



## Economic Survey of 2015-16

The Union Minister for Finance, Corporate Affairs and Information & Broadcasting, Shri Arun Jaitley presented the **Economic Survey of 2015-16** in Parliament. And the survey was prepared by the finance ministry's chief economic adviser Arvind Subramanian.

The Economic Survey reviews the developments in the Indian economy over the previous 12 months, summarises the performance on major development programmes and highlights the policy initiatives of the government and the prospects of the economy in the short to medium term.

### **Main Highlights of the Economic Survey 2015-16**

#### **A. Fiscal Deficit**

1. 2016-17 expected to be challenging from fiscal point of view; time is right for a review of medium-term fiscal framework.
2. 2015-16 fiscal deficit, seen at 3.9 per cent of GDP, seems achievable.
3. Credibility and optimality argue for adhering to 3.5 per cent of GDP fiscal deficit target.

#### **B. Inflation**

1. CPI inflation seen around 4.5 to 5 per cent in 2016-17
2. Low inflation has taken hold, confidence in price stability has improved.
3. Expect RBI to meet 5 per cent inflation target by March 2017.
4. Prospect of lower oil prices over medium term likely to dampen inflationary expectations.

#### **C. Current Account Deficit**

1. 2016/17 current account deficit seen around 1-1.5 per cent of GDP.

#### **D. Currency**

1. Rupee's value must be fair, avoid strengthening; fair value can be achieved through monetary relaxation.
2. India needs to prepare itself for a major currency readjustment in Asia in wake of a similar adjustment in China .
3. Rupee's gradual depreciation can be allowed if capital inflows are weak.



### **E. Banking & Corporate Sector**

1. Estimated capital requirement for banks around 1.8 trillion rupees by 2018-19.
2. Proposes to make 700 billion rupees available via budgetary allocations during current and succeeding years in banks.
3. Government could sell off certain non-financial companies to infuse capital in state-run banks.
4. Corporate, bank balance sheets remain stretched, affecting prospects for reviving private investments.
5. Underlying stressed assets in corporate sector must be sold or rehabilitated.

### **F. Taxes**

1. Tax revenue expected to be higher than budgeted levels in 2015-16.
2. Proposes widening tax net from 5.5 per cent of earning individuals to more than 20 per cent.
3. Favours review and phasing out of tax exemptions; easiest way to widen the tax base not to raise exemption thresholds.

### **G. Chief Economic Adviser Comments**

1. Subramanian says there is scope for easing monetary policy.
2. Says expenditure planning needs to be embedded in medium-term fiscal framework.
3. Calls for liquidity to be injected into the financial system.

### **H. Other Important Highlights of Economic Survey 2015-16**

1. GDP growth next fiscal to be between 7-7.75%.
2. Growth this fiscal to be 7.6%, long-term potential at 8-10% if exports grow rapidly.
3. India haven of stability amidst gloomy global landscape.
4. Crude oil prices to be about USD 35 a barrel next fiscal, as against USD 45 this year.
5. Projects retail inflation at 4.5-5% for 2016-17.
6. Low inflation takes hold, price stability has increased.
7. Pay Commission implementation not to destabilise prices.
8. Proposes widening of tax net from 5.5% of earning individuals to more than 20%.
9. Challenging external environment to cast shadow on economic policies.
10. 3.9% fiscal deficit target achievable this year, coming year to be challenging.
11. Subsidy bill to be below 2% of GDP next fiscal.
12. Concerned over delay in GST Bill.
13. Balance sheets of corporate, banks remain stressed; need 4Rs: Recognition, Recapitalisation, Resolution and Reform.
14. PSU banks' capital need at Rs 1.8 lakh crore by FY19.
15. Current account deficit at 1-1.5%, forex reserves at USD 351.5 bn in mid-Feb.
16. Services sector growth in 2015-16 seen at 9.2%.
17. Suggests revival of domestic demand as foreign capital outflow likely.



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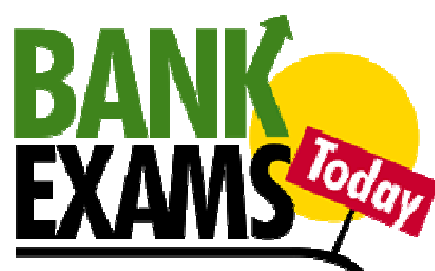
18. Sees good performance by industrial, infrastructure, corporate sectors due to recent reform.
19. More investment in health, education; focus on agriculture. Percentage share of horticulture output in Agriculture is more than 33%.
20. Government tax revenues to be higher than budgeted.
21. India ranks first in Milk production, accounting for 18.5% of world production.
22. Exports slowdown to continue; pick up in next fiscal.
23. India should resist protectionist measures in trade.
24. Suggests reform package for fertiliser sector. Fertiliser subsidy should shift to direct cash transfer

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