The Economic Survey 2017-18

The Economic Survey, 2017-18 was tabled in the Parliament on January 29th . It is an annual publication, prepared by the team under the Chief Economic Adviser, in Ministry of Finance.

This document is tabled in both Upper and Lower houses of Parliament during the Budget Session. It is a crucial document which contains the annual review of Indian economy vis-à-vis its performance last year. It also highlights the roadmap of major policy steps by the Government.

The Economic Survey 2017-18 has highlighted that after a short phase of “decoupling” from global growth, India has re-instated as the world’s fastest growing major economy, and expected to have 7- 7.5 per cent growth in real GDP in 2018-19.

The significant reforms launched last year like GST, Indian Bankruptcy Code and big bang recapitalization packages have led to the major revival of Indian economy, the Survey emphasized. However, the Survey has cautioned that the persistence of high international oil prices and interest differentials leading to “sudden stall” in capital flows are the two formidable challenges ahead.

With the infusion of capital through recapitalization packages, twin balance sheet (TBS) problem has been adequately attended, the survey noted. This may spurt public investment in the economy this year. This view was against the backdrop of declining Gross Capital Formation as percent of GDP from 38.35 per cent in 2012 to 30.38 per cent in 2016. The Survey speaks about four R’s to tackle the problem of Twin Balance Sheet – viz., “Recognition, Resolution, Recapitalization and Reforms”.

At the outset, the policy agenda prescribed by the Survey for the next year includes stabilizing the GST, tackling Twin Balance sheet problem, privatizing Air India, and maintaining macro-economic stability.

On the fiscal front, the Survey noted that the GST Council offers a model “technology” of cooperative federalism to apply to many other policy reforms. However, the Survey has also noted that approximately 2.82 lakh tax cases worth 7.5 lakhs crores, which is approximately 4.7 per cent of GDP, are stuck in Appellate Litigation.

Linking federalism and fiscal accountability, the Survey has highlighted that apart from China, India has the lowest share of direct taxes in general government revenue. The survey also highlighted the "fiscal accountability" issue that the subnational governments collect low levels of taxes even relative to the powers they already have, which imply a "low-equilibrium accountability-delivery trap".

Over the medium term, the survey identifies three areas of policy focus which needs to be carried out in fiscal federal settings ; they are providing jobs for the young and burgeoning workforce, especially for women; creating an educated and healthy labor force; and raising farm productivity while strengthening agricultural resilience.

The Survey has highlighted a few SDG-related issues as well. A revival of chapter on gender is a commendable initiative. It is interesting to recall that the Economic Survey carried a chapter on gender first time ever in 2000 when India was getting ready for gender budgeting. The pioneering study of NIPFP titled "gender Diagnosis and Budgeting" was used to prepare a chapter on gender in economic survey 2001. After a gap of 17 years, the economic survey has resumed a chapter on gender. The survey noted that parents continue having children till they get desired number of sons (which survey team calls as "meta" preference for sons). The analysis of in the survey revealed that the skewed sex ratio favoring son preference in India has led to 21million "unwanted" girls. The survey has flagged that three important areas of improvement for India on gender include how to increase the female employment, reproductive choice, and reduce son preference & Son "Meta" Preference.

Yet another commendable initiative in the survey is the analysis linking climate change commitments to agriculture using "big data". The survey highlighted that revival of investment in agriculture is a significant move to increase growth rate. In the last four years, the level of real agricultural GDP and real agriculture revenues has remained constant, owing in part to weak monsoons in two of those years, the survey noted.

The analysis in the survey suggests that "climate change" might reduce farm incomes by up to 20-25 percent in the medium term. The government's objective of "*addressing agricultural stress and doubling farmers' incomes consequently requires radical follow-up action, including decisive efforts to bring science and technology to farmers, replacing untargeted subsidies (power and fertiliser) by direct income support, and dramatically extending irrigation but via efficient drip and sprinkler technologies*", unquote.

Certain developments are indeed a matter of concern in Indian economy. For instance, the bond yields have increased sharply since August 2017. The fiscal deficit has also widened due to a shortfall in non-tax revenue, and reduced dividends from government agencies and enterprises after demonetization. The fiscal deficit threshold revisions and new fiscal consolidation measures will be more clear in the upcoming budget on February 1st.