



GDP Growth Surprise

For Prelims: [Gross Domestic Product \(GDP\)](#), [Production-linked incentive scheme](#), [National infrastructure pipeline](#) , **Ministry of Statistics and Programme Implementation (MoSPI)**.

For Mains: India's GDP Growth, Calculations Methods For GDP in India, Positive Factors that Can Help India Recover from the Slump.

Source: [IE](#)

Why in News?

According to the latest data from the Ministry of Statistics and Programme Implementation (MoSPI) , India's **Gross Domestic Product (GDP)** grew by 7.6% in second quarter (Q2) of 2023-24, covering the months of July to September.

- India's economy in Q2 witnessed a decline in agriculture, a surge in manufacturing, and a slowdown in services sectors.

What is the Significance of This Growth Data?

- Not only is this a fairly impressive level of economic growth, it also beats all market expectations.
 - The recent quarterly GDP growth has **triggered a flurry of upward revisions in the GDP forecast** for the full financial year.
- It appears that India's central bank accurately predicted the country's GDP growth rate for the fiscal year, **despite initially seeming optimistic compared to other economists**.
 - Now, with many experts revising their projections to align with the bank's forecast of 6.5%, the **Reserve Bank of India (RBI)** seems to have made an accurate prediction.
- This also means that **RBI is unlikely to cut interest rates sooner than expected**. Had the growth rate been below market expectations, the probability of a rate cut would have heightened.
- It is also noteworthy that it was exactly three years ago — when MoSPI announced the Q2 GDP data for 2020-21 — that India went into a **technical recession**. The upside surprise on growth has given hope that India's economic recovery is now gathering momentum.

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REAL GROSS VALUE ADDED

	2019	2020	2021	2022	2023
GVA Total	4.23	-5.12	9.33	5.41	7.42
Agriculture, forestry and fishing	5.32	4.32	4.84	2.49	1.22
Industry	-2.14	3.24	8.11	-0.55	13.18
Mining and quarrying	-5.8	-8.06	10.63	-0.12	9.97
Manufacturing	-3.57	9.01	6.55	-3.83	13.91
Electricity, gas, water supply and other utility services	1.96	-3.93	10.8	5.96	10.06
Construction	1.09	-4.88	10.75	5.66	13.28
Services	7.43	-11.09	11.07	9.35	5.8
Trade, hotels, transport, communication and broadcasting services	6.44	-18.42	13.12	15.63	4.26
Financial services, real estate and professional services	8.38	-5.07	7.05	7.06	6.02
Public administration, defence and other services	7.04	-12.24	16.81	5.59	7.56

Base Year 2011-12 Y-o-Y% change

(All data for Q2)

What are the Different Ways of Measuring Economic Growth?

▪ Two Ways to Calculate Economic Growth:

◦ GDP:

- It involves **examining people's spending patterns (the expenditure side)**. GDP can be derived from **Gross Value Added (GVA)** by incorporating indirect taxes and subtracting government subsidies.

◦ GVA:

- It focuses on the income side of the economy. GVA, as defined by the RBI, is the **value of a sector's output minus the value of its intermediary inputs**. This "value added" is distributed among the primary factors of production—**labor and capital**.

▪ Disparity Between the Two Methods:

- The disparity between the two methods is termed a discrepancy and has sparked controversies, notably during the release of first-quarter GDP data.
- For a nuanced analysis of quarterly economic trends, **GVA numbers are often considered more reliable, while GDP (expenditure data) is preferred for assessing annual trends**.

What Needs to be Done to Make India's Growth Rate More Robust?

▪ **Boosting Investment and Consumption:** These are the two main drivers of domestic demand, which **accounts for about 70% of India's GDP**.

- To increase investment, the government can continue to implement reforms that **reduce policy uncertainty, regulatory hurdles, interest rates, and bad loans**.
- To increase consumption, the government can **support income growth, inflation control, rural development, job creation, and credit availability**.

▪ **Enhancing Manufacturing and Exports:** These are the key sources of value addition, employment, and external demand, which can help India diversify its economy and integrate with the global market.

- To improve manufacturing and exports, the government can continue to implement initiatives such as the **Atmanirbhar Bharat package**, the **production-linked incentive scheme**, and the **national infrastructure pipeline**.

- **Investing in Human Capital and Social Services:** These are the essential factors for improving the living standards and productivity of India's large and young population.
 - To invest in human capital and social services, the government can continue to implement programs that **enhance education, health, skills, nutrition, water, sanitation, energy, housing, and healthcare.**
- **Maintaining Macroeconomic Stability and Resilience:** These are the necessary conditions for sustaining economic growth and coping with various shocks and uncertainties.
 - To maintain macroeconomic stability and resilience, the government can continue to **pursue prudent fiscal and monetary policies** that balance growth and inflation objectives.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if: (2018)

- (a) Industrial output fails to keep pace with agricultural output.
- (b) Agricultural output fails to keep pace with industrial output.
- (c) Poverty and unemployment increase.
- (d) Imports grow faster than exports.

Ans:(c)

Q. In a given year in India, official poverty lines are higher in some States than in others because: (2019)

- (a) Poverty rates vary from State to State
- (b) Price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) Quality of public distribution varies from State to State

Ans: (b)