Economic Outlook Survey

November 2017

GDP growth estimated at 6.7% and Fiscal Deficit at 3.3% in 2017-18
FICCI's Economic Outlook Survey

HIGHLIGHTS

GDP growth for FY 18 estimated at 6.7%

The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast for 2017-18 at 6.7%, with a minimum and maximum value of 5.9% and 7.1% respectively.

The median growth forecast for agriculture and allied activities has been put at 2.8% for 2017-18. Even though the country experienced a near normal monsoon season, the spatial distribution of rains has been uneven. Patchy rains in some parts and floods in certain other parts of the country such as West Bengal, Gujarat, Assam and Bihar have led to a loss in agricultural output. Ministry of Agriculture data reveals a 2.8% contraction in the first advance estimates of kharif food grain production in 2017-18.

As per FICCI survey estimates, industry and services sector are expected to grow by 4.8% and 8.4% respectively during the year.

The survey was conducted during October 2017 among economists belonging to the industry, banking and financial services sector.

	Median Estimates Economic Outlook Survey	
Growth (in %)	2017-18	Q2 2017-18
GDP@ market prices	6.7	6.2
GVA@ basic prices	6.5	6.0
Agriculture & Allied activities	2.8	2.8
Industry	4.8	4.4
Services	8.4	8.1

*Median forecast

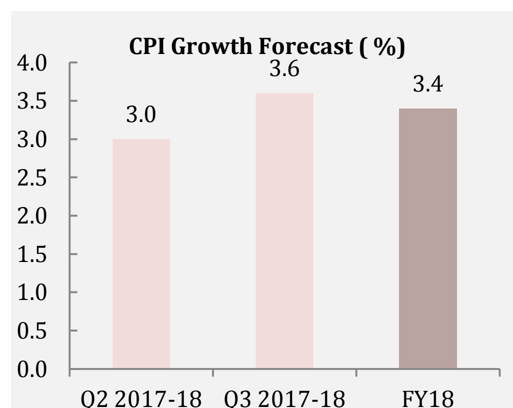
IIP growth projected at 4.1% in 2017-18

The median growth forecast for IIP has been put at 4.1% for the year 2017-18, with a minimum and maximum value of 2.5% and 5.5% respectively.

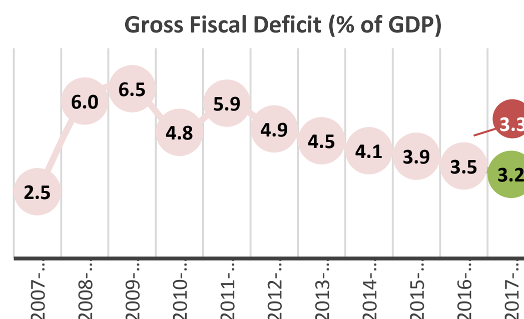
Outlook on inflation remains benign

Wholesale Price Index based inflation rate is projected at 2.8% in 2017-18, with a minimum and maximum value of 2.3% and 3.5% respectively.

Consumer Price Index based inflation has a median forecast of 3.4% for 2017-18, with a minimum and maximum range of 3.0% and 4.5% respectively. CPI forecast for Q3 2017-18 was put at 3.6% according to our survey results.



Fiscal Deficit to GDP ratio for 2017-18 at 3.3%



VIEWS OF ECONOMISTS*

Further measures Government can take to support growth

A majority of the economists believed that the slowdown in the economy which was aggravated by demonetization and uncertainty caused by GST implementation has started to bottom out. It was felt that growth will improve as we get towards the end of the transition phase. The various reforms undertaken by the Government have set the base for a sustained upswing going ahead.

The economists opined that the resolution of twin balance sheet problem will have to be expedited to see a substantive turnaround in the economy. In this regard, economists appreciated the Government's recently announced Rs. 2.11 lakh crore recapitalization plan for public sector banks. The participants also felt Rs. 6.92 lakh crore investment in the highway and road construction segment including the Bharatmala Pariyojana will give a massive push to infrastructure and allied sectors. This is will aid economic activity and will crowd in private investments.

The economist highlighted the following areas which need immediate attention:

- **Reviving consumption**: It was opined that the consumption levels particularly in semi-urban and rural areas need to be given an impetus. The demonetization move last year and the roll out of GST has affected the supply chains more in rural areas than those in the urban areas. One of the key suggestions in this regard was focusing on building rural infrastructure. While the government has announced various initiatives like 'housing for all' and 'electricity for all' – it was felt that these infrastructure building projects need to be expedited. This will improve employment prospects in rural and semi-urban areas and will give a thrust to demand. Also, it remains extremely critical to weather proof agriculture output in the country. The agriculture supply chains in the country need to be substantially strengthened. Economic diversification in rural areas is an important task at hand and a solution needs to be worked out for the same over the medium term.

