GLOBAL SLOWDOWN BETTER FOR INDIA ON BALANCE: CEA

'Real policy rate won't be deterrent to consumption, credit growth'

Chief Economic Advisor **V ANANTHA NAGESWARAN** speaks to **Arup Roychoudhury** and **Asit Ranjan Mishra** after the Economic Survey was presented in Parliament. Edited excerpts:

You have supported capex-led growth. So, do you think for a few more years the Centre needs to continue to push capex to support growth or do you see the private sector taking that position in the coming years?

That too is a function of the economic cycle because in the last several years the private sector was reluctant to borrow and invest because it was nursing its balance sheet and banks had become cautious. They were more willing to lend to extremely creditworthy borrowers and the state was the most important creditworthy of them. When we let many public-sector enterprises borrow on their own account and undertake capital expenditure, some people thought internal and external budgetary resources were understating overall government expenditure.

Q&A

So we reduced off-budget borrowing and the government's public investment went up, both as a matter of strategy as a policy conscious policy choice. And it also took into consideration the circumstances prevailing in the financial system at that point. But now, if the private sector has restored its profitability and balance-sheet strength, and there is demand and there is demand visibility, it should come back and start to invest, in which case the government should be in a position to retreat and direct its expenditure to other development causes. So this is a matter of judgement.

At the end of the day, if your debt levels are sustainable, and if the government is in a position to spend money effectively, and in areas where it needs to be spending, those kinds of considerations will determine what the deficit number should be. We need assess various factors and take economic cycles into consideration before we are able to come up with a one-point estimate for this.

Don't you think rising interest rates may impact domestic consumption and credit growth in FY24?

If you look at the real policy rate, it's not very high. In the mid-1990s, real interest rates were quite high in the United States -- at around 3 per cent. But that did not stop credit growth or economic or capital formation in the US economy because the high real interest rate reflected potential GDP growth in the economy. It was not a deterrent, it was a reflection of the real economy. So if you have a real policy rate, that is normal for the cycle in the economy, it won't necessarily act as a deterrent.

Traditionally under this government, Economic Surveys have been presented in two volumes except last year. Do you think a single-volume Economic Survey makes more sense?

Yes, I guess it makes sense because the idea is to present an assessment of the economy and not so much one's own thoughts. One should stick to the main focus, which is to give people a good perspective on how the economy is doing. If at all we want to fly some kites, we can fly them in different ways and without necessarily calling them Economic Surveys.

We believe you may come up with a further update on the Indian economy a few months down the line?

Yes, we will do that because normally Economic Surveys are produced with eight to nine months of data. So we will provide an update.

By when can we expect the update?

I have to discuss it internally because we have to take into consideration the G-20 calendar as well and it may be a good idea to present this after the calendar is over.

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