Economic Survey – Volume II

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Why in news?

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The second volume of the Economic Survey for 2016-17 was recently released.

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What is its significance?

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- First volume was released just before the Union Budget which had been advanced by a month.
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- This means that the section of the Survey that dealt with the data for the past financial year could not be produced at the same time.
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- This data is now been published in volume II.
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- It also carries an analysis of the economy since the Budget.
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- It is direct about the struggles that the Indian economy faces and lays out an urgent case for a traditional reform programme.
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What are its findings?

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- Growth - Volume I had forecast growth in GDP, of between 6.75% and 7.50% in 2017-18. Volume II has not changed that range but acknowledged that the downside risks have increased.
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- Falling agricultural revenue, state government finances, stress in the power and telecommunications sectors, and the costs of transitioning to the GST regime are mentioned as some of these risks.
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- GST - It points out that other than the GST, there is no real grounds for medium- or long-term optimism.
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- It also acknowledges that the current form of GST is incomplete.
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- **Inflation -** It believes that India has moved permanently to a lower-inflation paradigm because of the permanently lower oil prices now, since 2014 and the transformation of agricultural sector that made agricultural prices less volatile.
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- But it does not effectively prove the argument that agriculture has been reformed sufficiently.
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- There is also no persuasive evidence that high inflation could not return.
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- **Interest -** It argues that current real interest rates of 4.7% are too high.
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- **Factors of growth -** It attributes India's recent growth spurt to the exceptional circumstances like slow credit growth, stagnant or declining exports, and weak investment.
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- The growth is driven entirely by government spending and consumption.
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- These circumstances are not sustainable and hence it warrants action on "more normal drivers of growth".
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Source: Business Standard

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