- **Focusing on capital investments**: The participants felt that Government should continue to lay emphasis on capital investments. Public spending on infrastructure and social sector should be kept up, even if this requires some calibration of fiscal deficit target.

- **Skill development**: The participating economists felt that India needs to be seen as a nation of enterprise and skills. Integration of skill development with formal education system, mobilization of students for skill development by removing apprehensions and adverse perceptions about vocational trades, investing in creation of new training capacities for students as well as teachers, utilisation of idle public infrastructure to provide skill training in remote corners of the country, adopting innovative skill development delivery mechanisms are the much-needed steps to meet the skill related challenges today.

- **Supporting MSMEs**: MSMEs are backbone of Indian industry and given the importance of this sector in terms of their ability to generate employment opportunities, it is extremely important to address the challenges these enterprises face. Access to credit remains one of the key challenges that these enterprises face. The participants felt that the Trade Receivables and Discounting System – TReDS – should gain more traction from the SMEs perspective. This is a channel through which SMEs can get their receivables discounted and hence access finance faster.

- **Enhancing participation of retail investors in capital markets**: It was also suggested that greater participation of retail investors in capital markets should be encouraged.

** The economists were asked to share views on certain topical issues and the same are presented here in this section*

How can RBI support growth

Economists were also asked to share their views on ways in which the Reserve Bank of India can support growth during the current phase besides using the policy rate tool.

The participating economists felt that the Reserve Bank of India (RBI) has been doing its best in the present scenario. The approach adopted towards addressing the issue of stressed assets has been noteworthy. Economists unanimously felt that unless the problem of NPAs is resolved, investments will remain subdued. NPAs have resulted in erosion of the capital base of public sector banks which has brought new lending to a near halt. The participating economists felt that the schemes (such as SDR, S4A etc.) introduced to resolve the issue of stressed assets have been a step in right direction and that the central bank should continue to monitor and respond to asset quality issues to maintain the health of the banking sector. Capital erosion arising out of these NPAs can be met only partially through recapitalization which has already been announced by the Government. However, the recapitalisation plan must be accompanied by reforms in the banking sector.

The economists participating in the survey also pointed out that managing inflation has been RBI's key objective and the central bank's monetary policy stance has been aligned to this end. However, inflation targeting is not the correct approach for India as supply side bottlenecks remain a major determining factor for prices especially with regard to agri-products.

Further, with regard to the policy rate the economists added that fuller transmission of previous cuts into lower lending rates remains pending and must be looked at.

Majority of the participants felt that there is still room for a further rate cut. It was pointed out that any signalling by RBI is closely followed by the markets and the same facilitates immediate adjustments by the market players. While the Reserve Bank has to maintain a balance between growth and inflation considerations, at the same time it becomes extremely important to take cognizance of the prevailing sentiment with regard to the investment scenario and industrial growth.

India's real exchange rate has become overvalued on back of high domestic interest rates that have attracted huge capital inflows. A reduction in repo rate, combined with effective transmission into lending rates will also help in moderating capital inflows and reducing the pressure on the Rupee.

Furthermore, it was suggested that RBI can undertake a reassessment of various loan rates and other ratios based on their historical trends and corresponding economic impact to identify a possible way of promoting loan take-off across various sectors. A case can be made for possibly initiating targeted interventions like reducing standard asset provisions. For instance, while the RBI has already made a 0.25% cut on individual housing loans, a further cut may help in improving demand for housing loans. The LTV (loan to value) ratios, risk weights and standard asset provisioning rate for individual housing loans are some of the targeted interventions that the RBI can include in its monetary policy measures to push credit growth in this segment.

The participating economist also felt that if India is to chart on to a higher growth trajectory, the Reserve Bank should play a greater role in maintaining a competitive exchange rate policy.

Lastly, economists were of the view that with technology advancement and technology driven growth, the threat of cyber-crime and cyber-attacks is becoming increasingly real. It was suggested that the RBI could consider assessing these risks on a regular basis to help the country stay immune to cyber threats as it proceeds to grow as a digital economy.

External benchmark in place of MCLR and making monetary transmission more effective

Reserve Bank of India had set up an internal group to study the Marginal Cost based Lending Rates (MCLR) system and its efficacy in improving the monetary transmission. The Study Group had submitted its report to the Central Bank on September 25, 2017 and the same was put out for public comments in October.

