

# Growth's New Normal: 7.5%

For over two decades India's growth rates have been mostly underestimated. External shocks such as financial crises interrupted high growth phases earlier. But not anymore. The national balance sheet is more resilient, setting the stage for a new era

Prasenjit K Basu



When the real GDP data for July-September quarter of 2023-24 was released, the 7.6% growth rate was almost universally greeted as a 'pleasant surprise'. So was the 7.2% growth reported for 2022-23.

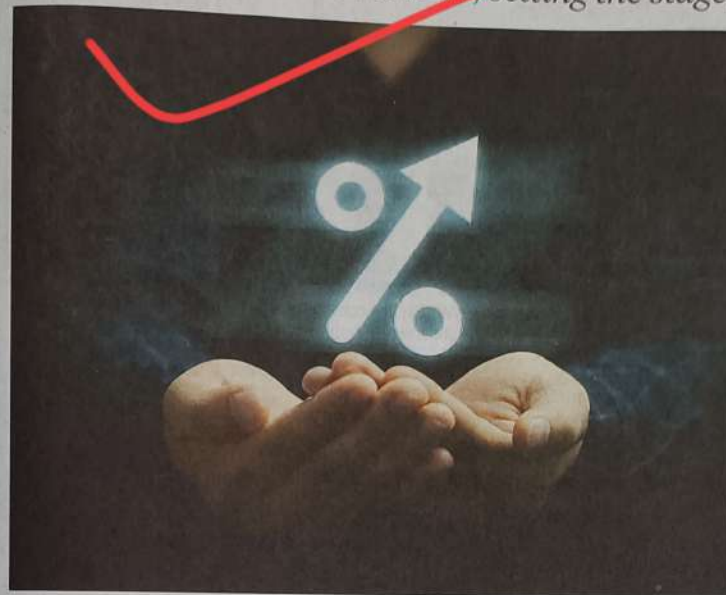
To me, a veteran forecaster of Asia's economies over the past 33 years, the only surprise is that the consensus for India's growth each year seems to cluster around the 6.5% mark. Subsequently there are 'surprise' upgrades after the year is over, and when the 'final' estimate is released almost three years after the end of the fiscal year.

**Trajectory changed two decades ago** | India has moved to a higher-growth trajectory that most economists seem reluctant to acknowledge. Between 2003-04 and 2007-08, real GDP grew at an average annual pace of 7.9%. The global slowdown in 2008-09 brought the average growth during Manmohan Singh's first term down to 6.9%. Average annual growth slowed further to 6.7% during his second term.

**And persisted since 2014** | During Narendra Modi's first term as prime minister, India's real GDP grew at an average annual pace of 7.4%, comfortably the fastest pace of any prime ministerial term.

**Reforms will keep growth going** | Economic reforms under Modi – creating a single national market with the GST, strengthening creditor rights with the Insolvency and Bankruptcy Code (IBC), direct benefit transfer through the JAM (JanDhan-Aadhar-Mobile) trinity, and rapid infrastructure improvement – clearly did pay off.

In the 15 years to 2018-19, India's average annual real GDP growth thus averaged exactly 7%. And in the 21 years



from 1998-99 to 2018-19, India's real GDP growth averaged 6.7% per year.

**Pandemic shock hasn't changed the story** | The onset of Covid-19 in January 2020, coming at a time when global growth was already slowing, caused India's real GDP to decelerate to 3.9% growth in 2019-20. A global pandemic is a once-in-a-century economic calamity, and it should surely be excluded from any analysis of the economy's longer-term potential growth.

**The bounce back is proof** | In the subsequent two-and-a-half years, April 2021 to September 2023, India's real GDP has grown at an average annual pace of 8.1%. Shouldn't we then acknowledge that this – or at least the 7.5% average annual growth during seven-and-a-half of the last nine-and-a-half years is India's new trend or potential growth rate?

**Reforms will lead to more investment** | Additional economic reforms, including the successful rollout of the world's leading digital stack, and the vast improvement in India's transportation infrastructure – with double the pace of highway construction relative to the previous decade, a doubling in the number of airports and urban rapid transit systems, and a vast enhancement of port efficiency – are necessarily boosting productivity. And those reforms, coupled with cuts in corporate tax rates to globally competitive levels, plus production-linked incentives (PLI) are bolstering the incentives to invest.

