FICCI Comments on GDP Growth

Real GDP grows at 6.9% during Q2 on back of data revision

New Delhi, November 30, 2011: Real GDP growth rate for Q2 of 2011-12 is 6.9 %. "Even this growth rate has been achieved by significant downward revision in the GDP growth rate of Q2 of 2010-11 from the earlier 8.9% to 8.4%. This has helped the growth rate in Q2 of 2011-12 to 6.9%" **said, Dr Rajiv Kumar, Secretary General, FICCI.**

FICCI analysis shows that growth in Q2 of 2011-12 would have been lower at 6.4% without this downward data revision of the corresponding quarter of the previous year.

"Considering the rate at which CSO is revising down the quarterly figures of 2010-11, we estimate that the annual GDP growth of 2010-11 would now be close to 8%" **observes, Dr. Kumar**. It may be noted that the GDP growth for 2010-11 was 8.5%. Thus, the impact of the monetary tightening is clearly evident, from 2010-11 onwards.

Agriculture expanded by 3.6% during the first half of this fiscal vis-à-vis 3.7% in the like period previous year. However, industry expanded by only 4.7% (vis-à-vis 8.5%) whereas service sector grew at 8.8% (vis-à-vis 9.6%). The growth in Gross Fixed Capital Formation (GFCF) is no better. The GFCF grew only by 3.5% during the first half of 2011-12 against 10.7% in the corresponding year of previous year. It may also be noted that GFCF has marked a negative growth rate of 0.6% during Q2 of 2011-12 against 10.3% growth marked in Q2 of 2010-11.

"If the current trends are any indication, FICCI estimates that the GDP growth in the current fiscal will now be in the range of 7% - 7.1% with significant downside risks. In fact, given that the first half growth rate has been 7.3%, it is now amply clear that even the 7.6% forecast by RBI for 2011-12 is clearly on the higher side", **Dr. Kumar added**. More importantly, FICCI believes that going forward, 2012-13 GDP growth is unlikely to be significantly better with prospects of global economic meltdown looming large. This requires immediate policy intervention by both the Government and the RBI.

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