NCAER forecasts GDP growth at 4.9% for FY20

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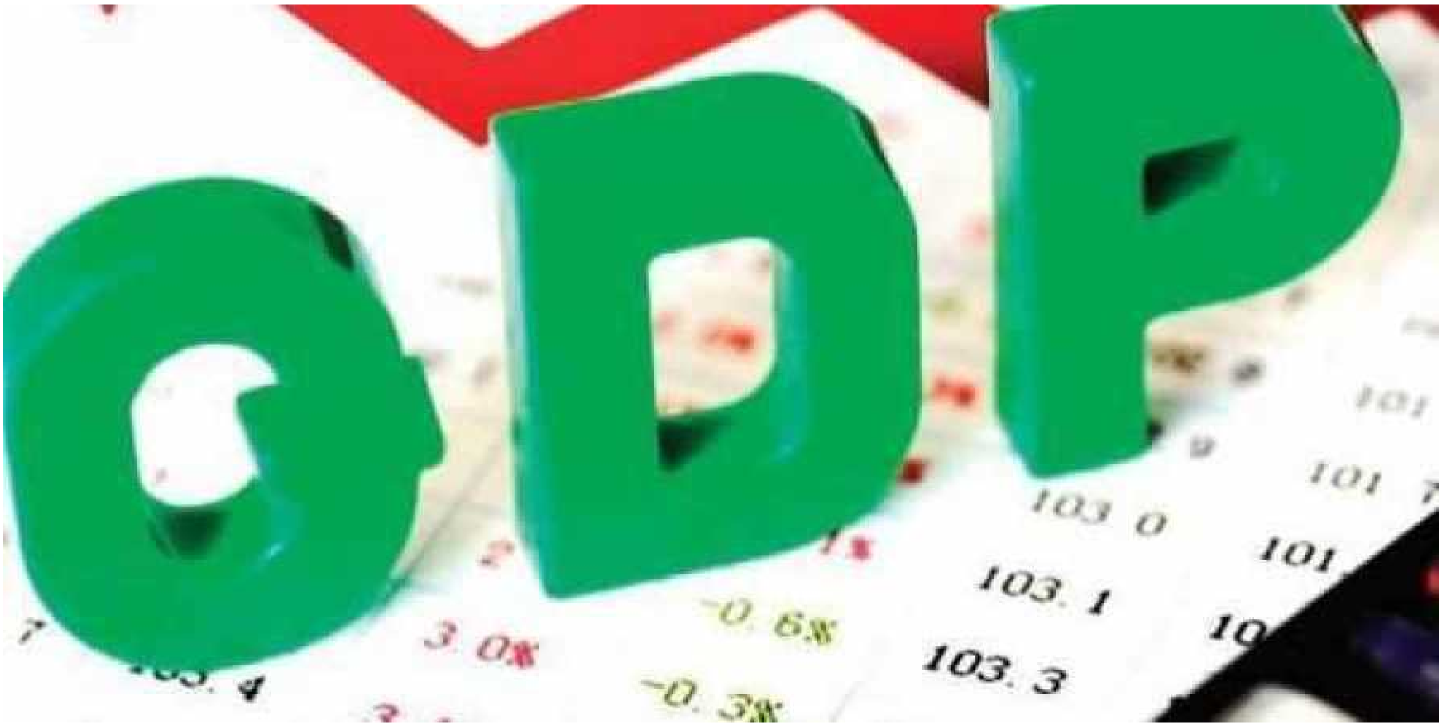

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By Jonathan Ananda
Express News Service

NEW DELHI: Joining the steady stream of agencies slashing India's growth forecasts, Delhi-based think tank National Council of Applied Economic Research (NCAER) has predicted that GDP growth is likely to crash to 4.9 per cent for both the second quarter and the full fiscal year.

The agency's economists also said that while the government's efforts have focused on addressing supply side issues, data indicates that the real problem is on the demand side, with consumption falling across the board.

India’s economy had grown at 6.8 per cent during the last fiscal, but quarterly GDP growth has been on a steady slide for six straight quarters, from 8.1 per cent in Q4FY18 to 5 per cent in Q1FY20.

“The RBI’s MPC has done what it needs to do. But, the problems are on the fiscal side and in their recognition,” NCAER Distinguished Fellow Sudipto Mundle said, “Reducing corporate tax, recapitalising banks…were attempts to revive the economy from the supply side. But, the problems are primarily on the demand side. What is needed is to get money into the hands of consumers, especially poor consumers with a high propensity to consume. Recognition (of the problem) has not been adequate and responses have been piecemeal”.

The last few quarters have seen industrial growth tanking, from 11.3 per cent in Q1 FY19 to just 2.7 per cent in Q1FY20, and high-frequency indicators for the second quarter indicate that this figure may worsen. Cargo movement across rail, ports and airways has also shown a substantial fall, noted NCAER’s Bornali Bhandari. Real private consumption expenditure growth has fallen from 9.8 per cent in Q2FY19 to 3.1 per cent in Q1FY20, while real government fixed capital formation growth has gone from 11.7 per cent in Q3FY19 to 4 per cent in Q1FY20.

The divergence in retail inflation and wholesale inflation also shows that it is urban food inflation, especially in vegetables, that is driving retail inflation growth. “But, in rural markets it is going down. This is a sign of consumer distress we have in the rural sector,” Mundle noted.

TAGS **National Council of Applied Economic Research** **GDP**