

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO. 209
ANSWERED ON 03.02. 2020

INDIAN ECONOMY

209. SHRI KAUSHALENDRA KUMAR:
SHRI VINAYAK RAUT:

Will the Minister of FINANCE be pleased to state:

- (a) whether India's economy is in a difficult phase due to recession and most of the international agencies have also confirmed this and if so, the details thereof;
- (b) whether the industrial production has declined further by around 1.1 per cent during the last two months which is at its lowest point during the last six years and if so, the details thereof;
- (c) whether the coal, real-estate, power, mining, automobiles, steel sectors of Indian economy are also on the verge of recession and if so, the details thereof;
- (d) whether the prices of essential commodities have shot up and the prices of vegetables and fruits are also rising rapidly in the market and if so, the details thereof;
- (e) the details of effective and corrective steps taken or proposed to be taken by the Government to tackle this recession so as to re-strengthen India's economy; and
- (f) whether it is true that the steps being taken by the Government are not helping the economy to overcome recession and if so, the details thereof and the reasons therefor?

ANSWER

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

- (a): No Sir, the economy is not in recession. 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.
- (b): The growth in Index of Industrial Production (IIP) has improved as it registered a positive growth of 1.8 per cent in November 2019 as compared to a contraction of 4.0 per cent in October 2019 and 4.3 per cent in September 2019. Contraction in September 2019 was the lowest point in last six years.
- (c): Trends for coal, real-estate, power, mining, automobiles, steel sectors of Indian economy are given in Table 1 & 2 below, which do not indicate recession.

Table 1: Quarterly growth in Gross Value Added (GVA) at Constant Prices (per cent)

	2018-19			2019-20		
	Q1	Q2	Q3	Q4	Q1	Q2
Financial, real estate & professional services	6.5	7.0	7.2	9.5	5.9	5.8
Source: National Statistical Office						

Table 2: Annual growth rates of selected sectors as per Index of Industrial Production (IIP) and Index of Eight Core Industries (in per cent)

Period	Coal	Steel	Electricity	Mining	Manufacture of motor vehicles, trailers and semi-trailers
2016-17	3.2	10.7	5.8	5.3	0.6
2017-18	2.6	5.6	5.4	2.3	12.6
2018-19	7.4	5.1	5.2	2.9	7.2
2019-20 (April-Nov.)	-5.3	5.2	0.8	-0.1	-16.5
Source: MoSPI and Office of Economic Adviser, DIPP					

(d): Food inflation as indicated by Consumer Food Price Index (CFPI) has shown an uptick and has increased to 5.3 per cent in 2019-20 (April-December) from 0.5 per cent in 2018-19 (April-December). The inflation in vegetables has increased to 17.6 percent 2019-20 (April-December) from (-) 4.4 per cent in 2018-19 (April-December). The inflation in fruits is lower at (-) 0.5 per cent in 2019-20 (April-December) as compared to 4.8 percent in the corresponding period of previous year.

(e) to (f): Government has been undertaking continuous measures for improving the overall 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.
