GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO. 174
ANSWERED ON 03.02.2020

ECONOMIC SLOWDOWN

174. SHRI RAJIV RANJAN SINGH *ALIAS* LALAN SINGH:
SHRI KODIKUNNILSURESH:
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SHRI ANTO ANTONY:
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Will the Minister of FINANCE be pleased to state:

(a) whether the country is facing financial slowdown and if so, the details thereof and the reasons therefor, sector wise along with the sectors worst affected thereby;
(b) whether it is true that there is an alarming situation on current consistent decline in Gross Domestic Product (GDP) and the same is expected to decrease further and if so, the details thereof along with the present status of GDP growth in the country;
(c) whether experts are indicating that recovery will take time only if proper steps are taken immediately and if so, the details thereof along with the reaction of the Government thereto;
(d) whether as per a report published by the State Bank of India, economic slowdown has also hit the job sector and if so, the details thereof along with the reaction of the Government thereto and remedial measures taken by the Government in this regard;
(e) whether US-Iran tension is putting extra burden on Indian economy and if so, the details thereof along with the reaction of the Government thereto; and
(f) the measures taken or being taken by the Government to address the growing economic crisis in the country?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) & (b): As per the National Statistical Office (NSO), GDP growth on average was 7.5 percent in 2014-19, which is the highest amongst G-20 countries. As per the IMF estimates, India continues to be among the fastest growing economies in the world and its GDP is estimated to grow at 5.8 percent in 2020-21 and is further projected to surpass China with a growth rate of 6.5 percent in 2021-22.

As per the Provisional Estimates of Annual National Income, 2018-19 released by National Statistical Office (NSO), the growth of real Gross Domestic Product (GDP) is estimated at 7.2 per cent and 6.8 per cent in 2017-18 and 2018-19 respectively. The First Advance Estimates of National Income project the growth of real GDP to be 5.0 per cent in 2019-20. The deceleration in the growth rate of GDP coincides with a deceleration in growth of global output from 3.6 percent in 2018 to 2.9 percent in 2019 as estimated in the World Economic Outlook (WEO), update January 2019 published by International Monetary Fund (IMF).

The sector wise growth rates of Gross Value Added (GVA) at constant (2011-12) basic prices are given in table below.

Table: Sector wise GVA growth at 2011-12 basic prices

	2017-18	2018-19	2019-20
	1st RE	PE	1AE
Agriculture, forestry & fishing	**5.0**	**2.9**	**2.8**
Industry	**5.9**	**6.9**	**2.5**
Mining & quarrying	5.1	1.3	1.5
Manufacturing	5.9	6.9	2.0
Electricity, gas, water supply & other utility services	8.6	7.0	5.4
Construction	5.6	8.7	3.2
Services	**8.1**	**7.5**	**6.9**
Trade, Hotel, Transport, Storage, communication and services related to broadcasting	7.8	6.9	5.9
Financial, real estate & professional services	6.2	7.4	6.4
Public Administration, defence and other services	11.9	8.6	9.1
GVA at basic prices	**6.9**	**6.6**	**4.9**

Source: NSO, RE: Revised Estimate, AE: Advance Estimate

(c): Economic Survey 2019-20 mentions that based on first advanced estimates of India's GDP growth for 2019-20 recorded at 5 per cent, an uptick in GDP growth is expected in second half (October-March) of 2019-20. The government with a strong mandate is poised to deliver expeditiously on reforms and to get the economy to strongly rebound in 2020-21.

(d): SBI Ecowrap Report (Issue No. 65, FY 2020) dated 13th January 2020, using Employees' Provident Fund Organization (EPFO) data has projected that 15.8 lakh less net new payrolls were generated in 2019-20 compared to 2018-19. However, the same report also mentions that the EPFO data is still having some niggling doubts about the quality, which are yet to be rectified. Government has taken various steps for generating employment in the country like, fast-tracking various projects involving substantial investment besides increasing public expenditure on notable schemes such as Prime Minister's Employment Generation Programme (PMEGP), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and Deendayal Antodaya Yojana-National Urban Livelihoods Mission (DAY-NULM), Pradhan Mantri Rojgar Protsahan Yojana (PMRPY), Pradhan Mantri Kaushal Vikas Yojana (PMKVY) National Career Service (NCS) Project, and National Apprenticeship Promotion Scheme (NAPS).

(e): The World Economic Outlook Update of January 2020 released by International Monetary Fund mentions that despite US policy on Iranian oil exports, crude oil prices have been volatile since August 2019. As of early January 2020, crude oil prices stood at around $55 a barrel, and markets expected prices to remain broadly at that level over the next 4–5 years. Accordingly, no burden on India's economy is expected on this count.

(f): Government has been undertaking continuous measures for improving the investment climate and boosting the economic growth rate of the economy. Introduction of Insolvency and Bankruptcy Code (IBC) in 2016 is a significant step towards cleaning and strengthening the financial system of the country. Implementation of Goods and Services Tax in 2017 stands out as the most important measure for improving ease of doing business in the country. This is reflected in the World Bank's Ease of Doing Business 2020 Report which improves India's ranking by 14 positions from 77 in 2018 to 63 in 2019. Make-in-India programme is a major initiative towards increasing the indigenous capacity of the country to produce world class goods and services. Continuous liberalization has resulted in record and unprecedented inflows of foreign direct investment into the country. All along Government has kept inflation under control, fiscal spending disciplined and current account deficit manageable to ensure macroeconomic stability so necessary to sustaining a healthy investment climate in the country. More recently government has cut corporate tax rate from 30 percent to 22 percent to boost investment activity in the country. In particular, the corporate tax rate has been cut to 15 percent for new domestic manufacturing companies which is amongst the lowest in the world. This complements a cut in the repo rate by 135 basis points during 2019 by the Reserve Bank of India and mandating of banks to link their lending rates with external benchmarks for reducing the cost of capital for investors.