

Assocham Business Barometer

“Economic Outlook for India”

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Indian economy to face downturn till May 2010: Assocham Survey

The corporate sector expects the period of downturn in the Indian economy to continue till May 2010 before bouncing back in response to the fiscal and monetary policy stimulus and abatement of recession in the international economy, an Assocham Business Barometer (ABB) Survey of 237 CEOs has revealed.

In the ABB Survey, 84 per cent of the CEOs polled across various business segments were unanimous about the view that poor business confidence in India may extend till the middle of the next year.

Around 77 per cent of the industry heads believed that the growth rebound would be faster and sooner in India than the developed economies of US and Europe.

The ABB Survey “Economic Outlook for India” was based on the responses from 237 CEOs and Managing Directors across fifteen sectors at small, medium and large scale level companies. The survey was done during the month of February.

Spill over of world recession into Indian economy enhanced by the tight monetary policy has hit the aggregate demand hitting the growth rate severely. The industrial production has slipped into negative zone. Huge job cuts across various sectors have worsened the situation.

The key driving factors for end of slowdown in India cited by the ABB respondents included reduction of repo rate and reverse repo rates infusing liquidity in the markets, government in terms of improved fiscal spending and fall in inflation providing cushion to the industry in terms of reduced cost.

The industry expects the economic activity to pick momentum after the elections as the stalled projects would resume and fresh budgetary allocations would further boost the economy. The combined impact of these factors would be felt after the end of the fiscal 2009-10.

Even as the growth rate is expected to turn northwards again by next year, the industry heads do not expect the commodity price boom to materialize by the time. Almost 68 per cent of the survey respondents believed that it would take long time for the excess capacity built during the boom time to be fully utilized.

The foreign trade scenario is expected to worsen in coming months despite the depreciating Rupee and incentives announced by the government. Around 62 per cent of the CEOs expect the growth rate to remain in negative zone as there are bleak chances for the recovery of consumption rate in US.

About 60 per cent of the Indian GDP is domestic consumption and the percentage contribution of exports is 23 per cent. Hence, even as it would be difficult for the export sector to revive by the end of this year, the Indian economy may regain its lost momentum in response to government investments and domestic consumption.

The Real estate sector has faced stagnant demand due to tight monetary policy followed by the Reserve Bank and decline in economic activity. While the home loan rates have come down subsequent to deduction of policy rates by the central bank, the ABB respondents stated that the sector would enter the growth trajectory once the whole economy started growing. They expect the sector to revive by the end of the year 2010.

The investment scenario in the Indian economy has also taken the hit as both domestic as well as foreign investment dipped due to credit crunch and declining demand. As many as 73 per cent of the CEOs polled by the ABB expect the investments to recoup by the end of the year 2009 as domestic consumption potential would pull the investors to the economy.

Later this month, the Federal Reserve Chairman has expressed his optimism over the chances of the US recession getting over by the end of 2009 if the numerous rescue and stimulus programs work as intended. However, the ABB respondents believed that in most circumstances, the US economy to revive only by the end of the year 2010.

Annexure

Name _____

Designation _____

Organization _____

Sector _____

Contact Details _____

Q – By what time do you expect the Indian economy to revive back?

1. By the end of the year 2009
2. By the middle of the year 2010
3. By end of the year 2010
4. After the year 2010

Q- Do you think growth rebound would be faster in India than the developed countries?

1. Yes
2. No

Q – What would be the key driving factors in pulling out the Indian economy from slowdown?

1. Reduction in interest rates
2. Increased government spending
3. Reduction in prices
4. Post election political stabilization
5. Others

Q – Do you expect the commodity prices to move northwards again?

1. Yes
2. No

If yes, then in what time frame?

Q – Do you expect the Indian’s exports to revive from the negative growth rate in the coming months?

1. Yes
2. No

Q – When is the real estate sector expected to regain the demand momentum?

1. By the end of the year 2009
2. By the middle of the year 2010
3. By end of the year 2010
4. After the year 2010

Q – What would be the outlook for the investment growth in India?

1. revive by the end of the year 2009
2. by mid of 2010
3. by end of the year 2010

Q – By what time do you expect the US economy to come out of recession?

1. By end of the year 2009
2. By middle of the year 2010
3. By end of 2010
4. After the year 2010

Comments
