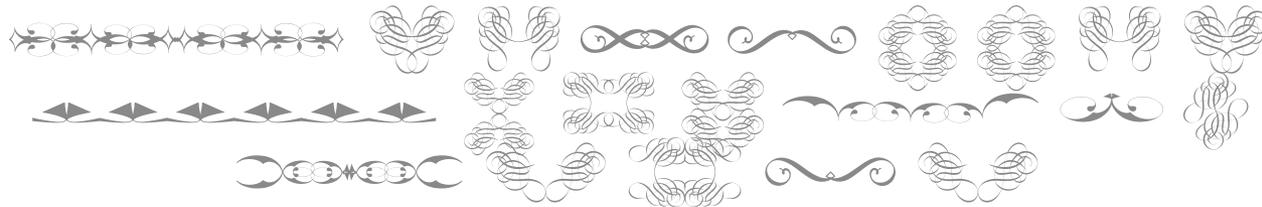


Measuring Growth in India

Are we in serious economic crisis?



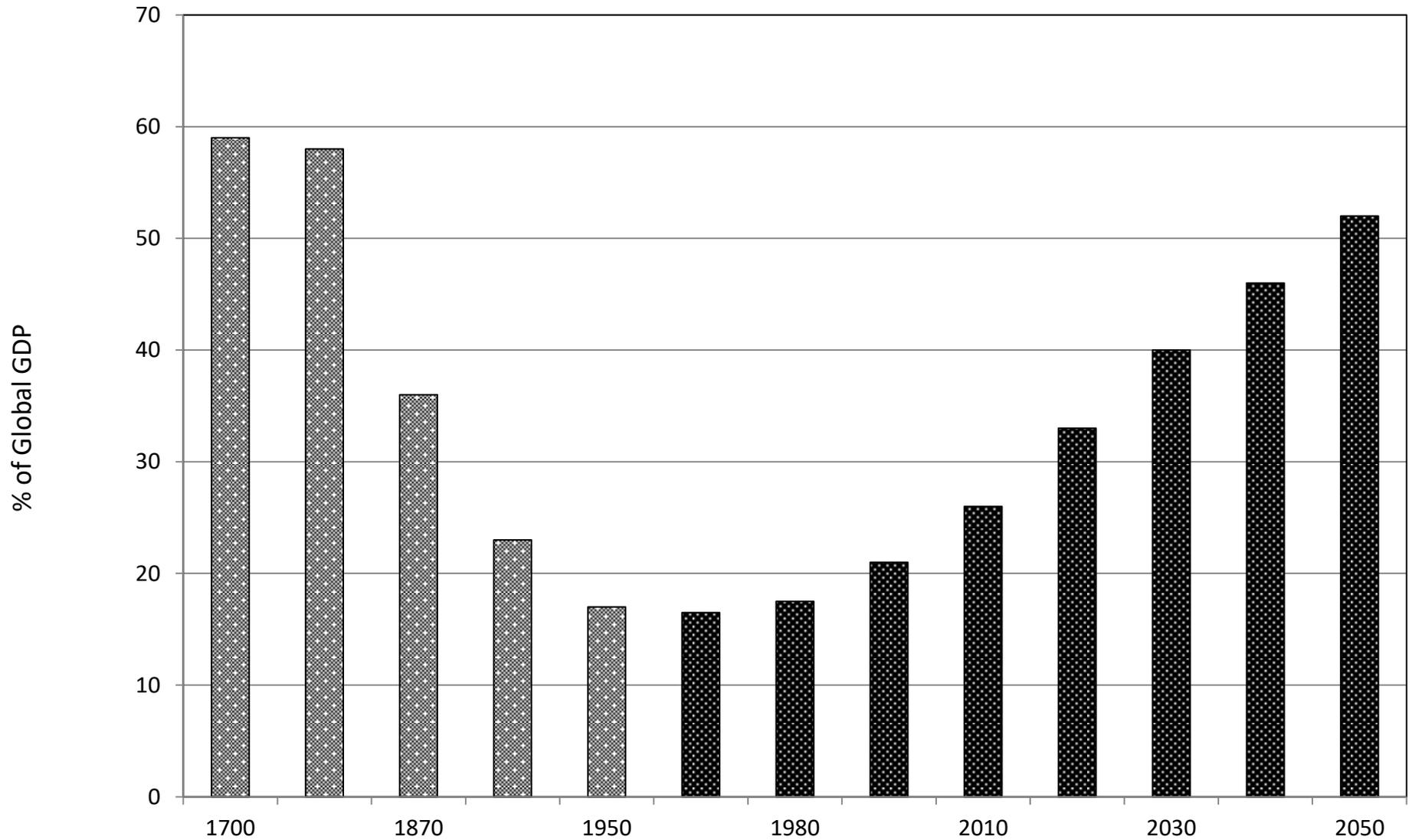
RESEARCH AND INFORMATION SYSTEM
FOR DEVELOPING COUNTRIES

Presentation at the
94th Foundation Course for Trainee Civil Servants

**Dr MCR HRD Institute, Government of
Telangana, Hyderabad**

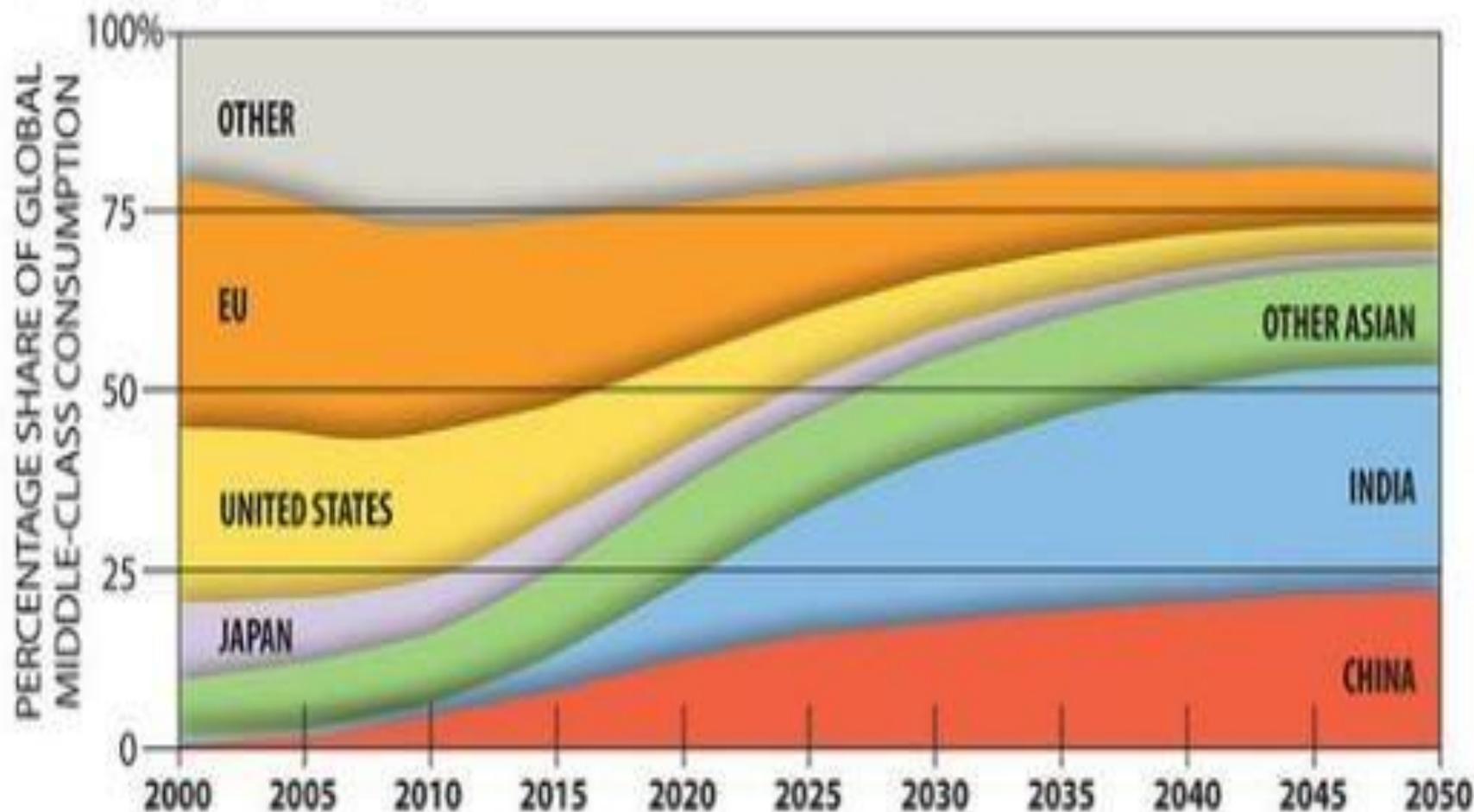