**Last 18 months are proof** | India's real gross fixed capital formation has consistently grown at 8% or more year-over-year in each of the past six quarters. When more capital is deployed, it naturally boosts productivity. So it is time for us to accept 7.5% growth as the

new normal in Modi's India.

**There were 7%+ phases earlier** | There have been other periods of over 7% growth in the past. India's real GDP grew 7.3% annually in April 1994 and March 1997. Then the Asian Financial Crisis intervened. Growth inevitably slowed.

The Vajpayee years were devoted to strengthening India's external resilience, and bolstering a financial system weakened by breakneck credit growth. Vajpayee delivered three years of current account surpluses (i.e., exports of goods and services exceeding imports) in 2001-02 to 2003-04, and average annual real GDP growth of 5.9% during his six years in office – the fastest growth delivered by any Indian PM until then.

The 6.8% annual average growth of the Manmohan Singh years was marred by classic signs of overheating in his second five-year term. Having inherited three years of current account surplus from Vajpayee, Singh allowed the current account deficit (CAD) to widen to 4.3% of GDP in 2011-12 and 4.8% of GDP 2012-13, while CPI inflation averaged over 10% in each of the five years of his second term. Like in all previous episodes of faster growth, external constraints eventually derailed the growth momentum.

**This time it's different** | Under Modi, however, the CAD has never exceeded 2.1% of GDP in any year, and is likely to be less than 1% of GDP this year. Consequently, external debt is now less than 18% of GDP. CPI inflation has averaged 5% annually between June 2014 and October 2023, and has not exceeded 7.6% in any month. The financial sector, beset by a 'twin balance-sheet crisis' in May 2014, has been cleaned up and strengthened.

Macroeconomic and financial stability therefore mean that the new normal of 7.5% growth in the Modi era is the harbinger of faster growth to come. It is time economic forecasters acknowledged the reality that is staring them in the face.

The author is an economist

Human Trafficking.

## Japan OKs \$56bn military budget, to build Patriot Missiles for US

**Tokyo:** Japan's Cabinet on Friday approved a record 16% increase in military spending next year and eased its post-war ban on lethal weapons exports, underscoring a shift away from the country's self-defence-only principle.

The move came as Japan accelerates the deployment of long-range cruise missiles that can hit targets in China or North Korea while Japanese troops increasingly work with allies and take on more offensive roles.

The 7.95 trillion-yen (\$56 billion) defence budget for the 2024 fiscal year that begins in March marks the second year of the five-year military build-up program. The spending plan is part of a 112.7 trillion-yen (\$794 billion) national budget and still needs the approval by the parliament.

Last year, the government budgeted 6.8 trillion yen (about \$48 billion) for defence.

In a latest step under a new security strategy that Japan adopted a year ago, Prime Minister Fumio Kishida's government also allowed the export of weapons and components made in Japan under foreign licenses to the licensing nations. The government quickly approved the first export shipment under the change, agreeing to send to the United States surface-to-air Patriot guided missiles produced in Japan under an American licence. Officials said that it would complement US stock, raising speculation that Japanese-produced Patriots may be sent to Ukraine. AP



## Guided missile destroyer INS Imphal to be commissioned on 26th

NEW DELHI, Dec 24 (PTI)

INS Imphal, the indigenously-built stealth guided missile destroyer equipped with BrahMos surface-to-surface missiles, will be commissioned into the Indian Navy on Tuesday in a boost to its maritime capability amid China's increasing forays into the Indian Ocean region.

It is the first warship to have been named after a city from the Northeastern region, the approval for which was accorded by the President in April 2019.

The warship will be commissioned at a ceremony in the naval dockyard in Mumbai in the presence of Defence Minister Rajnath Singh, officials said.

The naming of the ship after the capital city of Manipur underlines the importance of



the Northeastern region for national security and prosperity, they said.

A guided missile destroyer with a displacement of 7,400 tonnes and overall length of 164 meters, Imphal is a potent and versatile platform

equipped with state-of-the-art weapons and sensors, including surface-to-air missiles, anti-ship missiles and torpedoes.

Powered by Combined Gas and Gas (COGAG) propulsion, the ship is capable of achieving speeds in excess of 30 knots

(56 km/hour).

The ship boasts of a high indigenous content of approximately 75 per cent that includes BrahMos surface-to-surface missiles, medium range surface-to-air missiles, anti-submarine indigenous rocket launchers and 76mm super rapid gun mount.

INS Imphal was delivered to the Indian Navy on October 20 after completion of a rigorous and comprehensive trial programme both in the harbour and at sea.