A majority of the economists participating in the survey felt that linking the price of loans to an external benchmark will make the transmission mechanism more effective. In the current MCLR regime, loan pricing decisions by banks are based on internal factors such as cost of funds which are not sensitive to changes in the policy rates. It was felt that the move will improve the response time and bring greater flexibility in the lending rates.

However, while the economists supported the idea, it was also felt that it may not be the right time to introduce this change in context of the underdeveloped money market in India.

It was pointed out that while selection of an external benchmark (T-bill, CD or repo rate) will improve the transmission, but the pricing of long tenure loans based on these short-term rates will not be a correct approach and will portray an inaccurate reflection of market dynamics. The current level of market depth in T-bill and CD markets can potentially make such benchmarks susceptible to manipulation.

In addition, it was felt that with the current level of market depth, banks would have difficulty as they will have to constantly prevent asset liability mismatch. To overcome this problem, it was suggested that the RBI must consider allowing for deposit rates to be linked to an external benchmark as well. Further, economists opined that loans of different tenors should be priced against appropriate tenor benchmarks. In other words, India needs to develop a genuine term money market that will also enable the proper pricing of the benchmark. The RBI could ask banks to price loans on market benchmark plus an appropriate spread rather than a bank specific benchmark. A combination of short term and long-term policy rates could be considered to arrive at a stable rate.

Priorities for Union Budget 2018-19

The Union Budget 2018-19 is around the corner and the participating economist felt that the government should carry forward and continue to build on the comprehensive set of reforms it has initiated. The focus of Budget should clearly be on stimulating investments, boosting demand and addressing some of the key policy hurdles. Some suggestions mentioned by the participating economists are:

- Specific policy measures may be introduced to increase exports of Indian companies. For instance, government may consider extending special incentive package schemes introduced for textiles and leather sector to other labour intensive export items as well.

- The incidences of inverted duty structure should be corrected to provide level playing field to domestic industry. This is important as some cases of inverted duty structure continue, especially in sectors like Capital Goods, Electronics and Electricals, Metals & Minerals, Textiles and Tyres. Cases of inverted duty structure resulting from GST also need to be addressed.

- Special impetus needs to be continued for certain key sectors like housing as these can have a multiplier effect on demand creation across industries. There is also a need to address policy bottlenecks in some specific sectors such as Steel, Cement and Power, while simultaneously giving them a thrust through supportive policy measures. Continuous thrust on affordable housing segment is also required to encourage greater household investments in physical assets, which have remained subdued over the last few years.

- Give full support to MSMEs. Government should continue to address all pending issues related to implementation of GST, especially to ease the compliance requirements related to GST for MSMEs.

Survey Profile

The present round of FICCI's Economic Outlook Survey was conducted during the month of October 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 Q2 (July-September) FY18 and Q3 (October-December) FY18.

In addition, economists were asked to share their views on certain contemporary subjects. Views of economists were sought on measures that the Government can undertake to support and enhance economic growth. Economists were also asked to share their views on how RBI can support growth performance of the economy in the current phase. Further, feedback was also sought on recommendations of an internal group set up by RBI to study the Marginal Cost based Lending Rates. Lastly, the economists were also asked to share priorities that they would want to be focused on in the forthcoming Union Budget 2018-19.

Survey Results: Part A
Projections – Key Economic Parameters

National Accounts

GDP growth at 2011-12 prices

	Annual (2017-18)			Q2 2017-18			Q3 2017-18		
Growth (in %)	**Median**	**Min**	**Max**	**Median**	**Min**	**Max**	**Median**	**Min**	**Max**
GDP@ market prices	**6.7**	5.9	7.1	**6.2**	5.7	6.8	**6.7**	6.0	7.3
GVA@ basic prices	**6.5**	5.8	6.8	**6.0**	5.5	6.7	**6.6**	5.7	6.7
Agriculture & Allied activities	**2.8**	2.1	3.5	**2.8**	1.5	5.0	**3.0**	2.0	5.0
Industry	**4.8**	2.2	5.8	**4.4**	1.5	6.8	**5.3**	2.2	7.2
Services	**8.4**	8.0	9.0	**8.1**	7.5	8.4	**8.2**	7.7	8.9

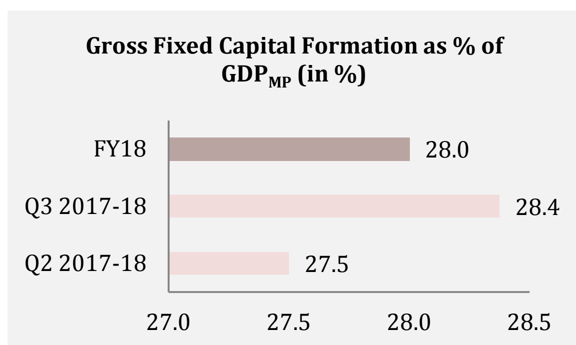
The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast of 6.7% for 2017-18. This is a downward revision from 7.3% growth projected in the previous round of the survey.

