

1. GDP Growth Plunges to 4.5%

Prelims Level: Growth, Development, National.

Mains Level: GS-III Indian Economy & Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment

Why in News?

- The government has announced that Growth in the gross domestic product (GDP) in the July-September quarter hit a 25-quarter low of 4.5%.

Agriculture Sector:

- Growth in gross value added (GVA) also dipped to 4.3% in Q2 of 2019-20 from 4.9% in Q1, and 6.9% in the Q2 of last year.
- The agriculture sector saw growth coming in at 2.1% in second quarter of this year compared with 4.9% in Q2 of last year.
- The sector grew just 2.1% over the first six months of the year compared with 5% in the first half of the previous year.

Manufacturing Sector:

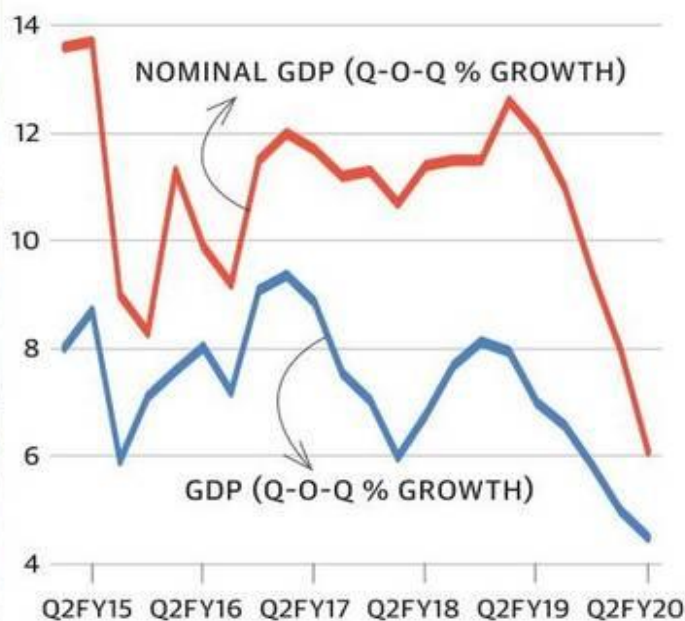
- According to the data released, the manufacturing sector contracted 1% in the second quarter of the current financial year, compared with a robust growth of 6.9% in the same quarter of the previous year.
- The manufacturing sector saw an overall contraction of 0.2% in the first half (April to September) of the current financial year compared to a growth of 9.4% in the first half of last year.
- The International Monetary Fund has projected India's GDP growth at 6.1% in financial year 2019-20 and 7% in 2020-21 in its October 2019 report.

Service Sector:

- Among the services sectors measured, only the 'Public Administration, Defence & Other Services' category saw growth quicken in the second quarter of this year, to 11.6%, compared with 8.6% in the same quarter of the previous year.
- The 'Financial, Real Estate & Professional Services' category saw growth slow to 5.8% in Q2 of 2019-20, compared with 7% in Q2 of the previous year.

In slump mode

In the July to September 2019 quarter, both the nominal GDP (which includes inflation) and the real GDP grew at the slowest-ever pace since 2014



▪ GDP growth rate fell for the sixth consecutive quarter

▪ Manufacturing sector contracted by 1% in the latest quarter

Gross Fixed Capital formation:

- Gross fixed capital formation, which is a measure of the level of investment in the country by both the government and the private sector, grew only 1.02% in the second quarter of this financial year, compared with a growth of 4.04% in the first quarter, and drastically lower than the growth of 11.8% seen in the Q2 of last year.

Consumption:

- Private final consumption expenditure, the closest proxy in the data to a measure of consumption demand, grew 5.06% in the second quarter of this financial year, compared with a growth of 3.14% in the first quarter.
- However, the growth in the second quarter this year is still significantly lower than the growth of 9.79% recorded in the second quarter of the previous year.