



Economic Outlook Survey
May 2017



GDP growth estimated at 7.4% in 2017-18: FICCI's Economic Outlook Survey

HIGHLIGHTS

GDP Growth for FY 18 estimated at 7.4%

Latest round of FICCI's Economic Outlook Survey puts across a median GDP growth forecast of 7.4% for the current fiscal year, with a minimum and a maximum range of 7.0% and 7.6% respectively. The survey was conducted during March/April 2017 amongst economists belonging to the industry, banking and financial services sector.

	Median Estimates Economic Outlook Survey: 2017-18
Growth (in %)	
GDP@ market prices	7.4
GVA@ basic prices	7.3
Agriculture & Allied activities	3.5
Industry	6.9
Services	8.4

The projected numbers indicate an improvement in industry as well as services sector growth in 2017-18. Agricultural sector growth is also expected to remain robust during the year.

With the process of remonetisation almost complete, demand is gradually gaining strength. Also, some improvement has been noted in the confidence levels of businesses.

Quarter 1 FY 17 GDP growth estimated at 7.7%

Growth (in %)	Median Estimates Economic Outlook Survey		
	Q1 2017-18 Present Round	Q4 2016-17 Present Round	Q4 2016-17 Last Round
GDP@ market prices	7.0	6.7	6.7
GVA@ basic prices	6.9	6.4	6.7
Agriculture & Allied activities	4.5	4.0	2.9
Industry	6.6	6.4	5.6
Services	7.5	7.0	7.8

IIP growth @3.0% in 2017-18

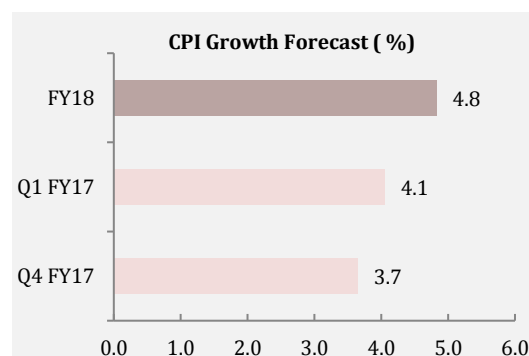
The median growth forecast for IIP has been put at 3.0% for the year 2017-18, with a minimum and maximum range of 1.5% and 6.8% respectively.

Outlook on inflation

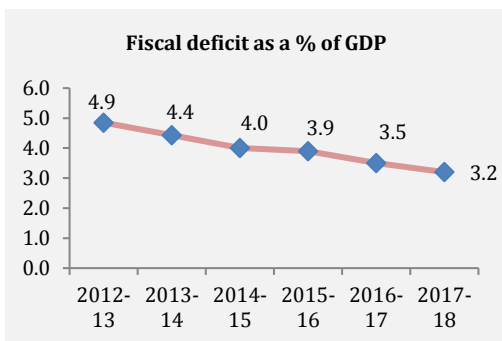
Wholesale Price Index based inflation rate is projected at 5.0% in 2017-18, with a minimum and maximum range of 3.6% and 5.9% respectively. Wholesale based prices have been edging up and the latest data on WPI based inflation puts across an inflation rate of 5.7% for the month of March 2017.

Consumer Price Index has a median forecast of 4.8% for 2017-18, with a minimum and maximum range of 4.0% and 5.3% respectively. CPI forecast for Q1 2017-18 has been put at 4.1% according to the latest survey results.

Recent data points indicate an increase in inflation on the back of elevated commodity prices.



Fiscal Deficit to GDP ratio for 2017-18 in line with Government's indicative trajectory



VIEWES OF ECONOMISTS

Assessment of Final Growth Estimate for 2016-17

Central Statistical Organization in its latest release reported 7.0 percent growth for Q3 2016-17 indicating a nominal impact of demonetization and the estimate for the entire fiscal 2016-17 was put at 7.1 percent. Given this backdrop, economists were asked to share their prognosis on the expectation of the final GDP numbers for the year 2016-17 which are due for release in May 2017.

