

Govt's GDP figures stun economists

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After the Central Statistics Office (CSO) on Tuesday pegged GDP growth at 7 per cent for the October-December period and retained the overall growth projection for FY 2016-17 at 7.1 per cent, most economists are now looking for factors that explain this surprisingly 'positive number' post-demonetisation.

Due to the crippling effect demonetisation has had on consumption and investment, eyebrows were raised among experts and economists on the method adopted on the entire calculation of these numbers. Madan Sabnavis, chief economist at Care Ratings said, "It is a positive surprise. I do have inhibitions in the manner the GDP numbers are being calculated. The reality is that demonetisation did impact construction, real estate and trade sectors. Since the CSO now collates data from profit and loss accounts of companies, many of the SMEs and informal sector are left out." The CSO's GDP numbers came from calculations on the basis of the data captured in the formal sector and since majority of the economy is informal, the department estimates the numbers to be the same as the informal sector. Sabnavis added that the numbers are vindication that demonetisation didn't

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- Former Union finance minister P Chidambaram questioned GDP figures

have a major impact on the economy. They have looked at all the numbers at their disposal and have come out with their estimates.

The GDP projection surprised many economists as it was feared that Prime Minister Narendra Modi's black money crackdown will put the economy at risk of losing its growth story as the country is largely a cash-driven economy and demonetisation had squeezed the cash flow for months. Pranjul Bhandari, chief economist, HSBC India said, "CSO may inadvertently be exaggerating the growth print because it has no way to collect informal sector data over the short run, which is likely to have been hurt most by demonetisation. The rapid 8.3 per cent growth in manufacturing may well be reflecting this."