

FY22 GDP

07 January 2022

FY22 GDP expected at 9.2%

India's GDP growth is estimated at 9.2% in FY22 (-7.3% in FY21). Our forecast was 9.3%. But this growth would be 1.3% above pre-pandemic level led by exports and government expenditure. GVA growth is estimated at 8.6% (1.9% above pre-pandemic). While GDP rose by 13.7% in H1FY22, it is expected to slow down to 5.6% in H2. Further downward revision cannot be ruled out, to account for the impact of Omicron. We expect RBI to continue with its present stance.

Madan Sabnavis
Chief Economist

Authors:

Sonal Badhan
Economist

Aditi Gupta
Economist

FY22 GDP at 9.2%: CSO has estimated India's GDP growth at 9.2% for FY22, which is in line with ours (9.3%) and RBI's estimate (9.5%). Interestingly, the estimates have not incorporated the impact of the third-wave of Covid-19, and may thus have a downward bias going ahead. Over FY20, GDP is expected to be 1.3% higher led by exports (11.1%), government spending (10.7%) and investment (2.6%). GVA growth in FY22 is estimated at 8.6% compared with a contraction of 6.2% in FY21. GVA would be 1.9% higher compared with FY20. This is led by agriculture and industry, even as services sector continues to lag. Further, with the possible lockdown restrictions, services sector is likely to be impacted the most.

Capital formation: For FY22 GFCF (current) is estimated at 29.6% of GDP, versus 27.1% in FY21 and 28.8% in FY20. *This however appears to be on the higher side, in view of latest trends in project announcements and state capex.* New project announcements have eased to Rs 2.1tn in Q3FY22 from Rs 2.2tn in Q2 led by services (Rs 355bn from Rs 1.1tn in Q2). In addition, sates' capex data also shows slowdown in Q3 with average growth of 29.7% (Oct-Nov'21) versus 68.3% in Q2.

Consumption: PFCE for FY22 (current prices) shows that consumption is estimated to rise by 15.4% following (-) 6% decline in FY21 and 9.7% FY20. Even over a 2-year horizon (FY22 compared with FY20), consumption is expected to rise by 8.5%. This is also reflected in Oct'21 data for production of consumer goods. On a 2-year basis, both consumer durable and non-durable output have improved by 10.9% (3.3% in Sep'21) and 7.9% (2.6% in Sep'21) respectively in Oct'21.

H2 growth at 5.6%: With FY22 growth estimated at 9.2% and H1 at 13.7%, growth is expected to slow down in H2 to 5.6%. While the slowdown is expected to be broad-based owing to base effect, notable impact will be in construction (-0.9% versus 30%) and trade and related services (7.5% versus 18.4%). This too will have a downward bias, due to Covid-19 impact.

Since growth is muted, we expect RBI to consider inflation developments and Union Budget before taking action. We expect RBI to remain on hold in Feb'22.



Table 1: GDP growth estimated at 9.2%, GVA growth at 8.6%

(% change) (2011-12=100)	FY20	FY21	FY22E	FY22 (change over FY20)
Agriculture, forestry and fishing	4.3	3.6	3.9	7.7
Industry	(1.2)	(7.0)	11.8	4.1
Mining and quarrying	(2.5)	(8.5)	14.3	4.6
Manufacturing	(2.4)	(7.2)	12.5	4.4
Electricity, gas, water supply and other utility services	2.1	1.9	8.5	10.5
Construction	1.0	(8.6)	10.7	1.2
Services	7.2	(8.4)	8.2	(0.8)
Trade, hotels, transport, communication & services related to broadcasting	5.7	(18.2)	11.9	(8.5)
Financial, real estate & professional services	6.4	(1.5)	4.0	2.5
Public administration and defense	8.3	(4.6)	10.7	5.6
GVA at basic prices	4.1	(6.2)	8.6	1.9
GDP	4.0	(7.3)	9.2	1.3

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

Table 2: GDP expected at 5.6% in H2FY22

(% change)	FY20	FY21	H1FY22	H2FY22E
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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com