



Confederation of Indian Industry

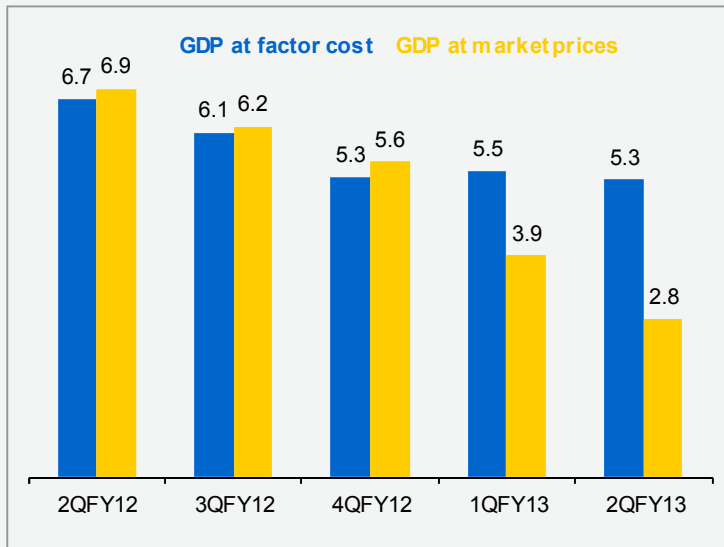
Economy Update - GDP



Slowdown Intensifies Further as GDP Growth Slips to 5.3%

30 November, 2012

Real GDP continues to remain weak in 2QFY13 (y-o-y%)



- Real GDP growth at factor cost decelerated to 5.3 per cent in the second-quarter of the current fiscal as compared to 5.5 per cent in the previous quarter. With this, the GDP growth in the first-half stands at 5.4 per cent as compared to 7.3 per cent in the same period last year.

- If we exclude the similar data-print posted in the last quarter of the previous year, then this is the lowest growth since March 2009.

- Though the slowdown is evident across all sectors, we are deeply worried by the sharp deceleration in private consumption spending which contributes close to 58 per cent to overall GDP. High interest rates have played a major role in dampening the consumer sentiments.

Supply-side components

(y-o-y%)	2QFY12	4QFY12	Q1FY13	Q2FY13
GDP at factor cost	6.7	5.3	5.5	5.3
Agriculture	3.1	1.7	2.9	1.2
Industry	3.7	1.9	3.6	2.8
Services	8.8	7.9	6.9	7.2
Mining & quarrying	-5.4	4.3	0.1	1.9
Manufacturing	2.9	-0.3	0.2	0.8
Construction	6.3	4.8	10.9	6.7
Electricity, gas & water supply	9.8	4.9	6.3	3.4
Trade, hotels, transport & communication	9.5	7.0	4.0	5.5
Financing, insurance, real estate & business services	9.9	10.0	10.8	9.4
Community, social & personal services	6.1	7.1	7.9	7.5

- Agricultural output growth slowed sharply to a low of 1.2 per cent in the second-quarter as compared to 2.9 per cent posted in the previous quarter. Notwithstanding the improvement in rainfall in August and September 2012, the first advance estimates of the 2012 *kharif* production are about 10 per cent lower than last year's production.

- The downward trend in industrial sector continues as its growth slipped to 2.8 per cent in the second-quarter underpinned by a below-trend performance by both electricity, gas & water supply and construction sector.

- Though services sector growth picked up marginally to 7.2 per cent in the second-quarter, but it still remained below trend.

- High interest rates in the economy severely impacted private final consumption expenditure growth as it slid further to 3.7 per cent as compared to 4 per cent in the previous quarter.

- Fixed investment provided the silver lining as its growth picked up to 4.1 per cent in the second-quarter as compared to 0.7 per cent in the previous quarter.

- Government consumption expenditure growth slowed down marginally to 8.7 per cent as compared to 9 per cent in the quarter before, underpinned by rise in government borrowings.

Demand-side components

(y-o-y%)	2QFY12	4QFY12	Q1FY13	Q2FY13
GDP at market prices	6.9	5.6	3.9	2.8
Private Consumption	4.6	6.1	4.0	3.7
Govt. Consumption	7.2	4.1	9.0	8.7
Fixed Investment	5.0	3.6	0.7	4.1
Change in Stocks	2.8	-0.4	-1.2	-0.1
Exports	19.7	18.1	10.1	4.3
Imports	27.0	2.0	7.9	6.6

Source: Central Statistical Organization (CSO)

Outlook: CII has been for long highlighting, that the heightened downside risks to growth will become more entrenched unless bold measures are taken by the policymakers. The RBI would need to take the lead and should start the monetary easing cycle at the earliest. Otherwise, we are in for a weak GDP growth for the current fiscal, likely to be much lower than the 6.5 per cent posted last year.