Subsequently, the ship successfully test-fired the extended-range supersonic BrahMos missile last month, a first for any indigenous warship before commissioning.

Following this milestone, the ship's crest was unveiled by Defence Minister Singh in New Delhi in the presence of the Chief Minister of Manipur.

# Navy begins probe into attack on

# Merchant vessel

NEW DELHI, Dec 24 (PTI)

THE Indian Navy has launched an investigation into a suspected drone strike on a Mangalore-bound cargo vessel off India's west coast in the Arabian sea even as the merchant ship is on its way to Mumbai, officials familiar with the matter said on Sunday.

The Navy and the Indian Coast Guard swung into action by deploying their assets including a warship and maritime patrol aircraft on Saturday soon after the UK Maritime Trade Operations, or UKMTO,

reported the drone "attack" on MV Chem Pluto, that has around 20 Indian crew members.

There was no report of any casualty in the incident.

The Liberian flagged vessel is now on its way to Mumbai and Indian Coast Guard ship ICGSVikram is providing security to it, the officials said.

The Navy has launched an investigation into the incident including into the origin of the strike, said an official on the condition of anonymity as the matter is sensitive in nature.

The vessel, carrying crude

oil to the New Mangalore port from the Al Jubail port in Saudi Arabia, was struck about 217 nautical miles from Porbandar, said another official.

The Navy sent stealth guided-missile destroyer INS Mormugao to the location of the drone strike on Saturday and the officials said the warship is in the process of examining various details relating to the attack, the officials said. The incident came against the backdrop of Iran-backed Houthi rebels stepping up attacks on ships in the Red Sea amid the Israel-Hamas conflict.

**DRONE FIRED FROM IRAN: PENTAGON:** A DRONE attack on a cargo vessel off India's west coast in the Arabian Sea on Saturday was launched from Iran, the Pentagon said. A Pentagon spokesperson told Reuters news agency that MV Chem Pluto was hit by "a one-way attack drone fired from Iran". "The motor vessel was struck at approximately 10 am local time (6 am GMT) today (Saturday) in the Indian Ocean, 200 nautical miles from the coast of India, by a one-way attack drone fired from Iran," the spokesperson said.

# PM Modi interacts with students from J&K

NEW DELHI, Dec 24 (PTI)

PRIME Minister Narendra Modi Sunday interacted with around 250 underprivileged students from almost every district of Jammu and Kashmir who have been touring the country as part of the "Watan Ko Jano-Youth Exchange" programme.

An official statement said the interaction at Modi's residence was freewheeling and informal. These students are visiting Jaipur, Ajmer and New Delhi under the Central Government's programme.

In the spirit of 'Ek Bharat Shreshtha Bharat', the visit was aimed at showcasing the cultural and social diversity of the country to the youth of Jammu and Kashmir, the statement added.



Prime Minister Narendra Modi interacts with a student from Jammu and Kashmir as part of their 'Watan Ko Jano' programme, in New Delhi on Sunday. (ANI)

The Prime Minister asked the students about their travel experience and the iconic places they visited and discussed with them the rich sporting culture of Jammu and Kashmir.

He sought to know from the students about their participation in sports and gave the example of Sheetal Devi, the young archer from Jammu and Kashmir, who won three medals at the Asian Para Games in Hangzhou, the statement said. Modi also appreciated the talent of the youth of Jammu and Kashmir and added that they have the potential to excel in any field.

He advised the students to work and contribute towards the development of the country and help realise the dream of 'Viksit Bharat @2047', the

statement said.

Talking about the construction of the world's highest railway bridge in Jammu and Kashmir, Modi said it will improve connectivity in the region and also discussed the success of Chandrayaan-3 and the Aditya-L1 mission.

These scientific achievements have made every Indian proud, the Prime Minister said.

Talking about the record number of tourists visiting Jammu and Kashmir this year, he said that there is an immense opportunity in the tourism sector there. He exhorted the students to practise yoga daily and also discussed the successful organisation of the G20 summit in Kashmir and the efforts for making the country clean, the statement said.



# Jaishankar to visit Russia from Dec 25-29

NEW DELHI, Dec 24 (PTI)

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EXTERNAL Affairs Minister S Jaishankar will pay a five-day visit to Russia beginning Monday with an aim to discuss various bilateral and global issues.

Jaishankar will travel to Moscow as well as St. Petersburg, the Ministry of External Affairs (MEA) said on Sunday, announcing the trip.

