Advance Estimates by CSO

Why in news?

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- The first Advance Estimate for India’s GDP growth has been released by the Central Statistics Office (CSO).
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What are the highlights?

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- **GDP growth** in 2017-18 is estimated to be **6.5%** as against 7.1% in 2016-17.
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- **Growth in GVA** (gross value added) is projected to fall to **6.1%** in FY18, much lower than the RBI's forecast of 6.7%.
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- **Manufacturing** is projected to have decelerated growth at **4.6%** as against 7.9 % in the previous year.
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- **Agriculture** sector is estimated to grow at **2.1%**.
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- The estimate highlighted that the pace of agricultural expansion is expected to fall by more than half than the previous year.
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- This is largely due to decline in kharif output year-on-year.
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- **Net taxes** are projected to grow only **10.9%** in the current financial year against 12.8% in the previous year.
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- **Public expenditure**, which was the driver of economic growth in the previous year, is likely to slow.
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- **Private consumption** is projected to record a slow growth in FY18.
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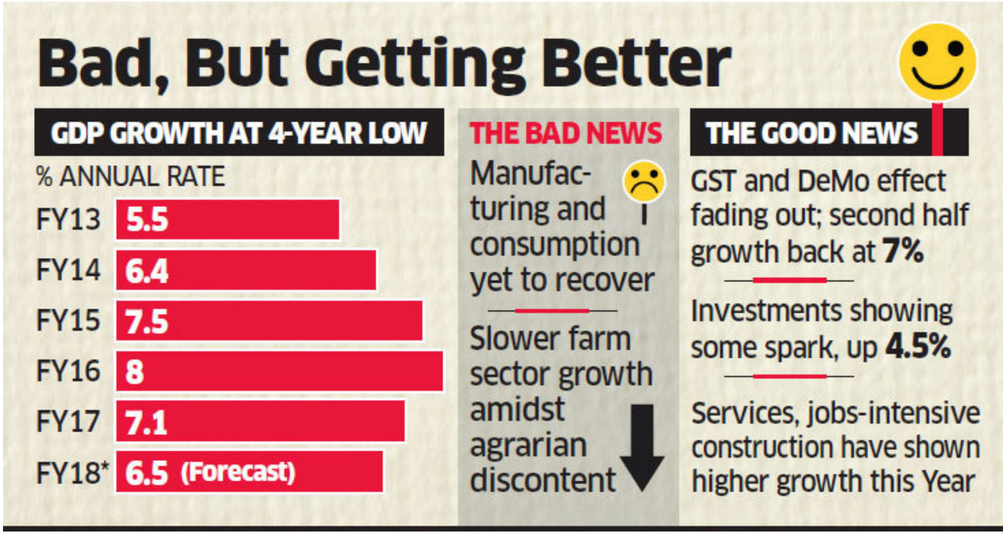

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What are the positive projections?

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- **GDP growth** is projected to accelerate to **7% in the second half** of the current financial year from 6% in the first half.
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- Taking this forward, GDP growth is expected to become more robust in 2018-19.
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- It is significant in the context of the fact that higher second-half growth has come despite a waning of public sector expenditures.
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- **Services** are projected to go **higher**.
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- This is despite the anticipated fall in growth in government-backed public administration, defence and others.
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- This means the government is controlling its expenditure to mange fiscal deficit, which has crossed the Budget Estimates by November itself.
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- Evidently, **government final consumption expenditure** is projected to fall by more than half.
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- **Investment** seems to be reviving a bit with **gross fixed capital formation** forecast to rise by 4.5% against previous 2.4%.

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- **Electricity and trade & hotels** sectors are expected to grow at a faster pace in FY18 compared with the previous financial year.
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What is the significance?

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- **Growth** - This will be the lowest growth rate in the last four years.
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- It is largely attributed to the adverse impact of the goods and services tax (GST) and the lingering effects of demonetisation.
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- With this, India might possibly lose the tag of being the fastest-growing large economy to China.
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- **Deficit** - The government has increased its spending through supplementary demands for grants.
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- It has also indicated that it would borrow Rs 50,000 crore more by 31 March.
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- Given this and the lower-than-anticipated nominal GDP growth, there might certainly be a slippage in the fiscal deficit target.
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- It could pose a serious challenge to the government's fiscal consolidation roadmap of bringing down the fiscal deficit to 3% of GDP by 2018-19.
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- **Data** - The first advance estimates of GDP are based on data for only seven to eight months.
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- Thus it has factored in only limited data for different sectors.
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- Given this limitation, a better picture of the health of the economy is expected with the second advance estimates by February.
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Source: Business Standard

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