GVA growth has been projected at 6.5% for 2017-18 in the current survey. This is 0.2 percentage points lower than the estimate of 6.7% put forth by the Reserve Bank in its last monetary policy announced in October 2017.

The median growth forecast for agriculture and allied activities has been put at 2.8% for 2017-18 by the survey respondents, with a minimum and maximum growth estimate of 2.1% and 3.5% respectively. This marks moderation from 4.9% growth clocked by the sector in 2016-17. Even though monsoons have been near normal this year, the spatial distribution of rains has been uneven. Also, some moderation in animal husbandry segment has been evident this year.

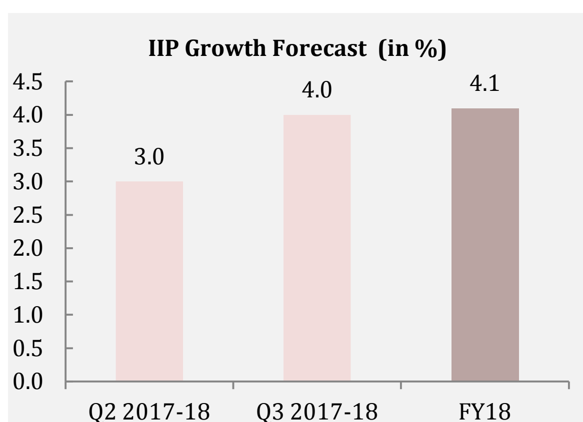
As per the survey results, industry and services sector are expected to grow by 4.8% and 8.4% respectively during 2017-18. The industry sector growth slowed to 1.6% in first quarter of 2017-18. However, there are nascent signs of recovery shaping up, which are expected to strengthen in the second half of year.

The quarterly median forecasts indicate a GDP growth of 6.2% in the second quarter and 6.7% in third quarter of 2017-18.



The ratio of Gross Fixed Capital Formation to GDP for 2017-18 has been estimated at 28.0%.

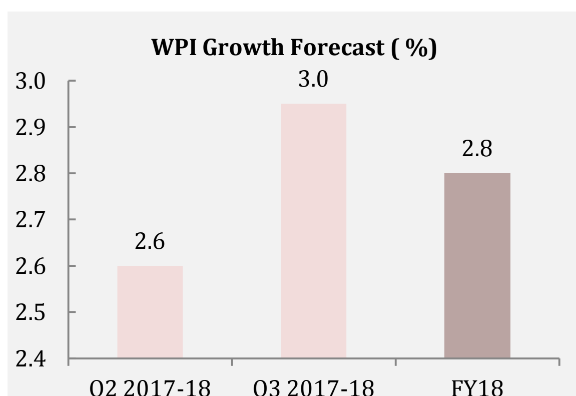
Index of Industrial Production (IIP)

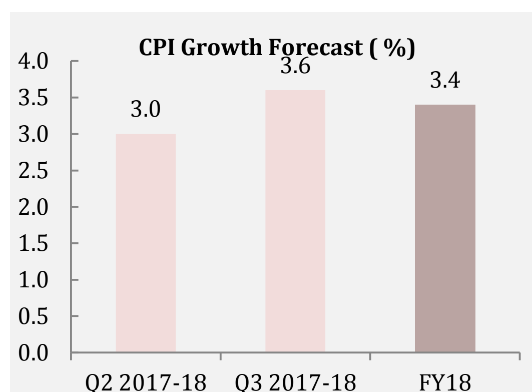


The median growth forecast for IIP was put at 4.1% for 2017-18 by the participating economists, with a minimum and maximum value of 2.5% and 5.5% respectively.

The actual IIP numbers reported growth of 2.5% in the first half of the year (April-September 2017). The effect of demonetisation is waning off and the uncertainty surrounding GST is also easing. The Government has been continuously reviewing the situation regarding GST and this bodes well for the industrial sector.

