

ECONOMIC SURVEY 2019-20

31 January 2020

Pro-Growth

Economic Survey estimates growth to improve to 6-6.5% in FY21 from 5% in FY20 on the back of a low base, higher global demand and measures taken by the government to improve investment and consumption. The Survey postulates a larger role for private sector and entrepreneurs to achieve US\$ 5tn economy by 2025. It also highlights the need to improve India's ranking in enforcing contracts and starting a business as entrepreneurship and growth are inter-related. We believe the Budget will focus on introducing legislations which enable the same.

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Jahnvi

jahnvi@bankofbaroda.com

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Growth estimated at 6-6.5% for FY21: Economic Survey estimates growth to increase from 5% in FY20 to 6-6.5% in FY21 driven by low statistical base and reforms undertaken: corporate tax rate cut, infra pipeline (Rs 102tn), asset monetisation and lower interest rates. Higher global growth in 2020 as well as improvement in foreign investments should result in a pick-up in growth. It also points out that growth is not overstated using cross country comparisons.

Wealth creation through entrepreneurship: The Survey talks about importance and virtue of wealth creation to achieve US\$ 5tn economy. It shows the benefit of moving from pro-crony structure to pro-business structure wherein new businesses can drive growth higher. The survey shows that a 10% increase in new firms in a district results in a 1.8% rise in GDDP. Notably, India has seen a sharp increase in new businesses (3rd largest in the world).

Improving ease of doing business: The Survey notes need for improvement in EODB parameters such as starting a business, registering property, paying taxes and enforcing contracts. These areas require greater attention to improve export competitiveness and growth.

Privatisation, the way forward: Survey analysed performance of 11 CPSEs in various segments that had undergone strategic disinvestment from FY00-FY04 and proved to be better in performance of major financial parameters. Thus the Budget is likely to focus on asset monetization to fund infra sector.

Job creation through exports: Following China's lead, India too can improve exports and create more jobs by focusing on specialised labour-intensive products and integration into GSCs. The Survey postulates huge potential for "network products" (US\$ 7tn by 2025) which will create 40mn jobs by 2025 and 80mn by 2030 and contribute towards the objective of US\$ 5tn economy.

KEY HIGHLIGHTS

- Growth is projected at 6-6.5% in FY21.
- Higher private sector participation, entrepreneurship and EODB to drive growth higher.
- Higher exports and participation in the GSC to drive job creation.



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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com