The 12-13 September, 2019

Fall and Rise of the Share of Developing Countries in Global Economic System



The global middle-class wave

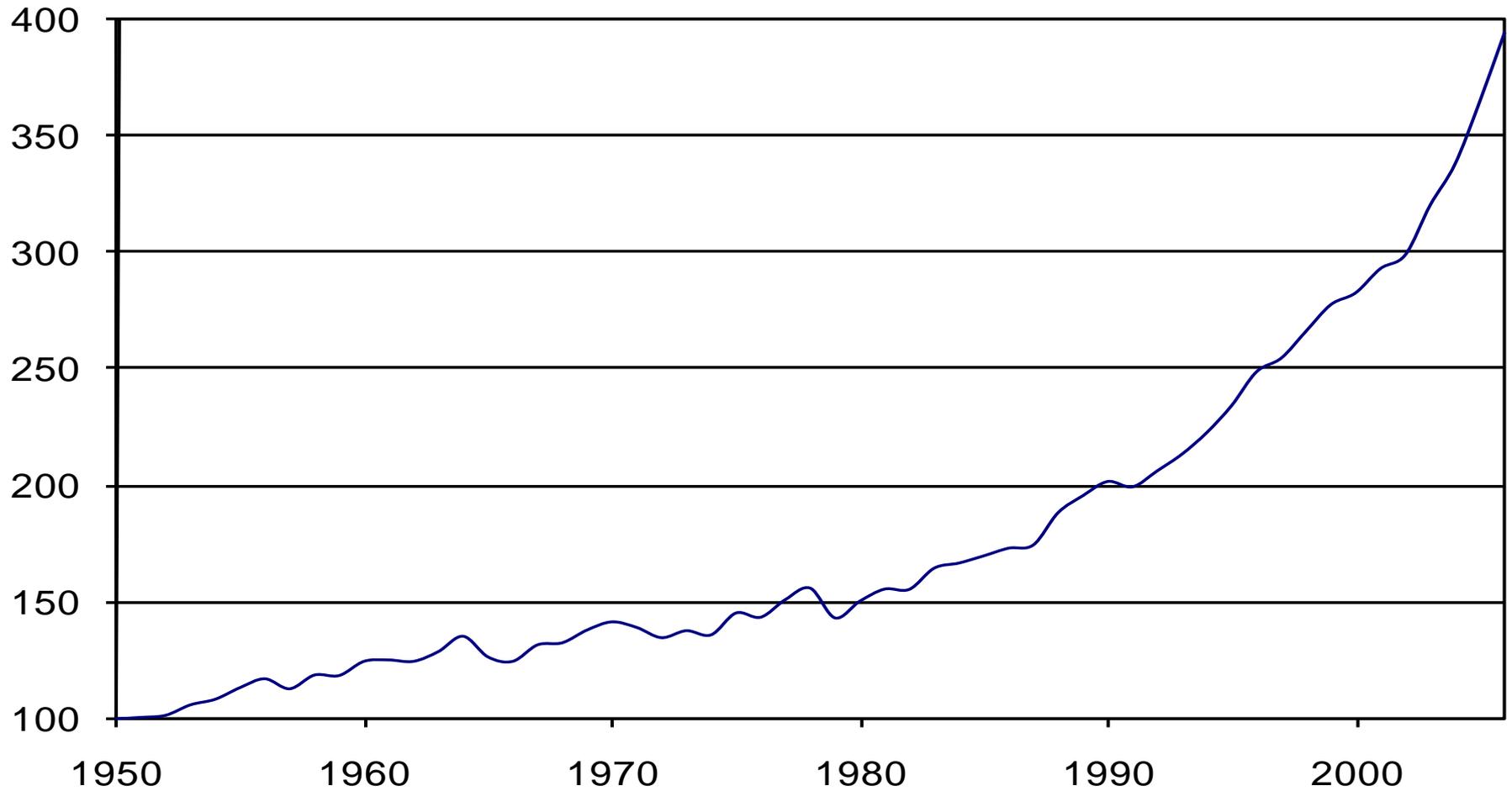
Global middle-class consumption will shift heavily toward China, India, and other Asian countries (excluding Japan) as the high-income countries see their share decrease.