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



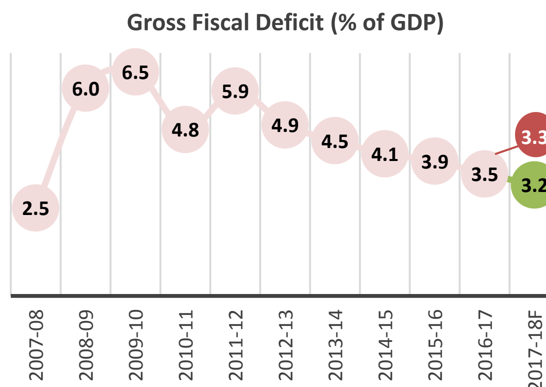


Wholesale Price Index based inflation rate is projected at 2.8% in 2017-18, with a minimum and maximum value of 2.3% and 3.5% respectively. WPI based inflation rate over the cumulative period April-October 2017 has been recorded at 2.6%. Commodity prices especially food (vegetables) prices have been the key source of pressure on inflation. However, this is more of a seasonal / weather related aberration and vegetable prices are expected to soften going ahead.

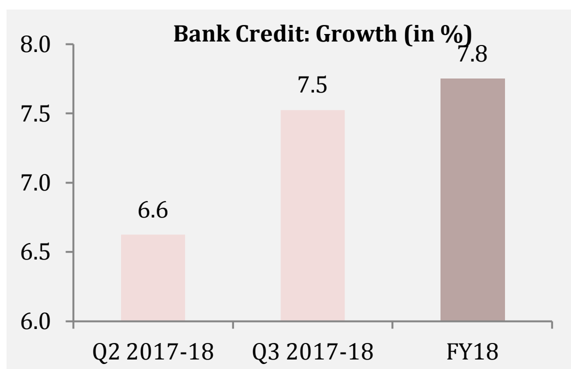
Consumer Price Index based inflation has a median forecast of 3.4% for 2017-18, with a minimum and maximum value of 3.0% and 4.5% respectively. CPI forecast for Q3 2017-18 was put at 3.6%.

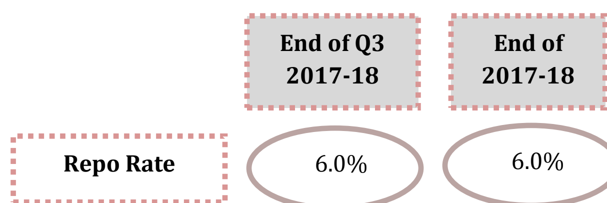
Fiscal Deficit

The median fiscal deficit to GDP ratio was put at 3.3% for the fiscal year 2017-18 with a minimum and maximum value of 3.2% and 3.6% respectively. This is 0.1 percentage point higher than the government's target of 3.2% in 2017-18.



Money and Banking

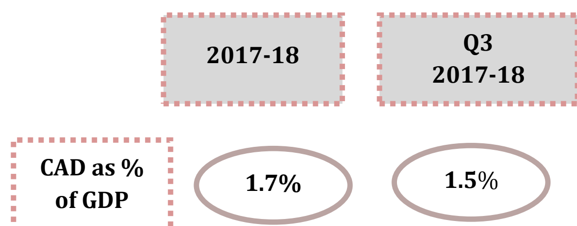


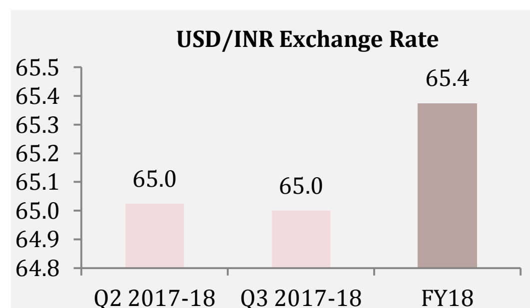


External Sector

2017-18	Export	Import
USD billion	292.5	427.3
Growth (in %)	5.2	10.6

Based on the responses of the participating economists, the median growth forecast for exports has been put at 4.8% and for imports at 8.8% for Q3 2017-18.





Survey Results: Part B
Views of the Economists*

Further measures Government can take to support growth

The latest growth numbers report some loss of momentum in the economy. GDP growth in quarter 1 of 2017-18 slowed to 5.7%, which was the lowest in about thirteen quarters. Further, the Reserve Bank in its latest monetary policy assessment (October, 2017) revised down the GVA growth forecast for the current fiscal year to 6.7% from a projection of 7.3% made in August, 2017.

The government has been watchful of the ground level situation and has announced supportive measures. For instance, the PSUs have been asked to front-load their capex, GST rates have been revised down on several items, a massive recapitalization package has been announced for public sector banks and the government has also reiterated its thrust on the infrastructure sector particularly roads and highways. These all are encouraging steps.

Given the above backdrop, the participating economists were asked to assess the current situation and were requested to share their views on what further steps can be undertaken by the Government to enhance economic growth.

