

FICCI's Economic Outlook Survey projects GDP growth of 7.4% for 2017-18
Economists supportive of the idea of Universal Basic Income
With protectionism rising globally, assuring economic stability at home is critical

NEW DELHI, 15 May 2017: The latest round of FICCI's Economic Outlook Survey, conducted during March & April 2017, puts forth a median GDP growth forecast of 7.4% for the fiscal year 2017-18, with a minimum and maximum level of 7.0% and 7.6% respectively.

While agricultural sector is estimated to clock 3.5% growth in 2017-18; the pick-up in overall GDP growth will also be supported by an improvement in industry and services sector growth. The industry and services sector are expected to grow by 6.9% and 8.4% respectively in 2017-18.

The survey was conducted amongst economists belonging to the industry, banking and financial services sector and the participants feel that with the process of re-monetisation almost complete, consumption activity has witnessed an uptick and will further build up going ahead. Also, Indian Meteorological Department's latest forecast of monsoon arriving on time and being sufficient provides some reprieve amidst earlier reports of El Nino having a dampening effect this year.

Moreover, the outlook of economists with regard to prices remains benign and is in line with RBI's projection put out in the monetary policy statement announced in April this year. According to the Economic Outlook Survey results, Consumer Price Index has a median forecast of 4.8% for 2017-18 with a minimum and maximum level of 4.0% and 5.3% respectively. RBI in its latest policy statement estimated CPI inflation to average 4.5% in the first half of the year and 5% in the second half.

The economists were also asked to share their assessment of the concept of Universal Basic Income and suggest ways to ensure its success. The idea of Universal Basic Income (UBI) for guaranteeing minimum basic support to the Indian citizens has been in discussion for some time now and found a special mention in the Economic Survey 2016-17.

A majority of the economists participating in the survey were supportive of the idea of Universal Basic Income. The respondents felt that UBI can be an efficient framework which would help reduce poverty and transfer the choice/decision to spend on the individual. It would also promote labor market flexibility as individuals can enter the labor market without the fear of losing the benefits.

The economists participating in the survey opined that the idea must be taken forward and explored in detail, which would include a plan on implementation and evaluating & overcoming the possible road blocks.

However, the participants also pointed out that though the concept of UBI is relevant in context of providing guaranteed minimum basic support to the people, implementation of

same in a highly diverse country like India will be a difficult task. Several challenges could emanate, right from stage of selection of beneficiaries to deciding on an acceptable income level and its distribution. Implementation could be challenging given the poor state of financial infrastructure with digital payments still being a small proportion of the total financial transactions.

It was also pointed out that India lags behind on key human development indicators such as health, nutrition, education, sanitation and drinking water. In such a scenario, a universal income hand-out would not entirely solve some of the key problems that the poor face.

The participants pointed out that the success of the program depends largely on the coordination between states and central government. Once the implementation hurdle is crossed, UBI could be an important welfare program in the country.

Another area where the participating economists were asked to share their views was on the wave of protectionism engulfing the global economy. The respondents were asked to opine on how they see this development unfolding and what steps should India take to minimize the impact resulting from such moves.

Economists participating in the survey unanimously believed that protectionism is becoming a new normal led by certain advanced economies which are increasingly looking inwards to propel growth and increase employment. This could result in increased tension between nations which could lead to trade wars according to some of the respondents.

The economists felt that while protectionism is a challenge, India needs to keep its focus on implementing reforms. The situation calls for improving the investment climate in the country, enhancing hard and soft infrastructure and continuing the efforts on tackling the issue of non-performing assets. Economists felt that higher government and private investments towards infrastructure development and capacity expansion can play a pivotal role in revitalizing domestic demand and would encourage the domestic industry.

Participating economists were of the view that strengthening the domestic economy, in terms of sustainable macroeconomic stability, enhancing skills among youth and the workforce and continuing on the reform path will help India maneuver the rough patches.

It was also suggested that India should look at signing preferential trade agreements with other emerging market economies.

Weblink - FICCI Economic Outlook Survey:
<http://ficci.in/SEDocument/20401/FICCI-EOS-May-2017.pdf>

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