External Affairs Minister S Jaishankar will visit Russia from December 25 to 29 as a part of the ongoing high-level exchanges between the two sides, it said.

“The time-tested India-Russia partnership has remained stable and resilient and continues to be characterised by the spirit of the Special and Privileged Strategic Partnership,” it said.

# HISTORIC India Women script first Test win over Australia

MUMBAI, Dec 24 (IANS)

**INDIA** Women successfully chased 75 runs on fourth and final day for an eight-wicket win and a historic first-ever Test triumph against Australia Women at the Wankhede Stadium on Christmas Eve on Sunday.

After bundling out Australia for 261 in their second innings in 75 minutes, India raced to victory half an hour after lunch on the fourth day of the one-off Test as part of the multi-



Indian players pose with the trophy in Mumbai.

(PTI)

form series.

India had bundled out Australia for 219 on the first day and then posted 406 in their first innings, riding on

half-centuries by Deepti Sharma (78), Smriti Mandhana (74), Jemimah Rodrigues (73) and Richa Ghosh (52).

*(Detailed report on Page 11)*

# WFI SUSPENDED

## Newly-elected body made a 'hasty announcement' and was working under the 'complete control of former (WFI) office-bearers': Sports Ministry

NEW DELHI, Dec 24 (PTI)

**THE** Sports Ministry on Sunday suspended the Wrestling Federation of India (WFI) till further orders after the newly-elected body made a "hasty announcement" of organising the U-15 and U-20 nationals "without following due procedure and not giving sufficient notice to wrestlers" for preparations.

The Ministry also said the new body was working under the "complete control of former (WFI) office-bearers", which was not in conformity with the National Sports Code.

The WFI elections were held on December 21 with former president Brij Bhushan Sharan Singh's loyalist, Sanjay Singh, and his panel winning the

"The new body has not followed the WFI constitution. The Federation stands suspended till further orders. WFI will not be taking care of day to day activities of wrestling. They need to follow the due process and the rules," a Sports Ministry official said.

polls by big margins. "The new body has not followed the WFI constitution. The Federation stands suspended till further orders. WFI will not be taking care of day to day activities of wrestling. They need to follow the due process and the rules," a Sports Ministry official told PTI. Top wrestler Bajrang Punia, who along with Vinesh Phogat and Sakshi Malik, had led the agitation against Brij Bhushan had returned his Padma Shri award to the Government on Friday in protest over Sanjay Singh becoming WFI President. This was a day after Sakshi Malik quit wrestling for the same reason.

The source further explained the reasons for WFI suspension.

(Contd on page 5)

## Done with wrestling: Ex-WFI chief Brij Bhushan

NEW DELHI, Dec 24 (PTI)

**FORMER** Wrestling Federation of India (WFI) chief Brij Bhushan Sharan Singh on Sunday said he is "done" with the sport and the newly-elected body will now take care of it as he has many more responsibilities to look into, including next year's Lok Sabha elections.

Brij Bhushan's comments came soon after his meeting with BJP chief JP Nadda following Sports Ministry's suspension of the WFI till further orders.



In suspending the newly elected WFI, the government cited its

"hasty announcement" of organising the U-15 and U-20 nationals "without following due procedure and not giving sufficient notice to wrestlers" for preparations.

The ministry also said the new body was working under "complete control of former (WFI) office-bearers", which was not in conformity with the National Sports Code.

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(Contd on page 5)



## SECOND DRONE ATTACK

# Oil tanker MV Sai Baba with 25 Indian crew members

NEW DELHI, Dec 24 (PTI)

A **GABON-FLAGGED** commercial crude oil tanker with 25 Indian crew members reportedly came under a drone attack in the Southern Red Sea but no one was injured, Indian officials and the US military said on Sunday. The US Central Command said the vessel, MV Sai Baba, was targeted by a drone launched by Houthi militants in the Southern Red

A drone attack was launched by Houthi militants in the Southern Red Sea. No reports of any casualties.

Sea on Saturday.

The US military's statement on the attack came a day after merchant vessel MV Chem Pluto, with around 20 Indian crew members, was hit

by a suspected drone about 217 nautical miles off the Porbandar coast in the Arabian sea.

"All 25 crew members of MV Sai Baba are learnt to be Indians," said an Indian military official. There were no reports of any casualties.

The official said MV Sai Baba is a Gabon-flagged vessel and it had received a certification from the Indian register of shipping.

*(Contd on page 5)*