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## NCAER PRESS RELEASE

### **NCAER forecasts 2016-17 GDP growth at 6.9 per cent**

#### ***NCAER'S Quarterly Review of the Economy***

**New Delhi (Thursday, February 23, 2017):** NCAER's latest forecasts show a GDP growth rate of 6.9 per cent for 2016–17 and 7.3 per cent for 2017–18. These forecasts are based on NCAER's annual GDP model on annual model for GDP market prices at constant (2011–12) prices forecasts.

The Gross Value Added (GVA) at Basic Prices at constant (2011–12) prices is predicted to grow at 6.3 per cent in 2016–17 and 7.0 per cent in 2017–18. Real Agriculture GVA is forecasted to grow at 3.7 per cent, real Industry GVA at 5.5 per cent and real Services GVA at 7.3 per cent in 2016–17. Wholesale Price Index (WPI) inflation is projected at 3.6 per cent for 2016–17. Inflation is projected to accelerate in 2017–18 due to rising crude oil inflation.

The removal of the legal tender status of high value currency notes (Rs 500 and Rs 1,000) with effect from the midnight of November 8, 2016 took the domestic economy by surprise, raising fresh anxieties about economic recovery, leading to a downward forecast. Global economic uncertainty has added to these concerns.

Notwithstanding the fact that the monsoon arrived about nine days later than its normal date of arrival, the year 2016–17 has been a good one for the **agricultural sector**. NCAER estimates suggest that the total foodgrain production is going to touch a record of 272 million tonnes, 8 per cent higher than the corresponding figure of 251.6 million tonnes harvested last year. The production for crops like rice (108.8 million tonnes, about 4.2 per cent above last year's output), wheat (96.6 million tonnes, about 4.7 per cent more than last year's output) and pulses (22.1 million tonnes, 35 per cent higher than last year's output of 16.4 million tonnes) is expected to reach record levels in 2016–17. This increase in harvest is expected to help in keeping food inflation low.

The growth of the **industrial sector** remained lackluster. The overall Index of Industrial Production (IIP), a measure of industrial performance in the country, shows a growth of 0.3 per cent during April–December 2016–17, when compared to the 3.2 per cent growth recorded during the same period of 2015–16. The Index of Industrial Production (IIP) contracted by 0.4 per cent in December 2016, as compared to the growth of 5.7 per cent it recorded in November 2016. Seventeen out of 22 groups experienced negative growth with a decline of –0.5 per cent in **manufacturing** in April–December as compared with the 3.2 per cent growth rate achieved during the same period of the previous fiscal, reflecting a massive downward swing in production.

The year-on-year (y-o-y) growth of Gross Value Added for the **services** sector (excluding construction) showed stagnant growth between 2015–16 (8.9 per cent) and 2016–17 (8.8 per cent). Tourist arrivals registered higher growth (55.2 per cent) during the third quarter, as compared to the rise of 14.6 per cent witnessed in the second quarter of the current fiscal. Aviation passenger traffic growth continues to exhibit double digit growth. Both port and aviation cargo traffic picked up speed in the third quarter.

The performance of the **external sector** in the third quarter of 2016–17 has shown signs of improvement. Merchandise exports grew for the fifth consecutive month in January 2017, up by 4.3 per cent. This improvement can be attributed to economic normalisation of the world economy, led by revival of growth in the US, UK, Germany and Japan. On the other hand, merchandise imports grew significantly at 10.7 per cent, as compared to the growth of 0.5 per cent registered in the previous month. Nonetheless, the merchandise trade deficit narrowed to \$9.8 billion from \$10.4 billion recorded the previous month.

On the **inflation** front, consumer price inflation trended down with CPI inflation being at a two-year low of 3.2 per cent in January 2017. However, the wholesale price inflation recorded a sharp increase to 5.2 per cent in January 2017, up from 3.4 per cent in December 2016. It was driven by fuel prices that rose by 18.1 per cent in January 2017, up from 8.7 per cent a month ago. The core CPI inflation (headline inflation minus food and fuel) also rose to 5.1 per cent. Wholesale Price Index (WPI) inflation, on the other hand, increased to 5.2 per cent over December 2016 to January 2017 after declining slightly in the third quarter of 2016.

Meanwhile, the RBI in its sixth bi-monthly Monetary Policy announcement on February 8, 2017, kept the repo rate (at which the RBI pumps in liquidity into the system) unchanged at 6.3 per cent and, more importantly, changed its monetary stance from ‘accommodative’ to ‘neutral’. After staying subdued in the months of November and December, 2016, the **BSE Sensex** showed double digit y-o-y growth in January 2017.

The **fiscal** scenario shows an improvement in 2016–17:Q3 compared to the previous quarters in the same fiscal year and the corresponding quarters of the previous fiscal year. While the fiscal deficit recorded positive y-o-y growth of 13.8 per cent and 32.4 per cent in Q1 and Q2 respectively, it showed a y-o-y decline of 51.4 per cent in 2016–17:Q3.

### **About the Quarterly Review of the Economy**

*The Quarterly Review of the Economy* has been designed to meet the needs of policymakers, corporates and others interested in tracking the latest developments in the Indian economy. It provides an analysis of current policies and tracks developments in both the domestic as well as the global economies. The growth forecasts of NCAER are objective and are widely quoted and referred to in both the Indian as well as international media. An integral part of the *Quarterly Review* are the State of the Economy seminars, organised quarterly at NCAER, which bring together policymakers, industry leaders and researchers at one forum.

### **About NCAER**

NCAER, the National Council of Applied Economic Research, is India’s oldest and largest independent economic think-tank, set up in 1956 at the behest of Prime Minister Jawaharlal Nehru to inform policy choices for both the public and private sectors. Over nearly six decades, NCAER has served the nation well with its rich offerings of applied policy research, unique data sets, evaluations, and policy inputs to central and state governments, corporate India, the media, and informed citizens. It is one of the few independent think-tanks worldwide that combine rigorous economic analysis and policy outreach with data collection capabilities, particularly for large-scale household surveys. NCAER is currently led by its Director-General, Dr Shekhar Shah, and governed by an independent Governing Body, chaired by Mr Nandan M. Nilekani.

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