

India's Q2 GDP grows at higher-than-expected 5.5 pct

MUMBAI, Aug. 31 (Xinhua) --India's gross domestic product (GDP) grows at a higher-than-expected 5.5 percent during the second quarter of 2012, compared with the previous one, said Central Statistical Office(CSO) on Friday. In the first quarter, growth rate was 5.3 percent.

The 5.5 percent growth rate is higher than many economists expected. Before CSO's announcement, economists mostly forecast a 5.2 or 5.3 percent economy growth.

According to CSO, the economic activities which registered significant growth in the second quarter of 2012 are 'construction ' at 10.9 per cent, 'financing, insurance, real estate and business services' at 10.8 per cent and 'community, social and personal services' at 7.9 per cent.

The manufacturing sector of the grew at 0.2 per cent as against a contraction of 0.3 per cent in the previous quarter. While the mining sector of the economy grew at 0.1 per cent versus 4.3 per cent quarter-on-quarter, the farm output grew at 2.9 per cent versus 1.7 per cent in the last quarter. "Our growth estimate for the current fiscal year is 5.8 percent. We are seeing that slowdown in the manufacturing sector is percolating to the services sector. However, in the third and fourth quarter of the fiscal, there may be some improvement in industrial activity",said Sujan Hajra , Chief Economist of local Anand Rathi Securities.

Earlier this week, the Reserve Bank of India (RBI) Governor Duvvuri Subbarao said inflation remained too high and needed to fall further or risk more damage to the economy, dismissing criticism of the bank's hawkish stance.

The RBI in July cut its annual economic growth estimate to 6.5 percent from 7.3 percent and raised its inflation forecast for the year to 7 from 6.5 percent. It continues to say prices that are rising and there's little room to cut the repo rate, the rate at which it lends to banks.