SOURCE: H. Kharas (2010), 'The Emerging Middle Class in Developing Countries,' OECD Development Centre Working Paper No. 285

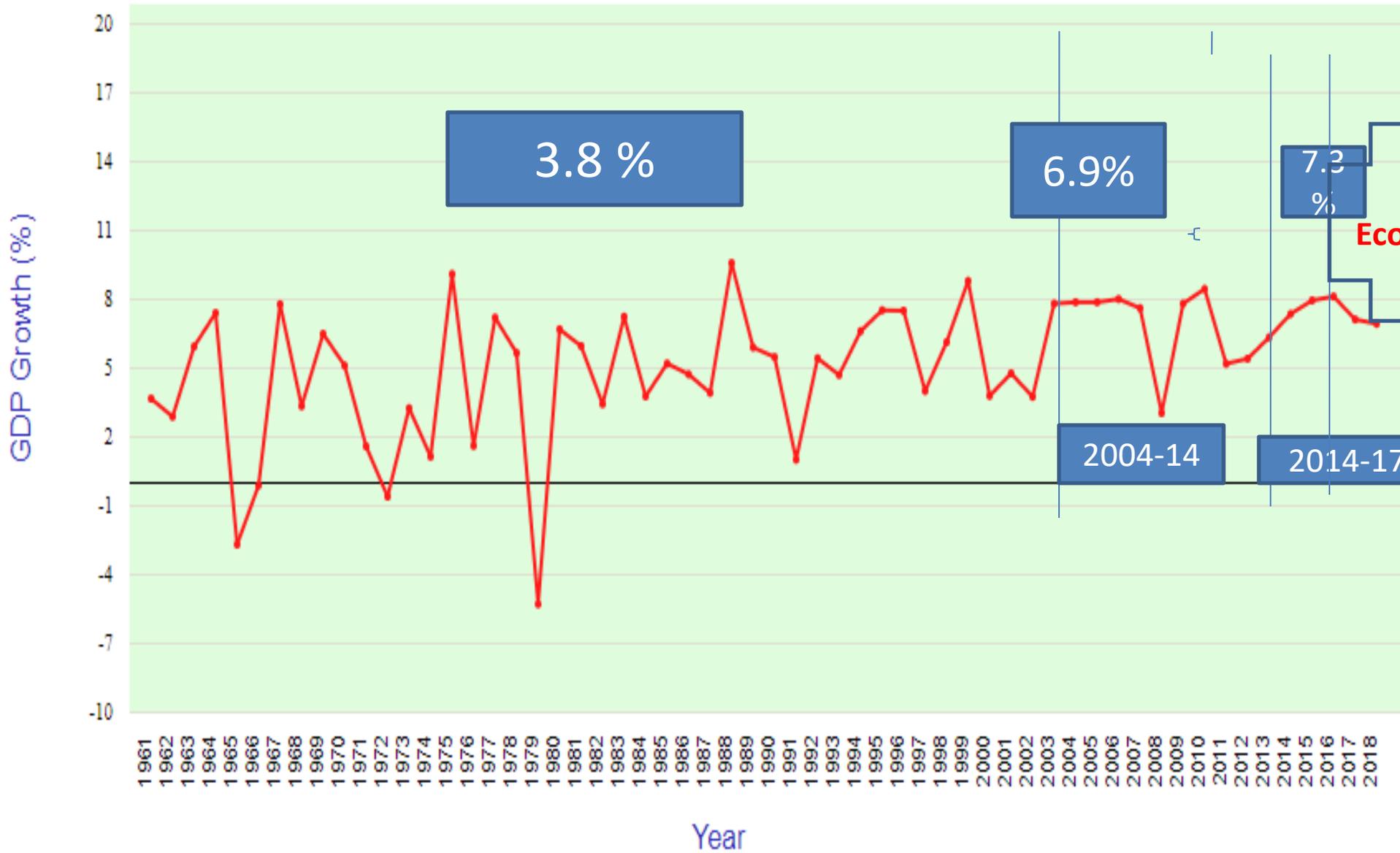
RICH CLABAUGH/STAFF

Graph Index of per capita income at constant prices (1950-51=100) India



GDP Growth of India

