

### GDP grew by 7.1 percent in 2016-17

- ❖ *Gross Domestic Product reported a growth of 7.1 percent in 2016-17 as against a five year high growth of 8.0 percent reported in 2015-16. Likewise, Gross Value Added at basic prices recorded a slower growth of 6.6 percent in 2016-17 vis-à-vis 7.9 percent growth noted in the previous fiscal.*
- ❖ *Supported by good monsoons as well as greater budgetary allocation towards promoting various agricultural schemes, agriculture (and allied activities) sector reported robust growth numbers in 2016-17. The segment grew by 4.9 percent in 2016-17 vis-à-vis a meagre 0.7 percent growth in 2015-16.*
- ❖ *Growth of industry was seen at a three year low of 5.6 percent in 2016-17 after witnessing a six year high growth of 8.8 percent in 2015-16. Companies have been reporting weak capacity utilization rates for quite some time now and the same has been corroborated in FICCI's latest Business Confidence Survey. In fact, Q1 2017-18 was the fifth consecutive quarter when more than half of the participating companies reported a capacity utilization rate of less than 75%.*

There is a need to boost private investments in the country to enhance industrial growth. Sub-optimal levels of capacity utilization rates and high cost of credit are the major constraints facing businesses. The problem gets elevated with the twin balance sheet problem persisting in the economy.

With CPI based inflation rate at historic low levels, there is a need to cut the repo rate by at least 50 basis points in the forthcoming monetary policy review.

Additionally, the government should continue to spend on capital creation which will ultimately crowd in private investments.

#### GDP grew by 6.1 percent in Q4 2016-17

	GVA at basic prices	Agriculture, forestry & fishing	Industry	Services
Jun-15	7.6	2.5	7.4	9.0
Sep-15	6.8	4.1	5.9	7.8
Dec-15	6.7	6.9	6.2	6.9
Mar-16	5.6	5.2	3.1	7.2

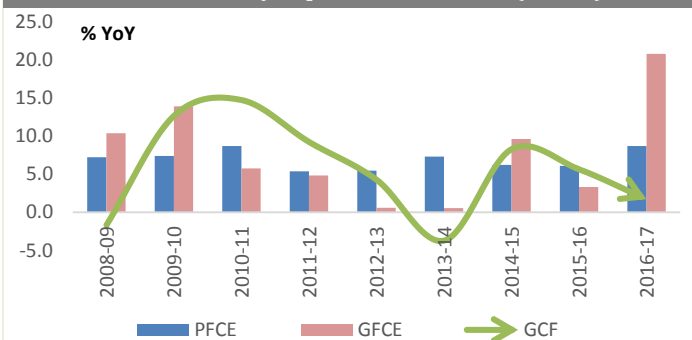
- ❖ *On the expenditure side, while gross capital formation contracted by 2.2 percent y-o-y during Q4 2016-17, government final consumption expenditure grew by a whopping 31.9 percent y-o-y.*

The Government has completed three years in office and the spate of reforms being undertaken is laying a solid foundation for future. The implementation of GST from July 1, 2017 is expected to lower costs for the industry and facilitate higher GDP growth in coming years. FICCI's Economic Outlook Survey, April 2017 puts across GDP growth at 7.4 percent for the fiscal year 2017-18.

#### GDP and GVA Growth- Annual (% YoY)

	GDP	GVA at basic prices	Agriculture, forestry and fishing	Industry	Services
2012-13	5.5	5.5	1.5	3.4	8.3
2013-14	6.5	6.2	5.6	4.2	7.7
2014-15	7.3	7.1	-0.2	6.9	9.7
2015-16	8.0	7.9	0.7	8.8	9.7
2016-17	7.1	6.6	4.9	5.6	7.7

#### GDP Growth by Expenditure- Annual (% YoY)



- ❖ *Services sector also noted moderation in 2016-17, registering a growth of 7.7 percent as compared to 9.7 percent growth registered in 2015-16.*
- ❖ *On the expenditure side, gross capital formation grew by 1.7 percent in 2016-17 vis-à-vis 5.7 percent growth noted in 2015-16. Government final consumption expenditure surged and recorded 20.8 percent growth in 2016-17 vis-à-vis 3.3 percent growth noted in 2015-16. Growth of private final consumption expenditure also increased with the segment growing at 8.7 percent in 2016-17 vis-à-vis a growth of 6.1 percent in 2015-16.*
- ❖ *GDP growth for the fourth quarter of 2016-17 was observed at 6.1 percent vis-à-vis 9.1 percent growth noted in the corresponding period previous year. Gross value added at basic prices was reported at 5.6 percent in Q4 2016-17.*
- ❖ *Agriculture (and allied activities) sector posted a growth of 5.2 percent in Q4 2016-17 as compared to 1.5 percent growth noted in the corresponding quarter previous year.*

Source: MOSPI, RBI, Economic Outlook, CMIE and FICCI Research