A majority of the economists believed that the current slowdown in GDP growth which was aggravated by demonetization and uncertainty caused by GST implementation has started to bottom out. It was felt that growth will improve as we get towards the end of the transition phase. The various reforms undertaken by the Government have set the base for a sustained upswing going ahead. However, it was also opined that the resolution of twin balance sheet problem will have to be expedited in order to see a substantive turnaround in the economy. In this regard, economists appreciated the Government's recently announced Rs. 2.11 lakh crore recapitalization plan for public sector banks. The participants also felt Rs. 6.92 lakh crore investment in the highway and road construction segment including the Bharatmala Pariyojana will give a massive push to infrastructure and allied sectors. This will aid economic activity and will crowd in private investments.

While the economists were hopeful of an improvement in near term economic prospects, they highlighted the following few areas which demand immediate attention:

- **Reviving consumption**: The economists felt that domestic demand has been flagging and will have to be given a push. The companies have been operating at sub optimal capacity levels with low demand being one of the key reasons. It was opined that the consumption levels particularly in semi-urban and rural areas need to be given an impetus. The demonetization move last year and the roll out of GST has affected the supply chains in rural areas more than those in the urban areas. One of the suggestions in this regard was focusing on building rural infrastructure. While the government has announced various initiatives like 'housing for all' and 'electricity for all' – it was felt that these infrastructure building projects need to be expedited. This will improve employment prospects in rural and semi-urban areas and will give a thrust to demand. Also, it remains extremely critical to weather proof agriculture output in the country. The agriculture supply linkages in the country need to be substantially strengthened. Economic diversification in rural areas is important and a solution needs to be worked out for the same over the medium term.

- **Keeping the focus on capital investments**: The participants felt that Government should continue to lay emphasis on productive capital investments. Public spending on infrastructure and social sector should be kept up, even if this requires some calibration of fiscal deficit target.

** The economists were asked to share views on certain topical issues and the same are presented here in this section.*

• **Addressing issues related to factors of production particularly land and labour:** Acquisition of land for business activity remains an issue. There is unused surplus land along rail lines and stations, major transport corridors, housing schemes which can be utilized for undertaking commercial activities.

• **Promoting skill development**: The participating economists felt that inadequate skill development remains one of the key concern areas. Although the government has indicated skill development to be one of the focus areas but still a lot remains to be done on that front. India needs to be seen as a nation of enterprise and skills. Integration of skill development with formal education system, mobilisation of students for skill development by removing apprehensions and adverse perceptions about vocational trades, investing in creation of new training capacities for students as well as teachers, utilisation of idle public infrastructure to provide skill training in remote corners of the country, adopting innovative skill development delivery mechanisms are the much-needed steps to meet the skill related challenges today.

• **Supporting MSMEs**: MSMEs are backbone of Indian industry and given the importance of this sector in terms of their ability to generate employment opportunities, it is extremely important to address the challenges these enterprises face. Access to credit remains one of the key challenges that these enterprises face. The participants felt that the Trade Receivables and Discounting System – TReDS – should gain more traction from the SMEs perspective. This is a channel through which SMEs can get their receivables discounted and hence access finance faster.

• **Enhancing participation of retail investors in capital markets**: It was also suggested that greater participation of retail investors in capital markets should be encouraged.

How RBI can support growth

In context of the moderation witnessed in growth, economists were also asked to share their views on ways in which the Reserve Bank of India can support growth during the current phase besides using the policy rate tool.

The participating economists felt that the Reserve Bank of India (RBI) has been doing its best in the present scenario. The approach adopted towards addressing the issue of stressed assets has been noteworthy. Economists unanimously felt that unless the problem of NPAs is resolved, investments will remain subdued. NPAs have resulted in erosion of the capital base of public sector banks which has brought new lending to a near halt. The participating economists felt that the schemes (such as SDR, S4A etc.) introduced to resolve the issue of stressed assets have been a step in right direction and that the central bank should continue to monitor and respond to asset quality issues to maintain the health of the banking sector. Capital erosion arising out of these NPAs can be met only partially through recapitalization which has already been announced by the Government. However, the recapitalisation plan must be accompanied by reforms in the banking sector.

The economists participating in the survey also pointed out that managing inflation has been RBI's key objective and the central bank's monetary policy stance has been aligned to this end. However, inflation targeting is not the correct approach for India as supply side bottlenecks remain a major determining factor for prices especially in case of agricultural products.

Further, about the policy rate the economists added that the fuller transmission of previous cuts into lower lending rates remains pending and must be looked at. Reserve Bank has admitted to a slow transmission and a committee was also constituted to undertake a detailed review. The committee submitted its report to the Reserve Bank end of September 2017 and stated that the transmission from the changes in policy repo rate has been incomplete under both base rate and marginal cost of funds based lending rate. The Committee suggested that RBI should probably look at shifting to an external benchmark in a time bound manner.

