Quarterly Growth Estimates - CSO

Why in news?

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The Central Statistics Office (CSO) recently released the growth estimates for the July-September quarter.

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How is the growth scenario?

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- **Growth** - GDP growth weakened to 7.1%, from the robust 8.2% in April-June.
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- It comes as a result of rising oil prices combined with a weakening rupee that hampered demand.
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- Gross value added (GVA) data show five of the eight sectors reflecting the slowdown from the first quarter.
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- Only utility services, public administration, defence and other services, trade, hotel, transport, communication and broadcasting services showed growth.
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- **Agriculture** - Worryingly, GVA growth in agriculture, forestry and fishing eased to 3.8%, from 5.3% three months earlier.
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- It's because foodgrain output in the kharif season went up a mere 0.6%.
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- Besides, there is distress in the farm sector, below-normal monsoon rains and a shortfall of over 8% in rabi sowing till November.
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- **Rural** - Given the above, the outlook for rural demand remains challenging at least for the next couple of quarters.
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- This demand weakness in the hinterland is also evident in the consumption spending data.
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- Notably, growth in private final consumption expenditure slowed down to 7%, compared to 8.6% in the first quarter.
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- **Manufacturing** - The manufacturing sector recorded a 7.4% expansion.
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- However, it also poses cause for concern as the momentum almost halved from the June quarter's 13.5%.
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- It has slipped back nearer to the year-earlier level of 7.1%.
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- Index of Industrial Production data reveal that manufacturing output growth remained stuck at 4.6% through August-September.
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- This, along with the weakness in car and two-wheeler sales, suggests that an acceleration may take some time.
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How is the investment scenario?

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- Gross fixed capital formation (GFCF), a key metric for investment demand, showed a positive trend.
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- It expanded by a robust 12.5%, building on the first quarter's 10% increase, and constituted 32.3% of GDP.
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- With non-food bank credit also showing signs of a recovery, there is an apparent prospect of an investment revival.
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- An RBI research paper notes that improvement in investment activity is being driven by cyclical factors and may last up to 2022-23.
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- It, however, points to risks to the investment outlook and flags the gross fiscal deficit as a key pressure point.
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- As, borrowing by the government invariably crowds out investment demand.
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- Here, the latest expenditure and receipts figures released by the Controller-General of Accounts are not reassuring.

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- The fiscal deficit crossed the budget estimate for the full year in just the first seven months.
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- It raises the chances that the Centre would miss its target of limiting the deficit to 3.3% of GDP.
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- Given the multiple uncertainties looming on the global trade and growth horizon, India's economy will have to be at its best to keep the momentum from sliding.
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Source: The Hindu

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