

## GLASS HALF-FULL?

**Strong, sustained growth is possible – if we don't trip ourselves up**

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**E CAN HOPE THAT IN THE RUN-UP** to the next general election we will not suffer the type of jolts to our nervous systems that hit us in November 2016 and July 2017 with demonetisation and the introduction of the GST.

"Those two shocks seem to be behind us, and the economy has started to recover again. But there is no question that there were transitional impacts from those two policy experiments," Chief Economic Adviser Arvind Subramanian told the IMF recently.

Going by recent data, we seem to be cleared for lift-off. Gross Domestic Product (GDP) grew at 7.7 per cent in January-March 2018, the fastest pace in seven quarters. Gross Domestic Product grew at 6.7 per cent in 2017-18. The World Bank forecasts GDP will grow at 7.3 per cent in 2018-19 and 7.5 per cent in 2019-20.

To put growth in context: GDP grew by an average of 7.59 per cent in the ten UPA years, 6.8 per cent in the final four years of Manmohan Singh, and – despite low inflation and high expectations – by an average of 7.35 per cent in the first four Modi years.

So why the hesitation? In one word: prices. The final year of the Narendra Modi government's term is going to see some simmering issues erupt. First off will be food prices, pushed by the ten-day nationwide protest by about 100 farmers' organisations. The angry farmers are fed up with the low prices fetched by their produce. Ominously, retail CPI inflation rose to 4.58 per cent in April, the sixth month in a row that it has stayed above the Reserve Bank of India's four per cent target.

Then there is the rise in oil prices. The Modi government's four-year bonanza from low global prices has ended as oil hovers just over \$76 per barrel – it had plummeted to as low as \$27 in 2016. I checked: petrol prices per litre in Mumbai in the final year (2013-14) of the UPA government ranged from Rs

75.21 to Rs 80.89: crude prices averaged \$107.79/bbl that year. Petrol hit Rs 85.45 per litre in Mumbai on June 8. That is to say, we have higher pump stickers despite lower global prices.

For those of you groaning about high petrol prices, as of June 4 it cost more per litre in at least 79 other countries, including all the big European nations as well as Japan, Singapore and New Zealand.

The World Bank is most worried about jobless growth. In an April report, it noted that between 2005 and

2015, the share of India's working-age group in the total population grew by a slim 0.5 per cent annually, but the employment rate declined by more than 1.5 per cent annually. This was fuelled largely by women's employment rates declining by as much as five per cent annually.

Fiscal 2018-19 could be a tricky ride, and the economy will need adroit navigation. Investment and private consumption are recovering, an uptick in manufacturing could moderate "on account of deterioration in the overall business situation and order book," the RBI said on June 6 while raising its

benchmark interest rate for the first time in over four years.

Finally, although the weaker rupee ought to have boosted exports, the current-account deficit widened to 2.0 per cent of GDP in the October-December 2017 quarter. **BW**



**The Modi government's four-year bonanza from low global oil prices has ended**

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