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PATCHY EXPANSION: THE HINDU EDITORIAL ON PROVISIONAL ESTIMATES OF GDP FOR QUARTER ENDING SEPTEMBER 30, 2023

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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The latest provisional estimates of GDP for the quarter ended September 30, released by the National Statistical Office, project real economic growth at 7.6%, a slight deceleration from the 7.8% logged in the preceding three months. Gross Value Added (GVA) across the eight broad sectors of the economy also reflected a marginal slowing, with second-quarter GVA registering a 7.4% expansion, 40 basis points slower than the April-June period's 7.8%. Robust double-digit expansions in manufacturing, mining, utilities and construction offset the loss of momentum across the other four sectors and helped ensure that the year-on-year growth in GVA comfortably exceeded the 7% pace for a second straight quarter. Manufacturing, buoyed by a favourable base effect due to the contraction in the year-earlier period, was the strongest performer by registering growth of 13.9%, a nine-quarter high. And construction witnessed its best showing in five quarters, expanding 13.3%. Of the four other sectors, the crucial ones of agriculture and the two services sectors of trade, hotels, transport and communication, and financial, real estate and professional services saw the pace of growth almost halving from the fiscal first quarter. While year-on-year growth in the agriculture, livestock and fishing sector slowed sharply to an 18-quarter low of 1.2%, the sector also experienced a sequential contraction for the third straight quarter, underscoring the precarity plaguing large portions of those earning from farming and allied activities in the rural hinterland.

The slowdown in two key components of the services economy — trade, hotels, transport and communication saw growth slide to 4.3%, from 9.2% in the June quarter, and the expansion in financial and realty services more than halved from the preceding period to 6% — also merits a closer watch as the post-pandemic rebound in services appears to have lost steam. Adding to the need to view the headline growth number with circumspection is the fact that the lynchpin private final consumption expenditure, the single-largest component of demand in the economy, is struggling for traction. Growth in private consumption spending slowed appreciably to 3.1% in the September quarter, from 6% in the preceding three-month period, as rural demand remained affected by the vagaries of a below-average monsoon. The NSO data also reveal that the recent economic momentum owes its fillip in large measure to front-loaded government spending, both in terms of consumption demand and asset-creating capital investments. The challenge for policymakers will be to help broaden the growth base so as to ensure that all boats are lifted equally, both to sustain the momentum and reduce inequality.

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