

India to clock 7.1% GDP this year, says UN report

UNITED NATIONS, PTI: India is expected to clock 7.1% growth this year before edging up to 7.5% in 2018, according to a UN report, which warned that the country faces heightened risks related to the concentration of bad loans in the public sector banks.

The UN Economic and Social Commission for Asia and the Pacific (ESCAP) said in its annual flagship report 'The Economic and Social Survey of Asia and the Pacific 2017' launched on Monday that the economic growth for India is projected to be stable at 7.1% in 2017 before edging up to 7.5% in 2018, underpinned by higher private and public consumption and increased infrastructure spending.

Growth in India is forecast at 7.1% this year as "re-monetisation restores consumption, and infrastructure spending increases", the report said.

Inflation is projected to reach 5.3-5.5% in 2017 and 2018, which is somewhat above the official target of 4.5-5%.

The report, however, noted that a key downside risk for India was heightened financial sector risks related to the concentration of bad loans in public sector banks.



The gross non-performing assets ratio in public sector banks reached almost 12% in 2016, which points to the need for "bank recapitalisation", it said. Noting the impact of demonetisation, the report said the unexpected withdrawal of the two largest denomination currency notes in November 2016 and their subsequent replacement with new currency weighed down economic conditions in late 2016 and early 2017.

The resulting liquidity crunch led to delays in the payment of wages and purchase of inputs in the industrial sector, the report said.

"While the impact of demonetisation on the economy is expected to be transient, a slower-than-expected recovery would particularly diminish the outlook for cash-intensive sectors and supply chains for agricultural products," it said.