The Health of the Economy

Why in news?

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- Recognizing the serious crisis in the economy, Economic Advisory Council to the PM has been reconstituted.
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What does statistics say?

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

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

retail inflation ever closer to the 4% target of the RBI.
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How does the future look?

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- As kharif output has been largely hit by irregular rain, rural demand may not provide the economic stimulus anytime soon.
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- With tax revenues trailing below Budget expectations, there's little room for a fiscal stimulus.
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- Therefore, the Centre should continue tapping into overseas soft credit to fund big infrastructure projects.
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- The 'Economic Advisory Council' should focus on quality expenditure, which can crowd in private investment.
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Source: Business Line

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