GDP growth at 5.5% in Q1 gives little room for comfort: FICCI

NEW DELHI, August 31, 2012. The latest estimates of GDP for the first quarter (April-June 2012-13) at 5.5% show a modest increase over the previous quarter (January-March 2011-12) when the growth rate was 5.3%. The slightly higher quarter-on-quarter growth is better than consensus expectations. It has been achieved on the basis of services sector growth at 6.9%.

Says Mr. R. V. Kanoria, President, FICCI, "However, what is worrisome is that the expectations of subdued global growth, uncertainty on Eurozone and slowdown in capital formation in India could limit growth and investment sentiments in the coming quarter. The need of the hour is to push economic decision making to improve investment sentiment. I would like to emphasize that many needed economic decisions can be taken on administrative basis without new legislation."

On a positive note some key sectors of the economy indicate an improvement. The agriculture sector expanded by 2.9% in Q1 of FY13 compared to 1.7% growth registered during the last quarter. The growth in agriculture sector has come as a pleasant surprise. Although the deficient rainfall initially had triggered some apprehensions of the agriculture front, the sudden turnaround from August gives some cheer.

The industry segment also witnessed marginal improvement recording a growth of 3.6% in Q1 of FY13 compared to 1.9% growth in Q4 of 2011-12. This growth was primarily driven by the construction segment (10.9% in Q1 FY 13 compared to 4.8% in Q4 of FY12).

The services sector growth declined to 6.9% in Q1 of FY13, despite strong growth in constructions activities at 10.9% and financial sector and business services at 10.8%.

Said **Ms. Naina Lal Kidwai, Senior Vice President of FICCI,** "It is to be hoped that even this rate of growth of the services sector will be sustained in the coming quarter despite the weakness in other sectors. This is particularly important given that the sector accounts for nearly 60% of the GDP."

According to **Dr. Rajiv Kumar, Secretary General, FICCI**, "The growth slowdown reflects a sharp decline in investment and the Government should take measures to control the fiscal deficit and lay the basis for boosting investment demand in the coming months.

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