

GDP Growth rate likely to be lower than 6.9% in the current fiscal year

New Delhi, February 29, 2012: “Real GDP growth rate for the third quarter of 2011-12 at 6.1%, may drive GDP growth to below 6.9% for current fiscal”, observes **Dr Rajiv Kumar, Secretary General, FICCI**. It would be ironical if GDP growth in 2011-2012 goes below 6.8%, would be lower than in the crisis that was achieved in 2008-09 – the year of the post Lehman crisis.

“Growth in gross fixed capital formation has now been negative for the last 2 quarters year on year. This is a particularly disturbing trend as it indicates the loss of investor’s confidence”, says Dr. Kumar. “Some major steps would need to be taken now to restore the confidence and bring investment back on the growth trajectory”. As per FICCI analysis, gross fixed capital formation for the first 3 quarters of current fiscal witnessed a negative growth of 0.2% in contrast to (CSO projection for FY12 at 5.6%).

“The 6.1% rate of growth of GDP in the 3rd quarter is lower than the consensus forecast and could have been even lower but for the remarkable high rate of growth of the services sector which has achieved nearly 9% growth in this quarter”, says Dr. Kumar. “This is unlikely to continue as underlying trends in manufacturing, industry and agriculture have weakened considerably. Therefore, it is now important that structural reforms be implemented as quickly as possible”, observes Dr. Kumar.

FICCI believes that the Government must make a stronger statement of intent by taking real measures for fiscal consolidation in the budget, raising depreciation rates and taking sector specific measures to revive investor’s sentiments. Such strong measures are needed to revive the growth in the coming period.

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