

Survey has made a candid assessment of the economy, says India Inc

Volume 2 admits to growth slowdown from pre-Budget projections, say analysts

OUR BUREAU

New Delhi, August 11

India Inc and analysts said that the second volume of the Economic Survey for 2017 has correctly and candidly assessed that the Indian economy is being weighed down by a series of deflationary impulses due to looming twin balance sheet

challenge and declining profitability in certain sectors.

Chandragit Banerjee, Director-General, CII, said, "It has rightly described the current

economic outlook as a combination of optimism and anxiety.

"Structural reforms and measures to address the twin balance sheet problem have accelerated while the macro-economic environment continues to remain stable.

"The Survey has elaborated on the key benefits of GST...at the same time, CII agrees with the Survey's assessment that factors such as agricultural stress, exchange rate appreciation and sector-



Chandragit Banerjee, Director-General, CII

specific issues will impinge on the short-term outlook for the economy," he added. Assoccham Secretary-General DS Rawat said the Survey has rightly pin-pointed the moderation in growth in industrial output and the services sector.



DS Rawat, Secretary General, ASSOCHAM

"Both these sectors need some immediate steps like resolution of the bank NPAs and a pragmatic approach for the twin balance sheet problem," he added. FICCI said, "Our reading of the Economic Survey confirms that there is a need to



DK Srivastava, Chief Policy Advisor, EV India

substantially cut down the policy rates by the RBI and ensure its full transmission by banks in the form of lower lending rates for consumption and investment activities." Analysts pointed out that the Survey admits growth

slowdown from its pre-Budget projections.

DK Srivastava, Chief Policy Advisor, EV India, said, "The mid-term review's admission of a growth slowdown from the pre-Budget Economic Survey projection of an average growth exceeding 7 per cent is candid and realistic.

"Apart from two consecutive although short-term impacts emanating from demonetisation and the GST, the economy continues to suffer from deficient investment and export demand, appreciating rupee, macro implications from farm loan waivers in addition to sectoral problems in the power

and telecommunication sectors.

"These are expected to weigh down India's growth pulse in the short run.

"We should reach closer to our potential growth exceeding 7.5 per cent in Financial Year 2019".

Sunil Kumar Sinha, Principal Economist, India Ratings & Research, however, believes that the survey fails to provide an answer to the key question about how much time will it take for India's GDP to realise its potential.

"India Ratings believes it fails to provide an answer to the burning question that despite growing macro-economic stability and various policy initiatives taken by the government, how long will it take for India's GDP growth to realize its potential?"

"Also the narrative still has not moved away from policy rate cut to admitting that fixing the problem of real sectors is equally important as investment revival is not a one way street.

"Moreover, no matter how much one may wish, India Ratings believes policies to fix the real sector problem will have both - hits and misses and therefore it will take its own time to play out," he added.

Farm loan waiver will be deflationary, exerting a drag on growth in short run... we are saying that because of all these risks it is less likely that we will see outcomes towards the upper end of the forecast

ARVIND SUBRAMANIAN
Chief Economic Advisor



The survey is a comprehensive and forthright document which lucidly and cogently articulates the current challenges and offers credible solutions for restoring the economy on its potential growth path

CHANDRAJIT BANERJEE
CIJ Director General



The survey has highlighted the stress in various sectors such as power and telecom even as deflationary impulses are due to subdued demand

D. S. RAJWAT
Association Secretary General



On the telecom sector

- Stiff price competition led to dip in rates of voice call and data services
- Simultaneously, the sector's share in the non-performing assets of infrastructure has increased

Power in GST's ambit

- Bringing electricity under GST would improve the competitiveness of Indian industry because taxes on power get embedded in manufacturers' costs, and can be claimed back as input tax credit

Education and jobs

- Deterioration in quality learning in primary education noted, targeted enrolment in middle education still a challenge
- High levels of under-employment and skill shortage
- Labour market impacted by rigid laws and emergence of contract labour

**BUZZ
FROM
CORPORATES**

The survey rightly pin pointed moderation in growth in industrial output as also services, the key drivers of the economy. Both these sectors need some immediate steps like resolution of the bank NPAs and a pragmatic approach for the twin balance sheet problem

**ASSOCHAM SECRETARY
GENERAL D S RAWAT**



ECONOMIC SURVEY VOL II

Adoption of new technologies, reskilling key for job growth

Survey says gentle deceleration in net hiring growth rate in IT-BPM sector

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 11

EMPLOYMENT IN India poses a great challenge in terms of its structure, with it being dominated by informal, unorganised and seasonal workers, volume two of Economic Survey for 2016-17 said. It also highlighted the deceleration in hiring being faced by the IT-BPM (business process management) sector. The Survey said that misconstruing mobility of skilled people as an immigration issue is a "deterrent to the growth of this global business" resulting in many barriers to free movement of skill and data.

The Survey, which was tabled in Parliament on Friday, said that there is a gentle deceleration in net hiring growth rate as has been indicated by Nasscom. As per Nasscom, this largest private sector employer has added over 6 lakh new employees in the last 3 years and is expected to add over 2.5 to 3 million new jobs by 2025. "The IT-BPM industry is also feeling the pinch of the global slowdown and global political uncertainties as clients go slow on their decision-making and investment processes," it said.

