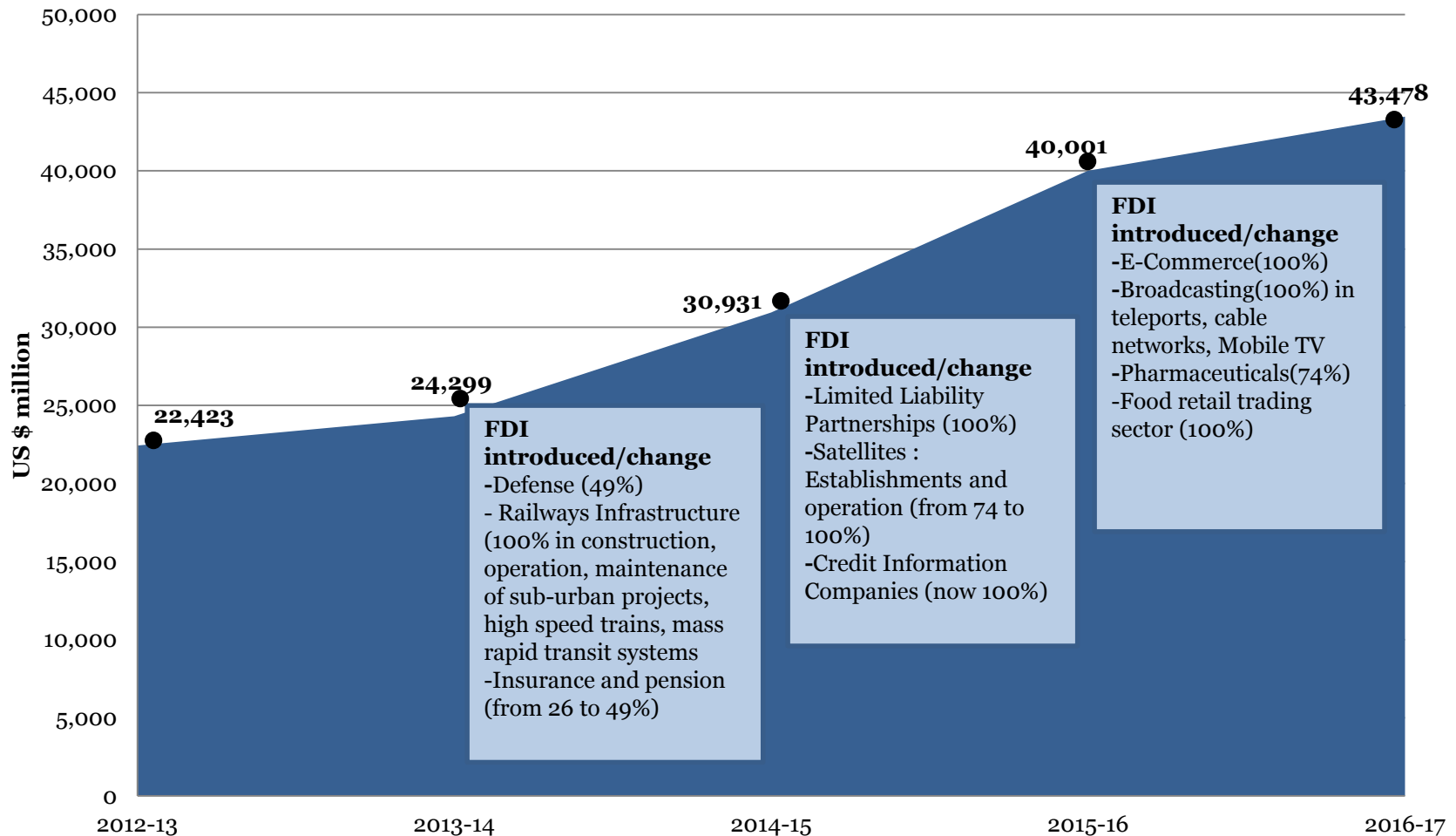


Note: CPI (combined) inflation for 2012-13 and 2013-14 is based on old series 2010=100

Source: Department for Industrial Policy and Promotion (DIPP) for WPI, Central Statistics Office (CSO) for CPI (combined) and Labour Bureau for CPI (IW), CPI (AL) and CPI (RL)