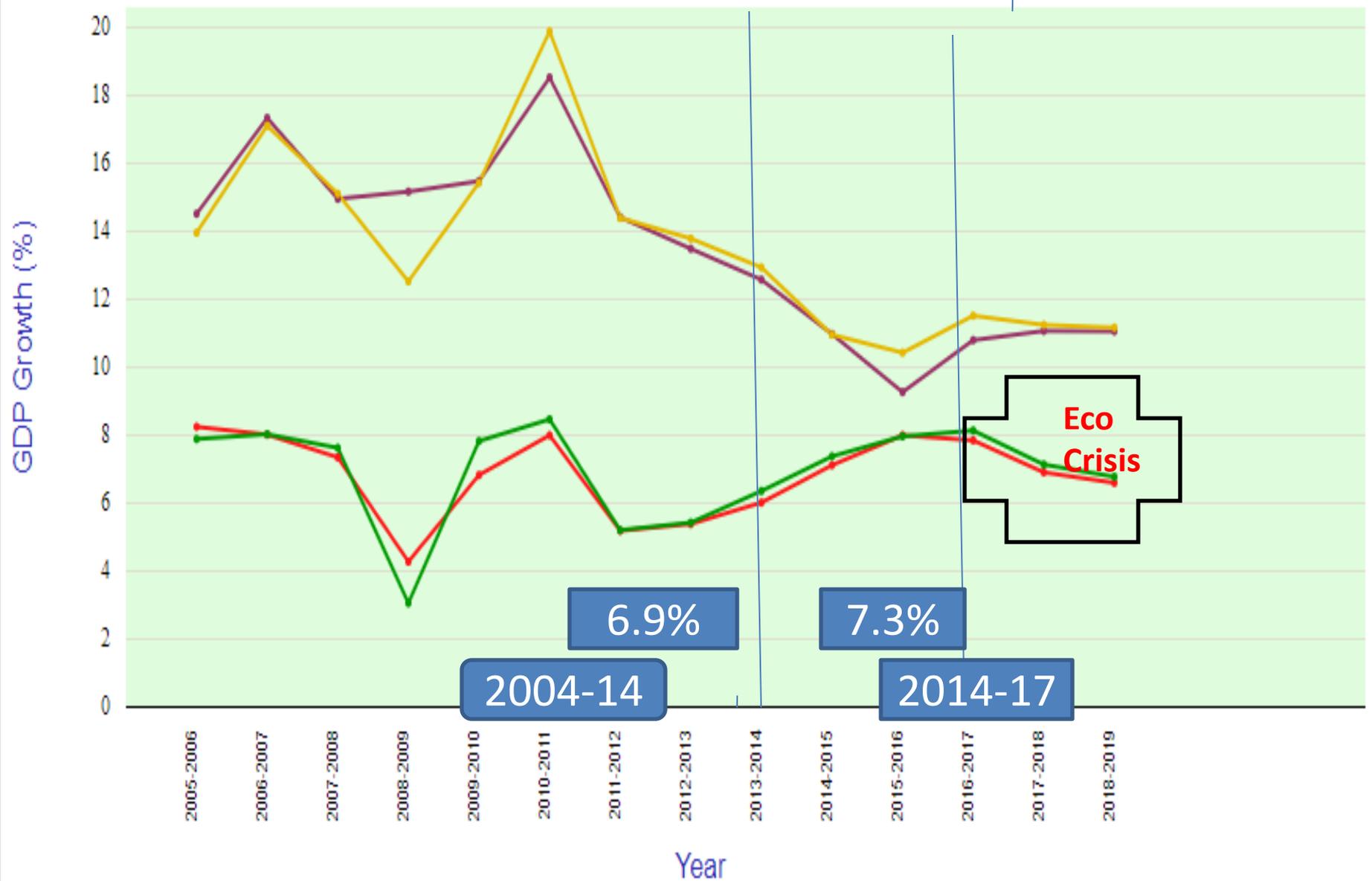
Source : World Bank



GDP Growth of India

Source : Ministry of Statistics and Programme Implementation

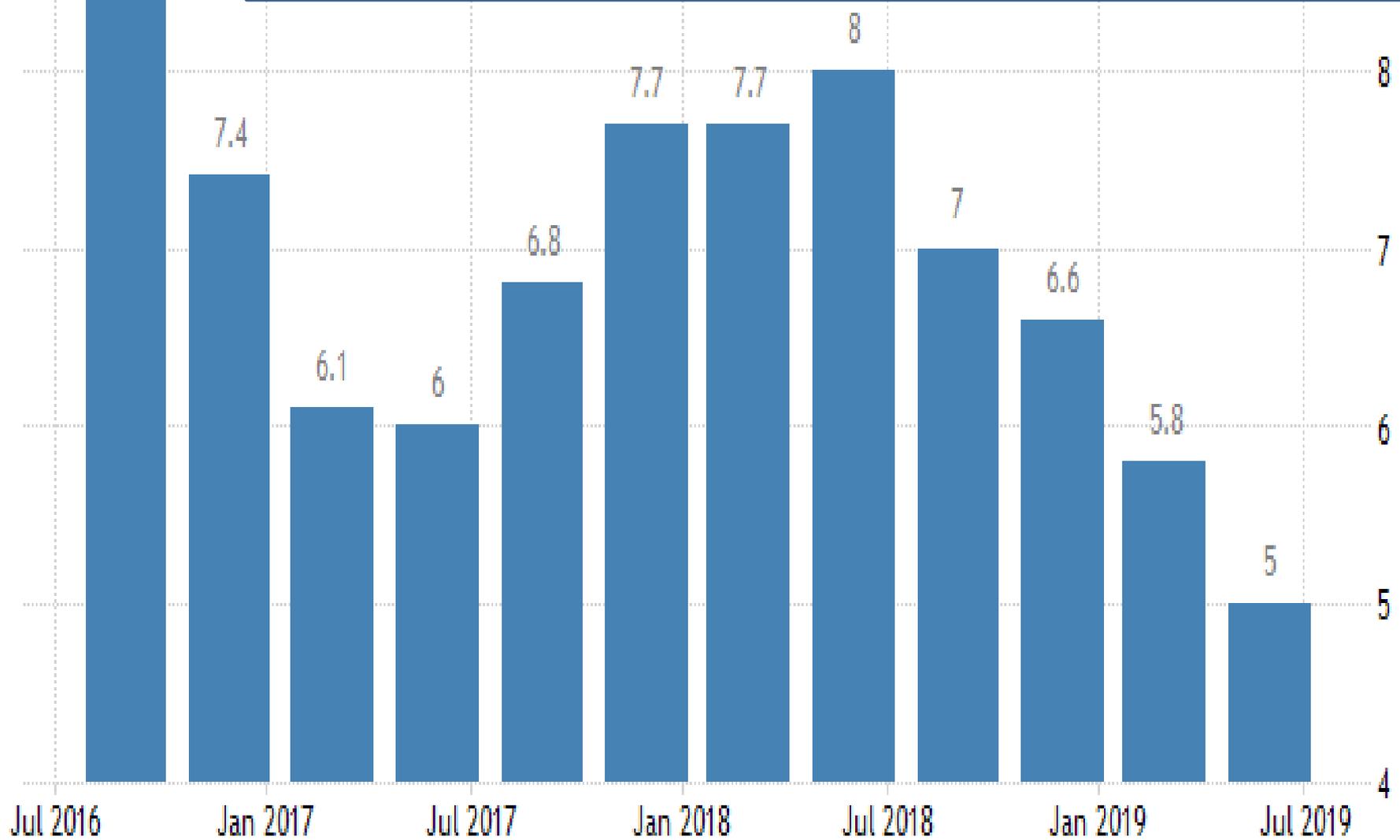
■ GVA (2011-12 Prices) ■ GDP (2011-12 Prices) ■ GVA (Current Prices) ■ GDP (Current Prices)



