

Concerns with Recent Economic Trends

What is the issue?

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Income growth in India is being dominated by sectors such as finance, insurance, real estate and defence.

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What is the recent trend in the economy?

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- Various productive sectors have grown in terms of real value added since 2011-12, since when the new series of national income data are available.

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- The FIRE sector (finance, insurance, real estate along with other professional services) increased by 22 per cent between 2011-12 and 2017-18.

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- Value added in manufacturing rose by nearly 18 per cent, based on data from corporate industry rather than the industrial production index.

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- Services have accounted for around 54 per cent of GDP in the last few years.

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- Rearing of livestock has grown in terms of real value added and thereby enabled some increase in farm incomes over the period.

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- By 2016-17, income from livestock accounted for 30 per cent of agricultural incomes.

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What are the concerns with recent trend?

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- FIRE, professional services, and defence sector accounted for 67 per cent of the growth in national value added since 2011-12.

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- In fact, 43 per cent of the GVA growth came from only the latter two sectors a worrying trend indicative of a bubble economy.

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- Core and basic industries like electricity, gas, water supply and other utility services increased by only 2 per cent over the entire period.

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- In India growth rate of national income is given much importance, and checking fiscal and monetary indicators with respect to the value of the national product.

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- India cares much less about the quality of that growth, or even its sectoral distribution.

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- The latter is more important, both for the conditions of people and the overall health of the economy now and in the future.

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- The services sector still cover only around a quarter of employment and the bulk of those jobs are in low paid and productivity services rather than the professional services.

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- It shows that the service-led trajectory of the Indian economy continues, while employment and infrastructure have lagged behind.

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What are the concerns of agri sector?

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- The value added in agriculture, forestry and fishing went up by only 14 per cent.

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- It is clear that crop production has generally languished since 2011-12, falling sharply for two years after 2013-14 and recovering only to that level in 2016-17.

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- The value added in crop production has similarly been stagnant, and in 2016-17 was still slightly below the level reached in 2013-14.

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- Even though livestock rearing is seen an increase, it is still well below the growth of incomes in other sectors.

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- Crop production and real incomes from cultivation are both stagnating in a

way that suggests real crisis and distress in rural areas.

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- Thus the livestock economy has become a mainstay for farmers to enable them to survive, needs to be protected and nurtured.

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Source: Business Line

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