

India's FY13 GDP growth hits decade low of 5%

India's Gross Domestic Product (GDP) grew at 4.8% in the fourth quarter of FY13, marginally lower than an ET Now poll estimate of 4.9%. This is a marginal improvement over the Q3 GDP growth rate of 4.7%.

The GDP for the entire FY13 grew at 5%, which is a decade low number. The manufacturing sector of the economy grew at 2.6%.

The consensus estimates of the poll ranged from 4.3% to 5.5%.

India's economic growth was at 6.2 per cent for the 2011-12 fiscal. It had grown by 5.4 per cent, 5.2 per cent and 4.7 per cent in the first, second and third quarters, respectively, of 2012-13, according to data released by the Central Statistical Organisation (CSO) today.

During 2012-13, the sector under review grew by a meagre one per cent compared to 2.7 per cent in the previous fiscal.

Mining and quarrying sector contracted by 3.1 per cent during the fourth quarter of last fiscal, as against growth of 5.2 per cent in output in the same period of 2011-12. The contraction in mining sector remained unchanged at 0.6 per cent in 2012-13 over the previous fiscal.

Farm sector output expanded by just 1.4 per cent in January-March this year, as against 2 per cent in the same quarter of 2011-12.

The agriculture sector also grew at a slower rate of just 1.9 per cent in 2012-13 compared to 3.6 per cent in 2011-12.

"The sectoral performance affirms our expectations that while GDP growth remains subdued, a floor is in sight, but lacks signs of sustainable pick up in momentum," said Radhika Rao, an economist at DBS in Singapore.

The data dampened market hopes for another interest rate cut at the central bank's policy review on June 17. The Reserve Bank of India's (RBI) has cut its policy rate by a total of 75 basis points since January to spur economic recovery.

India's benchmark 10-year government bond yield rose to two week high of as much as 7.49 per cent as hopes of another rate cut faded after the GDP data came in line with expectations.

Worryingly, annual capital investment growth slowed down to 3.5 per cent in the March quarter from 4.5 per cent year-on-year a quarter ago.

Years of fiscal profligacy, a long struggle with high inflation, high interest rates, persistent political gridlock and fragile global economy have put India back in a rut. India has probably surpassed Japan to become the world's third largest economy after the US and China, Paris-based think-tank OECD said earlier this week, even as it lowered the country's economic growth projection for 2013 to 5.3 per cent.

"China will likely pass the United States as the world's largest economy in the next few years and India has probably recently surpassed Japan to be third largest," said the OECD Economic Outlook report.

Until around 2020, China is set to have to highest growth rate among major countries, but could be then surpassed by India, it further said.

OECD also said that by early 2030s, the BRIICS' (Brazil, Russia, India, Indonesia, China and South Africa) combined GDP should roughly equal that of the OECD (based on current membership), compared with just over half that of OECD now.

(Economic Times)