



IAS PARLIAMENT

Information is Empowering
A Shankar IAS Academy Initiative

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.

\n

- Rural demand fell due to 2 continuous poor monsoon years.

\n

- Debt-strapped industry being unable to undertake investment is also another factor.

\n

- 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.

\n

- Teething issues in GST, chiefly delays in realisation of input credit, have further disrupted cash flows, hurting exporters.

\n

- Inflation is currently around 3.4%.
\n
- 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



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative