FICCI's latest Economic Outlook Survey: GDP growth at 5.6% for 2014-15
CPI inflation rate at 7.8% for 2014-15
Economists indicate a cut in policy rate by first quarter of 2015

NEW DELHI, 13 September, 2014: The results of FICCI's latest Economic Outlook Survey put across a GDP growth estimate of 5.6 percent for FY15, an improvement over the 5.3 percent growth estimate that was indicated in the previous round. The minimum and maximum range for GDP growth in the current fiscal was indicated at 5.3 percent and 6.0 percent respectively. This reflects a clear return in optimism and the economic activity is expected to continue with this momentum in the second half of the current fiscal year as well.

While the agricultural growth is expected to remain steady despite a delay in the monsoons, the outlook for the industrial sector seems to have improved considerably. The latter is expected to grow by 4.7 percent in FY15, which is 1.6 percentage points more than the growth estimate in the previous survey round (conducted in the month of June 2014). The growth in the services sector is expected to remain pretty much at similar levels as was reported last time. The sector is likely to grow by 6.9 percent in FY15.

The new government guided by the objective of restoring growth and governance has given very positive policy signals in its first 100 days. We see the confidence amongst investors slowly returning and hope that going ahead the momentum on implementation front will build up.

Inflation is expected to ease somewhat compared to last year and the annual average CPI inflation rate is projected at 7.8 percent in FY15. This is in sync with target indicated by the Reserve Bank of India earlier this year. However upside pressures on inflation may still arise.

The economists who participated in the survey were also asked to indicate by when they expect a cut in the key policy rates by RBI. On this a majority of economist felt that the Reserve Bank of India will consider a cut in policy rates only in the first quarter of the next calendar year. The household inflationary expectations remain high and the Central Bank will wait and watch until there are definite signs of inflationary pressure abating.

The prognosis made by the economists with regard to exports and current account deficit (CAD) reflected no imminent risks. The CAD to GDP ratio for FY 15 was projected at 1.9 percent. Further, participants were of the view that the macro economic fundamentals are gradually strengthening and the overall health of the economy is set to improve going ahead.

It was pointed out that foreign institutional investment (FII) inflows will continue in the second part of the year as well, albeit at a slower pace. The economists participating in the survey felt that even though some risk factors remain on account of -recent spate in geo political tensions, US announcing next round of its tapering programme and withdrawal of restrictions imposed on gold which might exert pressure on imports; this will be counter balanced by positive factors which most likely are expected to dominate.

Lastly, economists were asked to share their views on the priority areas that the government should be focusing on to realize the vision of 'Make in India' announced recently by the Hon'ble Prime Minister. Once again it was clearly highlighted that government should seek to get the basics right to assure a more conducive environment for manufacturing activities. Amongst our peers, we are much behind on the ladder of competitiveness and need to work on this with immediate effect. Some of the priority areas identified by the participants included-

- A majority of the respondents felt that India is still far away from developing a world class infrastructure. We still need road and highways, port facilities, airports and communication channels that match international quality. A seamless network needs to be created which covers not only the important cities but Tier 2 and Tier 3 towns as well. This will aid greater value addition in agriculture produce and help in better leveraging of export oriented units as well. It was also said that implementation of Dedicated Freight Corridors should be focused on.

- Provision of uninterrupted and quality power supply. Availability of power remains a major concern for industrial units especially the small and medium sized ones impacting their productivity (loss of several man hours).

- Resolve labor issues- rigidity of labor laws remains an area of concern. Also finding appropriately skilled labor remains one of the biggest concerns. It was said that the curriculum at the training institutes should be set in consultation with the industry. In this regard Centre and State coordination would be vital.

- Cost and duration of land acquisition – the process for land acquisition has become complex after the enactment of Right to Fair Compensation and Transparency in Land Acquisition. There is a need to take a relook at the Act.

- Minimizing procedural hassles and fast tracking approvals- there are too many layers that exist for granting approval, which has led to unwarranted delays escalating the project costs and in turn rendering them unviable.

- Development of cluster and innovation hubs with world class amenities including lab and testing facilities.

- Enhance credit to Small and Medium Enterprises.

- Simplify the taxation policies so as to bring down the time and cost involved in filing returns. Introduce GST at the earliest as this would give a boost to competitiveness of the manufacturing sector.

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