Analysts divided over bottoming out claim

ARUP ROYCHOWDHURY
New Delhi, 29 November

Following the release of the gross domestic product (GDP) data, the finance ministry on Friday said slowdown had bottomed out and it expected a gradual recovery from the October-December quarter onwards.

Economists and analysts are, however, divided — some agreeing with the Centre's assessment, others claiming the economy will continue to slow for a while.

In a briefing after the data was released, Economic Affairs Secretary Atanu Chakraborty and Chief Economic Advisor Krishnamurthy Subramanian both insisted that the fundamentals of the economy continued to be strong and an uptick in GDP was expected soon.

"We are saying again that the fundamentals of the Indian economy continue to be strong and GDP is expected to pick up in the third quarter," Subramanian said.

Some economists agreed with this. "The economy is estimated to see higher growth in the second half of the fiscal year. We estimate GDP growth of 6.3 per cent in the second half of 2019-20. The GDP growth for the whole year is pegged at 5.5-5.6 per cent," said Madan Sabnavis, chief economist at CARE Ratings.

"Compared to the past four slowdown cycles, several economic fundamentals are in a much better shape today. Inflation is low and is expected to remain so because of the excess capacity in the economy. This gives the RBI elbow room to cut rates, which is highly anticipated in the upcoming, December meeting," said Rumki Majumdar, economist with Deloitte India.

"With significant risks looming over global economic activities and trade, we expect a gradual but steady recovery in the coming quarters," Majumdar added.

This sentiment was reflected by industry bodies like ASSOCHAM as well. However, a number of other analysts pointed to the raw data available for the festive season so far and said any meaningful recovery was still some time away.

"We are looking at exhaustion of all policy options. With little room for monetary policy action and the fiscal space being marginal, we are in for a long haul in the terms of continued slowdown," said D K Srivastava, chief policy advisor at EX.

Figures released on Friday showed the output of the eight core sectors of the economy witnessed historically high levels of contraction in October. This is expected to impact overall industrial production through the index of industrial production, which had contracted by 4.3 per cent in September, nose diving to an eight-year low.

Also in October, lower receipts from processed petroleum exports and depressed global conditions led to merchandise exports contracting for a third straight month. Overall domestic vehicle sales also declined for the seventh straight month, falling 12.76 per cent.

"With the just-released index of eight core industries falling in October, bottoming-out of growth could be further down the road and recovery is unlikely to be V-shaped as consumer demand, credit supply and risk appetite remain lacklustre," said Sreejith Balasubramanian, economist, fund management at IDFC AMC.

"The slowdown has deepened and is now expected to remain extended than previously anticipated," said Arun Singh, lead economist at Dainik Bhaskar. Singh added that risk of contagion prevailed. And issues with cooperative banks and NBFCs showed that the crisis in the financial sector had not faded away.
GOVERNMENT EXPENDITURE RISES 15.6% IN Q2FY20

Government expenditure was the major component supporting overall GDP growth, rising by 15.6 per cent in July-September as against a growth of 10.9 per cent in the year-ago period.

- However, Private Final Consumption Expenditure, indicating private consumption demand, remained weak, growing by 5.1 per cent in July-September as against a growth rate of 9.8 per cent last year.

- Investment, as measured by Gross Fixed Capital Formation, which has been slowing over last two quarters, grew only by 1 per cent in July-September 2019-20. Investment had grown by 11.8 per cent in the second quarter last financial year.

- The GDP print confirms that the growth slowdown is not just cyclical but more entrenched, with consumption

**GDP ESTIMATES FROM EXPENDITURE SIDE (GROWTH PERCENTAGE OVER LAST YEAR)**

<table>
<thead>
<tr>
<th></th>
<th>Jul-Sept 2018</th>
<th>Jul-Sept 2019</th>
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</thead>
<tbody>
<tr>
<td>Private Final Consumption Expenditure (PFCE)</td>
<td>9.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Government Final Consumption Expenditure (GFCE)</td>
<td>10.9</td>
<td>15.6</td>
</tr>
<tr>
<td>Gross Fixed Capital Formation (GFCF)</td>
<td>11.8</td>
<td>1.0</td>
</tr>
<tr>
<td>GDP</td>
<td>7.0</td>
<td>4.5</td>
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</tbody>
</table>

Source: NSO, MoSPI

secularly joining the slowdown bandwagon even as investment story continues to languish. Policymakers need to address structural constraints to ensure secular growth pick up ahead, Madhavi Arora, Lead Economist, Edelweiss Securities said