Commenting on Q3 numbers, economists pointed out that the downward revision in GDP data for Q3 of 2015-16 aided an improvement in the Q3 numbers for 2016-17. Negating these revisions would result in growth lower than 7.0 percent for Q3 2016-17.

Further, some participating economists anticipate GDP growth in Q4 2016-17 to be relatively weaker than Q3 numbers.

After considering upside and downside risks to growth, the economists participating in the survey forecasted GDP growth for 2016-17 to lie between 6.6 percent and 7.1 percent.

Agricultural sector will lend support to overall GDP growth. After two consecutive years of unfavourable weather conditions, a normal monsoon in 2016 in the Kharif season and favourable climatic conditions in the Rabi season have been a boon for the agricultural sector. The latest agricultural data reveals highest production of pulses in the country in the year 2016-17.

It was also pointed out that since India's macroeconomic fundamentals were strong the economy was able to withstand the impact of the sudden demonetization move. The setback was transient and the economy is gradually picking up momentum as the process of remonetisation gets complete.

View on Universal Basic Income & recipe for its success?

The idea of Universal Basic Income (UBI) for guaranteeing minimum basic support to the Indian citizens has been floating for some time now and found a special mention in the Economic Survey 2016-17.

The economists were asked to put forth their assessment of this concept and suggest ways to ensure its success.

Majority of the participating economists were supportive of the idea of Universal Basic Income.

It was felt that UBI can be an efficient substitute which would help reduce poverty and transfer the choice/decision to spend on the individual. It would also promote employment generation by promoting labour flexibility as individuals are permitted to partially enter the labour market without the fear of losing the benefits.

The economists participating in the survey opined that the idea must be taken forward and explored in detail, which would include a plan on implementation and evaluating & overcoming the possible road blocks.

However, it was also pointed out that though the concept of UBI is relevant in context of providing guaranteed minimum basic support to the people, the implementation of the same in a highly diverse country like India will be a colossal task.

Several challenges would emanate, right from stage of selection of beneficiaries to deciding on an acceptable income level and its distribution.

Implementation would be challenging given the poor state of financial infrastructure and digital payments are still a small proportion of the total financial transactions.

It was also pointed out that India lags behind on key human development indicators such as health,

nutrition, education, sanitation and drinking water. In such a scenario, a universal income hand out would not entirely solve some of the key problems that the poor face.

The participants pointed out that the success of the program depends largely on the coordination between states and central government. Once the implementation hurdle is crossed, UBI could be an important welfare program in the country.

Views on rising wave of protectionism and its impact on India?

Global economic environment has been plagued with uncertainty for some time now. Though recent trends indicate some signs of recovery; however the world is also facing a rising wave of protectionism with the major advanced economies (such as United States, European countries and Australia) increasingly meandering towards inward looking policies.

India is a part of the globalized world and any disruptions in the global arena will have ramifications for the country as well.

Economists participating in the survey unanimously believed that protectionism is becoming a new normal led by certain advanced economies which are increasingly looking inwards to propel growth and increase employment. This could result in increased tension between the nations which could lead to trade wars.

Given this scenario, the economists felt that while protectionism is a challenge, India needs to keep its focus on implementing reforms. The situation calls for improving the investment climate in the country, enhancing hard and soft infrastructure and continuing the efforts on tackling the issue of non-performing assets.

Economists felt that higher government and private investments towards infrastructure development and capacity expansion can play a pivotal role in revitalizing domestic demand. This would encourage the domestic industry.

Participating economists were of the view that strengthening the domestic economy, in terms of

sustainable macroeconomic stability, enhancing skills among youth and the workforce and continuing on the reform path will help India manoeuvre the rough patches. Additionally, reforms such as the GST, which is likely to be implemented from July 1, 2017, are anticipated to provide an impetus to India's economy.

The impact of changing fiscal and monetary policies in the developed world could lead to increased capital outflows from emerging economies such as India and hamper export growth. It was suggested that India should look at signing preferential trade agreements with other emerging market economies. India can play a pivotal role in ensuring cooperation amongst countries in reaching the desired agreement.

