NAINA LAL KIDWAI, PRESIDENT, FICCI COMMENTS ON ECONOMIC SURVEY 2012-13

27 Feb, 2013, New Delhi. The Economic Survey 2012-13 has brought back some ray of hope with prediction of growth rate of 6.1 to 6.7 per cent during 2013-14. FICCI fully endorses economic survey's prognosis that the growth slowdown is bottoming out. "***Green shoots certainly seem to be on the horizon and the closely tracked PMI number also shows an uptick in the last few months***", said **Ms. Naina Lal Kidwai, President, FICCI**. The Survey has pointed out the need to build on this momentum. The envisaged growth, highlights the survey, can be achieved if India continues to remain firm on the path of reforms. One of the critical reform measures as pointed out by the Survey is the introduction of the Goods and Services Tax regime. "***FICCI has strongly urged the government to evolve consensus on this landmark tax reform as this is expected to add close to 2 per cent to our GDP growth***", she added.

RBI's role is also critical in supporting growth by easing monetary policy and with the projected decline in inflation in the range of 6.2 to 6.6 per cent by March 2013, it will get enough room to bring down the interest rates. In fact several FICCI surveys in the recent past have highlighted the need for rate reduction up to 50 to 75 basis points to give a boost to growth. In any case, the pressure on inflation is largely due to supply side factors and FICCI has suggested over time the need to bring in greater efficiency in the marketing and distribution of food products in the country along with improving farm productivity. Expected improvement in the global economy in 2013 is likely to aid growth too.

*"There's been deterioration in ICOR from 4 to 5, which points out that productivity of invested capital in the economy has significantly gone down. This is a trend that needs to be reversed and FICCI has been suggesting that one of the ways it can be done is for the Cabinet Committee on Investments to expedite the clearances for projects that are stuck in different parts of the country and ensure that implementation of projects happens in a timely manner"***,*** said Ms. Kidwai***.***

Improvement in the investment activity will also have a salutary impact on the banking sector which of late has seen the gross NPA levels rising from 2.36 per cent in March 2011 to 3.57 per cent in Sept 2012 due to the slowdown in project implementation in different segments particularly infrastructure.

As this happens, we will see generation of more jobs in the country. FICCI in fact welcomes the introduction of an additional chapter on jobs as the demographic dividend can only be reaped if right skill sets in conjunction with right employment opportunities are created in the economy.

FICCI strongly supports the Survey's statement on alignment of domestic diesel price with global prices. FICCI believes that the target of fiscal deficit is achievable if all of these fall in place.

The Economic Survey also calls for widening of the tax base. FICCI supports this and we believe that no additional burden should be placed on the existing set of tax payers. FICCI is happy that the Economic Survey also endorses this view of not hiking rates and says significantly--higher and higher tax rates impinge more and more on incentives to undertake taxable activity, while encouraging tax evasion.

On the external sector, the Survey has noted the ballooning of the current account deficit and which is a major challenge for the economy. One of the key contributing factors for this has been the rise in import of gold and the Survey rightly suggests the need to curb this. FICCI has been reiterating the need to promote financial savings vis-à-vis investments in gold and hopes that in the forthcoming budget some measures would be introduced to this effect. Further, overtime we have seen certain policy moves have been made to attract greater FII flows into the country particularly into debt securities. This is a step in the right direction to encourage funds flow into the country.

****

FICCI MEDIA DIVISION