FDI Surging but India's Share of Global FDI Pie Remains Miniscule

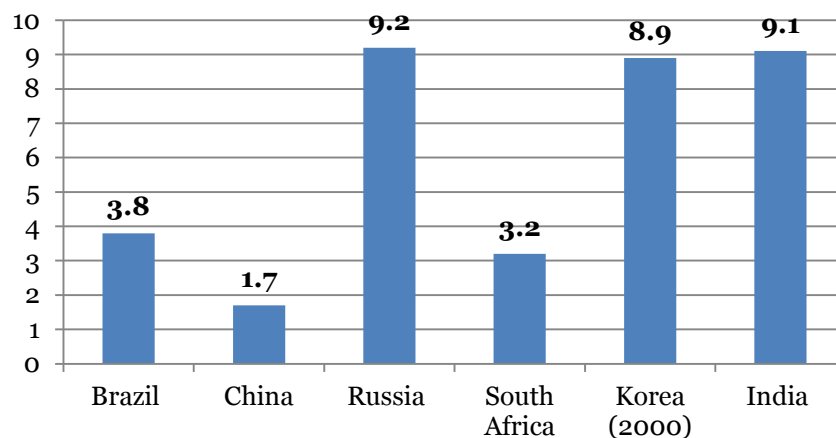
Total FDI inflows from all countries to India



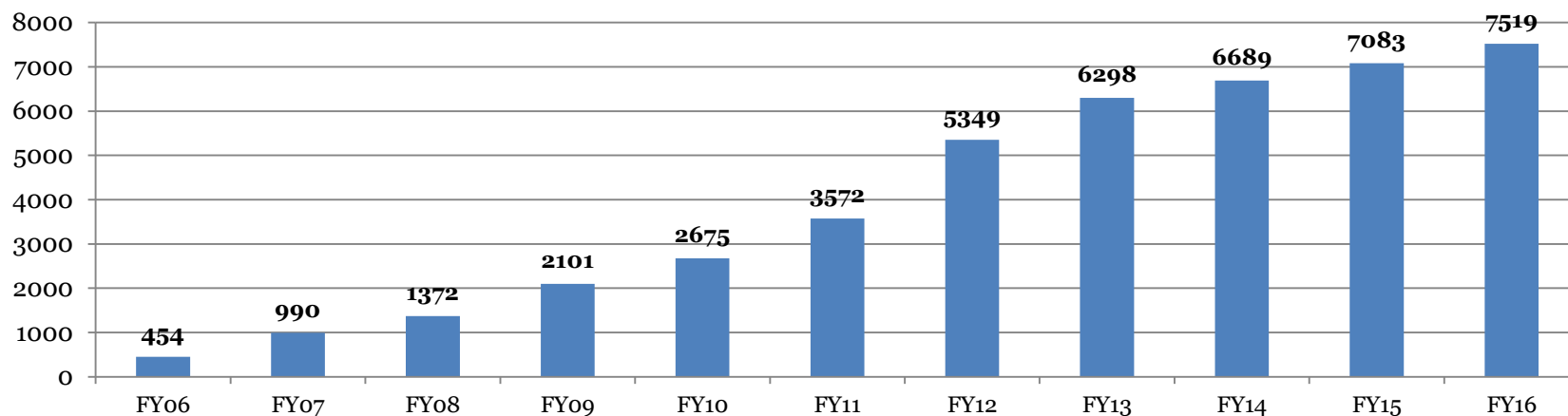
Source: Department of Industrial Policy and Promotion

Banking Sector Woes: The Twin Balance Sheet Problem

**NPA Ratios: Selected Countries
(percent of Gross Loans)**



Debt of Top Ten Stressed Corporate Groups (Rs billion)



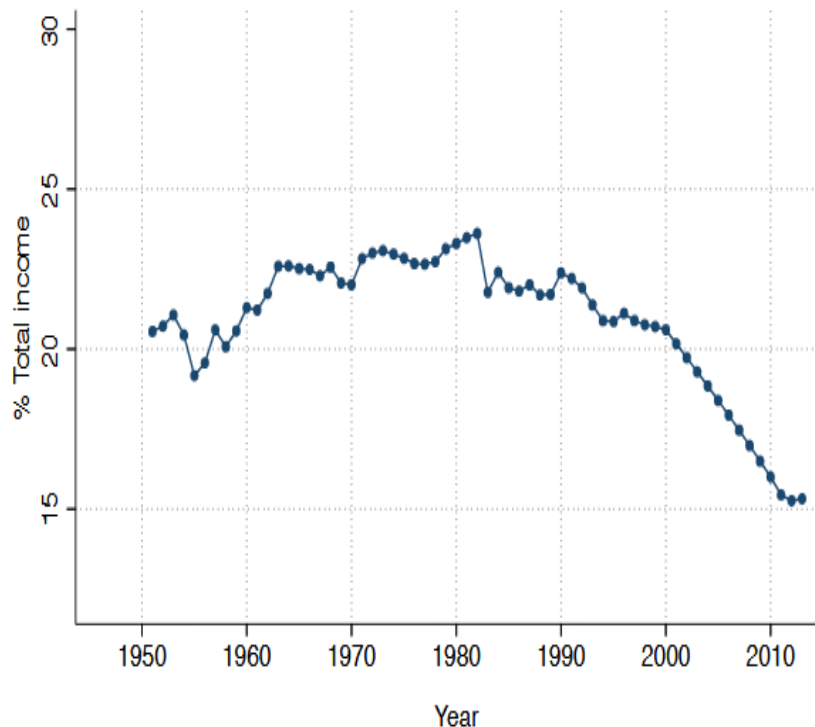
Source: Economic Survey of India (2017)

