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GDP to grow at 7.1% in Q4FY17, says Icra

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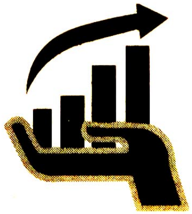
India's economy is expected to grow at 7.1 per cent in the fourth quarter of FY17, as remonetisation has gained steam, according to Icra.

Gross domestic product (GDP) had grown marginally lower, at 7 per cent, in the third quarter of FY17, down from 7.4 per cent in the second quarter.

Principal Economist of Icra, Aditi Nayar, said: "Benefitting from gradual remonetisation, GVA (gross value added) growth is likely to improve to 6.9 per cent in Q4 FY17 from the initial estimate of 6.6 per cent for Q3 FY17, while remaining weaker than the robust 8.1 per cent in Q4 FY16. Our forecast of a 6.9 per cent GVA expansion in Q4 FY17 builds in a healthy 8.8 per cent year-on-year- growth in services, and moderate rise of 5.4 per cent and 4 per cent, respectively, in industry and agriculture, forestry and fishing."

The Central Statistics Office is expected to release its estimate of fourth quarter growth on May 31.

Higher growth of the services sector was likely on account of robust growth in air



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ADITI NAYAR
Principal Economist, ICRA

cargo traffic, bank deposits as well as central government non-interest, non-subsidy revenue expenditure, the report said. Construction activity, though, would continue to fare poorly as the effects of the note ban linger.

The Icra estimated agriculture to grow at 4 per cent in the fourth quarter, based on the third advance estimates of crop production which showed healthy growth of rabi output of pulses, oilseeds, wheat and coarse cereals. Agriculture had grown by 6 per cent in the previous quarter.

But the CSO might revise the GDP estimate in light of the release of the new Wholesale Price Index (WPI) and the Index Of Industrial Production (IIP) series.

The new IIP series shows higher industrial growth than was estimated under the earlier IIP series. And with the WPI series showing lower inflation, which would impact the deflators, it is likely that the revised estimates may well show higher growth.

"The new WPI and IIP data could lead to revisions in GDP and GVA levels and growth rates from FY13 onward, at constant prices. In particular, the FY17 growth rates may differ materially from the second advance estimates released by the CSO in February 2017. Some additional data on the impact of the note ban on the informal sectors may result in a sharper dip in growth in H2 FY17, relative to the revised levels for H1 FY17," added Nayar.