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Research Brief

India:

GDP Beats Forecasts, Soars 8.9% in FQ1:07

Construction, Manufacturing, Transport, Communications Strong Agriculture and Mining Weak

September 29, 2006

India's Central Statistical Organization (CSO) has reported that GDP growth for the quarter ended June 2006—this is the first fiscal quarter of the Indian government's 2007 "financial year"—increased a powerful 8.9% on a year-over-year (YoY) basis at constant 1999-2000 prices.

- This FQ1:07 performance is impressive given that it was achieved on top of the 8.5% YoY gain registered in GDP in FQ1:06. It does, however, represent a slight slowing from the 9.3% YoY growth rate reported for FQ4:06 ended March 2006.
- The FQ1:07 growth rate was notably strong in the *manufacturing* sector (+11.3% YoY), and the *construction* sector (+9.5%). Within the construction sector, *cement* and *finished steel* registered growth rates of 9.9% and 6.8%, respectively.

Strong growth was also reported for the broadly defined *trade, hotels, transport, and communications* sector (+13.2%). Within the transport industry, *commercial vehicle production* jumped 36.2% YoY, while *civil aviation passenger count* leaped 32.2%. Within the communications industry, the total stock of *WLL and cellular telephone connections* increased a powerful 48.9% YoY.

The broadly defined *financing, insurance, real estate, and business services* sector grew 8.9% YoY. Within the banking industry, *aggregate bank deposits* and *bank credits* recorded YoY growth rates of 19.6% and 31.0%, respectively

- FQ1:07 growth in India's *agricultural, forestry, and fishing* sector slowed noticeably. YoY growth for this sector was just 3.4%, comparable to the 3.4% YoY gain registered in the year-earlier quarter but short of the 5.5% YoY growth rate achieved in FQ4:06.

Within the agricultural industry, India's *rice* crop recorded YoY growth of 19.3% during the Rabi season (roughly corresponding to FY1:07), while the country's *wheat, coarse cereals, and pulses* crops recorded growth rates of 1.2%, 8.0%, and 0.5%, respectively. During the same timeframe, India's production of *cotton* and *sugarcane* increased 19.1% and 17.4%, respectively, while the production of *oilseeds* was up 6.7%.

- The *mining and quarrying* sector also reported YoY growth of just 3.4% in FQ1:07.

An informal poll of Indian economists indicates that observers are projecting GDP growth for India of roughly 8.0% in FY2007 ended March 2007. This forecast represents a slight deceleration from the 8.4% growth rate achieved in FY2006.

Currently, India's CSO expects to release GDP data for FQ2:07 ended September 2006 on November 30, 2006.

As always, clients of LRP/bi should contact us for additional details.

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