



Economy & 2 years of Modi Government

NDA government under Prime Minister Modi had seriously underestimated the precarious state of the economy left behind by the previous regime. The excesses in the public sector banking system in particular were so egregious that it has taken the combined might of RBI and Finance Ministry two full years to substantially mitigate the systemic risk left behind. With fiscal position in a shambles and double digit consumer inflation, the present government inherited an economy whose macro-economic fundamentals were doddering and India was on the verge of a ratings downgrade to junk status.

Indian economy's progress from those macro-economic depths to being referred to as 'A bright spot with strong growth & rising real incomes in a slowing global economy' by the IMF is a herculean achievement over a short span of 2 years. The government needs to be commended for clearing many seminal bills like Bankruptcy & Insolvency Bill, Real Estate Regulation, Coal Mines, Mines & Minerals, Aadhar etc despite a hostile political environment where every economic reform needs to be cleared overcoming obstructionist stance adopted by a section of the Opposition. India overtaking China & US as the country with highest FDI inflows in 2015 is a testament to government's continuous efforts to attract durable, long-term flows that would generate employment opportunities for millions of youth over the medium-term.

The government's focus on massive injection of funds to kickstart investment cycle through sectors like roads & railways as well as focus on reviving rural demand to address rural distress as a result of 2 successive monsoon failures is already showing early signs of success. Combined with the fillip being provided to consumption-led demand as a result of VII Pay award & OROP, we feel the market which currently appears to be indecisive will sooner rather than later take note. We believe all the ingredients for a strong, long-term upmove are in place and the arrival of an 'above normal' monsoon as predicted by the IMD & private weather forecasters will act as the trigger for takeoff.

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