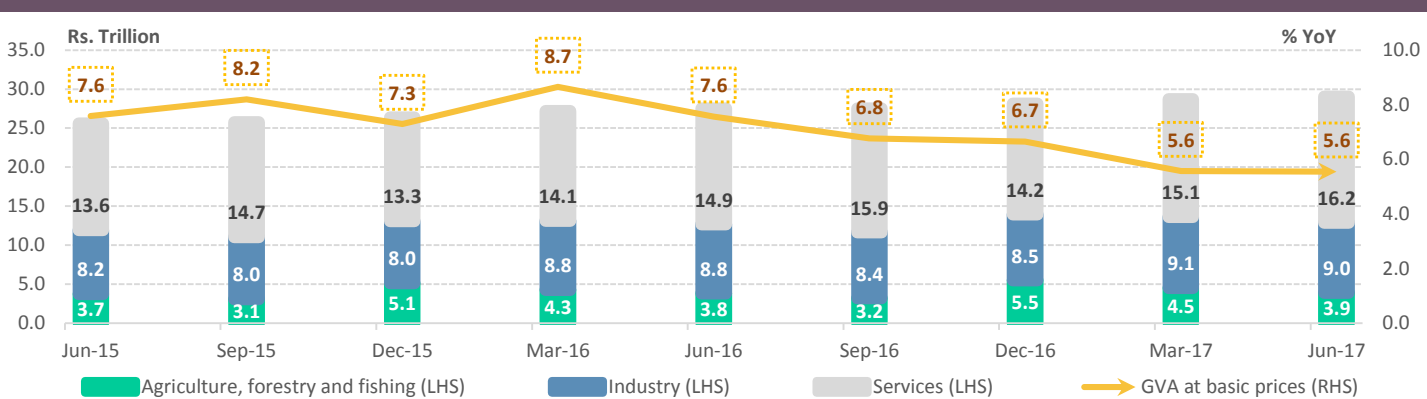


### GDP grew by 5.7 percent in Q1 FY18

- ❖ India's GDP growth slowed to a thirteen quarter low in Q1 FY18, registering 5.7 percent growth as against 7.9 percent growth registered in Q1 FY17. Likewise, GVA at basic prices moderated sharply to grow by 5.6 percent in Q1 FY18, as compared to 7.6 percent growth noted in the corresponding period previous year.
- ❖ Growth in agriculture (and allied activities) sector was recorded at 2.3 percent in Q1 FY18 as compared to a growth of 2.5 percent in the corresponding period previous fiscal. Industry growth during the quarter was hit hard and the sector grew by only 1.6 percent in the Q1 FY18 which was the lowest since June 2012. Services sector continued its quarterly recovery trend and recorded 8.7 percent growth in Q1 FY18.
- ❖ On the expenditure side, gross capital formation expanded by 8.5 percent in the Q1 FY18 on the back of higher growth in valuables\* (204.0 percent). Gross fixed capital formation grew by modest 1.6 percent in Q1 FY18 vis-à-vis 7.4 percent in Q1 FY17. Private consumption spending moderated and grew by 6.7 percent in Q1 FY18 vis-à-vis Q1 FY17. However, government consumption improved slightly and reported 17.2 percent growth in Q1 FY18 vis-à-vis 16.6 percent in Q1 FY17.

Quarterly Growth in GVA and its Components



Growth in Major Industrial Sectors (% YoY)

Quarter ending	Mining & quarrying	Manufacturing	Electricity, gas, water supply & other utility services	Construction
Jun-15	8.3	8.2	2.8	6.2
Sep-15	12.2	9.3	5.7	1.6
Dec-15	11.7	13.2	4.0	6.0
Mar-16	10.5	12.7	7.6	6.0
Jun-16	-0.9	10.7	10.3	3.1
Sep-16	-1.3	7.7	5.1	4.3
Dec-16	1.9	8.2	7.4	3.4
Mar-17	6.4	5.3	6.1	-3.7
Jun-17	-0.7	1.2	7.0	2.0

Quarterly Growth in GDP and its Components (% YoY)

Quarter ending	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
GDP @ market prices	7.9	7.5	7.0	6.1	5.7
Private Final Consumption Expenditure	8.4	7.9	11.1	7.3	6.7
Government Final Consumption Expenditure	16.6	16.5	21.0	31.9	17.2
Gross Capital Formation	6.6	2.0	1.0	-2.3	8.5
Gross Fixed Capital Formation	7.4	3.0	1.7	-2.1	1.6

Industrial sector witnessed the most disappointing growth in the latest data released by the CSO. Manufacturing, which accounts for almost two-thirds of industrial output, witnessed weak growth of 1.2 percent in Q1 FY18. This can largely be attributed to the uncertainty surrounding implementation of Goods and Services Tax which impacted industrial production in the first quarter as companies destocked.

The RBI has taken the slowdown into account in its fourth bi-monthly monetary policy statement and has downwardly revised India's GVA growth to 6.7 percent for 2017-18 from 7.3 percent estimated earlier. IMF and the World Bank have also revised their growth estimates for India but have cited the recent moderation only as a blip. They allude to the ground breaking reforms undertaken over the past one year as the forces that will drive growth, going forward. The same is also reflected in the latest Ease of Doing Business ranking, 2018 where India has leapfrogged 30 spots to rank 100 among 190 countries. FICCI is also confident that impact of major reforms (such as GST) is only transient which will wane off in the coming quarters.

\*valuables refer to broadly non-monetary gold & other precious metals & piece of art & antiques

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