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MILES TO GO: THE HINDU EDITORIAL ON THE STATE OF THE INDIAN ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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India's economy is firmly out of the throes of the pandemic blues, the higher-than-expected 7.2% GDP growth last year could actually be an 'underestimate', and the country is now poised for a decade, if not more, of uninterrupted 6.5%-7% growth, even if no further reforms are undertaken. This was the key message from Chief Economic Adviser (CEA) V. Anantha Nageswaran's prognosis of the state of the economy, conveyed to industry leaders last week. India, he asserted, could now grow for a longer period of seven to 15 years as China did between 1979 and 2008 without "running into overheating problems" as it did after three-four years of strong growth in recent decades. Among the reasons for his optimism — strong momentum, better macro fundamentals with inflation and trade deficits easing in recent months, and cleaner bank and corporate balance sheets, bolstered by reforms such as Goods and Services Tax (GST) and digitisation that are spurring formalisation. The CEA's elaborate elucidation on the economy's bright prospects can well be seen as a fresh official nudge to the private sector to stop worrying and restart investing. At the same time, his comment that the economy could be on 'auto-pilot' mode, may be a hint that the appetite for important pending reforms such as rationalising the GST structure or fixing archaic factor market laws is low, at least till the 2024 Lok Sabha election.

With sectors such as steel and cement seeing higher capacities in action, sections of industry may well start loosening the purse strings soon but a broad-based revival may take longer and needs more actions to buttress the confidence-building. That India has now recovered from the COVID-19 hit on the economy, marked by a 5.8% GDP contraction in 2020-21, is good. But returning to the pre-pandemic trajectory is not enough — remember that growth had slid for seven successive quarters even before the pandemic lockdowns. The economy grew just 3.9% in 2019-20 from 6.5% in the year before, and the quality of the recovery thus far remains uneven. Unless private investment recovers firmly and revs up job creation for millions of youth, demand growth shall not sustain enough to create the virtuous cycle the government is betting on. If India wants to encash the world's China-plus-one supply chain quest, that intent is not often matched by actions. Misadventures such as high import tariffs and the complex 'angel tax' on inbound investments apart, even failing to fix an online service to register a new company does not engender investor confidence. Before the economic engine can be truly on 'auto pilot' mode, the government must desist from unnecessary tinkering with its calibrations and create conducive conditions for a smooth and swift, hurdle-free passage for value and job creators.

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