It also cited a report by executive search firm Head Hunters India, saying that the job cuts in IT sector will be between 1.75 lakh and 2 lakh annually for next three years due to under-preparedness in adapting to newer technologies. It also cited the McKinsey &

Quoting a World Bank report, the Survey said automation threatens 69 % of jobs in India

Company report, saying that nearly half of the workforce in the IT services firms will be "irrelevant" over the next 3-4 years and the bigger challenge ahead for the industry will be to retrain 50-60 per cent of the workforce with a significant shift in technologies.

"However, the skills profile is set to undergo a rapid change as demand for skills around digital technologies grows exponentially. Many firms have established dedicated programmes to re-skill existing employees. In 2016-17 around 1.7 lakh jobs were created and in Q4 of 2016-17 alone, there was gross hiring of over 50,000 by top 5 firms. However, Labour Bureau of India data indicate that changes in employment in IT-BPO sector during April to December 2016 was only 0.22 lakh," it said.

The Survey also noted that the growth in digital tech like cloud-based services is happening at a much faster pace and the companies have to learn new technologies and reskill. Quoting a 2016 report of the World Bank, the Survey said that automation threatens 69 per cent of the jobs in India, while it threatens 77 per cent in China.

While the labour markets are impacted by rigid labour laws and the emergence of contract labour,

public employment generation programmes have continued to be a major tool for creating additional jobs and promoting inclusiveness, the Survey said.

The Survey enlisted the initiatives taken by the government, both legislative as well as technological, including the higher budgetary allocation for anti-poverty programmes and employment generation schemes. On the government schemes for skilling, the Survey said that the current measures of outcome in skill training are only uni-dimensional and need to be made multi-dimensional.

"The present measure of outcomes in skill training includes only number of persons trained, which is uni-dimensional. The outcome measures for skill training should take into account parameters to make it multi-dimensional, by including person days, person hours, weighting for level of training, weighting for duration of training and other appropriate weighting," it said.

It added that skilled labour force is essential to meet diversified demands of a growing economy, to tap the benefit of demographic dividend. Quoting the India Skill Report 2016, the present demographic advantage of India is predicted to last only till 2040. A sector wise study, commissioned by National Skill Development Corporation, has estimated the incremental human resource requirement of 103.4 million across 24 high priority sectors by 2022, it added.

INDIA INC REACTS

"The survey is a comprehensive and forthright document which lucidly and cogently articulates the current challenges and offers credible solutions for restoring the economy..."

CHANDRAJIT BANERJEE
CII DIRECTOR GENERAL

"...there is an element of anxiety on account of factor such as farm loan waivers, dip in non-cereal food prices and weakening performance of sectors such as power and telecom..."

FICCI STATEMENT

"The survey rightly pinpointed moderation in growth in industrial output as also services. Both these sectors need some immediate steps like resolution of the bank NPAs and a pragmatic approach for the twin balance sheet problem"

D S RAWAT
ASSOCHAM SECRETARY GENERAL

नेगेटिव जोन में पहुंची IIP ग्रोथ

विशेष संवाददाता नई दिल्ली

जून में औद्योगिक उत्पादन (आईआईपी) के मोर्चे पर तगड़ा झटका लगा है। जून में औद्योगिक उत्पादन यानी आईआईपी नेगेटिव जोन में चली गई। आईआईपी में -0.1 फीसदी की गिरावट आई है। मई में आईआईपी ग्रोथ 1.7 फीसदी थी। पिछले साल इसी दौरान औद्योगिक उत्पादन 8 फीसदी बढ़ा था। अप्रैल-जून 2017 में आईआईपी ग्रोथ 2 फीसदी रही जबकि पिछले साल इसी दौरान यह 7.1 फीसदी थी।

पिछले साल की तुलना में अप्रैल-जून में औद्योगिक उत्पादन की ग्रोथ में यह बड़ी गिरावट है। इंडस्ट्रीज चैंबर एसोसिएशन के डायरेक्टर जनरल डी एस रावत का कहना है कि अब साफ जाहिर है कि मार्केट में डिमांड की कमी है। इसका एक कारण मनी फ्लो में

कमी भी है। ऐसे में अब आरबीआई द्वारा रेट कट की और गुंजाइश बनती गिरा है। मई में आईआईपी ग्रोथ 1.7 फीसदी थी

है और साथ ही बैंकों पर भी इस बात का दबाव डालने की जरूरत है कि वे रेट कट का लाभ ग्राहकों को पहुंचाने में देरी न करें।

महीने दर महीने आधार पर जून में मैन्युफैक्चरिंग सेक्टर की ग्रोथ 1.2 फीसदी से घटकर -0.4 फीसदी रही। वहीं, माइनिंग सेक्टर की ग्रोथ में भी गिरावट हुई और यह मई के -0.9 फीसदी के मुकाबले -0.4 फीसदी हो गई। हालांकि, महीने दर महीने आधार पर जून में इलेक्ट्रिसिटी सेक्टर की ग्रोथ 8.7 फीसदी से घटकर 2.1 फीसदी रही है। महीने दर महीने आधार पर जून में कैपिटल गुड्स का उत्पादन -3.9 फीसदी के मुकाबले -6.8 फीसदी रहा है। महीने दर महीने आधार पर जून में कंज्यूमर ड्यूरेबल्स का उत्पादन -4.5 फीसदी से बढ़कर -2.1 फीसदी रहा है।