A majority of the survey participants felt that there is still room for a further rate cut by RBI. It was pointed out that any signalling by RBI is closely followed by the markets and the same facilitates immediate adjustments by the market players. While the Reserve Bank must maintain a balance between growth and inflation considerations, at the same time it is extremely important to take cognizance of the prevailing sentiment with regard to the investment scenario and industrial growth.

India's real exchange rate has become overvalued on back of high domestic interest rates that have attracted huge capital inflows. A reduction in repo rate, combined with effective transmission into lending rates will also help in moderating capital inflows and reducing the pressure on the Rupee.

Furthermore, it was suggested that RBI can undertake a reassessment of various loan rates and other ratios based on their historical trends and corresponding economic impact to identify a possible way of promoting loan take-off across various sectors. A case can be made for possibly initiating targeted interventions like reducing standard asset provisions. For instance, while the RBI has already made a 0.25% cut on individual housing loans, a further cut may help in improving consumer demand for housing loans. The LTV (loan to value) ratios, risk weights and standard asset provisioning rate for individual housing loans are some of the targeted interventions that the RBI can include in its monetary policy measures to push credit growth.

The participating economist also felt that if India is to chart on to a higher growth trajectory, the Reserve Bank should play a greater role in maintaining a competitive exchange rate policy. Rupee was appreciating for most part of this year and our exports (especially the labour-intensive exports) were under tremendous pressure. Also, our imports have noted growing trend. While, demonetisation and GST accentuated this trend in imports; the appreciating Rupee has also aggravated the problem to some extent. It was pointed out that the central bank should keep the Rupee competitive.

Lastly, economists were of the view that with technology advancement and technology driven growth, the threat of cyber-crime and cyber-attacks is becoming real. The government's push to greater digitisation and switch towards digital payments and cloud storage must be backed by a robust cyber security policy. It was suggested that the RBI could consider assessing these risks on a regular basis to help the country stay immune to cyber threats as it proceeds to grow as a digital economy.

External benchmark in place of MCLR and making monetary transmission more effective

Reserve Bank of India had set up an internal group to study the Marginal Cost based Lending Rates (MCLR) system and its efficacy in improving the monetary transmission. The Study Group had submitted its report to the central bank on September 25, 2017 and the same was put out for public comments in October, 2017.

The group highlighted various reasons that have impeded the transmission of previous rate cuts and made an in-depth evaluation of the possible alternatives to the MCLR/Base Rate that can be used as a benchmark for lending rates. As per the report, the group recommends adoption of an external benchmark by banks for determining lending rates from April 1, 2018. On analysing 13 candidates as possible external benchmarks, the group has shortlisted three rates – T-bills rates, CD rates and RBI's repo rate. Given this backdrop, the economists were asked to share their opinion on whether the new suggestions brought forth by the RBI could improve the monetary transmission mechanism in India and make it more robust.

Most of the economists participating in the survey felt that linking the price of loans to an external benchmark will make the transmission mechanism more effective. In the current MCLR regime, loan pricing decisions by banks are based on internal factors such as cost of funds which are not sensitive to changes in the policy rates. It was felt that the move will improve the response time and will bring greater flexibility in the lending rates of banks.

However, while the economists supported the idea, it was also felt that it may not be the right time to introduce this change in context of the underdeveloped money market in India.

It was pointed out that while selection of an external benchmark (T-bill, CD or repo rate) will improve the transmission, but the pricing of long tenure loans based on these short-term rates will not be a correct approach and will portray an inaccurate reflection of market dynamics. Additionally, the current level of market depth in T-bill and CD markets can potentially make such benchmarks susceptible to manipulation.

In addition, it was felt that with the current level of market depth, banks would have difficulty as they will have to constantly prevent asset liability mismatch. To overcome this problem, it was suggested that the RBI must consider allowing for deposit rates to be linked to an external benchmark as well. Further, economists opined that loans of different tenors should be priced against appropriate tenor benchmarks. In other words, India needs to develop a genuine term money market that will also enable the proper pricing of the benchmark. The RBI could ask banks to price loans on market benchmark plus an appropriate spread rather than a bank specific benchmark. A combination of short term and long-term policy rates could be considered to arrive at a stable rate.

Priorities for Union Budget 2018-19

The Union Budget 2018-19 is around the corner and the participating economist felt that the government should carry forward and continue to build on the comprehensive set of reforms it has initiated. The focus of Budget should clearly be on stimulating investments, boosting demand and addressing some of the key policy hurdles. Some of the key areas that need be given a push in the Budget as mentioned by the economists are:

- Specific policy measures may be introduced to increase exports of Indian companies. For instance, government may consider extending special incentive package schemes introduced for textiles and leather sector to other labour intensive export items as well.

