

### GDP growth for 2016-17 estimated at 7.1 percent

- ❖ As per the first advanced estimates released by the Central Statistics Office, Gross Domestic Product is expected to grow by 7.1 percent in 2016-17 vis-à-vis 7.6 percent growth recorded in the previous fiscal year. Likewise, Gross Value Added is estimated to grow at 7.0 percent in 2016-17 vis-à-vis 7.2 percent growth noted in the previous fiscal year.
- ❖ As per sectoral classification, agriculture and allied services is the only sector which is projected to grow at a higher rate of 4.1 percent in 2016-17 as against 1.3 percent growth reported in 2015-16. Conversely, growth in industry is anticipated at 5.2 percent in 2016-17 as against 7.4 percent growth reported in 2015-16. Growth of services is also estimated to moderate to 8.8 percent in 2016-17 as against 8.9 percent growth reported in the previous fiscal year.
- ❖ On the expenditure side, gross fixed capital formation is projected to contract by 0.2 percent in 2016-17 as compared to a growth of 3.9 percent recorded in the previous fiscal. Growth of private final consumption expenditure is expected to moderate to 6.5 percent in 2016-17 as against 7.5 percent in the previous year. Government final consumption expenditure, however, is projected to grow by a massive 23.8 percent in 2016-17 vis-à-vis 2.2 percent growth in 2015-16.

First Advanced Estimates (% Y-o-Y)				Quarterly Growth in GVA and its Components (% Y-o-Y)			
	2014-15	2015-16	2016-17	2015-16		2016-17	
				Q1	Q2	Q1	Q2
GDP	7.2	7.6	7.1				
GVA at basic prices	7.1	7.2	7.0	7.5	7.6	7.1	7.3
Agriculture, forestry & fishing	-0.3	1.3	4.1	7.2	7.3	7.3	7.1
Industry	5.9	7.4	5.2	6.7	6.3	6	5.2
Manufacturing	5.5	9.3	7.4	7.3	9.2	9.1	7.1
Services	10.3	8.9	8.8	8.8	9	9.6	8.9
PFCE	6.2	7.5	6.5	6.9	6.3	6.7	7.6
GFCE	12.8	2.2	23.8	-0.2	3.3	18.8	15.3
GFCE	4.9	3.9	-0.2	7.1	9.7	-3.1	-5.6

The Reserve Bank of India (RBI) downwardly revised India's GVA growth projection in its latest assessment of the economy. The RBI now forecasts GVA to grow by 7.1 percent for the entire fiscal 2016-17 as compared to 7.6 percent growth forecasted earlier.

Likewise, Asian Development Bank (ADB) revised India's GDP growth projection to 7.0 percent for the year 2016-17, down from 7.4 percent projected earlier. ADB feels that India's recent move to demonetize high currency notes is likely to dampen growth in the current fiscal. Weak private investments were also cited as a cause of concern. ADB, however, retained India's GDP growth projection at 7.8 percent for the next fiscal year. World Bank and IMF, too, have downwardly revised India's growth prospects for the year 2016 in their latest report.

GDP Growth Projections (% YoY)			
	2015	2016	2017
OECD (November 2016)	7.6	7.4	7.6
Asian Development Bank (December 2016)	7.6	7.0	7.8
World Bank (January 2017)	7.6	7.0	7.6
International Monetary Fund (January 2017)	7.6	6.6	7.2

Agriculture sector witnessed improved growth numbers on the back of a better monsoon season which bodes well for the rural economy. However, the slow growth in industry and contraction in gross fixed capital formation remains a worrisome factor. The momentum in the capex cycle remains elusive and kick starting the domestic investment cycle is the need of the hour.

We hope that the government will continue to undertake reforms to propel growth and expect various demand and investment stimulating measures in the forthcoming Union Budget 2017-18.

Source: MOSPI, RBI, Economic Outlook, CMIE, IMF, World Bank, ADB, OECD and FICCI Research