India GDP Quarterly Growth Rate Sequentially



India GDP Quarterly Growth Rate (Year on Year)

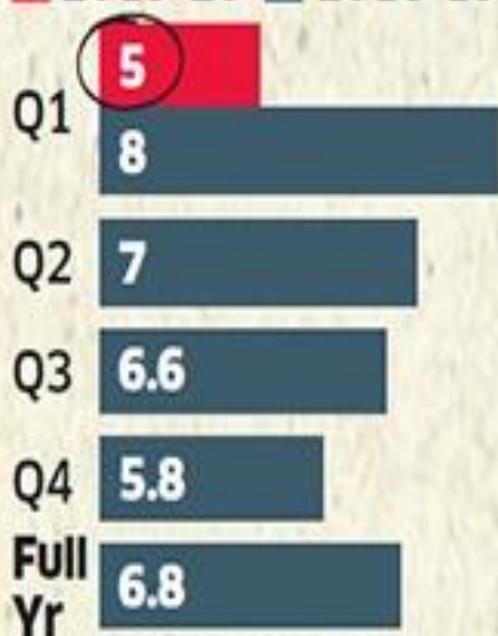


SOURCE: [TRADINGECONOMICS.COM](https://tradingeconomics.com) | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

Driving in the Slow Lane

GDP (%)

■ 2019-20 ■ 2018-19



8% nominal GDP growth lowest since FY2002-03

3.1% private consumption rise worst in 18 quarters

Sector-wise Growth

Q1 GVA Growth (%)	FY20	FY19
Agriculture, forestry, fishing	2.0	5.1
Mining, quarrying	2.7	0.4
Manufacturing	0.6	12.1
Utilities	8.6	6.7
Construction	5.7	9.6
Trade, hotels, transport	7.1	7.8
Financial, realty, prof. services	5.9	6.5
Public administration, defence	8.5	7.5

What Lies Ahead

Further rate cuts, sentiment boosters needed

Govt should consider major reforms

Windfall gain from RBI may boost govt expenditure

FM's stimulus package may propel demand

Worry Lines

Sharp slowdown in private consumption

Low domestic, global demand

Negligible growth in manufacturing GVA

Govt spending key driver of growth

Rebound in H2 likely

Faster rate cut transmission to revive demand

Alarming trends in Q1 2020 compared to Q1 in 2019

- Agriculture growth is down to 2% from 5.1%
- Construction growth is down to 5.7% from 9.6%
- Real estate Decline reflected significantly
- Manufacturing growth down from 12.1% to 0.6%
- Private consumption growth down to 3.1 from 10.6
- GVA grew by 4.9% compared to 7.7 % last year

Percentage Share of Industries in GDP in the World

value added (%) X

data.worldbank.org/indicator/NV.IND.TOTL.ZS

World Bank national accounts data, and OECD National Accounts data files.

License: [Open](#)

