

Q1 GDP showing loss of momentum compared to other quarters since onset of pandemic: RBI Bulletin

Our Bureau
Mumbai

There has been a structural break in the formation of GDP, with the first quarter GDP tending to record some loss of momentum relative to other quarters since the onset of the pandemic, according to RBI's latest monthly bulletin.

Hence, some moderation relative to the growth of 7.8 per cent in Q4 (January-March) 2023-24 can be expected in the actual outturn when the National Statistical Office (NSO) releases its estimate at the end of August, the article titled "State of the Economy" appearing in the bulletin put together by RBI officials says.

SILVER LINING

At an event hosted by a business channel on Tuesday, RBI Governor Shaktikanta Das said the RBI is quite optimistic that the first quarter (Q1FY25) GDP growth print



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In the bulletin, RBI officials said: "A silver lining for the trajectory of GDP in 2024-25 is the halting descent of headline inflation in its May 2024 reading.

The fifth consecutive month of decline, albeit grudging, opens up space for aggregate demand to benefit from price and cost reductions.

"The fact that the ongoing disinflation is being driven by

the softening of the core component of consumer price index (CPI) inflation to a new low validates the stance of monetary policy."

As long as food price pressures persist, however, the goal of aligning inflation with

its target remains a work in progress.

LABOUR PRODUCTIVITY

Referring to scientists warning that extreme summer heat has become a public health hazard, RBI officials observed that India is particularly vulnerable to losing labour productivity due to heatwaves as a large section of its workforce is engaged in outdoor work at this time of the year, as in agriculture, construction and mining.

"It is estimated that every degree of rise in temperature above 27°C lowers labour productivity by 2-4 per cent. These effects are more pronounced in the northern part of the country than in the coastal peninsula," they said. The officials assessed that India loses around a quarter of its physical labour supply on very hot days.

Added to output effects, this spills over to inflation and investments in construction and logistics.