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Concerns and Challenges of Macro Economic in Recent in India

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ABSTRACT

This paper will focus on the Macro Economic Issues and Challenges facing India in the Recession Period. According to the National Bureau of Economic Research (the official arbiter of U.S. recessions), there were 10 recessions between 1948 and 2011. The most recent recession started in December 2007 and ended in June 2009. An Economic downturn is nothing but a Business cycle contraction, a general slowdown in economic activity or macro-economic indicators. The recession is neither unpredictable nor enigmatic. The secondary data for this paper have been collected from various sources such as journals, online bulletin etc. The researcher has used so many components for analysis like the GDP forecast comparison, Various Macro-Economic Indicators, Current Account Deficits (CAD) evaluation, Inflationary pressures, Employment Creation, Fiscal Consolidation measures and deficits etc.

KEYWORDS : Recession, Economy, GDP, Inflation, Recession, Investment, Inflation.

GDP forecast for 2012-13 and 2013-14

Item	2011–12 (RE)	NCAER forecast for 2012–13 October 2012	NCAER forecast for 2012–13 January 2013	NCAER forecast for 2013–14 **January 2013**
% Change				
Real GDP				
- Agriculture	2.8	2.1	1.9	2.9
- Industry	3.4	3.5	3.3	4.5
- Services	8.9	8.0	7.6	7.7
Total	6.5	5.9	5.6	6.2
Exports ($ value)	18.0	7.9	-4.8	24.1
Imports ($ value)	35.6	9.9	-1.1	15.1
Inflation (WPI)	8.8	7.4	7.7	5.0
% of GDP at market prices				
Current account balance*	-3.3@	-3.0	-3.5	-3.2
Fiscal Deficit	5.9(RE)	5.7	5.8	5.0

Data Source: NCAER

About NCAER

NCAER, established in 1956, is an independent, non-profit policy research institute committed to assist government, civil society and the private sector in making informed, evidence-based policy and program choices and in implementing and evaluating them. NCAER major strength is in the analysis and collection of large-scale data at the national, state, sector, industry, firm, and household level.

Indian economic issues and challenges

Current Economic prospects and Challenges for India is believed to be Vast and Vague. Economy does not lie in spending money sparingly, but in spending it wisely. As such, given the present economic situations, Indian economy may have to walk a tight rope this year to avoid downturn in economic activity which may be termed as Recession. There are some immediate concerns to be taken care of to keep growth rate high and inflation rate and fiscal deficit low.

Also India requires investor-friendly policies to nudge the entrepreneurs to invest more. Driving investments has to continue as a key area of priority with focus on measures for sectors such as infrastructure and others that benefit agriculture and especially employment generation. Domestic and foreign investments are not an option but an economic imperative for the government. But the main challenges of our economy are to achieve 'inclusive growth' and eliminate 'economic inequalities'.

Recessions generally occur when there is a widespread drop in spending. This may be triggered by various events, such as a financial crisis, an external trade shock, an adverse supply shock or the bursting of an economic bubble. Governments usually respond to recessions by adopting expansionary macroeconomic policies, such as increasing money supply, increasing government spending and decreasing taxation.

Macro-economic indicators

Macro-Economic indicators include various indices, earnings reports, and economic summaries. Examples: Unemployment rate, Consumer Price Index (a measure for inflation), GDP, Inflationary pressures, Issues of current Account Deficit (CAD), Job creation, Fiscal Consolidation Measures, Deficit Worries, Emergence of New Poor and Inequality.

Below is the list of Top 20 Economic Indicators listed down for the Year 2013.

Top 20 economic indicators – listing for the year 2013

1. GDP Growth.
2. US Dollars.
3. GDP Per Capita (PPP).
4. Investment (% of GDP).
5. Gross National Savings (% of GDP).
6. Inflation.
7. Unemployment Rate.
8. General government Total expenditure.
9. Total Government Net Lending/ Borrowing.
10. General Government Structural Balance.
11. Total Government Gross & Net Debt.
12. Conversion Rate.
13. Value of Oil Imports & Exports.
14. Population.
15. General government revenue (National Currency).
16. General government total expenditure (National Currency).
17. Total Government Net Lending/ Borrowing (National Currency).
18. Total Government Gross & Net Debt (National Currency).
19. Fiscal Year Gross Domestic Product.
20. Current Prices.

Issues of current account deficit (CAD)

Current Account Deficit generally occurs when a country's total imports of goods, services and transfers are greater than the country's total export of goods, services and transfers. This situation makes a country a net debtor to the rest of the world and in turn giving it a way for an economic downturn.