Survey Profile

The present round of FICCI's Economic Outlook Survey was conducted in the month of March/April 2017 and drew responses from leading economists representing industry, banking and financial services sector. The economists were asked to provide forecast for key macro-economic variables for the year 2017-18 as well as for Q4 (January-March) FY17 and Q1 (April-June) FY18.

In addition, economists were asked to share their views on certain contemporary subjects. The participants were asked to share their assessment on the final growth estimate for 2016-17. Economists were also asked to share their views on the concept of Universal Basic Income, its relevance in the Indian context and the possible concern areas related to its implementation. Finally, economists were asked to share their opinion on the rising wave of protectionism that is engulfing the global economy, its impact on India and measures that can help minimize the negative impact.

Survey Results: Part A Projections - Key Economic Parameters

National Accounts

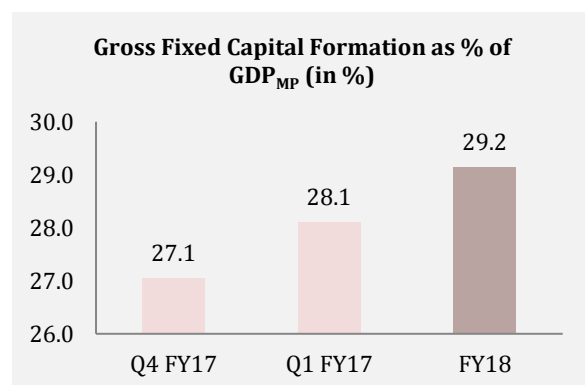
GDP growth at 2011-12 prices

Growth (in %)	Annual (2017-18)			Q4 2016-17			Q1 2017-18		
	Median	Min	Max	Median	Min	Max	Median	Min	Max
GDP@ market prices	7.4	7.0	7.6	6.7	6.5	6.8	7.0	6.9	7.4
GVA@ basic prices	7.3	6.8	7.6	6.4	5.9	6.8	6.9	6.5	7.2
Agriculture & Allied activities	3.5	2.8	5.5	4.0	2.5	5.0	4.5	3.2	5.3
Industry	6.9	4.9	7.2	6.4	3.5	6.8	6.6	4.7	6.9
Services	8.4	7.7	9.2	7.0	6.7	7.8	7.5	7.0	9.0

The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast at 7.4% for 2017-18.

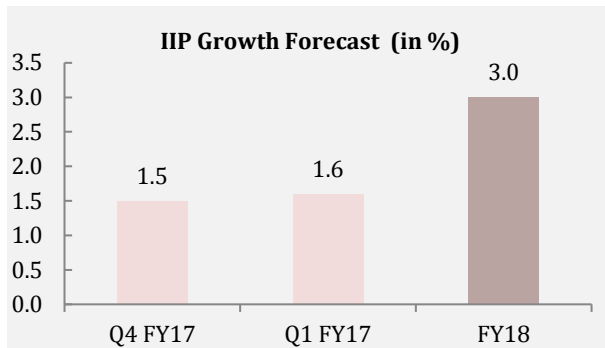
The median growth forecast for agriculture and allied activities has been put at 3.5% for 2017-18, with a minimum and maximum growth estimate of 2.8% and 5.5% respectively. Industry and services sector are expected to grow by 6.9% and 8.4% respectively during the year.

The quarterly median forecasts indicate a GDP growth of 6.7% in Q4 2016-17 and 7.0% in Q1 2017-18.



The ratio of Gross Fixed Capital Formation to GDP for 2017-18 has been estimated at 29.2%. The median growth prediction for Q1 2017-18 is put at 28.1%, 1.0 percentage point higher than that projected ratio for Q4 2016-17.

