India is indeed an oasis of macro stability: CEA

Q&A Despite rising global uncertainty and the suspense about a trade deal with the United States, **V Anantha Nageswaran**, chief economic advisor to the Government of India, exuded confidence about the economy growing in the range of 6.8 per cent to 7.2 per cent in 2026-27 (FY27) on the back of domestic reforms. At a press conference after the Economic Survey was tabled in Parliament on Thursday, he spoke about a wide range of current challenges including the recent slide of the rupee, the reason for declining foreign capital flows and the need to address "investor reluctance", as well as issues of long-term importance that must be tackled. Edited excerpts compiled by **Ruchika Chitravanshi** and **Udisha Srivastav:**

On raising India's potential growth to 7 per cent from 6.5 per cent:

■ Despite the uncertain geopolitical environment, this Survey confidently upgrades India's potential growth to 7 per cent per annum on the back of the track record that the Indian economy and policy makers have been able to display, particularly after Covid. Geopolitical risk factors, commodity prices, etc. can derail calculations on a short term basis, but on a sustained medium term trend, growth for the Indian economy, we believe, now is 7 per cent. If we are able to achieve manufacturing and export competitiveness, and pursue further process reforms in the areas of land and cost subsidisation and bring down the cost of manufacturing, this can even rise to 7.5 per cent and 8 per cent in the next few years as well... The world is most unpredictable and dangerous. India is indeed an oasis of macro stability in an otherwise turbulent world... We acknowledge that we have promises to keep and miles to go before we can sleep. We have to reimagine the way we are organised as a state, and reimagine the way we function, and that applies to the government, the private sector and households... Businesses and households have to internalise their responsibilities as a society. We have to embrace delayed gratification, then we will become strategically indispensable. The late Sir Mark Tully said, I am an optimist because I have seen the Indian people do the impossible every single day. We concur with him, and as a mark of respect to him, we feel the Indian people will do the impossible every single day in the next 25 years on our way to Viksit Bharat.

Turn to Page 13 ▶

■ Higher education: Celebrating achievements, recognising unfinished agenda, write V ANANTHA NAGESWARAN & ANURADHA GURU 9 ▶

" IF WE'RE ABLE TO ACHIEVE MANUFACTURING AND EXPORT COMPETITIVENESS, AND PURSUE FURTHER PROCESS REFORMS ... THIS (GDP GROWTH POTENTIAL) CAN EVEN RISE TO 7.5-8% IN THE NEXT FEW YEARS "

‘We feel Indians will do the impossible every day in next 25 yrs’

On the rupee and weak foreign investment flows:

■ The outcome of rising global uncertainty for the country is the effect on the capital account, and therefore, on the currency, as an emerging market and a capital importing country. Developments in India’s external account reflects the impact of the rise in global uncertainty. India’s gross FDI has been growing very well. In FY26, gross FDI is at least 10 per cent higher than last year, but net FDI has been on the weaker side, partly because of profit taking by investors who have invested in the earlier decades, and also because of the compulsion that Indian businesses face to invest overseas. So overseas direct investment by Indian businesses has also increased. As a result, net FDI numbers are not where we would like them to be, although they are not alarming. Portfolio investors have various reasons. One is the valuation and the lack of a so called AI story in India, and also the overall uncertainty caused by the tariff situation is holding them back from committing more money in the Indian market. But as a contrarian, when sentiment towards India is actually on the weaker side, that is when the future prospective returns will look the brightest actually.

On the currency, as a country that depends on imported capital to meet a current account deficit, even though the deficit is lower side, if capital flows become weaker, naturally the currency reflects that, and that is what we have seen in the last one year, with the rupee weakening against the dollar by about 6 or 7 per cent. This is in spite of the stellar economic fundamentals we have.

It is simply accounting that if you're a current account deficit country, you need to import capital, and when capital flows become weaker due to global factors... Interest rates in the developed world have gone from close to zero to between four and 5 per cent, so the opportunity cost of investing overseas is higher. That is what shows up with the currency.

On measures to boost consumption and growth:

■ Growth is the important driver of consumption, and the government has reduced the income tax burden and the GST rates and slabs, ensuring that both monetary and fiscal policy contributes to lower inflation which puts purchasing power in the hands of people. This increase in disposable income and purchasing power is why consumption growth is holding up at high levels.

A lot of these actions are feeding through or flowing through in terms of the disposable income and continued employment growth. That is why the notification of the labour codes and even the various deregulation exercises to the extent that they boost economic activity, leading to employment generation, will create more income and, therefore, more purchasing power and consumption. That is how the economic cycle moves on.

On the limits of the public capex push:

■ The important point to realise is that India’s overall gross fixed capital formation (GFCF) to GDP ratio is about 30 per cent, and it's not entirely due to the public sector. Private sector capital formation may not be at the level that we saw in terms of growth rates between 2003-2008. That is why we are not going back to 8.5-9 per cent growth that we saw in that era. The 7 per cent growth is feasible with the current level of the private sector and public sector capital formation. Whether it requires, in some specific years, the public sector to do more than 3 per cent of GDP or less, those are things we need to calibrate based on the prevailing situation at that point.

On whether concerns about high corporate profits and weak wage growth persist:

■ The data are encouraging, and the important thing is the labour codes also make it very clear that there has to be a balance in terms of the worker rights and what the employers have been asking about.

So the labour codes will do their own bit to make sure that wage growth and benefits growth is commensurate with profitability growth, and that is an important development that has happened since we wrote the last Survey.