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‘Good monsoon to increase economic growth in 2016-17’

Though, it is early to conclude that the economy is on way to a full recovery



Rich harvest: India's GDP is estimated to grow at 7.6 % in 2015–16 and 7.7 % in 2016– 17 due to a favourable monsoon

India's GDP is estimated to grow at 7.6 per cent in 2015–16 and 7.7 per cent in 2016– 17 due to a favourable monsoon, the National Council of Applied Economic Research (NCAER) said. The Delhi-based think-tank said on Saturday the numbers mark significant revision upwards from its January 2016 forecast, when it had predicted a 7.4 per cent growth for 2015-16 as well as for 2016-17. The current forecast is mainly due to monsoon prediction. But, it also sounded a note of caution by stating, "It is hard to conjecture whether the economy has finally reached the tipping point where positives outweigh the negatives."

Exports contracting

Exports are expected to contract by 1.6 per cent while wholesale price inflation is projected to grow at 0.9 per cent for 2016-17. Current Account Balance as a percentage of GDP is expected to contract by 1 per cent. Fiscal deficit of the Centre as a percentage of GDP is forecast at 3.5 per cent for 2016-17. The agriculture sector witnessed feeble average growth rate of 0.5 per cent in 2014-15 and 2015-16 due to drought in two successive years. The manufacturing sector, after showing robust growth in the second quarter, slowed down consistently in the third and fourth quarters. The growth in Index of Industrial Production (IIP) slowed to 2.4 per cent in 2015-16 from 2.8 per cent in 2014-15. In the fourth quarter, manufacturing was in "recession" (-1.1%) and the overall IIP barely grew 0.2 per cent, it said.

Nascent recovery

"On the industry front, emerging trends suggest a nascent recovery, however, a discordant note was struck by the persistence of volatility in the capital goods sector and the poor growth in manufacturing," NCAER said

Even as select indicators show improvement, it is much too early to conclude that the economy is on course to a full-fledged recovery as the improvement is not sufficiently broad-based.

What is indisputable, however, it said, is that the outlook is once again upbeat and barring any accidents, growth should pick up in the remaining three years of the present government's tenure, the NCAER said.

It red-flagged the much slower growth in services exports, notably software and business service exports which together account for approximately 50 per cent of the total service exports.

Inflation ranged between 3.66 per cent in August 2015 and 5.7 per cent in January 2016,

NCAER red-flagged slower growth in services exports, notably in IT and business services

<http://www.thehindu.com/todays-paper/tp-business/good-monsoon-to-increase-economic-growth-in-201617/article8601917.ece>