

ECONOMIC TURNAROUND IN SIGHT AS GROWTH EXPECTED TO HIT TWO YEAR HIGH



The Indian economy may be turning a corner, say economists, as they predict growth to have hit a two-year high in the fiscal first quarter with more green shoots on the horizon.

The turnaround is being driven largely by the industrial sector, which looks to be gaining strength after turning positive in the first two months of the fiscal year that began in April.

Corporate results have also been healthy, adding further credence to the recovery story and giving more reasons to the Modi government to push economic reforms. Industrial production growth, as measured by the Index of Industrial Production (IIP), rose 4 per cent in April-May.

IIP data for June will be released on Tuesday, but with a 7.3 per cent expansion in the core sector in June, industrial production is expected to be strong in the final month of the quarter. The core sector has a 38 per cent weight in IIP and largely influences the overall numbers.

Some analysts even see this year's delayed monsoon as a blessing in disguise, because that has boosted the construction sector. "IIP has brightened the outlook. No one was expecting this kind of recovery," said DK Pant of India Ratings. He estimates GDP to have expanded 5.5 per cent in the April-June quarter.

If GDP does indeed grow at 5.5 per cent in the first quarter, it would be the highest since the fourth quarter of fiscal 2012, when the economy grew 5.8 per cent. Standard Chartered predicts an even better recovery at 6 per cent, with a favorable base effect playing its part.

The British bank recommends more policy push to boost growth on a sustainable basis. The 1.1 per cent contraction in manufacturing in the first quarter of last fiscal year has provided a weak base that will amplify the growth, Anubhuti Sahay and Samiran Chakraborty of Standard Chartered wrote in a note on Monday. GDP data for the first quarter will be released on August 31.

Statistical evidence available so far — especially the industrial data — confirms the performance

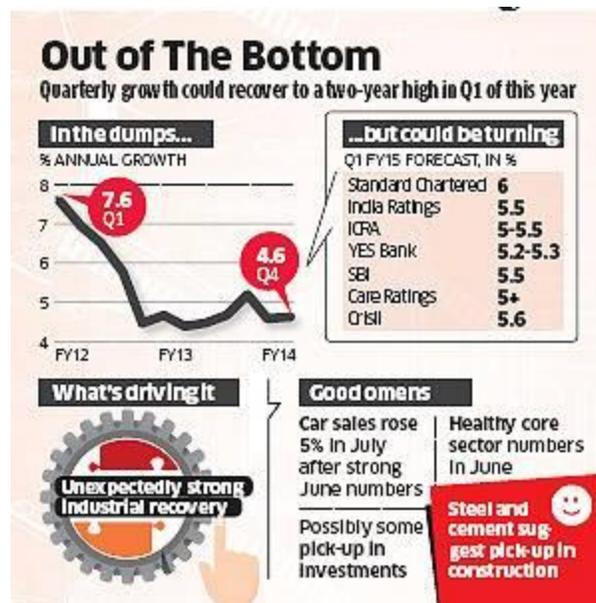
would be much better than the 4.6 per cent growth recorded in the January-March quarter."If we look at various aspects — IIP, PMI manufacturing and services along with auto sales — all seem to suggest that growth appears to have rebounded," said Shubhada Rao, chief economist at YES Bank.

"The lead indicators of core industry, such as cement, steel and power generation, are supporting manufacturing." Rao expects the economy to have grown 5.2-5.3 per cent in the first quarter. The alarming start to the monsoon — rains started late and were scanty through June — had a silver lining, as it pushed up demand for cement. Construction activities usually slow down during monsoon.

An ET analysis of 1,000 companies — excluding financials and oil & gas — showed revenue grew 15.2 per cent in the April-June quarter. Car sales rose 5 per cent in July, carrying forward the momentum of the first quarter, and indicating that consumer sentiment was on the mend.

monsoon — after the have picked up since the sentiment. picked up, exports have digits and CPI inflation low," said Citi's Rohini Monday, adding that and a credible central things.

of National Statistical there is some sort of will drive consumption with a lag. He did not put an estimate to first quarter, but saw the economy expanding 6.5 per cent in fiscal year, nearly a percentage point more than private estimates.



The improvement in delayed start, rains July — has added to "Industrial growth has been rising at double slowed to a 30-month Malkani in a note on there was "political will bank" that could drive

Pronab Sen, chairman Commission, feels investment revival that