Business Standard
NEW DELHI, TUESDAY, 17 MAY 2022

CII: GDP may grow 7.4-8.2% in FY23

ARUP ROYCHOUDHURY
New Delhi, 16 May

India's FY23 gross domestic product is expected to grow between 7.4 and 8.2 per cent under three scenarios of global crude oil prices, said Sanjiv Bajaj, the new president of Confederation of Indian Industries and chairman of Bajaj Finserv, on Monday.

Speaking at a media briefing, Bajaj also said that the government needs to substantially increase its expenditure outlay on education and health, and that inter-state bodies similar to the GST Council need to be considered for sectors like power, land, labour and agriculture.

Bajaj said that CII expects FY23 GDP growth to be 7.4 per cent if global crude prices average $110 a barrel, which is a pessimistic scenario. Under a business-as-usual scenario with crude prices averaging $100 a barrel, GDP growth could be 7.8 per cent, and under an optimistic scenario of $90 a barrel, it could be 8.2 per cent. Bajaj said that he hoped for GDP growth to be closer to the optimistic scenario.

In the backdrop of Russian forces facing a major setback due to stiff Ukrainian resistance and continuing Covid-19 lockdowns in China, benchmark crude oil prices were trading at around $109 a barrel on Monday.

"The outlook critically hinges on the trajectory of global crude oil prices. Global headwinds and inflation will have to be countered with robust policy reforms, both domestic and external sector reforms, to unlock the growth potential of the economy," Bajaj said.

"Tailwinds that are supportive of growth in the short term include government capex, private sector investment, which is showing an uptick aided by strong demand in some sectors, and the PLI push in others, good agriculture season on the back of the expectations of a good monsoon and positive export momentum," he said.

Bajaj said that to counter inflationary pressures, the central and state governments should cut taxes on petrol and diesel further. He said that government should increase expenditure on public health from 1.3 per cent of GDP to 2.5-3 per cent, and on public education from 4.4 per cent to 6 per cent by 2025.

"GLOBAL HEADWINDS AND INFLATION WILL HAVE TO BE COUNTERED WITH ROBUST POLICY REFORMS, BOTH DOMESTIC AND EXTERNAL SECTOR REFORMS, TO UNLOCK THE GROWTH POTENTIAL OF THE ECONOMY"

SANJIV BAJAJ,
Chairman, Bajaj Finserv and President, CII

ILLUSTRATION: BINAY SINHA

"The increase in health and education spend will drive inclusive and equitable growth, improve workforce productivity, and make the economy more resilient. This will also drive consumption demand — the biggest engine of the economy — by reducing out of pocket expenses on these two essentials, leaving people with more to spend," Bajaj added.

Bajaj said that more sectors should be brought under the production-linked incentive (PLI) schemes, especially those which are labour intensive, such as leather, footwear, toys etc, and sectors where imports are high.

He added that employment-linked incentive schemes should be launched for select services sectors that have high growth potential, can generate jobs and earn foreign exchange, like tourism, leisure, retail, animation, gaming etc. He also called for de-clogging the judicial system.

"The privatisation of Air India and the successful closure of LIC IPO amid these turbulent times have raised a lot of confidence in the government's privatisation plans," he said.