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GOVERNMENT OF INDIA
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ECONOMIC REVIVAL?

# At 7.7%, GDP grows fastest in 7 quarters

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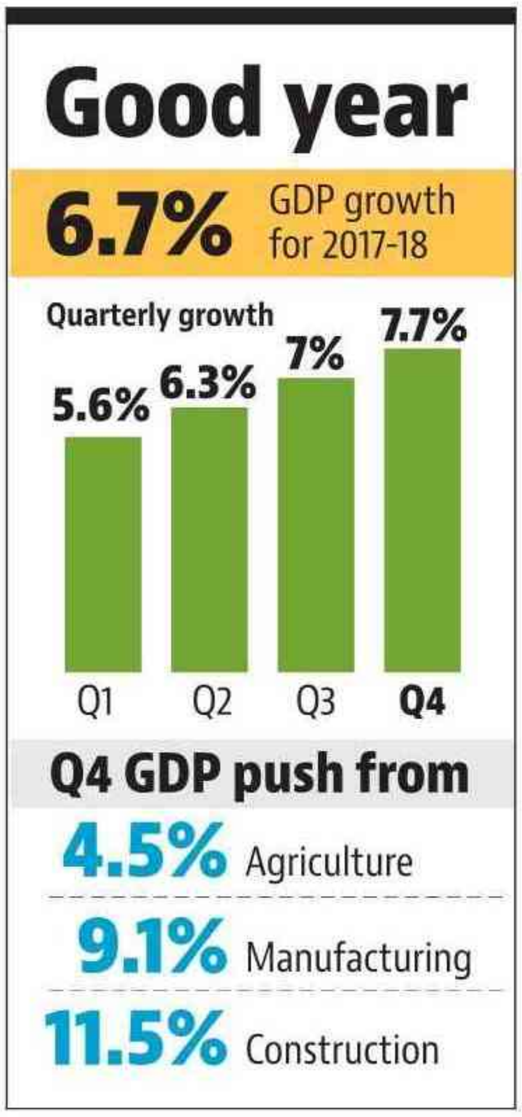


**NEW DELHI:** India's economy accelerated to 7.7% in the three months ended March 31, the fastest pace in seven quarters, signalling a turnaround that could augur well for the Narendra Modi government facing re-election next year.

The latest data indicates that the economy is also clawing back to its trend growth prior to the invalidation of high-value currencies in November 2016 that led to gross domestic product (GDP) growth slumping to a three-year low of 5.7% in the June quarter of 2017.

GDP growth for the year ended 31 March at 6.7% was a tad higher than previously estimated by the Central Statistics Office but still slower than the 7.1% growth recorded in the previous year.

The turnaround in the economy was led by robust agriculture (4.5%) and manufacturing growth (9.1%) as well as double-digit growth in construction activities (11.5%) in the March quarter.

However, services sectors such as trade, hotels, transport (6.8%) and financial services (5%) decelerated from their levels in the third quarter, signalling a lingering impact from disruptions caused by hasty implementation of the goods and services tax (GST) as well as the state of the banking sector.

The economy, however, got a boost from higher government spending (13.3%) in the March quarter.

Gross fixed capital formation, a proxy for investment demand in the economy, expanded at a double-digit pace (14.4%) after a gap of seven quarters, signalling a revival in investment activities.

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# At 7.7%, GDP grows fastest in 7 quarters

Economic affairs secretary Subhash Chandra Garg said the momentum in the fiscal fourth quarter GDP numbers should see the economy through in 2018-19. The finance ministry is, however, not revising its 7.5% GDP growth forecast for the current year, Garg said.

In its biannual World Economic Outlook, IMF said economic activity in 2018-19 will be lifted by strong private consumption as well as the fading effects of the withdrawal of high-value currencies and implementation of GST. While high oil prices may pose a risk to economic recovery and the inflation outlook, forecast of a normal monsoon by India's weather office could mitigate farm distress and boost rural demand this year.

Rating agency Moody's Investor Service delivered the first bad news for the economy on Wednesday, cutting its growth forecast for India for 2018-19 to 7.3% from 7.5% projected earlier, holding that higher oil prices and tighter financial conditions will weigh on the pace of growth acceleration.

Garg said high oil price will have a reasonable impact on the economy through a higher oil bill, current account deficit and consequential impact on behaviour of the foreign portfolio investors. "As and when FPIs take note that oil prices have stabilized and possibility of further rupee depreciation is limited, they will come back," he added.