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Now, economic think tank NCAER lowers GDP growth forecast to 6.9 per cent for FY17

By PTI | Updated: Feb 25, 2017, 08.55 PM IST

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NEW DELHI: After RBI and IMF, economic thinktank National Council of Applied Economic Research (NCAER) has lowered the country's growth forecast to 6.9 per cent for the current fiscal on account of [demonetisation](#).

A few days before demonetisation was announced, NCAER had projected a growth rate of 7.6 per cent for 2016-17.

"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, 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," NCAER said in a statement today.

Earlier this week, International Monetary Fund (IMF) lowered GDP growth forecast to 6.6 per cent due to the strains that have emerged in the economy as a result of "temporary disruptions" caused by demonetisation.

According to NCAER, the growth rate would rebound to 7.3 per cent for 2017-18.

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 per cent in 2017-18, it said.

Real Agriculture GVA is forecast 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, it said.

[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, it added.

Notwithstanding the fact that the [monsoon](#) arrived about nine days later than its normal date of arrival, it said, 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 growth of the industrial sector remained lacklustre, it said, adding 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, against 3.2 per cent growth recorded during the same period of 2015-16.

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).

"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," it said.

This improvement can be attributed to economic normalisation of the world economy, led by revival of growth in the US, the UK, Germany and Japan.

Consumer price inflation trended down with inflation being at a two-year low of 3.2 per cent in January 2017.

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