

**ON THE EDGE****Far-reaching reforms may be inevitable to keep the economy from stalling**

India's deepening slowdown has now left the economy on the verge of stalling. The latest estimates for GDP show year-on-year growth in the April-June period slid for a fifth straight quarter to 5%, the slowest pace in more than six years. Disconcertingly, the mainstay of demand — private consumption spending — slumped to an 18-quarter low, with the expansion decelerating sharply to 3.1%, from 7.2% in the preceding quarter and 7.3% a year earlier. Gross fixed capital formation (GFCF), a proxy for investment activity, grew a meagre 4%, less than a third of the 13.3% growth it posted 12 months earlier. The RBI had, in its annual report released on Thursday, noted that indicators of GFCF had shown either moderation or contraction in the fiscal first quarter and pointed specifically to gross value added (GVA) by the construction industry, which government data revealed had eased to a 5.7% pace, from 9.6% in the year-earlier period. With demand for manufactured products ranging from cars and consumer durables to even biscuits having sharply diminished, manufacturing GVA growth plunged to an eight-quarter low of 0.6%. In fact, save mining, electricity and other utility services and public administration and defence, all the five other contributors to overall GVA weakened from a year earlier. And as the RBI observed in its last monetary policy statement, consumer confidence gauged by its July survey has worsened appreciably, with 63.8% of respondents expecting discretionary spending to stay at the same level or shrink one year ahead. The comparable reading in June 2018 was 37.3%.

That the government is cognisant of the gravity of the situation is evident from its recent slew of policy pronouncements including tweaks to investment norms to draw more Foreign Direct Investment, moves to relieve the debilitating sales slump in the auto sector and a sweeping consolidation of public banks. Any beneficial impact from these measures will, however, take time to feed into the economy and time is a luxury that the faltering economy can ill afford, especially given the global headwinds. With the farm sector still stuck in a low income trap and this year's mercurial monsoon rains, leaving some parts flooded and others still facing deficits and engendering a shortfall in kharif sowing, rural demand is unlikely to return any time soon. Also, with the RBI's four interest rate reductions since the start of 2019 having, so far, failed to incentivise credit-fuelled consumer spending and business investment to any significant degree and with limited fiscal headroom to try and prime the pump with increased expenditure, big, bold structural reforms may be the only way out. The government must lose no time in consulting with the widest possible spectrum, including the Opposition, and then implement the agreed-on reforms prescriptions to reinvigorate demand and investment.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Inevitable	Adj.	Unavoidable, inescapable, bound to happen, inexorable, pre-ordained
Stall	Verb	Obstruct, impede, constrain, interfere with
On the verge of		Very near, imminent
Estimate	Verb	Roughly, calculate, approximate, evaluate
Disconcert	Verb	Unsettle, discomfit, unnerve, perturb
Expend	Verb	Spend, pay out, disburse, dole out
Slump	Verb	Flop, flump, collapse, sink, fall, substitute
Decelerate	Verb	Slow down, slow up, brake
Proxy	Noun	Deputy, representative, delegate, substitute
Meagre	Noun	Dearth, scarcity, paucity
Fiscal	Ajd.	Economical, economic
Diminish	Verb	Decrease, decline, reduce, lessen, shrink
Plunge	Verb	Jump, dive, throw oneself, sink
Gauge	Verb	Measure, calculate, compute, determine
Shrink	Verb	Decrease, decline, reduce, lessen
Cognisant	Adj.	Aware, conscious, apprised, abreast
Slew	Noun	A violent or uncontrollable sliding movement
Tweak	Noun	Sharp pull, twist, tug, adjustment
Debilitate	Verb	Enervate, devitalize, exhaust, weaken
Falter	Verb	Hesitate, dither, waver, oscillate, fluctuate, vacillate
Headwind	Noun	Blast, blow, squall, waft, zephyr
Engender	Verb	Cause, give rise to, create, arouse, provoke
Prime	Verb	To make someone behave in a particular way
Expenditure	Noun	Outlay, expenses, disbursement
Spectrum	Noun	Range, ambit, catalogue, area, diapason
Implement	Verb	Execute, apply, put into, effect, perform, enact
Reinvigorate	Verb	Enkindle, engender, revitalize, galvanize
Fast	Adj.	Faithful, loyal, true blue, speedy, expeditious, impure, salacious, libidinous
Anon		very soon, shortly, presently, before long
Mercurial	Adj.	Volatile, capricious, excitable, changeable
Nonplus	Verb	Surprise, startle, astound, astounded
Misgiving	Noun	Qualm, reservation, doubt
Disservice	Noun	Unkindness, bad turn, ill turn, mischief
Sacrilegious	Adj.	Irreligious, impious, profane, sinful, blasphemous, Unholy
Specious	Adj.	False, fallacious, made up, misleading
Weary	Adj.	Tired, fagged, exhausted, ready to drop
Wary	Adj.	Careful, cautious