- The incidences of inverted duty structure should be corrected to provide level playing field to domestic industry. This is important as some cases of inverted duty structure continue, especially in sectors like Capital Goods, Electronics and Electricals, Metals & Minerals, Textiles and Tyres. Cases of inverted duty structure resulting from GST also need to be addressed.

- Special impetus needs to be continued for certain key sectors like housing as these can have a multiplier effect on demand creation across industries. There is also a need to address policy bottlenecks in some specific sectors such as Steel, Cement and Power, while simultaneously giving them a thrust through supportive policy measures. Continuous thrust on affordable housing segment is also required to encourage greater household investments in physical assets, which have remained subdued over the last few years.

- Give full support to MSMEs. Government should continue to address all pending issues related to implementation of GST, especially to ease the compliance requirements related to GST for MSMEs.

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Appendix

	Outlook 2017-18				Outlook Q2 2017-18				Outlook Q3 2017-18			
Key Macroeconomic variables	**Mean**	**Median**	**Min**	**Max**	**Mean**	**Median**	**Min**	**Max**	**Mean**	**Median**	**Min**	**Max**
GDP growth rate at market prices (%)	6.6	6.7	5.9	7.1	6.2	6.2	5.7	6.8	6.6	6.7	6.0	7.3
GVA growth rate at basic prices (%)	6.4	6.5	5.8	6.8	6.1	6.0	5.5	6.7	6.5	6.6	5.7	6.7
Agriculture & Allied	3.0	2.8	2.1	3.5	3.0	2.5	1.5	4.5	3.0	3.0	2.0	5.0
Industry	4.5	4.8	2.2	5.8	4.2	4.4	1.5	6.8	5.1	5.3	2.2	7.2
Services	8.5	8.4	8.0	9.0	8.0	8.1	7.5	8.4	8.2	8.2	7.7	8.9
Gross Domestic Savings (% of GDP at market prices)	31.9	30.8	30.0	35.0	31.3	31.5	29.0	33.0	32.0	31.5	30.0	35.0
Gross Fixed Capital Formation (% of GDP at market prices)	28.7	28.0	25.9	34.0	28.5	27.5	25.0	34.0	29.2	28.4	26.0	34.0
Fiscal Deficit (as % to GDP) Centre	3.4	3.3	3.2	3.6	3.0	3.2	1.9	3.7	2.9	3.4	0.3	3.8
Growth in IIP (%)	3.9	4.1	2.5	5.5	2.9	3.0	1.8	4.0	4.0	4.0	2.4	5.8
WPI Inflation rate (%)	2.9	2.8	2.3	3.5	2.7	2.6	2.5	3.0	3.2	3.0	2.4	4.5
CPI combined new inflation rate (%)	3.6	3.4	3.0	4.5	3.0	3.0	2.2	3.5	3.7	3.6	2.8	5.0
Money supply growth M3 (%) (end period)	9.7	10.1	6.0	12.5	8.2	6.5	6.0	12.0	8.8	7.5	5.0	9.0
Bank credit growth (%)	8.1	7.8	5.1	10.0	6.7	6.6	5.2	8.5	7.3	7.5	5.0	9.0

Repo Rate (end period)	6.0	6.0	5.75	6.25	6.0	6.0	6.0	6.0	6.0	6.0	5.75	6.25
Merchandise Export												
Value in USD billion	284.3	292.5	212.5	305.0	72.0	70.5	70.2	75.0	75.8	72.5	72.4	82.5
Growth (%)	6.9	5.2	2.0	20.0	7.3	5.5	4.5	12.0	7.9	4.8	4.0	15.0
Merchandise Import												
Value in USD billion	418.4	427.3	325.0	453.0	108.0	110.0	105.0	110.0	115.2	118.0	107.5	120.0
Growth (%)	10.9	10.6	5.0	17.3	13.2	14.5	5.2	20.0	10.5	8.8	5.0	17.8
Trade Balance (% to GDP)	-4.4	-4.9	-5.7	-1.5	-3.2	-3.8	-4.2	-1.7	-3.3	-4.2	-4.2	-1.6
CAD as % of GDP at current price	-1.7	-1.7	-2.1	-1.1	-0.8	-1.7	-2.1	-2.5	-0.8	-1.5	-2.3	-2.2
US$ / INR exchange rate (end period)	65.6	65.4	64.7	67.0	65.0	65.0	64.5	65.3	64.9	65.0	64.0	65.5

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Views presented in this report are those of the participating economists.