Actual Economic Scenario

What is the issue?

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- Various estimates appreciates Indian economic growth, but the real performance of the economy is not so optimistic.
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- Corrective steps are needed to recover momentum in industrial growth
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What does recent estimates on economy signifies?

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- World Bank Group’s Doing Business 2018 report ranked India at 100 out of 190 countries.
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- The global rating agency Moody has upgraded India’s Sovereign bond rating. Click here to know more
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- The ratings by Moody’s are based on its assessment of the trajectory of governments’ abilities to service their debt over time.
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- The higher rating for India signals a lower risk grade for the government’s debt and can lower the cost of raising it.
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- The improvements reflect the increased attractiveness of India to investors.
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What is actual growth scenario?

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- The Index of Industrial Production (IIP)which represents non-agricultural production, investment and consumption in the economy, for April through

September does not present a pretty picture.
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- Estimates on the industrial output is also bad, the growth rate weakened to 2.5%,which was 5.8% a year ago.
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- On the manufacturing front, the growth rate was 1.9%, pale when compared to 6.1% a year ago.
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- In infrastructure and construction the growth rate 2%, is feeble compared to 4.9% in the first half of last year.
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- Even though the investment climate remains soured, the conditions do not seem conducive for job creation.
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- The industrial performance this year so far is so tepid that it is weaker than it had been in 2012-13.
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- Exports are declining, which is sharper in the employment-intensive sectors of leather, gems, jewellery, handicrafts, readymade apparel and carpets.
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What are the reasons for the declining trend?

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- Exporters blame the break in the trend on a liquidity crunch owing to the infirmities in the goods and services tax (GST) system.
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- And there are also complains that exporter’s refund claims were not released for four months.
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- Smaller firms with limited access to working capital have taken a body blow.
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- If demonetisation led to demand destruction, the GST rollout has had disastrous effects on the supply side.
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- The twin shocks have compounded the problems of industry, big and small, that was already struggling with a slowdown.
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Source: The Hindu

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