

6.5-7% GROWTH STILL FEASIBLE IN FY25

Deregulation to be a big theme in next Economic Survey: CEA

• Time for 'highly profitable' India Inc to create jobs, aid MSMEs

FE BUREAU
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CHIEF ECONOMIC ADVISOR V Anantha Nageswaran on Friday called for further deregulation of government rules, asked Corporate India to advance payments to MSMEs to boost their working capital, and stressed the need for the private sector to strike the right balance between capital- and labour-intensive growth strategies.

Deregulation, he said, would be a major theme in the economic survey for 2024-25, to be tabled in Parliament in late February, ahead of general Budget.

Despite the H1 growth coming in at 6%, Nageswaran, speaking at an industry body Assocham event here, maintained that "growth outcome in the range of 6.5-7% is feasible for the current financial year."

However, while the government has stuck to the idea of creating an investment-led virtuous cycle of growth, the CEA said a "creeping informalisation" of the workforce after the Covid-19 pandemic, coupled with the low wage growth for such contractual employees, has exerted a "downward pressure" on consumption.

The comments marked a rare acknowledgment by a top government functionary about the need to spur consumption demand for



President of the Associated Chambers of Commerce & Industry of India (Assocham) Sanjay Nayar presenting a memento to chief economic advisor V Anantha Nageswaran, at an event in New Delhi on Thursday

V ANANTHA NAGESWARAN,
CHIEF ECONOMIC ADVISOR

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I think that it is doable if you look at some of these pickups that have happened in specific areas. So I believe that a growth outcome in the range of 6.5-7% is feasible for the year

higher economic growth.

"Individually for every company it may be an optimal solution or logical solution (to go for contractual, rather than regular employees). But, collectively it does exert a downward pressure on consumption," he said. India Inc. had 'never had it so good' profitability despite a challenging post-Covid environment.

"Now is the time for them to invest and create employment, he said.

Nageswaran said India should focus on domestic levers for boosting economic growth as global factors remain "far from conducive. "We are entering a world of difficult goods export growth."

Indian economy can grow by

7% in the second half of the current financial year going by the pickup in economic activity, Nageswaran said.

After the GDP rose by 5.4% in July-September year-on-year, the lowest in seven quarters, some analysts feared that FY25 growth may come in below 6.5%.

The H1FY25 growth has come in at 6%. The finance ministry's top economist said the Q2FY25 GDP growth rate of 5.4% could be revised upwards going forward, as the current estimates are not seasonally adjusted.

"To be able to hit 6.5% growth for the year as a whole, we need a 7% real GDP growth in the next two quarters of which two months are already over in the third quar-

ter. We are in the third month," he said. The CEA said India's underlying growth story still remains very much intact.

While the industry keeps complaining about the cost of capital, Nageswaran said: "Notwithstanding all the issues that India's corporate sector may have with governments, union and state, on taxes, on the cost of capital, on procedures, on customs duties, etc, the truth is, Indian corporate sector has never had it so good as it has in the last four years."

Indian private sector profitability was at a 15-year high of 4.8% of GDP in March 2024 was impressive given post-Covid challenges and the difficult global environment, he said.