

India's economy expands 7% in fourth quarter year-on-year

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India said its economy expanded 7 per cent in the three months to December compared to the same time in 2015 – down just slightly from an estimated 7.4 per cent growth in the previous quarter – despite the shock to the economy from Prime Minister Narendra Modi's November ban on using most of the country's cash.

The strong performance – at odds with some of the results of some private companies – surprised many independent economists, who were expecting a sharper dip in growth as a result of the shock to the economy from the lack of cash. But Indian officials said the data was a vindication of their claim that the dramatic ban, announced on November 8th, on the use of most of the country's circulating cash would have only a temporary and minor impact on the economy. The government said it expects full-year growth of 7 percent for the current financial year, which ends in March, "The number completely negates the negative speculations you have made about the impact of demonetisation," Shaktikanta Das, a senior finance ministry official said, addressing journalists at a press conference. "We still maintain our growth rate at seven per cent. "However, Sajjid Chinoy, an economist with JP Morgan, said the country's economic performance was buoyed by strong growth in agriculture – which expanded 6 per cent compared to 3.8 per cent in the previous quarter – and a 12 per cent increase in government spending. "The headline number makes it look like there is no impact of demonetisation," he said. "But below the surface there has been some drop-off."