Growth amid gloom adds to feel-good sentiment

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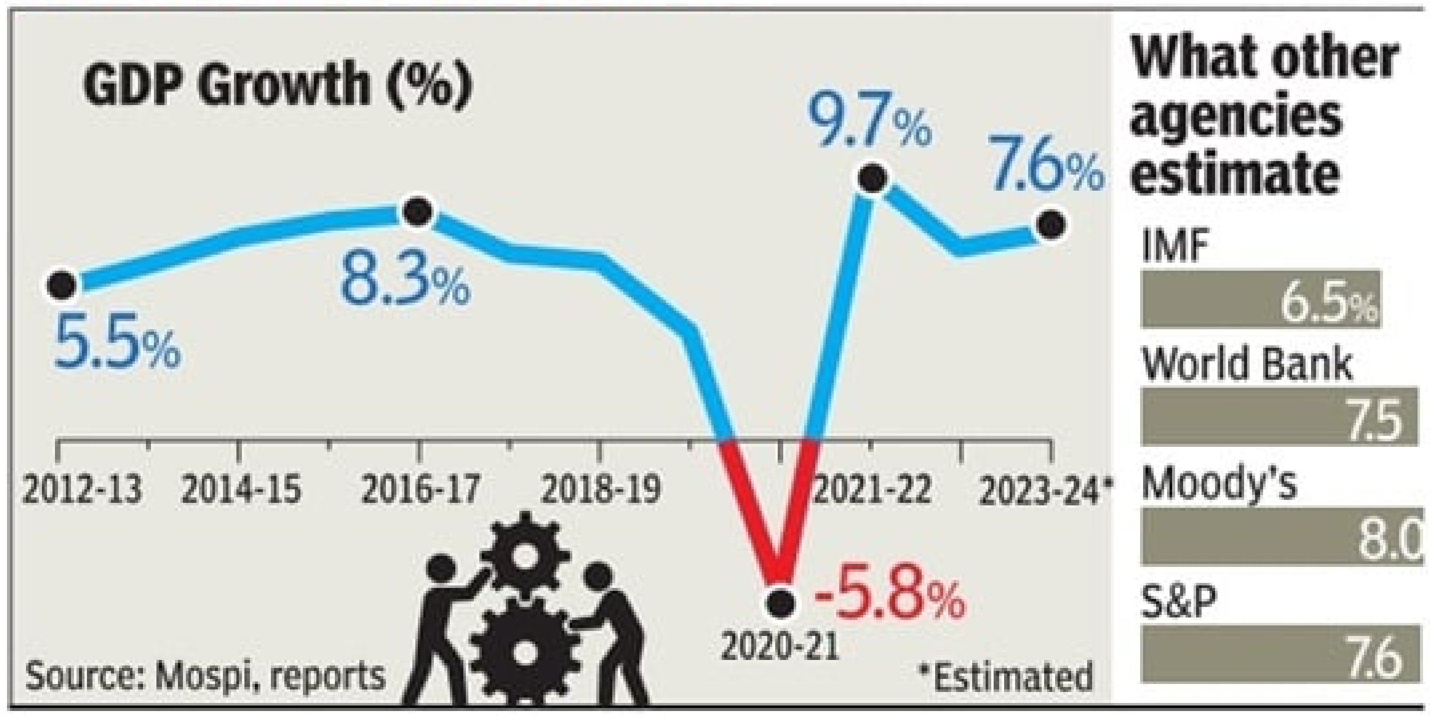
New Delhi: The better-than-expected Dec quarter GDP numbers unveiled last month have acted as a booster for the sensex and Nifty to new heights.

The robust economy has been a key factor in boosting sentiment across the board including the stock market. The Oct-Dec quarter GDP growth was estimated at 8.4%, way above market expectations.

Signs of a recovery were visible after the lifting of Covid-induced curbs with several indicators gathering momentum riding on solid domestic demand. The economy grew at its fastest pace in six quarters in the three months to Dec, led by robust manufacturing and construction sector growth, prompting the statistics office to project a 7.6% growth for the full year, above the earlier estimate of 7.3%. Since then several agencies have raised their growth estimates for India which is seen as the next driver of global growth amid the gloomy outlook for major economies.

DOMESTIC DEMAND BOOSTS GROWTH



Finance minister Nirmala Sitharaman has indicated that the economy is expected to grow 8% or more in the Jan-Mar quarter driven by improved inflation management and overall macroeconomic stability.

Several indicators since the release of the Dec quarter GDP estimates have also pointed to greater resilience of the economy. PMI surveys for manufacturing and services have both touched record highs highlighting the strength of demand. Rural consumption, which has been a source of worry, has shown signs of picking up pace and should augur well for overall growth.

There are several things going for India. For instance, the slowdown in China and its property and stock market woes have focussed the world's attention on India. This is reflected in higher inflows in the market. Inflation which has emerged as a challenge seems to have slowed for now after RBI raised interest rates to tame price pressures. There are expectations that the central bank will cut rates around July-Aug although global crude oil prices which have surged following tensions in the Middle East have emerged as a risk for inflation management for now.