GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO.1107
TO BE ANSWERED ON THE 29TH APRIL, 2016/9 Vaisakha 1938 Saka

ADB GROWTH FORECAST

1107. Shimati Kothapalli Geetha:

Will the Minister for FINANCE
be pleased to state:

(a) whether ADB has lowered India's growth forecast to 7.4 per cent for 2016-17;

(b) if so, the details thereof; and

© the reasons/factors cited by the ADB behind its forecast about India's growth rate?

ANSWER

MINISTER OF STATE FOR FINANCE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a): Yes Sir, ADB has forecast growth rate at 7.4% in 2016-17 as against 7.6% during 2015-16.
(b)&(c): The details and reasons cited by ADB for lower growth rate during 2016-17 are as under :-

- Public investment will continue to be an important driver of growth, as the government is expected to use savings from oil to further boost government investment. However, the finances available to ramp up investment in 2016-17 will be smaller than in 2015-16, given the government's commitment to fiscal consolidation and increased outgo on account of a higher public sector wage bill.

- Anemic growth in advanced economies including the United States and Euro area, lower export commodity prices, and weaker currencies in some major trading partners vis-à-vis the Indian rupee are likely to hit merchandise exports and financial, telecom, business, and other tradeable services. Lower net exports would thus impinge on growth.

- Limited policy headroom exists to bolster growth, given pressures from an uptick in inflation and government's commitment towards fiscal consolidation.

- The slowdown would be a result of the expected decline in external demand due to anemic growth in important export destinations such as United States, Euro area and People's Republic of China. Public investment growth is also estimated to slow down with central government's capital expenditure growth declining from 20.8% in 2015-16 to 3.9% in 2016-17. Finally, the weak balance sheets of public sector banks will also hamper lending and growth prospects in the short-term.

- Growth is expected to accelerate to 7.8% in 2017-18, helped by the government's strengthening of public sector banks' capital and operations, private investment benefitting from corporate deleveraging, the financing of stalled projects, and an uptick in bank credit.

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