Highlights of Economic Survey 2017

Growth Estimates for year 2016-17:

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- GDP growth rate at constant market prices for the current year 2016-17 is placed at 7.1 percent.
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- On account of better monsoon rains, growth in the agriculture sector is estimated at 4.15% in 2016-17, significantly higher than the 1.2% in 2015-16.
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- Growth in the industrial sector has been estimated to moderate to 5.2% in 2016-17 from 7.4% the previous financial year.
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- Service sector estimated to grow at 8.9% in 2016-17.
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- The survey argues that any comparison with last fiscal's 7.6% pace would be "inappropriate " as among other factors that influenced growth this year was that global oil prices stopped declining, lessening the updraught that soft energy prices lend to the economy.
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- It contends that latest growth estimates of the World Bank and the IMF, trimed its forecast to 7% from 7.6% and the IMF by 1% point to 6.65, both citing demonetisation as reason reflects a higher baseline assumption and ought be compared only on the extent of change in estimate.
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Effects of Demonetisation:

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- Adverse impact of demonetisation on GDP growth will be transitional.
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- Demonetisation to affect growth rate by 0.25-0.5 per cent, but will generate long-term benefits.
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- Demonetisation may affect supplies of certain agricultural products like

sugar, milk, potatoes and onions.
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- The remonetisation will ensure that the cash squeeze is eliminated by April 2017.
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- The survey recommends fast, demand – driven remonetisation, futher tax reforms , including bringing landand real estate under the ambit of the GST and reducing tax rates and stamp duties.
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Fiscal Deficit:

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- Expecting fiscal windfall from Pradhan Mantri Garib Kalyan Yojana and low oil prices.
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- Fiscal gains from Goods and Services Tax (GST) will take time to realise.
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- The 13-year old Fiscal Responsibility and Budget Management (FRBM) Act needs to be modified to provide fiscal policy direction for “the India of tomorrow”.
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- The survey called for a need to set up a government – owned asset reconstruction company, PARA (Public Sector Asset Rehabilitation Agency) to resolve twin balance sheet problem i.e, over- leveraged companies and the rising bad loans in public sector banks.
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Taxation:

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- Economic Survey Prescribes cut in individual I-T rates and real estate stamp duties.
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- Income Tax net could be widened gradually by encompassing all high income earners.
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- Time table for cutting corporate tax should be accelerated.
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Universal Basic Income:

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- It is a form of social security in which all citizens or residents of a country regularly receive an unconditional sum of money, either from a government or some other public institution, in addition to any income received from elsewhere.
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- The survey floats the idea of a ‘universal basic income’ by implicitly suggesting that existing welfare schemes can be whittled down or done away with.
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Source: Business Line

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