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भारत सरकार

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PROVISIONAL ESTIMATES

Good rabi crop, uptick in factory output lift GDP up to 7.7 per cent

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BOOSTED BY an uptick in the manufacturing and construction sectors, and a good rabi harvest, India's real gross domestic product (GDP) surged to a seven-quarter high of 7.7 per cent in January-March, the last quarter of the 2017-18 financial year. The rise in output came alongside a favourable base effect related to low growth in the fourth quarter of the previous year.

The provisional estimates of GDP, released by Central Statistics Office (CSO) Thursday, showed that while the overall growth rate for the full financial year (2017-18) is estimated at 6.7 per cent, up marginally from the second advance estimate of 6.6 per cent and first advance estimate of 6.5 per cent, it would be the slowest in four years, and the lowest since the NDA government came to power.

The country had recorded GDP growth of 7.1 per cent in the previous financial year (2016-17). Growth is projected to rebound to 7.5 per cent this year.

On Wednesday, Moody's Investors Service cut its 2018 GDP growth outlook for India to 7.3 per cent from its earlier estimate of 7.5 per cent, citing surging oil prices and tighter financial conditions.

According to the latest data, GDP growth rate for all three previous quarters of 2017-18 has been revised downward from the second advance estimate

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GROWTH IN NUMBERS

	2017-18 (Provisional)	2nd advance estimate	2016-17 (1st RE)
April-June	5.6	5.7	8.1
Jul-Sep	6.3	6.5	7.6
Oct-Dec	7	7.2	6.8
Jan-Mar	7.7	-	6.1
Full financial year	6.7	6.6	7.1

(Source: CSO)

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Manufacturing uptick fuel GDP up to 7.7%

released in February. The GDP growth rate for April-June has been revised lower to 5.6 per cent from 5.7 per cent in second advance estimate, for July-September to 6.3 per cent from 6.5 per cent and for October-December to 7.0 per cent from 7.2 per cent estimated earlier.

The provisional estimate for Gross Value Added (GVA) — the more closely watched indicator for growth — is estimated at 6.5 per cent in 2017-18, slightly higher than the 6.4 per cent rate of second advance estimate, but down from 7.1 per cent in the previous financial year and the lowest in five years.

As per the new methodology followed by the CSO, the GDP is calculated by adding product taxes to the GVA at basic prices and removing subsidies.

Union Minister Piyush Goyal, who is holding charge of the finance ministry in the absence of Arun Jaitley, said the 7.7 per cent GDP growth in the fourth quarter of 2017-18 showed that the economy was on right track for higher growth in the future.

Finance and Revenue Secretary Hasmukh Adhia said that the higher growth rate reflects the impact of reforms taken by the government, especially the sequential rise in manufacturing growth rates indicating the beneficial impact of the Goods and Services Tax (GST) regime.

"The constant increasing trend of quarterly GDP numbers in the four quarters of 2017-18 at 5.6%, 6.3%, 7% and 7.7% indicates that the structural measures of reforms undertaken by government is now bringing rich dividends in the form of higher GDP growth rate. What is most noticeable is the increase in the growth rate of GVA of manufacturing sector in the last two quarters of 2017-18 at 8.5% and 9.1% at constant price. We would like to believe that GST has given a big boost to the industrial sector," Adhia said in a series of tweets.

Gross Fixed Capital Formation, which is a proxy for private investment, at constant prices increased to 14.4 per cent in the fourth quarter aided by 9.0 per cent growth in capital goods, the CSO said.

Private Final Consumption Expenditure, however, slowed to a three-year low of 6.6 per cent in 2017-18. Economists also pointed to the low rate of core GVA growth, that is GVA excluding agriculture and public administration, defence and other services.

"Worrying trend is lowest core GVA growth (GVA excluding agriculture and public administration, defence and other services), it grew only 6.5 per cent in FY18 (previous low: 6.6 per cent in FY14). However, increasing quarterly YoY growth of manufacturing and construction throughout FY18 is encouraging. We believe this trend to improve further in FY19," Devendra Kumar Pant, Chief Economist, India Ratings said.

Sector-wise data showed that the agriculture sector recorded a GVA growth of 4.5 per cent in January-March, higher than 3.1 per cent in the previous quarter but lower than 7.1 per cent growth in the same period in 2016-17.

Manufacturing sector GVA growth recorded an uptick at 9.1 per cent in January-March, higher than 8.5 per cent in October-December and 6.1 per cent in January-March 2016-17. For the whole financial year, manufacturing sector's GVA growth slowed to 5.7 per cent from 7.9 per cent a year ago. Agriculture sector grew 3.4 per cent in 2017-18 as against 6.3 per cent in 2016-17, while construction sector growth improved to 5.7 per cent from 1.3 per cent a year ago.

Though GVA growth for mining and quarrying sector rose to 2.7 per cent in January-March from 1.4 per cent in previous quarter, it was lower than the double-digit growth rate of 18.8 per cent in the corresponding period in the previous financial year.

The construction sector recorded a significant improvement, helped by a low base, with a GVA growth rate of 11.5 per cent in January-March as against 6.6 per cent in the previous quarter and a contraction of 3.9 per cent in the last quarter of 2016-17 fiscal. Public administration, defence sector grew at 13.3 per cent in fourth quarter as against 7.7 per cent in previous quarter and 16.4 per cent in previous year.