GDP Projections

Why in news?

Recently, NSO projected that GDP of the current fiscal will be around Rs 134.4-lakh crore in constant prices rebounding after pandemic-induced slump of the preceding two quarters.

What does this data indicate?

- After contracting by almost 16% in the April-September period, GDP is just short of Rs 10,400 crore when compared to the second half of the earlier figure.
- NSO has assumed that output will recover vigorously in the third and fourth quarters & it is highly optimistic about the expenditure side and gross value added of various industries.
- NSO expects manufacturing sector to shrink 9.4% this fiscal & the GVA of services components-trade, hotels, transport- to contract over 21.4% over the 12-month period.
- COVID-19 mandated social distancing norms has severely affected services sector which contributes almost a fifth to overall GVA.
- Private consumption expenditure — the single biggest component propelling GDP— is estimated to shrink 9.5% in the full year after contracting nearly 19% in the first half.
- This reflects the fact that consumers had shed their suspicion in spending in the face of COVID-19.
- They will now begin to consume goods and services close to pre-pandemic levels & this will reduce the instances of job losses.

Is this data overestimated?

- The NSO projects that government final consumption expenditure (GFCE) will jump to 17% in the second half after first-half's contraction & boost to a growth of 5.8%.
- But the end-November fiscal deficit data shows that the government is lagging well behind its budgeted revenue & capital expenditure targets.
- Hence it is hard to project how GFCE can increase so appreciably in the second half.
- So these estimates are likely to undergo revisions & upcoming Economic

Survey could move away from these overly optimistic assumptions with more clear assessment of the economy.

Source: The Hindu

