ETW 10th to 16th June 2019

- **GDP growth overestimated (TH 12/6/19)**
  - Govt introduced the new methodology to calculate GDP in 2015. Since then various concerns have been raised
    - In the beginning itself, concerns related to the methodology were raised by Gita Gopinath and Raghuram Rajan
    - When the GDP back casting was done concerns were raised
    - Recently issues related to coverage under MCA21 have been raised
  - Former CEA has stated that the growth rate of Indian economy has been overestimated for the period from 2011-12 to 2016-17. He has argued that the growth rate for the mentioned period is about 4.5% rather than 7% as presented by the official data
    - He has argued that the growth numbers do not reflect the other economic parameters such as electricity consumption, two wheeler sales, airline passenger traffic, index of industrial production, export figures etc
    - He has compared the GDP data with 17 such indicators and the correlation has broken down post 2011 period
    - Another issue which has been raised is the usage of formal sector proxies for the calculation of growth in the informal sector. This has been cited to be an inaccurate approach
  - In support of the data
    - MoSPI has stated that the methodology it has used is in line with the international standards as set by the UN and was robust
    - Pronab Sen has argued that growth can be achieved because of growth in volumes and growth in product quality. What Mr Subramanian has done is that he has made a comparison of volumes only and post 2011, the value of goods and services is taken and not the volume. This is the reason why there is a difference between both of these growth numbers
  - Right estimations / calculation of GDP is a necessity as the policies of the government are based on it
  - If the findings are true, then there is an urgent need for looking into the methodology as the implications are grave. For example, in the recent times, the focus was on controlling inflation and to do that monetary and fiscal policy were tightened. If the growth rate was lesser at this point of time, then the policy should have been exactly the opposite. Another area could have been that the government would have generated job/employment opportunities by providing fiscal stimulus to the economy

- **<u>Food procurement and Shanta Kumar committee recommendations (BS 13/6/19)</u>**
    - Government has imposed a policy of open ended procurement; this has created a problem of food surplus. The inventories of food grains are twice that of the desired level
    - Such high level of food grains will add to storage cost, interest on the funds spent on procurement, expenditure incurred by the food handling agencies etc
    - In some of the states, the procurement is done on behalf of the government. The states are now asking the FCI to evacuate these godowns as the monsoon is approaching. The FCI godowns are also filled up with the food grains which have been procured by it, apart from this some food grains procured by FCI are being stored under CAP (Cover and Plinth) storage, which are facing the risk of damage (due to rain) and pilferage
    - This year demand for food grains is expected to be 61 mn tn (for distribution under PDS, other social welfare measures) but the total procurement (by FCI and state agencies) done is 76.1 mn tn. Such high level of overstocking is unnecessary as there has been a surplus food production
    - Shanta Kumar committee in 2015 had recommended offloading excess food grains (beyond the buffers) in the domestic market or to be exported to the global market. The opinion of the committee was that these stocked food grains entailed heavy costs and did not serve any purpose. Apart from this, the committee had given many more recommendations
    - The food minister last week has indicated that recommendations of this committee would be implemented
    - The excess supply of food grains is a result of higher production in cereals. There is a need of reorienting crop production to enable cultivation of high value and export worth products
    - Similarly, the procurement to provide price support can be replaced by the price deficiency payment system, direct income support to the farmers

- **<u>ESI contribution to be reduced (TH 14/6/19)</u>**
    - Starting from July, the contribution of the employer and employee under Employees' State Insurance Act (ESI Act) would be reduced
    - This act provides medical benefits (among other benefits) to insured workers
    - The contribution to the ESI comes from the employer, employee's contribution and from the government

        - Total contribution has been reduced from 6.5% to 4% of employee's wages
        - Contribution of employer has been cut from 4.75% to 3.25% and the contribution of employees has been cut from 1.75% to 0.75% of wages
    - With this the employees and employers are going to be benefitted, more workers are going to be brought under formal sector, will promote ease of doing business and compliance with the act

- **<u>Fishery subsidy - India submits a new proposal (BL 15/6/19)</u>**
    - To protect the interests of the small and artisanal fishermen, India has submitted a new proposal to WTO, as per which the developing and LDCs (Least Developed Countries) must be exempted from the prohibitions of granting certain fisheries subsidies (if the fishing occurs within the waters of the country's own authority
    - Apart from this, it has also stated that the subsidies given by it are very low and it would want to increase its support for the fisheries programme in the future
    - In the 11th MC, countries have agreed to work towards an agreement on the disciplines that prohibit subsidies that contribute to overcapacity and overfishing and eliminate subsidies that contribute to illegal, unreported and unregulated (IUU) fishing by the next ministerial conference in 2020