FICCI's latest Economic Outlook Survey put across GDP growth estimate at 7.4% for 2015-16
Participating economists feel government should focus on growth at this juncture
Union Budget 2016-17 must strengthen domestic capex cycle
Fiscal consolidation important but not at the cost of productive investments

New Delhi, 23 February, 2016: The results of latest round of FICCI's Economic Outlook Survey put across a median GDP growth forecast of 7.4% for the current fiscal year. This marks no change from the estimated growth in the previous survey round, but is lower than the advance estimate of 7.6% put forth by the Central Statistical Organization recently. The survey was conducted during January/February 2016 among economists belonging to the industry, banking and financial services sector.

According to the survey results, agriculture sector is expected to record a growth of 1.7% in 2015-16, 0.3 percentage points lower than estimated growth in the previous round. Rabi sowing has been low in many areas owing to relatively warm winter this season. Industrial growth is projected to improve to 7.1% in 2015-16, while services sector growth is estimated at 9.7%.

	Estimates for 2015-16 (Median forecasts)		
Growth (in %)	**Latest Round FICCI's Economic Outlook Survey**	**Previous Round FICCI's Economic Outlook Survey**	**CSO Advance Estimate**
GDP@ market prices	**7.4**	7.4	7.6
GVA@ basic prices	**7.4**	7.4	7.3
Agriculture & Allied activities	**1.7**	2.0	1.1
Industry	**7.1**	6.9	7.4
Services	**9.7**	9.9	9.2

The outlook of the participating economists on inflation remained moderate. The median forecast for Wholesale Price Index based inflation rate for 2015-16 has been put at (-)1.8%, with a minimum and maximum range of (-)2.8% and (-) 0.4% respectively. The Consumer Price Index based inflation has a median forecast of 5.0% for 2015-16, with a minimum and maximum range of 4.6% and 6.3% respectively.

In addition to the projections on key macro parameters, we had asked the economists to list down their top expectations from the forthcoming Union Budget 2016-17. The participating economists unanimously felt that there is an urgent need to strengthen the domestic capex cycle and it would remain most imperative to give a thrust to investments in infrastructure sector. Also, taking further measures towards assuring ease of doing business will be important.

Further, the respondents said that they expect greater efforts towards promotion of MSMEs, especially those based in the rural areas in order to boost employment levels and the rural economy. It was also suggested that the limit of original investment in plant and machinery/equipment for classification of MSME units needs to be revised.

The participating economists said that they look forward to passage of GST and Bankruptcy Bill in the forthcoming budget session. In addition, it was suggested that a clear roadmap for rationalising corporate tax should be laid down in the Budget.

Also, expanding revenue base and lowering the tax burden on middle class remains vital. More disposable income in hands of people would give a thrust to domestic demand. Higher income tax exemption limits for home loans and infra bonds is also desirable.

It was felt that as the agricultural sector has been under tremendous strain for the past two years more farmer centric schemes to protect against adversaries should be announced in the forthcoming Budget.

The economists said that they look forward to Government sticking on to the path to fiscal consolidation but not at the cost of curtailing productive expenditure. The economists were of the view that both fiscal and monetary policies are important and we cannot really afford to lose sight of any one of these. The task of striking a balance between growth, fiscal consolidation and inflation is challenging; but a discerning majority felt that at this juncture it remains imperative to give a thrust to growth.

It was pointed out that the Government should continue to undertake productive investments even if that means a minor slippage in the fiscal target. Enhanced spending on physical and social infrastructure would have significant backward and forward linkages producing a multiplier effect through various sectors and manifesting in higher overall growth.

The participating economists also mentioned that the Government should continue trimming the revenue expenditure. The Government should focus on raising divestment proceeds and a further rationalisation of subsidies should remain a priority. This would aid the fiscal consolidation process.

Further, we sought views of the economists on whether the global economy is heading towards another recession, this time possibly led by China. Global recovery has been tepid and signs of pickup in growth remain scattered across regions. The year 2016 did not start on a very optimistic note with signs of trouble continuing to emanate and the situation remaining particularly worrisome in China.

Most of the economists agreed that the impact of a slowdown in China, which is the second largest economy, on global growth is inevitable. This is expected to cause some volatility in the system, especially on other emerging markets. A deceleration in China has led to a slowdown in countries which form a key base for its raw material supplies namely Indonesia, South Korea and Taiwan. With China's growth model being export driven, it has been one of the largest consumer of commodities. In addition, Foreign Institutional Investors (FIIs) have been vigorously withdrawing from emerging markets and are moving back into developed markets such as the United States. However, the economists opined that a repeat of the 2008 crisis was unlikely but one can expect continuing divergence in growth rates of developed and emerging economies.

The surveyed economists also felt that as China tries to rebalance, it will take a few years before the economy is able to get back on track. However, some economists also noted that the extent to which China will slowdown will be limited and that it is unlikely that the growth will fall below 5.5-6.0 percent level. It was opined that China is likely to emerge out of recession by using its large forex reserves and judicious use of fiscal as well as monetary measures. As far as impact on India is concerned, economists felt that the slowdown in China will have limited impact on India as we remain a domestic/consumption oriented economy with sound macro-economic fundamentals.

Top Trends that will define 2016

On being asked to list the top trends that will define the global economy in 2016, majority of the economists indicated the following -

- Monetary policy decisions by central banks of countries like the United States, Japan, China and Eurozone
- Movements in the commodity prices, especially oil
- Japan adopting negative interest rate policy and China further devaluing its currency
- China's ability to stabilize its economy
- Ability of developed as well as developing economies to once again initiate investments

Web Link: http://ficci.in/SEDocument/20353/FICCI-Economic-Outlook-Survey-January-2016.pdf

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