

Merchants' Chamber of Commerce & Industry

Interactive Session with

Shri Subhash Chandra Garg, IAS

Secretary, Department of Economic Affairs, Ministry of Finance, Govt. of India

on 'Indian Economy : Current Trends & Future Outlook'

on 18th August 2018 at 11.30 AM at MCCI Conference Hall

Brief Proceedings

The Chamber organized an Interactive Session with **Shri Subhash Chandra Garg**, IAS, Secretary, Department of Economic Affairs, Government of India on "Indian Economy : Current Trends & Future Outlook" on Saturday, 18th August 2018 at its premises.

- "India might become a \$10 trillion economy by 2030", said Shri Subhash Chandra Garg, addressing the members. The world economy had grown at 3.9%, currently at \$ 82 trillion, with Chinese economy stationed around 6% and Indian economy at 7.3%. India should be able to grow at 8–9%, with steady macroeconomic parameters and increasing longer term confidence and. Indian economy is \$ 2 trillion now, while China \$ 12 trillion and US \$ 18 trillion. In Rupee terms, India's GDP is currently Rs. 170 lakh cr.; with a growth of 7.3%, the growth would be annually by around Rs 12~13 lakh cr. "China has contributed a lot to the global economy, now it is India's turn", he said.
- Since 2003, India had grown at 6%+ rate & even at 6.7% in the year of demonetization & GST. The task ahead by the Union Government had been to enhance the growth rate from 6% to 8%. Certain fundamental reforms created the foundation for a much higher growth rate, he noted.
- The DEA Secretary was of the opinion that Rupee might stabilize at 68–69 per dollar, due to positive capital inflows this month. The fundamental demand–supply position of the currency had also remained unaltered due to stable oil prices.
- He said that apart from Japanese Yen, most of the Asian currencies had been under pressure. The Rupee had become one of the worst performing currencies in Asia, touching an all time low of 70.09 per US dollar last week. The Rupee had appreciated over 9% against dollar. "If oil prices do not rise, the chances of Rupee stabilizing at 68–69 is more", he said.
- He referred to the global developments including the one in Turkey, triggered by the threat of sanctions in the US. He however, felt that although the Rupee had taken a hit, which was almost 2% in August, the recent happenings in Turkey had not altered the perception of Foreign Portfolio Investment (FPI) about India. He mentioned that there was an outflow of \$ 9 billion in terms of portfolio investment in the 1st 3 months of the current fiscal, the trend reversed in August. Last year, the total capital outflow was \$ 20 billion, he added.
- He said that trade deficit in India had reduced over the years, in sharp contrast with China, which had its trade deficit for the 1st time in 30 years. So far, the Chinese Yuan had not depreciated to a great extent, although the imports and exports in China had been altering fundamentally. He felt that even if Chinese currency is devalued, India

would not be affected as long as the depreciation of the currencies vis-a-vis the dollar are similar.

- Shri Garg pointed out that there were huge economic implications of introduction of GST creating a national market as also of demonetization. Last year, there were 6.6 million registered business units, which increased to 12 million this year, thus registering a growth rate of 40–45%. Income Tax payees increased to 4 cr. with enhanced tax compliance & tax returns.
- He also mentioned about the huge change brought forth by Insolvency & Bankruptcy Code (IBC), which released resources from unsuccessful businesses to be reinvested into more viable ones. More than 1200 business units closed in the last few months.
- RERA also created the right pitch, he said. There were a lot of investments in the realty sector till 2013, which increased from Rs. 32 lakh cr. to Rs. 65 lakh cr. in 3 years, after which it became sticky rising only to Rs. 72 lakh cr. in another 3 years.
- He mentioned that the output gaps had been closing in steel & cement, making investment more profitable.
- The DEA Secretary felt that the NPA problem of the banks would be a matter of the past very soon and profitability would come back. The public sector banks under the Prompt Corrective Actions (PCA) imposed by the RBI, would do better going forward and there would be less requirement for provisioning of bad loans. The banks might come out of PCA with a timeframe of 2 years, he felt.
- He spoke of 2 sectors, being the enabler of growth. 1st, the huge digital economy with the growth of startups & entrepreneurs and 2nd, the energy sector. The mandate of generation of 175 GW of renewable energy by 2022 would be very much achievable and this sector would change the ways of doing business, he felt. With generation becoming highly decentralized with power fed into grid, this would transform the vehicular system. There would be no petrol/diesel cars after 8–10 years, he opined.
- On employment issues, he said that the pattern of employment had changed over the years, with less people employed as employees. The problem had been more with lowly paid jobs, rather than joblessness, he added.

Earlier, in his Welcome Address, **Shri Ramesh Agarwal**, President of MCCI spoke about the recent Asian Development Bank statement that India would continue to be the fastest growing major economy, ahead of China in 2018–19 and 2019–20. He mentioned that the increase in minimum support paid to the farmers would enhance the profitability of crop production. He, however, felt that the low rate of completion of projects would make the momentum of growth in the economy slower.

The Session ended with a hearty Vote of Thanks by **Shri Vishal Jhajharia**, Senior Vice President of the Chamber.

Munmun Banerjee
Assistant Director General