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Title : Growth slows to 5.3% in Q2

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Sluggish Mfg Drags Down GDP Expansion, Cos Seek Rate Cut

Economic growth slowed in the July-September quarter, dragged down by a sluggish manufacturing sector and triggering calls from India Inc to cut interest rates and step up reforms to boost growth.

Data released by the Central Statistics Office (CSO) on Friday showed growth slowed to 5.3%, slower than the 5.7% in April-June quarter but marginally better than 5.2% growth in the second quarter of 2013-14. Growth in the first half of the 2014-15 was at 5.5% compared to 4.9% in the same period in 2013-14.

Economists said they expect a slow and gradual recovery in the months ahead as investments are yet to pick up. The finance ministry said the second quarter growth numbers were “broadly on expected lines.” The ministry said slower growth in the farm sector was expected due to the lower-than-expected monsoon, while the slower expansion in the manufacturing sector was not surprising.

“It may be mentioned that the Economic Survey 2013-14 had predicted that the growth of GDP to be in the range of 5.4% to 5.9%. In the first half of the year, the growth has been 5.5%, which is broadly in line with the projections as well as the expectations,” the ministry said in a statement.

India Inc stepped up calls for cutting interest rates and accelerating reforms.

“Looking ahead, in order to steer our economy to the path of growth and ensure that we move towards a sustained recovery, there is need for continuing with proactive policies, which would help revive investments and address the bottlenecks plaguing the agriculture and industrial sectors,” said Chandrajit Banerjee, director general at CII. “At the same time, the RBI should review its status quo approach and move towards paring interest rates in its forthcoming monetary policy to give a fillip to recovery both through higher consumption spending and opening up channels for investment.”

RBI governor Raghuram Rajan is expected to meet FM Arun Jaitley on December 1, a day ahead of the policy review. The FM is expected to renew calls for moderating interest rates to boost growth and revive investment.

Rajan is under pressure to cut rates against the backdrop of slowing inflation and some improvement in the government's fiscal situation due to easing of global crude prices.

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