Important Vocab for the Editorial

- **buoyant (adjective)** – booming, progressing, growing/developing.
- **fan (verb)** – intensify, increase, stimulate.
- **inflation (noun)** – increase of price level of goods & services & vice versa decrease of currency value.
- **on the face of it (phrase)** – apparently, seemingly, evidently.
- **optimism (noun)** – hopefulness, confidence, positiveness.
- **broad-based (adjective)** – wide-ranging, general.
- **preceding (adjective)** – foregoing, previous, prior/earlier.
- **laggard (noun)** – delayer, lagger, sluggard/straggler.
- **contraction (noun)** – decline, decrease, reduction/shrinking.
- **disruptive (adjective)** – unconventional, unprecedented, unusual.
- **bear in mind (phrase)** – take into account, be mindful, remember/consider.
- **sobering (adjective)** – steady, sensible, practical/pragmatic.
- **assumption (noun)** – premise, proposition, belief/thought.
- **pare (verb)** – reduce, decrease, diminish.
- **buoyancy (noun)** – vigour/strength, high level of activity, growth.
- **enduring (adjective)** – durable, lasting, continuing.
- **decelerate (verb)** – slow down, reduce speed, slack up.
- **lag (behind) (verb)** – fall behind, straggle/fall back, delay.
- **traction (noun)** – an idea or a product gains popularity/acceptance.
- **undergird (verb) –** provide a support/basis.
- **rub (noun)** – problem, difficulty, trouble
- **leeway (noun)** – freedom, liberty, licence/elbow room.
- **pump priming (noun)** – the stimulation of economic activity by investment.
- **fiscal deficit (noun)** – the difference between total expenditure and total income of the government.
- **profligacy (noun)** – wastefulness/expenditure (of resources)
- **beset (verb)** – enclose, surround, encircle.
- **in the wake of (phrase)** – aftermath, as a consequence of, as a result of.
- **revival (noun)** – improvement, betterment; restoration.
- **out of the woods (phrase)** – out of danger/difficulty.

Buoyant again: on India's GDP growth

But this GDP growth coincides with higher public spending, which risks fanning inflation

The latest economic data from the Central Statistics Office reveal that India's GDP expanded at a brisk 7.2% pace in the three months ended December, an acceleration from the 6.5% posted in the second quarter. On the face of it, the numbers are cause for cheer and optimism, with gross fixed capital formation, a key measure of investment demand, showing a healthy improvement. Sectoral gross value added (GVA) figures also reflect a broad-based pickup in activity from the preceding quarter. The only three laggards last quarter were mining; utility services (including electricity, gas, and water supply); and trade, hotels, transport and communication services. The contraction in mining is of particular concern. The October-December quarter in 2016 was, however, the period when the Centre implemented the widely disruptive demonetisation of high-value currency notes, and so one has to bear in mind the base effect on the latest third-quarter data. Also, the CSO's second advance estimates of national income for the full financial year are a lot more sobering. Both GDP and GVA growth estimates for 2017-18 have been revised upwards from the first-cut projections made in early January — GDP growth to 6.6% from 6.5% earlier as a result of GVA expansion being lifted to 6.4% from January's 6.1%. But the assumption for increase in net taxes has been pared, reflecting the struggle to ensure buoyancy in GST revenue collections.

A study of the full-year projections reveals the pressure points. The same sectoral GVA data that at a quarterly level appeared to give promise of a more enduring recovery show momentum in five of the eight sectors decelerating. Of particular concern are the farm sector, where growth is set to slow to 3% from 6.3% in the previous fiscal; and manufacturing where the pace is expected to ease to 5.1% from 7.9% in the revised estimate for 2016-17. The latest Index of Industrial Production numbers that show manufacturing in April-December still significantly lagging behind the previous nine-month period, as also the Nikkei India Manufacturing Purchasing Manager's Index that shows growth in the sector slowed to a four-month low in February, add to concerns about manufacturing. With private final consumption expenditure, a crucial driver of economic momentum, still to gain traction over the full financial year, it is increased government spending that has undergirded the expansion. Here lies the rub. The leeway for more pump priming is restricted as fiscal deficit at the end of January has already exceeded 113% of the revised estimate for the full year. Any more profligacy by the government risks threatening price stability. With the banking sector beset by bad loans and increased scrutiny on lending in the wake of frauds, and exporters still to make the most of the revival in global trade demand, the economy is not yet out of the woods.