PRESS MONITOR
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Lucky 7: Economy Grows at 7.7%, Fastest in 7 Quarters

Strong performance in construction, manufacturing and public services

Our Bureau

New Delhi: India's economy grew at its fastest in seven quarters in the January-March period, bolstered by strong performance in construction, manufacturing and public services, pointing to a persistent revival trend and bringing cheer to the government ahead of next year's general election.

The full FY18 growth estimate was revised upward to 6.7% from 6.6% in the second advance estimate released in February. This is in line with the 6.75% growth forecast by the Economic Survey and down from 7.1% in FY17 with the slowdown being attributed to the lingering effect of demonetisation and the rollout of the goods and services tax (GST) in July last year.

Gross domestic product rose a better-than-expected 7.7% in the fourth quarter, retaining India's ranking as the world's fastest-growing major economy, outpacing China by nearly a percentage point. The economy grew at the highest rate since September quarter of FY17, ahead of the demonetisation drive that began November 2016. An ET poll of economists had pegged fourth-quarter growth at 7.1-7.5%. October-December FY18 growth was revised down to 7% from 7.2% estimated earlier. The economy grew 6.1% in the year-ago March quarter.

"GDP growth has been increasing continuously every quarter with growth of 7.7% in Q4 of 2017-18," finance minister Piyush Goyal tweeted. "Shows that the economy is on the right track & set for even higher growth in the future." Goyal is handling the portfolio while Arun Jaitley recovers from a medical procedure.

India retains ranking as the world's fastest-growing major economy

FISCAL DEFICIT TARGET MET
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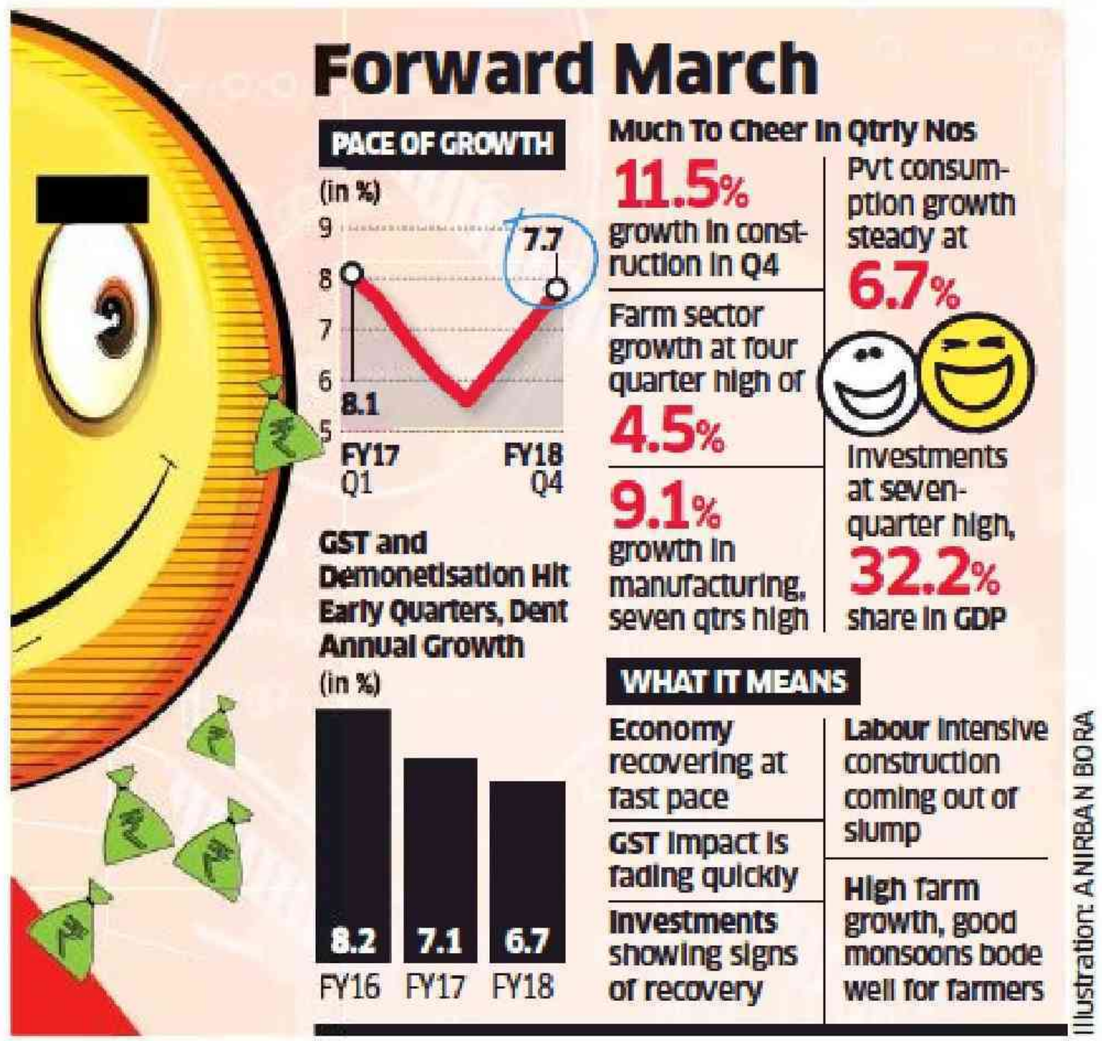
Growth measured in gross value added (GVA) terms rose 6.5% in FY18, slower than 7.1% in the previous fiscal. GVA growth in the fourth quarter was the fastest in seven quarters at 7.6%.

