

## The Health of the Economy

### Why in news?

\n\n

\n

- Recognizing the serious crisis in the economy, Economic Advisory Council to the PM has been reconstituted.

\n

\n\n

### What does statistics say?

\n\n

\n

- The Q1 GDP growth numbers at 5.7% was at its lowest in 3 years.
- Rural demand fell due to 2 continuous poor monsoon years.
- Debt-strapped industry being unable to undertake investment is also another factor.
- Both the rupee and the sensex have fallen off recent highs.

\n

\n\n

### How did this crisis come up?

\n\n

\n

- Demonetisation ruptured the transactional rhythm of the economy, particularly in the unorganised sector.
- Teething issues in GST, chiefly delays in realisation of input credit, have further disrupted cash flows, hurting exporters.
- Inflation is currently around 3.4%.
- Poor implementation of GST, along with rising fuel prices, could push

retail inflation ever closer to the 4% target of the RBI.

\n

\n\n

## How does the future look?

\n\n

\n

- As kharif output has been largely hit by irregular rain, rural demand may not provide the economic stimulus anytime soon.

\n

- With tax revenues trailing below Budget expectations, there's little room for a fiscal stimulus.

\n

- Therefore, the Centre should continue tapping into overseas soft credit to fund big infrastructure projects.

\n

- The 'Economic Advisory Council' should focus on quality expenditure, which can crowd in private investment.

\n

\n\n

\n\n

**Source: Business Line**

\n