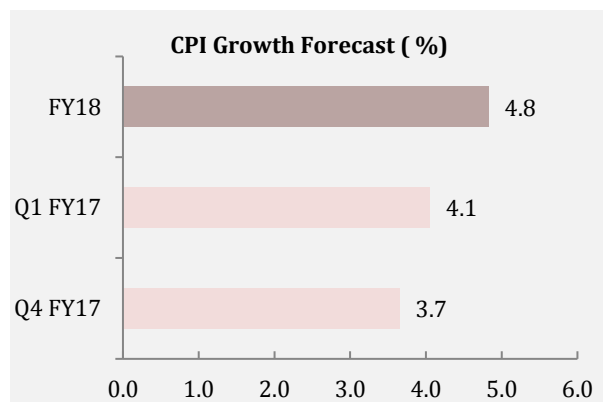
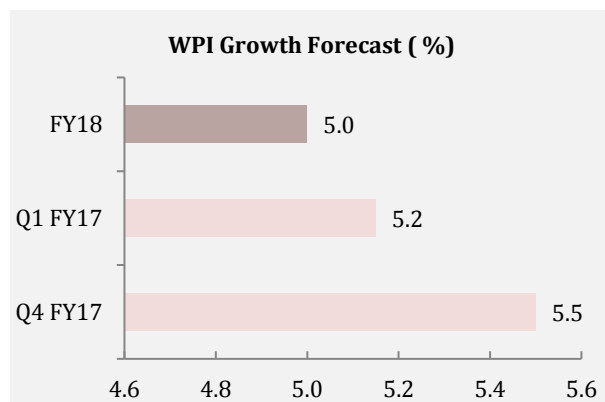
Index of Industrial Production (IIP)



The median growth forecast for IIP was put at 3.0% for 2017-18 by the participating economists, with a minimum and maximum range of 1.5% and 6.8% respectively.

IIP growth numbers continue to indicate volatility and a firm turnaround remains elusive. The index contracted by 1.2% in the month of February 2017 vis-à-vis 3.3% growth reported in the previous month.

Wholesale Price Index (WPI) & Consumer Price Index (CPI)

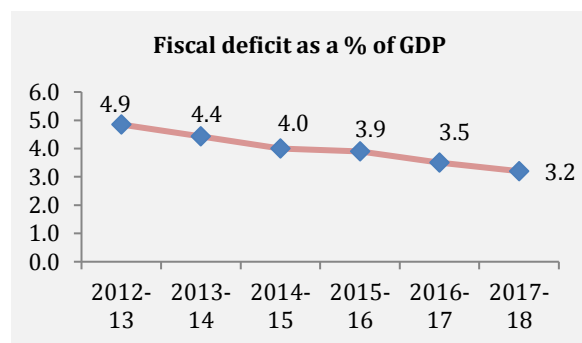


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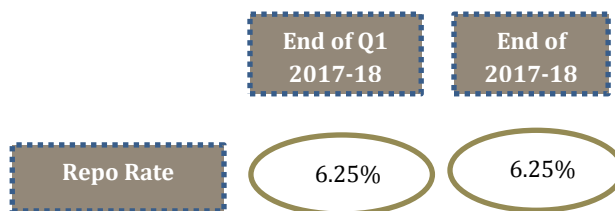
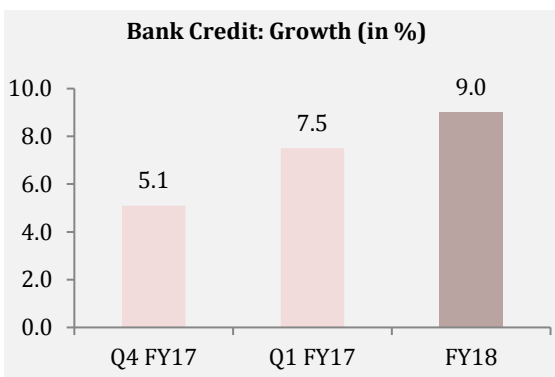
Consumer Price Index has a median forecast of 4.8% for 2017-18, with a minimum and maximum range of 4.0% and 5.3% respectively. CPI forecast for Q1 2017-18 has been put at 4.1% according to the latest survey results.

