

Indian economy

One: Vice-Chairman of the Government of India-run National Institution for Transforming India (NITI) Rajiv Kumar says that the economic slowdown is “unprecedented in the last 70 years.” Two: According to ICRA Limited, an independent credit rating agency, “Bank credit growth may decelerate...which will be the lowest in the last 58 years.” Business Today, the Indian fortnightly business magazine, wrote: “Bank credit growth likely to fall to 58-year low in FY20.”

Three: The National Sample Survey Office says that unemployment in India is at a 45-year high. According to India Today, “Cat finally out of the bag: Unemployment at 45-year high.....” According to The Hindu, “The leaked report on periodic labour force survey (PLFS)...had on comparison with previous surveys concluded that the joblessness was at the highest level in 45 years.”

Four: According to Business Standard: “Falling rural demand seems to have finally done it. Consumer spending in India declined for the first time in more than four decades (according to a government survey that has yet not been released).

Five: According to the Center for Monitoring Indian Economy (CMIE), “New project investments in India plunged to 15-year low in H1FY20.” The Financial Express wrote: “Fresh concern mounts for Modi government as new investment falls to 15-year low...”

Vodafone India, the subsidiary of the UK-based Vodafone Group, has lost \$7 billion. Air India, the flag carrier founded in 1932, has lost Rs4,600 crore. Union Bank, one of the largest government-owned banks founded in 1919, has lost Rs1,200 crore.

Imagine: 33 percent of India’s skilled youth are now jobless (according to an official survey). In November 2019, Goa recorded an unemployment rate of 34.5 percent; Tripura 25.9 percent, Himachal Pradesh 23.3 percent, Haryana 20.7 percent and Delhi 16 percent.

Question: what went wrong? Answer: at least three things. One, policy shocks like demonetization and unplanned tax shocks. Two, agrarian crisis. Three, financial sector crisis.

What can we learn from what went wrong in India? Demonetization – in which the Modi government demonetized almost 86 percent of the Indian currency – completely disrupted the supply chain within the unorganized sector. The disruption is now showing up in the organized sector.

In Pakistan, if anyone is thinking of demonetization, forget it. Then there's the GST crisis in India. According to the Economic Times, "India is facing a silent fiscal crisis owing to a shortfall in tax revenues, and the government's budget suggests it may have grossly underestimated the problem." There's a silent fiscal crisis in Pakistan as well – and our government is grossly underestimating the problem.

In India, there's been 50 percent depletion in the commercial vehicle fleet which means 1.3 million jobless. I couldn't find a comparable figure for Pakistan but there must have been some depletion.

Modi must be looking to divert attention – diverting attention towards Pakistan has always worked. But diverting attention is not a solution. The solution (both for Pakistan and India): Increase purchasing power. Increase demand.

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