

GDP likely to grow 6.5% this fiscal, the slowest in 4 years: CSO

Attributed to effect of note ban, GST and poor show by agri, construction and mining sectors

OUR BUREAU

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Poor performance of agriculture, mining and construction sectors, along with the lingering impact of demonetisation and the Goods and Services Tax (GST), has pulled down the growth prospects of the Indian economy.

According to the first advance estimates of national income released by the Central Statistics Office, the economy is expected to grow at a four-year low of 6.5 per cent this fiscal. GDP growth was 7.1 per cent last fiscal. Before this, the slowest expansion in GDP was in 2013-14, when it grew by 6.4 per cent.

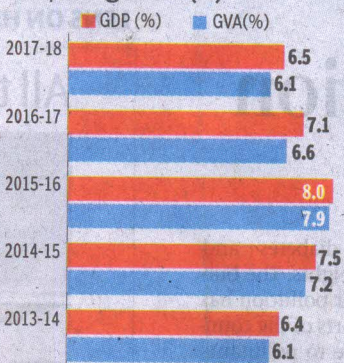
According to the data released on Friday, the anticipated growth of real gross value added (GVA) at basic prices in 2017-18 is 6.1 per cent against 6.6 per cent in 2016-17.

"The implicit assumption is that the economy will grow by 7 per cent in the second half of the fiscal. On average, it will be better than the first half and the expectation is that growth will continue to improve," said TCA Anant, Secretary, Ministry of Statistics and Programme Implementation.

The estimates will be a key input for Budget 2018-19, which will be presented in Parliament

DOWN A NOTCH

GDP/ GVA growth (%)



Per capita income growth may be muted this fiscal

Considered an indicator for living standard, it is likely to grow at 8.3 per cent to ₹ 1,11,782 in 2017-18

In 2016-17, per capita income of Indians had grown by 9.7 per cent to ₹ 1,03,219



Is there an impact of Goods and Service Tax on average growth? The answer is, to some extent: TCA Anant, Chief Statistician

on February 1. The economy grew by 5.7 per cent in the first quarter and by 6.3 per cent in the second quarter of the fiscal, and the government was hopeful that the economy would grow by close to 7 per cent this fiscal.

Significantly, this is the slowest expansion in GDP growth under the NDA government although officials are hopeful of an improvement next fiscal.

"Economic activity has been picking up over the last three quarters and can be expected to strengthen in the coming period with the manufacturing PMI now at a five-year high and FMCG demand picking up briskly. GDP growth will become more robust in 2018-19," said Rajiv Kumar, Vice-Chairman, NITI Aayog.

Among the sectors, public administration is expected to register the sharpest growth of 9.4 per cent this fiscal, followed by trade, hotels, transport, communication and services related to

broadcasting, which is expected to expand by 8.7 per cent.

Meanwhile, GVA in agriculture is expected to grow by a mere 2.1 per cent this fiscal, while manufacturing is estimated to expand by 4.6 per cent.

Boosting hopes of a turnaround in the second half of the fiscal, gross fixed capital formation, which denotes investment, is expected to grow by 4.5 per cent this fiscal, against 2.4 per cent last fiscal.

However, private expenditure is estimated to remain muted and grow by 6.3 per cent in 2017-18, against 8.7 per cent in 2016-17.

Upward revision likely

"It is heartening that gross fixed capital formation is on a recovery path, as a turnaround in investments is imperative for a sustained recovery. It is possible that the GDP estimate is revised up once more data is available for the third and fourth quar-

ters," said Chandrajit Banerjee, Director-General, CII.

Agreeing that GDP data for the fiscal could be revised upwards, Aditi Nayar, Principal Economist, ICRA, said the data seem to have not fully factored in the expected pick-up in growth in the later months of the fiscal, related to a favourable base effect and a 'catch up' following the subdued growth momentum in the first half.

"We continue to expect GVA and GDP growth to print at 6.5 per cent and 6.7 per cent, respectively," she said.

Subhash Chandra Garg, Secretary Economic Affairs, said, "GDP growth of 6.5 per cent for 2017-18 implies growth of 7 per cent for the second half. Confirms strong turnaround of economy."

The CSO will also release a second set of advance estimates of national income using more indicators on February 28.