Fiscal Deficit

The median fiscal deficit to GDP ratio was put at 3.2% for the fiscal year 2017-18 with a minimum and maximum range of 3.2% and 3.5% respectively.



Money and Banking

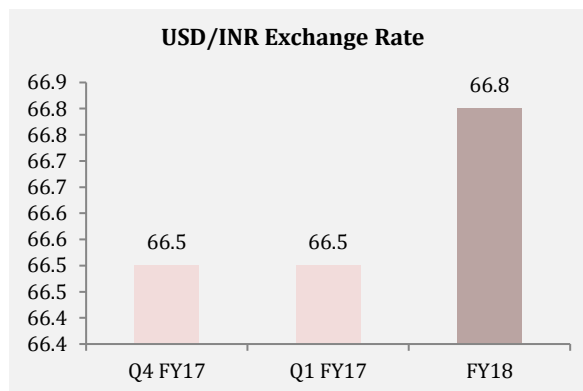
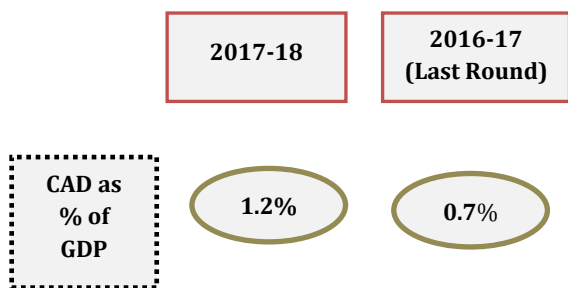


External Sector

2017-18	Export	Import
USD billion	286.5	411.8
Growth (in %)	5.9	7.1

Exports have been rising for seven consecutive months ending March 2017. Exports grew by 27.5% in March 2017 vis-à-vis (-) 4.7% growth reported in the corresponding month previous year.

Based on the responses of the participating economists, the median growth forecast for exports has been put at 5.9% for fiscal year 2017-18 and for imports at 7.1%.



Survey Results: Part B
Views of the Economists

ASSESSMENT OF FINAL GROWTH ESTIMATE FOR 2016-17

Central Statistics Office (CSO) released the third quarter GDP growth estimates on February 28, 2017. In order to get some initial sense of the extent of impact of demonetization on economy the third quarter numbers were being eagerly awaited.

CSO reported 7.0 percent growth for Q3 2016-17 indicating a nominal impact of demonetization and the estimate for the entire fiscal 2016-17 was put at 7.1 percent. Given this backdrop, economists were asked to share their prognosis on the final GDP numbers for the year 2016-17 which are due for release in May 2017.

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It was pointed out that since India's macroeconomic fundamentals were strong the economy was able to withstand the impact of the sudden demonetization move. The setback was transient and the economy is gradually picking up momentum as the process of remonetisation gets complete.

VIEWS ON UNIVERSAL BASIC INCOME AND THE RECIPE FOR ITS SUCCESS

The idea of Universal Basic Income (UBI) for guaranteeing minimum basic support to the Indian citizens has been floating for some time now and also formed a part of the Economic Survey 2016-17. Economists were asked to put forth their assessment of this concept and suggest ways to ensure its success.

Majority of the participating economists were supportive of the idea of Universal Basic Income.

