

Published: November 4, 2014 17:38 IST | Updated: November 4, 2014 20:35 IST

NCAER lowers India GDP growth forecast to 5% in 2014-15

Puja Mehra



In this file photo, farmers load paddy bundles onto a bullock cart in the outskirts of Bhubaneswar. Weakening of prices due to cheaper food and ^{AP} fuel inflation is also positive, NCAER said on Tuesday while predicting lower agricultural growth with deficit rainfall.

“The fundamentals of the economy remain weak with uncertainties prevail. The only redeeming feature is the weakening of inflation and FDI inflows”

In its mid-year review of the economy, the National Council of Applied Economic Research (NCAER) has lowered its 2014-15 growth forecast for India to 5 per cent. In July, the think-tank had put out a growth forecast of 5.7 per cent. The projection of a slowdown is despite the 5.7 per-cent growth in the first quarter of the current year (April-September) after two successive years of sub-5 per cent growth.

The NCAER’s projection of slower growth during the rest of the year is in line with the Reserve Bank’s forecast.

“The NCAER is predicting a slower growth for the economy unlike other forecasts. The fundamentals of the economy remain weak with uncertainties prevailing,” the think-tank said in its mid-year review.

It said that though the weakening of inflation and the foreign direct investment inflows to be redeeming features, whether they will help it revive the growth prospects will depend on factors such as the extent of damage on agriculture due to deficit rainfall. Another cause for concern, according to the NCAER, is that after recording a strong performance of double-digit growth in May and June, export growth slowed down in subsequent months with a growth rate of just 2.73 per cent in September.

The 2014-15 farm sector growth projected at 2 per cent on account of the uneven distribution and the 17-per cent deficiency in rainfall has pulled down the mid-year gross domestic product (GDP) projection. Last year, the sector had grown 4.7 per cent.

Industry is projected to grow at 2.3 per cent. Official figures had put last year’s growth at 0.4 per cent. Services, which account for more than half of the GDP, are projected to grow at just under 7 per cent, marginally faster than in the previous year. “Manufacturing proved the biggest disappointment,” the review said. The manufacturing sector growth rate contracted by (-) 1 per cent in July and (-) 1.4 per cent in August, respectively.

The NCAER has also projected the Centre’s fiscal deficit at 4.3 per cent of GDP against the budget target of 4.1 per cent.

Keywords: [National Council of Applied Economic Research](#), [NCAER](#), [GDP growth forecast](#)

Printable version | Nov 5, 2014 12:03:51 PM | <http://www.thehindu.com/business/Economy/ncaer-lowers-india-gdp-growth-forecast-to-5/article6564032.ece>

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