Survey gives clear direction towards Viksit Bharat

N R BHANUMURTHY

The Economic Survey 2025-26 presents a number of interesting aspects of the Indian economy both for medium and long term. But what is more interesting is that it ensures continuity from the previous Surveys and this particular Survey makes some technically sound conclusions. The Survey highlights how India has pushed the growth frontier in a troubled global economy context.

While the Survey has become lengthy, based on first two chapters it is clear that this Survey presents some crucial estimates based on robust econometric methods. Also glad to know that the Ministry has an in-house nowcasting model to predict quarterly GDP growth.

Based on various indicators and other policy interventions, the Survey predicts a GDP growth between 6.8 to 7 per cent for FY27. This is 0.5 per cent higher than what was predicted in the last Survey for FY26 and is closer to the potential GDP growth that this Survey estimates, which is at 7 per cent. This upward revision in GDP forecasts clearly indicate what Chief Economic Advisor said in the presentation, that India is an oasis of macro stability in a turbulent world.

As Survey argues, this upward revision is largely due to domestic factors and due to a number of reforms that are initiated since April 2025 while assuming the support from external sector at 2025 level. In our view, as in the past, the Survey is a tad conservative with respect to growth projection. It could have some implications on the nominal GDP growth forecast for FY27, which is going to be crucial for the Budget calculations. With new base year numbers going to be released, it will be interesting to see how macro-fiscal numbers are going to be affected going forward.

On the fiscal side, the Survey highlights how India has achieved better growth with credible fiscal consolidation at the Union level. It also highlights how Union has achieved a sustained public investment of over 3 per cent every year post-Covid period that has become fundamental to strong macroeconomic stability that India has achieved with high growth and low inflation. This, as Survey argues, also led to rating upgrades by leading agencies. However, it highlights the downside fiscal risks at the state level and its impact on the bond market.

Unlike in the past Surveys, this one focuses little extensively on state fiscal situation. The Survey raises concern about fiscal slippage in many of the states due to populist measures, deteriorating quality of expenditures, slippage in revenue deficits, a number of cash transfer schemes and so on. Indeed, the Survey argues, while fiscal condition at the Union level is directionally strong and predictable, it is the states' fiscal position that is affecting the general government borrowings.

One interesting statistics that the Survey highlights is India's 10-year bond yield at 6.7 per cent is higher than that of Indonesia, which is at 6.3 per cent and this is despite having similar ratings. The Survey rightly argues that unconditional cash transfers could lead to deterioration in quality of expenditures while limiting resources for skilling and employment that could have long-term implications.

At the end, Survey mentions weak state fiscal position will have implications on the cost of sovereign borrowing. This almost echoes the successive RBI's report on State Finances that has been highlight the deteriorating fiscal situation at the state level. Many suggestions have been made such as restricting subsidies, equity monetisation, as well as improving public expenditure efficiency. But the Survey falls short of commenting on so-called freebies that many states are introducing and this is the main reason for the fiscal deterioration and widening debt. Only in one place it talks about handouts and freebies, although passingly. While we are not sure if 16th Finance Commission addressed this issue as well as the issue of public expenditure efficiency, these aspects need much more discussion within the context of fiscal federalism and this Survey makes a good beginning.

Large part of the Survey focusses on industry, infrastructure and investments.

However, rightly so, it takes a microeconomic perspective and suggests to focus on process reforms in four areas: cost of capital, land, ease of doing business and productivity & competitiveness. For many questions on rupee/dollar exchange rate, the Survey suggests that India need to focus on these four aspects and this should help strengthen external account as well as the rupee. At the end, the Survey pitches for Swadeshi approach especially in the context of a fractured global compact. One sentence that brings clarity on this, which is generally misunderstood as an ideological position, is 'Swadeshi becomes a defensive as well as offensive policy lever: a means to ensure continuity of production in the face of external shocks, and a pathway to build enduring national capabilities that reinforce economic sovereignty'. The Survey also provides a number of examples of how other countries, including China, follow swadeshi model. Overall, while there is so much read and think, this Survey brings more clarity on the direction that India may have to take towards achieving *Viksit Bharat* objective. But it also cautions that we have miles to travel in that direction that too in an unpredictable world order.

The writer is the Director of Madras School of Economics, Chennai