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MIXED BAG: EDITORIAL ON THE LATEST OFFICIAL GDP ESTIMATES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

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The latest official GDP estimates show the economy’s expansion decelerated in the July-September period, dragged down by year-on-year and sequential contractions in manufacturing and mining and a broad slowdown in private consumption expenditure and government spending. Gross domestic product is projected to have grown by 6.3% from the year-earlier period, a sharp deceleration from the 13.5% expansion posted in the first quarter and July-September 2021’s 8.4% pace. On the Gross Value Added (GVA) side, only three of the eight sectors — agriculture; the omnibus contact-intensive services sector of trade, hotels, transport and communications; and financial, realty and professional services — posted year-on-year accelerations in growth. And five sectors, including agriculture; electricity, gas, water supply and other utility services; and construction posted sequential contractions reflecting the heightened uncertainty that the global slowdown, the war in Ukraine and the persistently high domestic inflation have together engendered. On the expenditure front, growth in both the bulwark private consumption spending and government expenditure slowed appreciably, with the former logging a 9.7% year-on-year expansion, compared with the first-quarter growth of 25.9%, and the latter shrinking by 4.4% after expanding 1.3% in the April-June period. However, sequentially, private consumption signalled some festival-led rebound as it registered a tentative 1% growth, and a 3.4% quarter-on-quarter growth in gross fixed capital formation pointed to a growing willingness to invest on the part of private businesses.

Chief Economic Adviser V. Anantha Nageswaran was emphatic that the economy’s recovery from the disruption caused by the COVID-19 pandemic was well underway and, notwithstanding the global headwinds, put the country on track to achieve 6.8% to 7% growth this fiscal. Still, the challenge posed by data variability and revisions, which a top RBI policymaker recently flagged, is a crucial element that cannot be ignored and is best underscored by the fact that the ‘Discrepancies’ entry in the latest GDP estimates hit a nine-quarter high of 2.9%. Also, the official core sector data for October, showing combined output across the eight key industries that include cement, coal, fertilizers, electricity and refinery products, struggled to inch its way up. Policymakers can ill-afford to drop their guard as they battle to rein in growth-sapping inflation and must ensure that credit conditions remain supportive of the real economy.

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