Need to Bolster Growth

Government is undertaking reforms to improve our manufacturing competitiveness; however, government expenditure in infrastructure projects and reduction in trade-restrictiveness can bolster growth

As we are slowly reviving from the COVID-19 crisis, India's GDP growth has shown much resilience in the second quarter of FY 21 with GDP growth contracting by 7.5%, as compared to the first quarter when GDP growth had contracted by 23.9%. However, retail inflation has been high and was hovering at 7.6% in October.

One reason for high inflation could be the supply chain disruptions caused by the lockdown. As the economy slowly started opening up, the festive season has witnessed good demand, with several consumer-facing companies exhibiting growth. Still, it is being debated that this could be pent-up demand, and can wane off in the current and next quarters.

For a sustained recovery, the government needs to ease our infrastructural bottlenecks that render our domestic trade and exports uncompetitive by increasing government expenditure in infrastructure projects. Government expenditure in these projects can spur demand for iron and steel, cement, aluminum etc., and create jobs for the huge number of low-skilled workers in India and raise their incomes, while also making our manufacturing competitive.

The Niti Aayog has recently released a draft model Act and rules for states on conclusive land titling with an aim to reduce litigations and ease the land acquisition process for infrastructure projects. Similarly, the government aims to catapult India to among the top 10 countries in World Bank's ease of doing business rankings through its comprehensive labour reforms.

These reforms, along with the Production Linked incentive scheme announced by the government as part of the Atmanirbhar Bharat package, aim to position India as a global manufacturing hub by improving the cost and time competitiveness of Indian businesses.

However, we have shied away from a major trade deal like RCEP. As the deal encourages sourcing of raw materials and intermediates from participating countries by relaxing the Rules of Origin norms, we may have missed out on an opportunity of integrating with a block comprising about 30 percent of global GDP and 27 percent of global merchandise trade.

We, therefore, need to be less trade-restrictive in integrating with the global economy.

Notifications

PIB

Proposals invited for constitution of a Dedicated Export Promotion Council for Technical Textiles

https://pib.gov.in/PressReleseDetail.aspx?PRID=1677979

Exchange Rate Notification

https://pib.gov.in/PressReleseDetail.aspx?PRID=1678033