

GDP Growth to Slow Down to 4.8% in the Current Fiscal - FICCI's Economic Outlook Survey

New Delhi, January 24, 2014: Results of *FICCI's latest Economic Outlook Survey* point towards continued signs of moderation in economic activity. **The survey results indicate GDP growth to slow down to 4.8% in the current fiscal year, which is marginally lower than the 5.0% estimate put out in the last survey.**

However with regard to quarterly growth, the participating economists' expect Q3 FY14 GDP growth to be slightly better at 5.0% vis-à-vis 4.8% growth clocked in Q2 FY14.

Economists' outlook for industrial sector remained weak for the current fiscal owing to persistent weak demand and lackadaisical investments. The Index of Industrial Production (IIP) is estimated to grow by 1.5% in FY14 below than 1.7% projection in the previous survey round. On the inflation front, economists have revised their projection upward to 6.5% for FY14 from 6.0% projected in the last survey due to rising food and fuel prices.

On the external front, situation has improved discernibly and the estimated CAD to GDP ratio has been revised downwards. The ratio is estimated at 1.9% for Q3 FY14, much lower than 4.5% estimated in the previous round. Further, it is projected at 3.0% for the year 2013-14 lower than the revised PMEAC target of 3.8%. To carry forward this impetus and to keep CAD within manageable levels, exports need to grow at near double digits for the coming months, felt the participating economists'.

On the policy announcement, participating economists' have foreseen the key policy rate to adjust at 8.0%, hinting towards a rise by 25 bps in January 2014.

With regard to outlook on Rupee value, participating economists felt that the corrective measures taken by RBI and government ensured that free fall in Rupee was curbed. Participating economists' said that at present Rupee value is hovering around its fair value and is expected to remain below 65 against dollar till end March 2014. Even with the recent tapering announced by US, the Rupee value remained stable. With continuous equity inflows coming from the foreign institutional investors and build up of the foreign exchange reserves, the Rupee value will remain stable.

FICCI also asked the participating economists' to highlight the key reforms that need to be carried out to elevate the growth trajectory. A majority of the economist pointed towards the implementation of Goods and Services Tax (GST), reforms in fuel and gas pricing and a further push to banking reforms.

Link:

<http://ficci.com/SEDocument/20278/EOS-January-2014.pdf>

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