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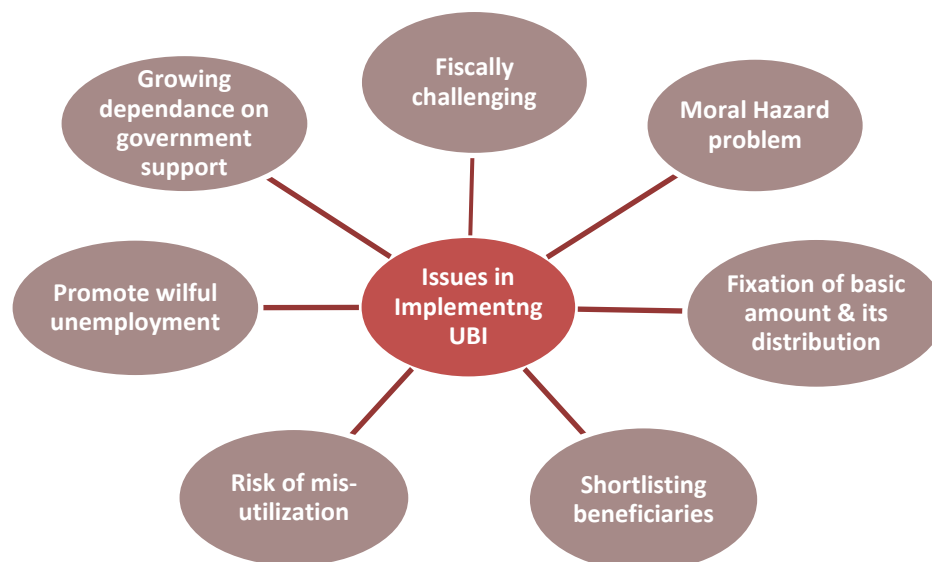
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However, it was also pointed out that though the concept of UBI is relevant in context of providing guaranteed minimum basic support to the people, the implementation of the same in a highly diverse country like India will be a colossal task.

Several challenges would emanate, right from stage of selection of beneficiaries to deciding on an acceptable income level and its distribution.

Implementation would be challenging given the poor state of financial infrastructure and digital payments are still a marginal proportion of the total financial transactions.

It was also pointed out that India lags behind on key human development indicators such as health, nutrition, education, sanitation and drinking water. In such a scenario, a universal income handout would not solve some of these key problems that the poor face.



It was reiterated that the success of the program depends largely on the coordination between states and central government. Once the implementation hurdle is crossed, UBI would be the biggest and a futuristic welfare program in the country.

VIEWS ON RISING WAVE OF PROTECTIONISM AND ITS IMPACT ON INDIA

Global economic environment has been plagued with uncertainty for some time now. Though recent trends indicate some signs of recovery; however the world is also facing a rising wave of protectionism with the major advanced economies (such as United States, European countries and Australia) increasingly meandering towards inward looking policies.

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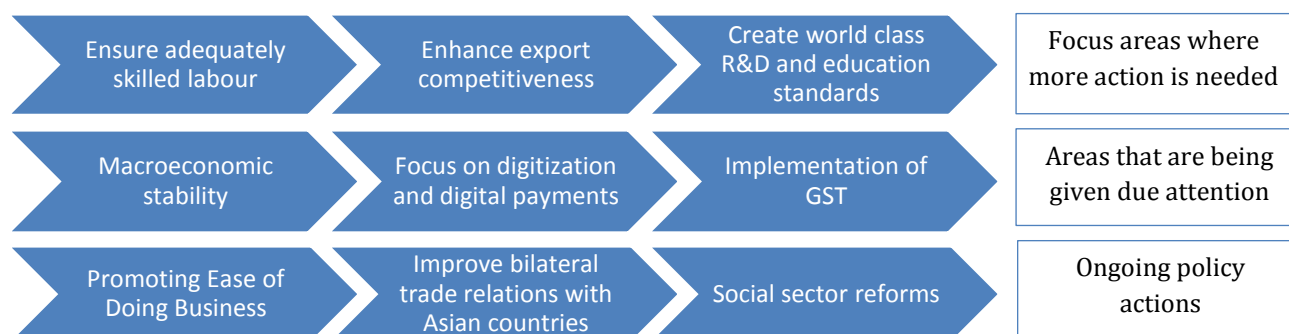
Economists participating in the survey unanimously believed that protectionism is becoming a new normal led by certain advanced economies which are increasingly looking inwards to propel growth and increase employment. This could result in increased tensions between the nations which could lead to trade wars.

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Economists felt that higher government and private investments towards infrastructure development and capacity expansion can play a pivotal role in revitalizing domestic demand. This would encourage the domestic industry.

