

Which Sectors Hold the Key to India's Future Economic Growth?

Hardik A. Marfatia

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Abstract

This paper explores sectors that hold the key to India's future economic growth. The forecasts of economic growth from an autoregressive distributed lag model with stock market sectoral indices are analyzed against the benchmark autoregressive model forecasts across several forecast horizons. Results show that the information from sectoral indices improves forecasts of economic growth. However, the forecast superiority is not uniform across sectors and horizons. Auto, consumers' spending, material, metal, oil and gas, and realty sectors provide the most forecasting gains. In contrast, bankex, capital goods, finance, and industrial sectors provide superior forecasts only at horizons above one year. FMCG and health-care provide the least incremental information in predicting economic growth. The highest forecasting gains at a short, medium and long horizons are found in the case of energy (30%), consumer spending (16%), and auto (10%) sector, respectively.