'According to Prime Minister's Economic Advisor Council, The current account deficit is likely to be around the last year's level of 4.2 per cent of the gross domestic product (GDP) for 2012-13 fiscal'. Most of the macroeconomic indicators have substantially weakened. Growth rate has dropped from 9.3 % in 2007-08 to 5% in 2012-13. In the same period, current account deficit (CAD) has gone up from 1.3% to 5%, combined fiscal deficit rose from 4.1% to 8% and domestic savings fell from 36.8% to 29% of GDP.

This weak macro-economic performance is attributed to lack of significant reforms, weak global economic environment, declining domestic and corporate savings. Further, emergence of consecutive scams, compulsion of coalition politics and tightening of regulatory and pricing bottlenecks (energy, land, telecom, mining etc.) also contributed to weak performance. In

addition to this, reduced share of agriculture and industry to GDP had generated lopsidedness to the Indian growth story.

Data Source: Economic Times

Inflationary pressures

The year on year growth of Indian economy has been constrained by high inflationary pressures since 2006-07 when agricultural output suffered a setback due to scanty rainfall. Several steps have been taken to bring inflation under control. But money supply, including credit creation by banks, has been the major instrument for mitigating inflationary pressures in the Indian economy.

Inflation falls to lowest in over three years

The inflation rate in India was recorded at 6.62 percent in January of 2013. Inflation Rate in India is reported by the Ministry of Commerce and Industry. Historically, from 1969 until 2013, India Inflation Rate averaged 7.8 Percent reaching an all-time high of 34.7 Percent in September of 1974 and a record low of -11.3 Percent in May of 1976. In India, the wholesale price index (WPI) is the main measure of inflation. The WPI measures the price of a representative basket of wholesale goods.

Note: Monthly and annual variation of wholesale price index in %.
Source: Reserve Bank of India (RBI) and Focus Economics calculations.

Employment Creation, Poverty, Inequality

The interconnectivity among economic growth, employment and poverty reduction is an organic one such that the evolution of economic growth is intimately tied to the evolution of employment generation, poverty and Inequality reduction. Imbalances in macro-economic policies and poor implementation could result in unemployment thereby exacerbating inequality and poverty.

With increasing population and shrinking share of agriculture in the overall economy, India needs to create good quality jobs in manufacturing and services sectors. According to a Manpower Survey, 'Job seekers can look forward to a prosperous new year with more than 10 lakh new jobs expected across various sectors including FMCG and retail'. Coming against the backdrop of uncertain economic conditions and downturn, the projected number of new jobs in 2013 is way higher than the estimated 7 lakh employment opportunities created this year, according to the MyHiringClub.com survey conducted on over 4,450 firms across 12 industry sectors.

Recruitment tendering platform www.MyHiringClub.com survey showed that FMCG would lead the chart and is expected to generate 1.76 lakh new jobs, followed by healthcare (1.72 lakh), IT and ITeS (1.69 lakh), hospitality (1.06 lakh) and retail (1.02 lakh). Education, training and consultancy (84,200), banking and financial services (72,900), media and entertainment (66,400) and real estate (51,400) are also expected to create job opportunities.

Fiscal Consolidation Measures

Fiscal consolidation is a policy intended to reduce deficits and the accumulation of debt, according to the Organization for Economic Co-operation and Development. The term typically refers to a government economic policy. According to Finance Minister P Chidambaram, 'Fiscal consolidation road-map proposed in the Budget 2013-14 will promote foreign investment and support domestic economy. 'It is expected that the move towards fiscal consolidation will impart confidence in the economy, support domestic and foreign investments and will boost supply side initiatives'.

Conclusion

Economy is the method by which we prepare today to afford the improvements of tomorrow. This saying by 30th American President Calvin Coolidge has been successfully lived by India in the past decade. The $1.3 trillion Indian economy remains undoubtedly robust even in the current times of global slump. India will march ahead on the path of growth at a rate even in the face of formidable challenges. Several recent economic reports glowingly predict that by 2015, India will start outpacing China's annual GDP growth rate.

The instant but seemingly distant dream is to take the country into a double-digit growth trajectory. But this dream is quite realizable, provided India unleashes its entire potential and dares to challenge the challenges which have been restricting Indian growth engine from going full throttle. And there are positive indications to that effect as after going through a gloomy phase in 2012, the Indian economy is poised to return to an optimistic growth in 2013-14 by adopting various expansionary macroeconomic policies, such as increasing money supply,increasing government spending and decreasing taxation which would pave no way for an Economic downturn.

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