Government clears 7th Pay commission

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The Government has passed 7th pay commission on June 29. The implementation of pay commission will have an impact of more than one lakh crore annually and about 0.7 per cent of GDP. The spending ability of the consumer will increase consumption demand, which will grow economy further.

This move will impact the remuneration of nearly 50 lakh central government employees and 58 lakh pensioners. The changes are likely to be implemented from January 1, 2016.

The key recommendation of the 7th pay commission is a 23.55 per cent increase in salaries, allowances and pension of central government employees and pensioners. This is built around the recommendation for a 14.27 per cent hike in basic pay.

There will be positive impact on sectors such as FMCG, Consumer Durables and Automobile as demand for these goods will increase in future terms. The Automobile, Consumer durable indices have increased by 1.28 per cent, 0.82 per cent respectively. However, FMCG index is down by 0.22 per cent on an intraday basis.

On June 29, the stocks such as Bajaj Auto, Hero Motocorp, Maruti Suzuki and Tata Motors have increased by 0.49 per cent, 2.81 per cent, 0.88 per cent and 1.28 per cent respectively. The Consumer Durables sectors' stocks like Blue Star, Whirlpool, Hitachi Home and Life Solutions also have risen by 2.45 per cent, 0.83 per cent and 1.13 per cent, respectively.

Meanwhile, Hindustan Uniliver, Dabur are trading low about 0.79 per cent and 2.65 per cent, respectively on bourses on an intraday basis.

The implementation of the pay commission will result in an increase in urban demand; this may in turn lead to higher inflation and put a burden on the government spending. Meanwhile, the overall effect of the pay commission implementation has always been positive as per country's past experiences. The global factors being uncertain because of BREXIT, only domestic demand will help India to grow going forward.