Participating economists were of the view that strengthening the domestic economy, in terms of sustainable macroeconomic stability, enhancing skills among youth and the workforce and continuing on the reform path will help India manoeuvre the rough patches. Additionally, reforms such as the GST, which is likely to be implemented from July 1, 2017 are anticipated to provide an impetus to India's economy.

The impact of changing fiscal and monetary policies in the developed world could lead to increased capital outflows from emerging economies such as India and hamper export growth. It was suggested that India should look at signing preferential trade agreements with other emerging market economies. India can play a pivotal role in ensuring cooperation amongst countries in reaching the desired agreement.



Appendix

Key Macroeconomic variables	Outlook 2017-18				Outlook Q4 2016-17				Outlook Q1 2017-18			
	Mean	Median	Min	Max	Mean	Median	Min	Max	Mean	Median	Min	Max
GDP growth rate at market prices (%)	7.4	7.4	7.0	7.6	6.7	6.7	6.5	6.8	7.1	7.0	6.9	7.4
GVA growth rate at basic prices(%)	7.3	7.3	6.8	7.6	6.3	6.4	5.9	6.8	6.9	6.9	6.5	7.2
<i>Agriculture & Allied</i>	3.9	3.5	2.8	5.5	3.9	4.0	2.5	5.0	4.2	4.5	3.2	5.3
<i>Industry</i>	6.5	6.9	4.9	7.2	6.0	6.4	3.5	6.8	6.2	6.6	4.7	6.9
<i>Services</i>	8.3	8.4	7.7	9.2	7.1	7.0	6.7	7.8	7.8	7.5	7.0	9.0
Gross Domestic Savings (% of GDP at market prices)	31.5	31.8	29.2	33.0	30.0	30.0	29.5	30.5	30.4	30.4	29.5	31.2
Gross Fixed Capital Formation (% of GDP at market prices)	29.3	29.2	28.8	30.1	27.1	27.1	26.0	28.4	28.0	28.1	27.3	28.7
Fiscal Deficit (as % to GDP) Centre	3.3	3.2	3.2	3.5	-	-	-	-	-	-	-	-
Growth in IIP (%)	3.6	3.0	1.5	6.8	1.9	1.5	0.6	3.5	2.8	1.6	1.2	5.6
WPI Inflation rate (%)	4.9	5.0	3.6	5.9	5.4	5.5	5.0	5.7	5.2	5.2	4.6	6.0
CPI combined new inflation rate (%)	4.7	4.8	4.0	5.3	3.7	3.7	3.4	4.2	4.2	4.1	3.7	4.6
Money supply growth M3 (%) (end period)	11.1	11.0	10.3	11.9	8.4	7.5	6.8	11.9	9.5	9.4	7.3	12.0
Bank credit growth (%)	8.8	9.0	6.0	11.5	5.2	5.1	4.5	6.0	6.6	7.5	4.4	8.0
Repo Rate (end period)	6.25	6.25	6.00	6.25	-	-	-	-	6.25	6.25	6.25	6.25

Merchandise Export												
Value in USD billion	283.8	286.5	265.4	296.4	-	-	-	-	71.6	72.4	70.0	72.4
Growth (%)	6.0	5.9	5.7	6.5	-	-	-	-	5.6	5.6	5.2	6.0
Merchandise Import												
Value in USD billion	403.5	411.8	383.9	416.0	97.6	97.4	93.0	102.5	98.3	101.4	92.0	101.5
Growth (%)	8.1	7.1	5.8	14.0	11.9	11.9	11.8	12.0	7.8	7.8	7.0	8.5
Trade Balance (% to GDP)	-4.9	-4.9	-5.5	-4.3	-4.3	-4.3	-4.8	-3.8	-4.2	-4.2	-4.4	-4.0
CAB as % of GDP at current price	-1.5	-1.2	-0.8	-4.0	-0.7	-0.5	-1.0	-0.5	-0.4	-0.4	-0.6	-0.2
US\$ / INR exchange rate (end period)	66.3	66.8	63.5	68.8	66.2	66.5	64.9	67.3	66.3	66.5	64.4	67.5

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