Lagging Behind on Human Development

	Human Development Index Rank	Life expectancy at birth (years)	Expected years of schooling (years)	Mean years of schooling (years)	Gross national income (GNI) per capita (2011 PPP \$)
Very High Human Development					
Singapore	4	83.2	15.4	11.6	78,162
South Korea	18	82.1	16.6	12.2	34,541
Russian Federation	48	70.3	15	12	23,286
High Human Development					
Malaysia	59	74.9	13.1	10.1	24,620
Sri Lanka	72	75	14	10.9	10,789
Brazil	79	74.7	15.2	7.8	14,145
Thailand	88	74.6	13.6	7.9	14,519
China	91	76	13.5	7.6	13,345
Medium Human Development					
Philippines	114	68.3	11.7	9.3	8,395
South Africa	119	57.7	13	10.3	12,087
India	131	68.3	11.7	6.3	5,663
Bhutan	132	69.9	12.5	3.1	7,081
Bangladesh	140	72	10.2	5.2	3,341
Nepal	144	70	12.2	4.1	2,337
Pakistan	148	66.4	8.1	5.1	5,031
Low Human Development					
Swaziland	149	48.9	11.4	6.8	7,522
Nigeria	151	53.1	10	6	5,443
Lesotho	161	50.1	10.7	6.1	3,319

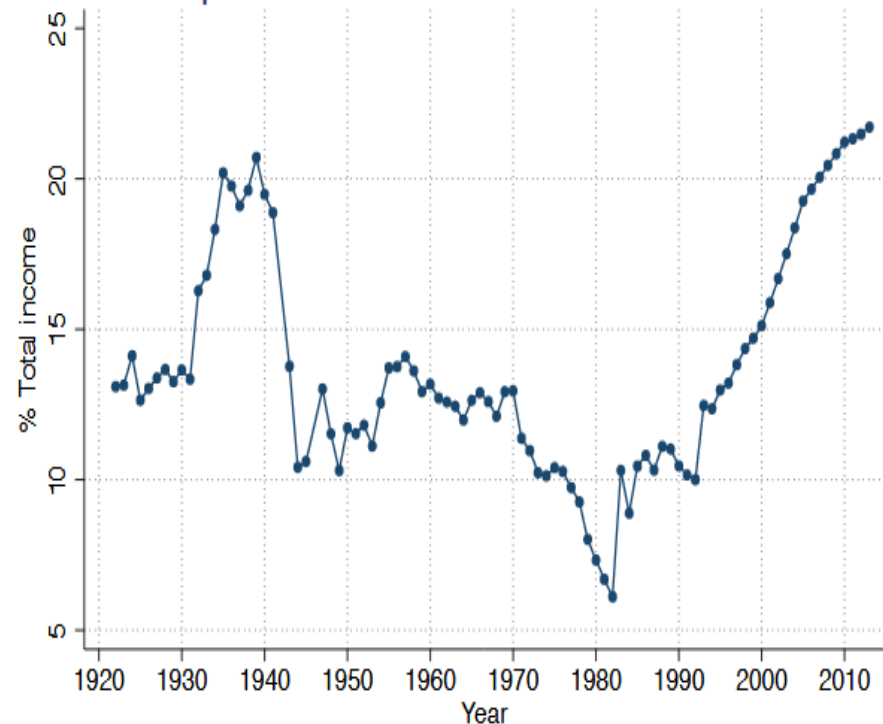
Rising Inequality: From British Raj to Billionaire Raj

Bottom 50% Income Share: 1950-2010



Per adult pre-tax national income. Systematic combination of tax, survey and national accounts data. Benchmark scenario displayed (A0B1C)

Top 1% Income Share in India: 1922-2014



Per adult pre-tax national income. Systematic combination of tax, survey and national accounts data. Benchmark scenario displayed (A0B1C1D1).

Source: Indian income inequality, 1922-2014: From British Raj to Billionaire Raj? (Lucas Chancel and Thomas Piketty), 2017

Key Policy Actions

- **Structural reforms are key to promoting inclusive economic growth and job creation.**
- **Growth increases will rest on the revival of investment.**
- **Urgent need to strengthen the financial sector by cleaning up banks' balance sheets.**
- **Boost exports and enhance the environment for attracting stable capital flows.**
- **Pace of implementation of agricultural sector reforms needs to be accelerated.**