

How the World views India

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Contact:

Madan Sabnavis

Chief Economist
madan.sabnavis@careratings.com
91-22-67543489

Manisha Sachdeva

Associate Economist
manisha.sachdeva@careratings.com
91-22-67543675

Mradul Mishra (Media Contact)

mradul.mishra@careratings.com
91-22-67543515

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The Indian economy was regarded as one of the best performing ones in the last few years. IMF has argued that while it expects overall growth in the global economy to recover in 2017, there would be downward pressure exercised by slower growth in USA, UK and India.

What does the array of forecasts for India look like for 2017-18 and 2018-19? The table below provides quick view on the forecast provided by different agencies.

GDP growth forecasts

Agency	2017-18	2018-19	Month in which forecast made
CARE Ratings	7.1	7.6	October *
IMF	6.7	7.4	October
World Bank	7.0	7.3	October
ADB	7.1	7.4	September
Economist	6.7	7.3	October
OECD	7.3	7.7	June
RBI	6.7	7.3	October #
Government of India: Economic Survey	6.75-7.5	n.a.	August

*:CARE Ratings projection carries a strong downward bias. It will be revisited again when IIP numbers for September are out.

RBI provided forecasts on GVA

Most of the forecasts have been lowered by the agencies, including CARE Ratings over the last month or so. The main reasons given for this reduction in growth forecasts are:

- Demonetization affecting both demand and supply
- GST introduction affecting especially the smaller units on the supply side.
- Subdued private investment in the economy
- Lower rate of growth in government spending
- Slowdown in consumption spending
- Corporate debt overhang
- Prospect of interest rates increasing in the USA

On the positive side:

- It is expected that consumption will pick up in second half of the year. This will be because of lower prices and higher wages.
- Economic reforms have been hailed to have a positive impact on the economy.
- The GST promises unification of India's vast domestic market and is among several key structural reforms under implementation that are expected to help push growth above 8% in the medium term.

- Private investment will pick up with a lag on account of these reforms which is positive.

Besides, some of the negative impact factors have been highlighted as being temporary that should be overcome by the end of the year. The World Bank has also pointed out that there could be a tendency for the growth number to be better finally as data revisions in the past do reveal that growth numbers are changed in the upward direction up to 0.5% which may be possible this time too.

What more is expected from the government?

- Simplifying and easing labour market regulations
- Land acquisition procedures to be made easier