SHANKAR IAS PARLIAMENT
Information is Empowering

Signs of GDP

Why in news?

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The GDP numbers for the second quarter of 2017-18 has grown at 6.3% compared to 5.7% in the first quarter.

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What are the encouraging signs of this growth rate?

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- The manufacturing sector grew at 7% against 1.2% in the previous quarter.
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- The trade sector grew by 9.9% and Public administration grew at 6%, much lower than the previous quarters but still reasonably high.
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- Despite a lower growth of government expenditure, overall growth rate picked up.
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- Excluding agriculture and public administration, the GDP growth rate in Q2 was 6.8% compared to 3.8% in Q1.
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- The electricity sector has done well with a growth rate of 7.6% compared to 7.0% in Q1.
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What are the discouraging signals?

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- The most discouraging sign is the behaviour of the Gross Fixed Capital Formation (GFCF).
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- GFCF at current prices grew at 6.3% in Q2 against 2.9% in the corresponding period last fiscal.
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- As the growth rate of GFCF fell below the growth rate of GDP, the ratio of GFCF to GDP has fallen from 27.1% to 26.4%.
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- There are disparities between the rate of growth in the index of industrial production (IIP) and national income statistics.
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- In Q2 of 2017-18, manufacturing under IIP grew at 2.2%, such sharp differences raise some concerns.
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- India's export performance has picked up in the current year but there was a setback in October with the export growth rate turning negative.
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What are the future prospects?

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- It appears that the GDP growth for the year as a whole may be around 6.5%.
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- After staying at the same level for two quarters, Gross Value Added (GVA) has moved up, this predicts that glitches caused by GST have been overcome.
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- The immediate prospect is some improvement in the growth rate in the next two quarters.
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- In the next two quarters, there is not much space for public administration to push the economy.
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- Thus growth rate to pick up any substantial increase depends on the behaviour of private investment which remains intractable.
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Quick Facts

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GDP

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- Gross domestic product (GDP) is the monetary value of all the finished goods

and services produced within a country's borders in a specific time period.
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- GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well.
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- GDP includes all private and public consumption, government outlays, investments, private inventories, paid-in construction costs and the foreign balance of trade.
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GVA

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- Gross value added is a productivity metric that measures the contribution to an economy, producer, sector or region.
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- Gross value added provides a dollar value for the amount of goods and services that have been produced, less the cost of all inputs and raw materials that are directly attributable to that production.
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- Gross value added = GDP + subsidies on products - taxes on products.
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- Gross value added is important because it is used in the calculation of gross domestic product (GDP)
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IIP

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- The all India index of Industrial Production (IIP) is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period.
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- It is compiled and published monthly by the Central Statistical Organization (CSO), Ministry of Statistics and Programme Implementation six weeks after the reference month ends.
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GFCF

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- Capital formation is a term used to describe the net capital accumulation during an accounting period for a particular country.
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- GFCF refers to additions of capital stock, such as equipment, tools, transportation assets and electricity.
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- Higher the capital formation (GFCF) of an economy, the faster an economy can grow its aggregate income.
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Source: The Hindu

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