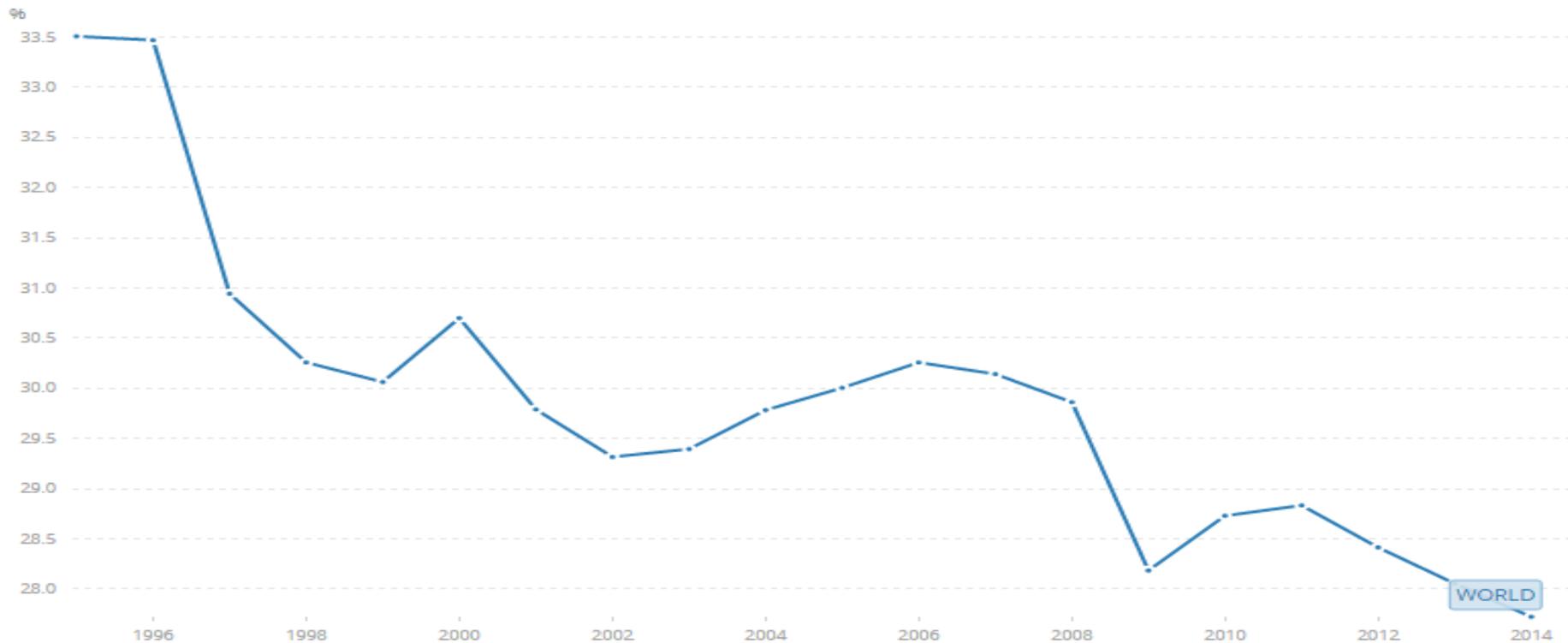
Line

Bar

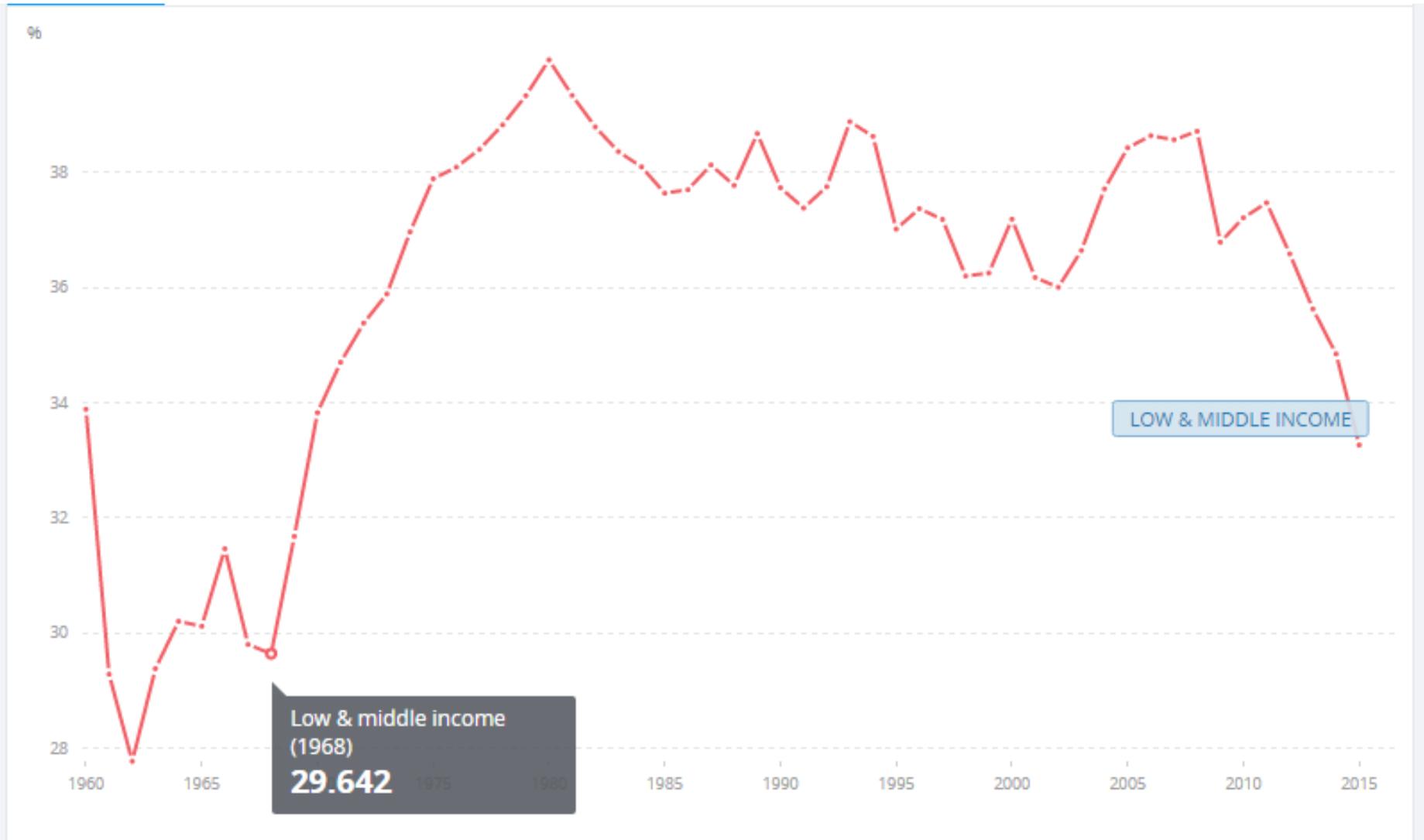
Map

Share

Details



Percentage Share of Industries in GDP in the Low and Middle Income Countries



Percentage Share of Industries in GDP in China

Line

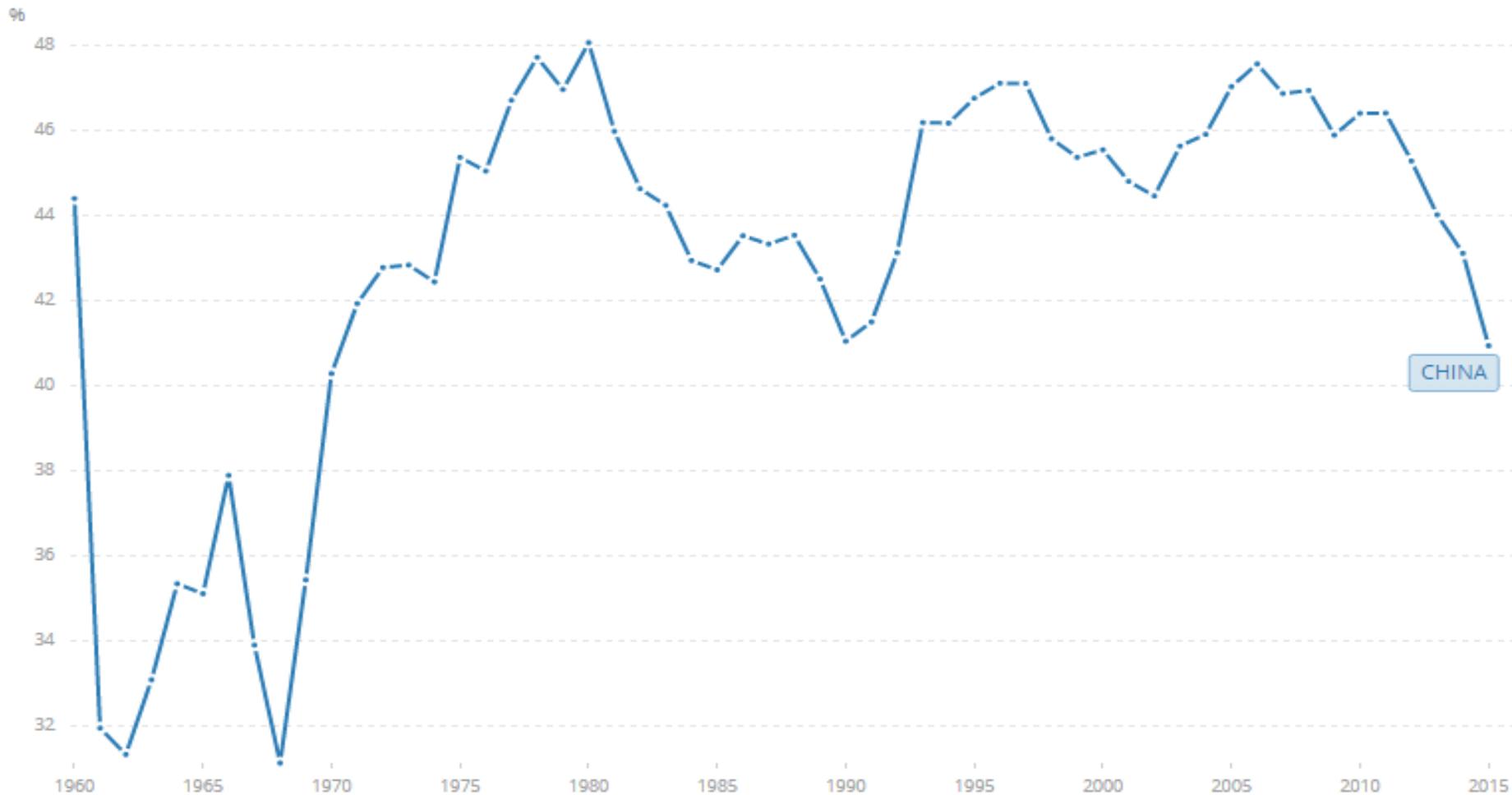
Bar

Map

Also Show

Share

Details

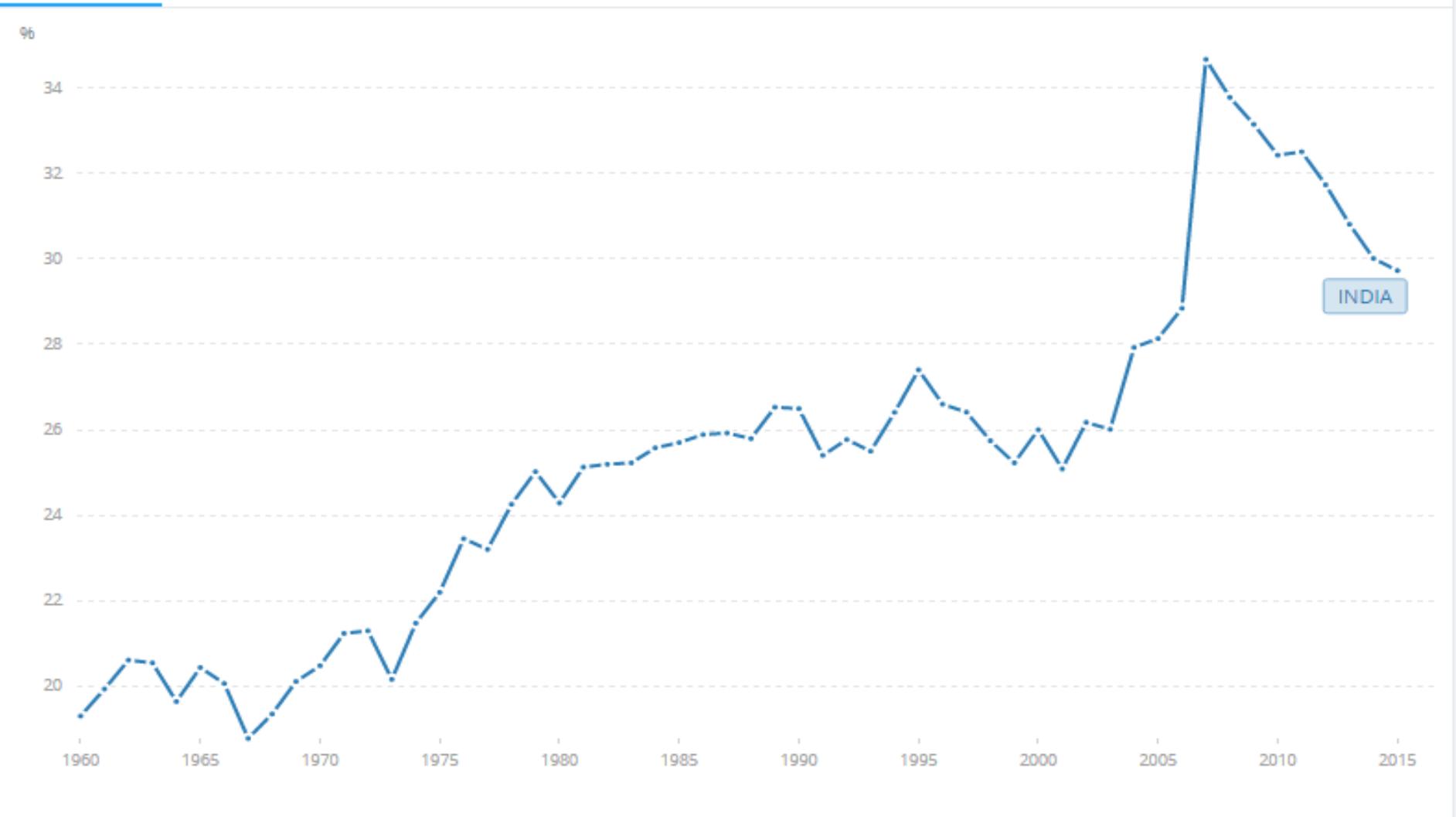


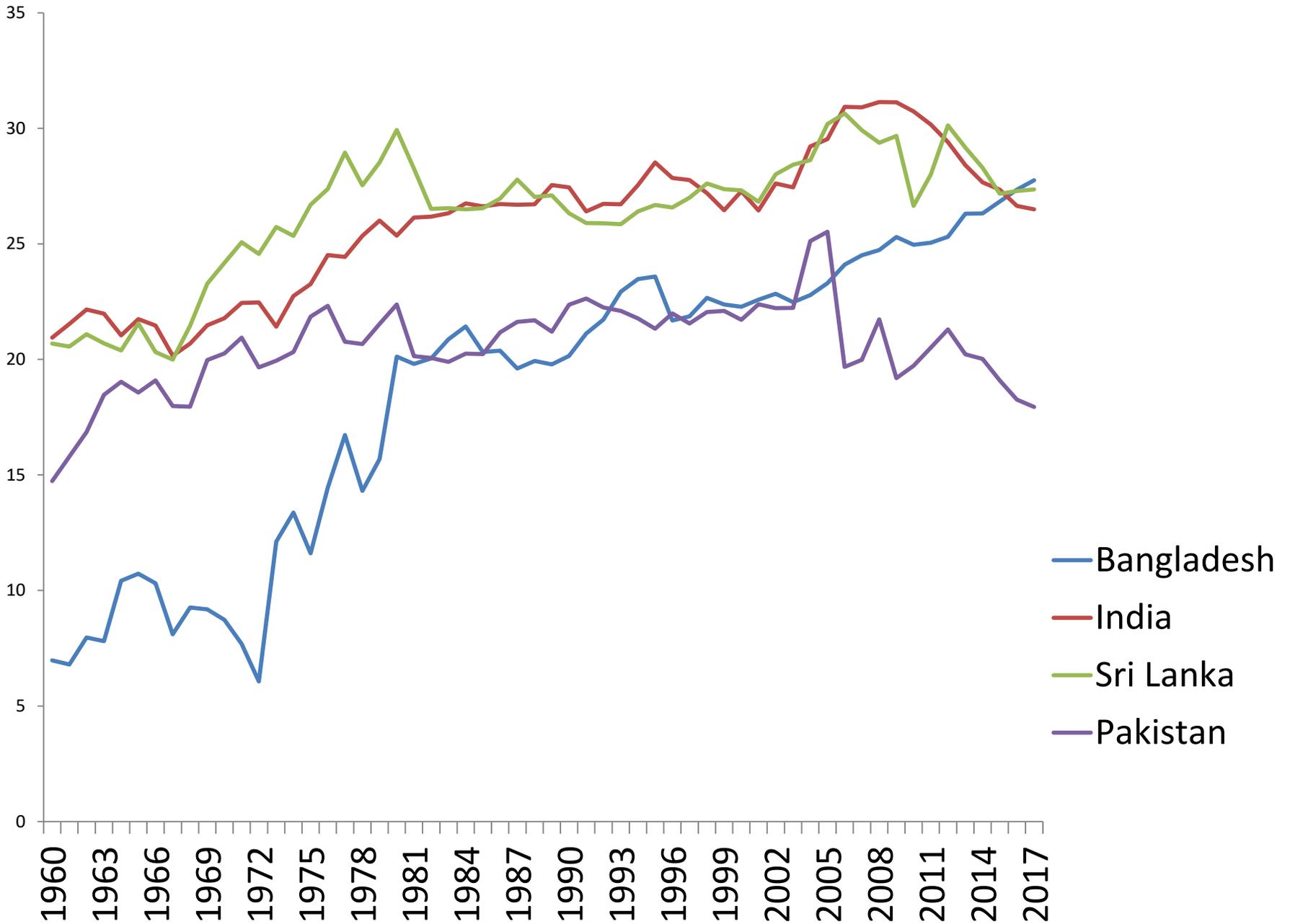
1960 - 2015

|||

|||

Percentage Share of Industries in GDP in India





Directions of Intervention

- Liberalising FDI in select sectors
- Rollback of controversial foreign portfolio investment
- Big bang Reforms including the enhanced surcharge levied on capital gains made by foreign portfolio investors
- Reduction in Repo rate of RBI
- Credit Flow to non-banking financial institutions
- Increase in govt expenditure backed up by the extra funds provided by RBI

Middle Income Trap hypothesis Explored

- Current growth driven by 100 million people in upper and middle class
- Phenomenal growth in Automobile, mobile and other items of upper and middle class consumption
- Plateau in the demand of this class
- Sluggish growth in the base of middle class
- Car industry accounting for 7 % of GDP more than housing of 5 %
- Real estate producing vacant houses with 11 million vacant houses in urban areas