China's economy grew 6.8% in the quarter ended March 31.



FAVOURABLE BASE EFFECT BOOSTS INFRA INDUSTRIES

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'Govt Policies Bearing Fruit'

Finance secretary Hasmukh Adhia tweeted that the government's economic policies were bearing fruit.

"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," he said on Twitter.

Growth in the agriculture, manufacturing and construction sectors stood at 4.5%, 9.1% and 11.5%, respectively, in the fourth quarter, with construction benefiting from a strong base effect of 3.9% negative growth in the year-earlier period.

Trade, hotels, transportation, communication and services grew at 8% during the fiscal compared with 7.2% growth in FY17. The pickup in credit offtake helped financial services grow 6.6%, faster than 6% growth in the previous year.

Public administration, defence and other services grew at 10% on an annual basis, marginally lower than 10.7% growth in the previous year.

"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," Adhia said in another tweet. "We would like to believe that GST (goods and services tax) has given a big boost to the industrial sector."

Axis Bank chief economist Saugata Bhattacharya said, "The growth acceleration of over FY18 quarters led by construction and manufacturing, and consequently by investment, is quite striking, even adjusting for base effects."

Industry welcomed the revival in the Indian economy.

"The rebound in growth reinforces CII's own assessment that the economy is back on track and is set for a strong recovery after the period of disruptions sparked by demonetisation and GST implementation," said Chandrajit Banerjee, director general, Confederation of Indian Industry (CII).

CONSUMPTION EXPENDITURE, INVESTMENT TURNAROUND

Though private final consumption expenditure growth in FY18 came in at a three-year low of 6.6%, it turned around in the fourth quarter. India Ratings' chief economist Devendra Kumar Pant expects it to continue in FY19 also with a near-normal monsoon expected and the government's focus on infrastructure and housing.

Gross fixed capital formation rose 14.4% in the fourth quarter, reaching a 32.2% share in GDP, the highest in six quarters. For FY18 it was up 7.6% against 10.1% in FY17.

"In terms of share of gross fixed capital formation to GDP at constant prices, there has been an increase from 30.3% in 2015-16 to 31.1% in 2016-17 and further to 31.4% in 2017-18," said Subhash Chandra Garg, economic affairs secretary.

Industry expects investments and capacity creation to take place in FY19 as the demand cycle improves based on a good monsoon, increased government spending and favourable global growth.

Public administration, defence and other services grew at 10% on an annual basis, marginally lower than 10.7% growth in the previous year

Economists are optimistic about next year's growth despite the threats posed by rising oil prices and bad loans.

The Reserve Bank of India expects the economy to grow 7.4% this fiscal as does the International Monetary Fund. "We expect growth in FY19 to be 7.5% on the back of a good monsoon, revival in consumption and pickup in investment. The government will continue to do its bit as per the budget announcements," said Madan Sabnavis, chief economist at CARE Ratings.

India Ratings expects the encouraging trend displayed by manufacturing and construction to continue in the current fiscal.