Dear Members,

Economic Survey 2014-15 tabled by the Hon’ble Finance Minister Mr Arun Jaitley on February 27, 2015 reported that India has reached a sweet spot - rare in the history of nations - in which it could finally be launched on a double-digit medium-term growth trajectory. Some of the findings reported in the Survey are:

- The country’s macroeconomic position now compares favourable with other countries.
- Macroeconomic fundamentals have dramatically improved for the better, reflected in both temporal and cross-country comparisons.
- **Inflation has declined by over 6 percentage points since late 2013.**
- Current account deficit has shriveled form a peak of 6.7 per cent of GDP (in Q3, 2012-13) to an estimated 1.0 per cent in the coming fiscal year.
- Foreign portfolio flows (of USD 38.4 billion since April 2014) have stabilized the rupee, exerting downward pressure on long-term interest rates.
- In the short-run, growth will receive a boost from lower oil prices, from likely monetary policy easing facilitated by lower inflation and lower inflationary expectations, and forecasts of a normal monsoon
- Medium-term prospects will be conditioned by the balance sheet syndrome of Indian characteristics - which has the potential to hold back rapid increased in private sector investment.
- **Outlook for the external sector is favourable for the current account and its financing.** A likely surplus, rather than scarcity, of foreign capital will complicate exchange rate management. Risks from a shift in US monetary policy and turmoil in the Eurozone need to be watched but could remain within control.
- Expenditure control and expenditure switching, form consumption to investment, both in the upcoming budget and in the medium term will be key.
- On trade, the report pointed out that the outcomes have been stagnating.
- **The trading environment is becoming more challenging as the buoyancy of Indian exports has declined with respect to world growth, and as the negotiation of mega-regional trading arrangement threatens to exclude India.**
- As per the World Trade Organization (WTO), India’s share in global exports and imports increased from 0.8 per cent and 1.0 per cent respectively in 2004 to 1.7 per cent and 2.5 per cent in 2013. Its ranking in terms of leading exporters and importers improved from 30 and 23 in 2004, to 19 and 12 respectively in 2013.
- While India’s total merchandise trade as a proportion of gross domestic product (GDP) increased from 29.0 per cent in 2004-05 to 41.8 per cent in 2013-14, India’s merchandise exports as a proportion of GDP increased from 12.1 per cent to 17.0 per cent during the same two time periods.
- There were considerable differences in the growth rates within the two time periods which owed largely to the global uncertainty, prolonged weakness in some areas, and volatility in global commodity prices since 2008.
- India has emerged as a significant agri exporter in a few crops, viz. cotton, rice, meat, oil meals, pepper, and sugar.
- As per the World Trade Organization’s Trade Statistics, the shares of India’s agricultural exports and imports in world trade in 2013-14 were 2.69 per cent and
1.31 per cent respectively. Agricultural exports as a percentage of agricultural GDP have increased from 9.10 per cent in 2008-09 to 14.05 per cent in 2013-14.

- Quality of seed accounts for 20-25 per cent of agricultural productivity. Agricultural mechanization increases productivity of land and labour by meeting timeliness of farm operations and increases work output per unit time.

- To benefit cotton farmers free export of cotton is permitted.

- On labour the Survey mentioned that Multiplicity of labour laws and difficulty in their compliance has been an impediment to industrial development.

- In a major initiative for bringing compliance in the system and ensuring ease of doing business, a set of labour reform measures has been put forth by the government.

- India accounts for 1.8 per cent of the world's manufacturing output.

- World manufacturing growth was 3.4 per cent in the first quarter and 3.0 per cent in the second quarter of 2014-15, according to the United Nations Industrial Development Organization’s (UNIDO) Quarterly Report on World Manufacturing Production.

- Growth rates in manufacturing are uniformly low worldwide because industrialized economies are experiencing slow growth and emerging economies are finding it difficult to sustain growth as they are facing low demand in the global market and in their domestic economies.

- To provide a big push to solar energy, two new schemes, viz., ‘Scheme for Development of Solar Parks and Ultra Mega Solar Power Projects’ and ‘Pilot-cum-Demonstration Project for Development of Grid Connected Solar PV Power Plants on Canal Banks and Canal Tops’ were rolled out in December, 2014.