

# Economic Survey 2017 of India - Key Points in PDF

The Economic Survey 2017 of India, for the period 2016-2017, was tabled in the Parliament on 31<sup>st</sup> January, 2017. It was presented by Finance Minister Arun Jaitley before the Parliament prior to the Indian Budget. The survey was prepared by Chief Economic Adviser Arvind Subramanian. Here are the key points from the Economic Survey 2017 of India. You can download the Economic Survey 2017 of India as PDF to help you prepare for exams.

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### Predictions from Economic Survey 2017

- Growth this fiscal (2016-17) to be 6.5%. The Statistics Department had earlier projected the growth rate for 2016-17 as 7.1%.
- Projected the economy to grow between 6.75% and 7.5% in 2017-18. International Monetary Fund (IMF) has projected rate of 6.6% in 2016-17 and 7.2% in 2017-18.
- GST and other structural reforms can take the trend growth rate to 8-10%. However, fiscal gains from GST will take time to realize.
- Farm sector to grow at 4.1% this fiscal, up from 1.2% last year.
- Industrial Sector growth rate to be 5.2% this fiscal, from 7.4% of last fiscal.

### Specifics from Economic Survey 2017

#### *Inflation*

Consumer Price Index (CPI) averaged 4.9% during April-December 2016 contributed substantially to the decline in CPI inflation which reached 3.4% at December end.

Reversal of WPI inflation from a trough of (-)5.1% in August 2015 to 3.4% by end of December 2016 on the back of rising international oil prices.

### ***Fiscal Targets***

- Central government is committed to achieve its fiscal deficit target of 3.5% of GDP this year.
- Consolidated deficit of the states has increased steadily in recent years, rising from 2.5% of GDP in 2014-15 to 3.6% of GDP in 2015-16, in part because of the UDAY scheme.
- For the government as a whole, there is an improvement in the fiscal deficit.

### ***Deficits***

- Current account deficit declined to about 0.3% of GDP in the first half of FY2017.
- Foreign exchange reserves are at comfortable levels, having risen from around US\$350 billion at end-January 2016 to US\$360 billion at end-December 2016.
- The trade deficit declined by 23.5% in April-December 2016 compared to corresponding period in previous year.

### ***Government Debt***

- Government debt to GDP in 2016 seen at 68.5%, down from 69.1% in 2015.

### ***On Demonetization***

- Demonetization to affect growth rate by 0.25-0.5%, but to have long-term benefits.
- Demonetization may affect supplies of certain agricultural products like sugar, milk, potatoes and onions.
- Demonetization effects to return to normal as new currency comes in circulation.

### ***On UBI***

- Universal Basic Income (UBI) proposal a powerful idea, but not ready for implementation.
- UBI an alternative to plethora of state subsidies for poverty alleviation.
- UBI would cost between 4% and 5% of GDP.

### ***Current Problems***

- Highlights difficulties in privatizing public enterprises.
- Lists challenges that might impede country's progress:
  - Ambivalence about property rights and the private sector.
  - Deficiencies in state capacity in delivering essential services
  - Inefficient redistribution.

### **Suggestions from Economic Survey 2017**

- Suggests the need to further privatize the Civil Aviation, Banking and Fertilizer sectors.
- Prescribes cut in individual I-T rates, real estate stamp duties.
- Tax administration to be improved to reduce discretion and improve accountability.
- Suggests gradual widening of Income Tax net by encompassing all high income earners.
- Efforts to collect taxes on disclosed and undisclosed wealth should not lead to tax harassment.
- Suggests setting up Public Sector Asset Rehabilitation Agency (PSARA) to take charge of bad loans.

### **Outlook for 2016-17 according to Economic Survey 2017**

- Effects of Demonetisation:
  - An aggregate demand shock due to reduction in Supply of Money.

- Uncertainty shock due to uncertainty over the magnitude and duration of the cash shortage and the policy responses.
- In the third quarter of FY2017 (when demonetisation was introduced):
  - Cash declined by 9.4%.
  - Demand Deposits increased by 43%.
  - Growth in the sum of the two by 11.3%.
  - Corresponding figures of the previous year were 12.5%, 10.5% and 11.7%, respectively.
- As of January 15, 2017, aggregate sowing of the two major Rabi crops; Wheat and Pulses exceeded last year's planting by 7.1% and 10.7%, respectively.
- GDP growth expected to be in the 6□ to 7□% range in FY2018.
- Fiscal windfall likely from Pradhan Mantri Garib Kalyan Yojana, low oil prices.
- India to remain the fastest growing major economy in the world.

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