CSO Advance Estimates

Why in news?

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The Central Statistics Office (CSO) recently released the first advance estimates of economic growth.

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How is the growth scenario?

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- The CSO expects gross domestic product to grow at 7.2% for 2018-19, an improvement over the 6.7% growth in the previous year.
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- The most significant aspect of the latest estimates is the clear deceleration in the growth momentum.
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- The first half of the fiscal witnessed a respectable growth rate of 7.6%.
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- However, GDP growth rate dipped sharply from 8.2% in the first quarter to just 7.1% in the second quarter.
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- A full year growth of 7.2% implies that the CSO expects economic growth to drop to just 6.8% in the second half of the year.
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- This clear dip in growth rate is seen in most sectoral estimates as well.
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- E.g. manufacturing is expected to grow at 8.3% in FY19, sharply higher than the 5.7% in FY18.
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- But it is expected to slow down sharply from 10.3% in the first half of the year to just 6.4% in the second half.
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- Likewise, on the expenditure side of the national income accounts, both private and government consumption is expected to moderate.
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How is the investment prospect?

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- The gross fixed capital formation (or investments) is projected to rise sharply in the second half of the year.
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- A rise in the rate of investments from 7.6% a year ago to 12.2% in 2018-19 is welcome.
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- But it is uncertain if the increase in investments will necessarily sustain as new projects tend to be held up before a general election.
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- It is also possible that even these estimates have an element of overestimation.
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- Evidently, the data compiled by the Centre for Monitoring Indian Economy showed a fall in investment projects being completed.
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- It also highlighted a 30% drop in new investment projects taken up between December 2016 and 2018.
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What is the dispute?

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- The estimate has come as a disappointment because it is below the expectation of most institutions mapping the Indian economy.
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- E.g. both the RBI and the International Monetary Fund expected the economy to grow by 7.4% this year.
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- Even the Union finance ministry expected a growth rate of 7.5% for the current fiscal.
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Hoe does the future look?

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- Overall, there is indeed some merit in the government’s optimism as India

remains the fastest-growing major economy in the world.
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- But there are some factors that could possibly drag down growth in the second half.
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- Government’s ability to come up with economic boosters is uncertain as fiscal deficit in the first 8 months of the year has crossed 112% of the full-year target.
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- In this context, the CSO estimates are significant as they will provide the foundation for the preparation of the interim Budget.
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Source: Business Standard

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