

Robust Q4 Trends Suggest Rosier 2018-19

India seems to be gaining economic speed. Estimates for the fourth quarter, January-March, of 2017-18 by the Central Statistics Office peg GDP growth at 7.7%, the fastest rate in two years. Also, growth in Q4 seems buoyant in key sector like agriculture, manufacturing and construction. The figures suggest rising investments levels, which promise to boost the overall growth momentum in the coming fiscal. The provisional GDP growth rate for last fiscal as a whole is now put at 6.7%, mainly on account of the lacklustre growth of 5.6% posted in the April-June quarter. It means a low base for measuring Q1 in the 2018-19 fiscal, shoring up growth this time around.

More important, gross fixed capital formation, which points to investment demand, has risen by a credible 14.4% in Q4, and given that there is a solid 9% growth performance in the capital goods segment in the like period, overall growth could be gathering speed this year. It is true that government activity, namely in public administration and defence, is now an important driver of growth. But it cannot be gainsaid that the robust growth in government revenues lately has also helped, and we need improved governance to gear up the development delivery mechanism going forward. Besides, it is entirely possible that the new vigour seen in vital sectors like manufacturing, real estate and services like trade, transport and communications would result in economy-wide synergy.

There remain dark clouds on the horizon, such as rising oil prices, increasing inflation levels and the likelihood of higher cost of funds (read: interest rates), even as foreign funds book profits and depart from Indian shores, thus weakening the rupee and adding to inflationary pressures. But the prospects can remain sanguine, with steady governance.

