

FY22 GDP

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Q3FY22 GDP at 5.4%

India's GDP growth is estimated at 8.9% in FY22 (-6.6% in FY21). For Q3FY22, growth is pegged at 5.4% from 8.5% in Q2FY22. With steady revival and resumption of economic activities post Omicron, we expect Q4FY22 growth between 4.8-5.3%. This will push the GDP to grow by 9.1% in FY22, higher than government estimates. However, uncertainty due to escalation of geo-political risk (Russia and Ukraine crisis) might pose downside risk to these estimates.

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Q3FY22 growth at 5.4%: India's GDP growth moderated to 5.4% in Q3FY22 from 8.5% in Q2FY22. This was led by moderation in both consumption, especially in government spending and investment. Both government and private consumption has slowed down in Q3FY22 at 3.4% (9.3% in Q2FY22) and 7% (from 10.2% in Q2FY22) respectively. Further, investment spending is down by 2% in Q3FY22 from 14.6% in Q2FY22. Notably, on a 2-year basis, GDP rose by 6.2% in Q3FY22 from 1.3% in Q2FY22. The improvement was attributed to both private consumption and government spending registering higher than the pre-pandemic levels at 7.6% and 3.1% in Q3FY22.

GVA growth slows: For Q3FY22, GVA growth eased to 4.7% from 8.4% in Q2FY22. Moderation was noticed across all broad base components. Agriculture growth slowed to 2.6% in Q3FY22 from 3.7% in Q2FY22. Similar picture was seen with mining (8.8% in Q3 from 14.25 in Q2FY22), manufacturing (0.2% from 5.6% in Q2), trade (6.1% in Q3 from 9.5% in Q2FY22) and financial services (4.6% from 6.2% in Q2FY22). Even growth in public administration eased to 16.8% in Q3FY22 (19.5% in Q2FY22). Furthermore, contraction in construction sector at (-) 2.8% in Q3FY22 from an increase of 8.2% in Q2FY22 dragged down the overall growth. On a 2-year basis, GVA growth has improved by 6.9% in Q3FY22 from 25 in Q2FY22. Financial services rose at a robust pace of 13.45 in Q3FY22 from 7.4% in Q2FY22. This was followed by public admin (13.4% from 7.4% in Q2FY22), construction (3.6% from 1% in Q2FY22) and electricity (5.2% from 5% in Q2). Growth in agriculture sector moderated marginally at 6.8% in Q3FY22 compared to pre-pandemic levels.

FY22 GVA at 8.3%: CSO has estimated India's GVA growth at 8.3% in FY22 compared with a contraction of (-) 4.8% in FY21. This is led by across the board increase in sectors with agriculture, industry, even services registering positive growth rate. India's GDP is expected at 8.4% after contracting by 6.6% in FY21. Growth is back in positivity territory led by favourable base effect with all the components back in green with both exports and imports improving by 21.1% and 29.9% respectively in FY22. Consumption spending too was rose by 7.6% in FY22 after declining by 6% in FY21. Compared to pre-pandemic levels GDP is expected to be 1.8% in FY22.

Our Estimates for FY22 at 9.1%: We expect India's to clock 9.1% growth in FY22 tad higher than the government estimates (8.9%). This will be on the back of muted impact of Omicron variant and state lifting lockdown restrictions. Resumption of economic activity at much faster pace than initially anticipated will push Q4FY22 growth higher. However, geopolitical risk fuelled by uncertainty of Russia-Ukraine crisis pose downside risk to these estimates.



Table 1: GDP growth estimated at 9.2%, GVA growth at 8.6%
 (% change) (2011-12=100)

	Q3FY21	Q3FY22
Agriculture, forestry and fishing	4.3	6.8
Mining and quarrying	(2.5)	3.1
Manufacturing	(2.4)	8.6
Electricity, gas, water supply and other utility services	2.1	5.2
Construction	1.0	3.6
Trade, hotels, transport, communication & services related to broadcasting	5.7	(4.6)
Financial, real estate & professional services	6.4	15.3
Public administration and defense	8.3	13.4
GVA at basic prices	4.1	6.9
GDP	4.0	8.4

Source: CSO, MOSPI, Bank of Baroda Research | E-Bank of Baroda estimate

Table 2: GDP expected at 9.3% in FY22

(% change)	FY20	FY21	FY22	Q4FY22E
Agriculture, forestry and fishing	4.3	3.6	4.5	3.4
Mining and quarrying	(2.5)	(8.5)	17.1	12.2
Manufacturing	(2.4)	(7.2)	22.9	4.4
Electricity, gas, water supply and other utility services	2.1	1.9	11.5	5.6
Construction	1.0	(8.6)	30.0	(0.9)
Trade, hotels, transport, communication & services related to broadcasting	5.7	(18.2)	18.4	7.5
Financial, real estate & professional services	6.4	(1.5)	5.8	2.0
Public administration and defense	8.3	(4.6)	12.0	9.7
GVA at basic prices	4.1	(6.2)	13.2	4.8
GDP	4.0	(7.3)	13.7	5.6

Source: CSO, MOSPI, Bank of Baroda Research | E-Bank of Baroda estimate

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