Economics

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India's GDP Growth: H1-FY16

The GDP for Q2-FY16 came in at 7.4% same as CARE's own estimate. It was lower than the 8.4% growth during the corresponding period last fiscal. In terms of Gross Value Added (GVA) at Basic Price for Q2-FY16, the growth rate was same at 7.4%.

The GDP growth for the first half of the year stood at 7.2% as against 7.5% in the corresponding period last year. In terms of Gross Value Added (GVA) at Basic Price for H1-FY16, the growth rate was 7.2% as against 7.9% in H1-FY15.

Key Observations

Table 1: H1 GDP growth (%)

	FY15	FY16
Agriculture, forestry and fishing	2.4	2.0
Mining and quarrying	3.0	3.6
Manufacturing	8.2	8.2
Electricity, gas, water supply and other utility	9.4	5.0
Construction	7.6	4.7
Trade, hotels, transport, communication and services	10.5	11.7
Financial, real estate and Professional services	11.4	9.3
Public administration, defence and other services	5.0	3.7
GVA at basic prices	**7.9**	**7.2**
GDP	**7.5**	**7.2**

Source: MOSPI

- The growth in the domestic economy in the first half of the ongoing fiscal was driven by the services sector viz. *'trade, hotel, transport and communication services'* (*11.7% growth*) and the '*financial, insurance, real estate & professional services' (9.3% growth)*
- The '*manufacturing*' segment too recorded favorable growth of 8.2% same as H1-FY15
- There has been a moderation in the growth of the '*electricity, gas, water supply & utility services'* in H1-FY16 (5.0%) compared to that in the previous year
- Likewise, the '*agriculture & allied sector'* saw slight moderation with growth coming in 2.0% lower this fiscal
- The 'mining and quarrying' segment recorded 3.6% in growth in the first half of the fiscal

Expenditure Breakdown

In terms of expenditure while private consumption expenditure has seen an improvement (60.7% of GDP in H1-FY16 from 59.7% in H1-FY15). This can be attributed to improvements in urban consumption. Demand in rural India is however strained given the agricultural situation. Government consumption on the other hand has seen a decline (12.9% of GDP in H1-FY16 compared with 13.1% in H1- FY15).

The gross fixed capital formation rate declined from 29.1% in H1-FY15 to 28.1% in H1-FY16. However, when compared on quarterly basis, capital formation saw an increase from 27.8% in Q1-FY16 to 28.3% in Q2-FY16. This can be seen as a sign of some investment pick up in the last quarter.

Table 2: Consumption as a % of GDP (current prices) for H1

Industry	FY15	FY16
Private Final Consumption Expenditure	59.7	60.7
Government Final Consumption Expenditure	13.1	12.9
Gross Fixed Capital Formation	29.0	28.1

Source: MOSPI

CARE's view

- Although the economy has been moving in the upward direction there are no noticeable signs that there is going to be a quick and sizeable increase
- The industrial and investment recovery is yet to materialize. The progress of the industrial sector in the next two quarters will hold the key to the economic growth
- Increased government spending and policy measures could provide a cushion.

Our projection for the year remains at 7.5% - 7.6%, with a downward bias. Growth will be driven by:

- State of kharif harvest and the rural demand pick up
- Pick up in investment in second half of the year
- Government spending on infrastructure

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