# NSO Estimates of GDP Growth

## Why in News?

National Statistical Office (NSO) estimates of Gross Domestic Product (GDP) have pegged growth at 4.7% in the October-December 2020 period.

## What is GDP?

- GDP is the total market value of all the finished goods and services produced within a country's borders in a specific time period.
- As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country’s economic health.
- Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well.

## Why the estimate has pegged?

- The estimate for the GDP growth of the October-December quarter has pegged as it is a **demand-filled festival season**.
- This estimate is a distinct slowdown from the revised year-earlier and preceding quarters’ 5.6% and 5.1% paces respectively.

## What are the sectors that saw drag?

- **Manufacturing** contributes under a fifth to gross value added (GVA).
- But, this sector saw the biggest drag posting a 0.2% decline and extending the sector’s contraction into a second straight quarter.
- Output at **electricity** and allied utility services shrank 0.7%, reflecting lack of demand from becalmed factories.
- Activity in **construction** softened worryingly to a 0.3% expansion, prolonging the industry’s slowdown for a third consecutive quarter.

## What are the sectors improved?

- **Agriculture** and the three largest **services sectors**, including public administration and defence have shored up overall GVA.

- According to NSO estimates, farm output will expand by 3.5% and the government-centred services will grow by 9.7%.

## What did the Centre assert quickly?

- The Economic Affairs Secretary cited an improvement in output at the 8 core industries as an uptick in momentum.
- So, the Centre was quick to assert that the economy appeared to have "bottomed out".
- The overall growth at the 8 industries that include coal, steel, cement and electricity averaged 2.2% in January 2020.
- This growth was propelled by an 8% increase in coal production.
- The survey-based India Manufacturing Purchasing Managers' Index (PMI) of IHS Markit for February 2020 pointed to an **improvement in manufacturing**, clearly a positive sign.

## What do the key components of GDP reveal?

- The key components of GDP are private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF).
- A closer look at the actual numbers for PFCE and GFCF across the three quarters belies hope that the economy is out of danger.
- A downward revision of data for 2018-19 have lent a statistical boost of 0.6 percentage point to the 1$^{st}$ and 2$^{nd}$ quarter GDP growth estimates.
- Disconcertingly the second-quarter PFCE and GFCF figures have been revised downward from what was projected earlier.
- Of concern is the second successive contraction in capital formation.
- GFCF shrank 5.2% in the 3$^{rd}$ quarter, after declining 4.1% over July-September.
- This signals that in spite of government's corporate tax cuts, investment activity is recovering.
- Consumption spending remains palpably soft with the pace of growth for all three quarters lagging the year-earlier levels even after the revision.

## Why the bottom may still be distance away?

- Automobile sales are still floundering.
- The consumer confidence survey by the RBI points to a fall in non-essential consumption.
- The impact of the corona virus outbreak on global demand is yet to be factored in.
- Due to all these factors, the bottom may still be some distance away.

**Source: The Hindu**