Syllabus subtopic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

News: The road to a $5 trillion economy by 2025 is beset with many speedbreakers, the NITI Aayog has warned the government.

Prelims and Mains focus: about the recent economic slowdown and its implications on India’s roadmap for $5 trillion economy by 2025

Background:

Finance Minister Nirmala Sitharaman, in her July 5 Budget presentation, had said the government would work to make India a $5 trillion economy by 2025.

Reasons given by NITI Aayog

- The Aayog said nominal GDP growth — a measure of growth without accounting for inflation — has to be at least 12.4% on average if that target has to be reached, according to a presentation made by its CEO Amitabh Kant at the November 8 meeting of the Standing Committee on Finance, chaired by former Union Minister and BJP MP Jayant Sinha.
- The current rate was a mere 8% in the first quarter of the current financial year
- In his presentation, Mr. Kant said “domestic investment and consumption” are the only dependable drivers for sustainable reacceleration (of the economy). “However, deceleration in investment is visible, primarily in the household sector, due almost entirely to real estate,” he pointed out.

- The slowdown in the domestic market is also because of limited availability of capital with the banks which are tied down due to high nonperforming assets in heavy industry and infrastructure.

The government is expected to release data for the second quarter (July to September) later this month. Experts estimate that growth will dip in Q2 compared to Q1.