A Glance of Economic Scenario of 2017

What is the issue?

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GST had major ramifications in economic performance of 2017.

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What are the impacts of GST?

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- GST had created a huge compliance burden on companies looking to file their returns under the GST.
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- Companies rushed to get rid of their existing stocks to avoid additional compliance burdens once the GST was in place, which led to dip in manufacturing.
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- Poor customer demand and a complex tax structure meant production never really recovered to its potential.
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- Companies offered attractive discounts for customers to incentivise sales during June de-stocking period, which resulted in dip in festive season sales.
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- Exports suffered in the few months following the GST roll-out due to the input tax credit system.
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- A hold-up in this process meant exporters found a large part of their working capital locked away.
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What is the status of inflation?

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- Consumer price inflation in the beginning of the year quickened to 3.89% by March, but then fell to 1.46% by June.
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- Inflation thereafter rose steadily, with the latest data pegging it at 4.88% in November, the highest it has been since August 2016.
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- Inflation has mostly been spurred by fuel and food prices, as Crude oil prices have increased to $61 a barrel from around $50 a barrel.
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- Food prices fluctuated mostly due to vegetable price inflation, which swung from a contraction of 15.6% in January 2017 to a growth of over 22% in November.
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What are outcomes of the measures taken by government?

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- The government also took a few key steps to recapitalise banks and tackle non-performing assets.
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- It announced a Rs.2.11 lakh crore recapitalisation plan for public sector banks in an effort to address the ‘twin balance sheet’ problem.
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- But it had resulted in poor credit off-take and anaemic private investment, both of which have been slowing economic growth.
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- At the same time Implementation of the insolvency and bankruptcy codes and other reforms have resulted in India leapfrogging 30 places to the 100th rank in the World Bank’s Doing Business report.
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- Ratings agency Moody’s had also upgraded India after a 13-year gap. Click here to know more about credit rating upgrade
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- Both of these are expected to help India attract more foreign direct investment.
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Source: The Hindu

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