

India's GVA growth may rise to 6.3% in September quarter, says Nomura report

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The Indian economy is expected to see a rebound in the July-September quarter of this year with a GVA growth rate of 6.3 per cent, says a Nomura report. Nomura's proprietary indices suggest that growth bottomed out in the second quarter and a recovery is underway in the third quarter, largely because consumption and investment indicators have improved in the third quarter. "We expect GVA growth to rise to 6.3 per cent year-on-year in the third quarter from 5.6 per cent in the second quarter, largely in line with the Reserve Bank of India's Q3 forecast of 6.4 per cent," Nomura said in a research note. The July-September quarter saw strengthening of consumption-related indicators. Rural consumption indicators such as tractor and two-wheeler sales picked up sharply ahead of the festive season, despite weak monsoon, likely reflecting improving cash levels with remonetisation. Moreover, urban consumption indicators such as passenger vehicle sales and consumer credit also improved in the September quarter, relative to June quarter.

The Japanese financial services major, however, said the recovery in the country's economic activity will not be linear and could consolidate before moving higher. For this financial year Nomura expects a GVA growth of 6.4 per cent, slightly lower than the RBI's forecast of 6.7 per cent, partly because we expect the government to cut spending due to fiscal constraints. On the RBI's monetary policy stance, the report said with incremental growth momentum headed higher, core inflation above 4 per cent and fiscal risks on the horizon, we expect rates to stay unchanged in the base case (75 per cent probability), including at the next policy review meeting on December 6.

Earlier this month, the Reserve Bank of India kept benchmark interest rate unchanged on fears of rising inflation while lowering growth forecast to 6.7 per cent for the current fiscal. It also raised its inflation forecast to a range of 4.2 per cent to 4.6 per cent during remainder of current fiscal as against 4-4.5 per cent previously.