"... The fundamentals of Indian Economy remain strong. GDP growth is expected to pick up from 3rd quarter of FY 2019-20 ... IMF has projected India's GDP growth at 6.1 per cent in FY 2019-20 and 7 per cent in FY 2020-21"  

ATANU CHAKRABORTY  
SECRETARY, DEPARTMENT OF ECONOMIC AFFAIRS

"We expect the slowdown to be bottoming out ... My hope stems from the fact the private final consumption at about 5 per cent growth does indicate resilience in consumer demand. But we need to be shoring up the consumer sentiment, for sure"

DEEPAK SOOD  
SECRETARY GENERAL, ASSOCHAM
Manmohan flags fear, India Inc’s silence on slowdown is telling

SANDEEPSINGH
NEW DELHI, NOVEMBER 29

Calling the 4.5 per cent growth for the second quarter ending September 2019 as “shock decline” and “worse-some”, former Prime Minister Manmohan Singh Friday said that many industrialists have told him they lived in fear of harassment by government authorities.

His words, perhaps, found resonance in the silence of several leading voices in India Inc after the GDP figures came in.

The Confederation of Indian Industry, the leading industry body, skipped issuing a statement on the GDP numbers.

Leading corporates active on Twitter Uday Kotak (CEO Kotak Mahindra Bank); Anand Mahindra (chairman, Mahindra Group); Harsh Goenka (chairman, RPG Enterprises); Nandan Nilekani (chairman, Infosys); Sanjiv Bajaj (MD Bajaj Finserv & Bajaj Holdings); Gautam Singhania (CMD Raymond Ltd); Vijay Shekhar Sharma (Founder CEO, Paytm); and Harsh Mariwala (chairman Marico) were prominent among many who chose to maintain silence on the GDP numbers on their handles until late tonight.

In sharp contrast, when the government announced a cut in the corporate tax rate in September, the entire corporate sector had cheered the move saying it would spur growth.

On September 20, Anand Mahindra had tweeted: “Woke up in the US to this news. The best way to start the day. Not only because companies will pay less tax. But because this isn’t just another policy tweak. A multi-billion dollar shot that will be heard around the world. India has sent an invitation letter to global investors.”

Similarly, Harsh Goenka had on September 20, tweeted, “Viraat cut by FM #CorporateTaxes. Much needed boost to unleash ‘animal spirits’. I now expect the sentiment to change and private investments to start flowing. Sensex ‘boom’!!!” In another tweet, he wrote: “Truly showing that the Government knows best! #MarketsRejoice

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उद्योग जगत को अगली तिमाही में जीडीपी बेहतर होने की उम्मीद

नई दिल्ली, 29 नवम्बर (एएनएस): उद्योग जगत ने शुक्रवार को सरकार के प्रातिस्थान कदमों का असर अगली तिमाही तक दिखने की उम्मीद जताई। उन्होंने कहा कि इससे देश की आर्थिक वृद्धि दर में होने वाला सुधार अगली तिमाही तक दिखने लगेगा। देश की सकल परिसंपत्ति (जीडीपी) वृद्धि दर चालू वित्त वर्ष की दूसरी तिमाही में 4.5 प्रतिशत पर पहुंच गई है। इस संबंध में सरकार ने शुक्रवार को आर्थिकार्थिक आंकदेखी जारी किए।

उद्योग जगत ने कहा कि यह देश की अर्थव्यवस्था की शक्ति से नीचे है। एसीजूएम के महाशिवरात्रि दिवाली ने कहा कि अर्थव्यवस्था में मजबूत अपना निर्माण करने स्वतंत्र पर पहुंच जुड़कर है और अब यह इससे अधिक आएगी। उन्होंने बायोप्सियों के चेयरमैन एवं प्रबंध निदेशक फिल्म जमुनादार शोर कहा कि व्यावहारिक नीतियों से भारत को फिर से शीर्ष पर पहुंचने में मदद मिल सकती है। उद्योग गठबंधन फिक्को के अध्यक्ष संदीप सोमानी ने कहा कि जुलाई-सितंबर में जीडीपी वृद्धि दर 4.5 प्रतिशत पर आना चिंता जनक है लेकिन इसके इसे सीमा कर रहे हैं। उन्होंने देश का अर्थव्यवस्था के संकेतक कमजोरी को और इशारा कर रहे थे। यदां हो व्यापारी मास्टर्स में इसमें मामूली सुधार देख गया लेकिन निजी उद्योग और निवेश मांग कमजोर बनी हुई है। सरकार ने हाल में कुछ कदम उठाए हैं और आशा है कि इससे चालू वित्त वर्ष की दूसरी छमाही में हालात बेहतर होंगे।