

Q4FY21 GDP

31 May 2021

GDP surprises positively

India reported FY21 growth of (-) 7.3% compared with AE of (-) 8%. Positive surprise was led by government spending, investments and exports. GVA was also revised upward to (-) 6.2% (AE: -6.5%) on the back of manufacturing and construction. Counter cyclical fiscal policy was visible with government spending rising by 2.9% in FY21. However, consumption and investment were muted in FY21. We expect growth to rebound to 9.7% in FY22 on a low base. Durable growth will be only visible once vaccination rates improve in H2.

Sameer Narang

Jahnvi | Sonal Badhan

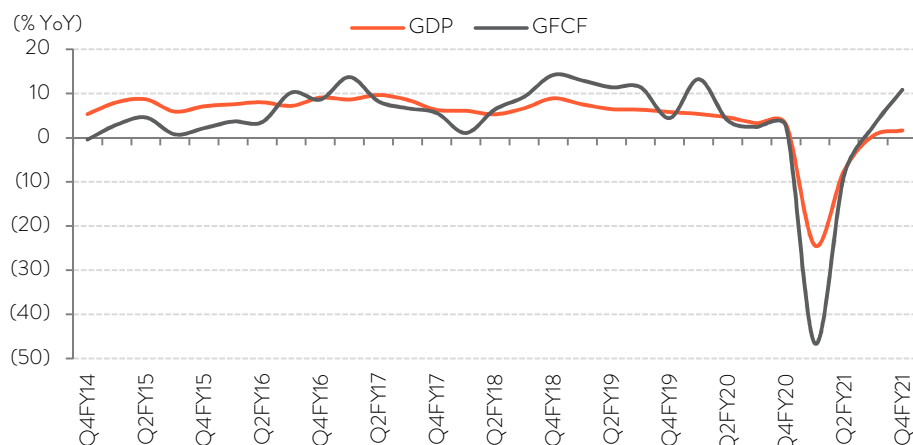
chief.economist@bankofbaroda.com

Q4 growth surprises positively: GDP growth in Q4FY21 surprised positively at 1.6% compared with 0.5% seen in Q3FY21. The upside surprise was due to Centre's spending which rose by 30.7%. Hence, GFCE rose by 28.3% in Q4 (-1% in Q3). Even consumption demand improved to 2.7% in Q4 from (-) 2.8% in Q3 and investment demand increased by 10.9% in Q4 as against 2.6% in Q3. GVA growth was also higher at 3.7% in Q4 as against 1% in Q3. The rebound was led by manufacturing at 6.9% (1.7% in Q3), construction at 14.5% (6.5% in Q3) and public administration and defence at 2.3% (-2.2% in Q3). Contraction in trade, hotels etc. eased.

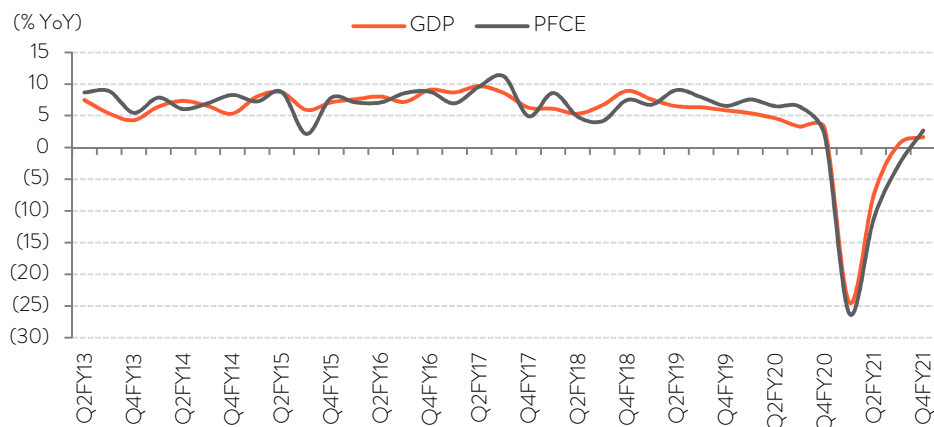
Counter cyclical fiscal policy: Growth estimate for FY21 now stands at (-) 7.3% compared with earlier estimate of (-) 8%. Private consumption demand remained weak at (-) 9.1% compared with an increase of 5.5% in FY20. Imports were lower by 13.6%. Investment demand too fell by 10.8%. Counter cyclical fiscal policy was visible with higher government spending of 2.9%. Demand for gold too rose. On the supply side, the highlight seems to be positive growth seen in electricity output. Exports outperformed. Nominal GDP fell by 3%.

Outlook for FY22: We expect GDP growth to increase to 9.7% in FY22 led by low base. With global economy recovering ahead of India, exports are likely to fare better. Consumption demand is likely to remain subdued till such time restrictions are in place. A steady increase in vaccination roll-out is the only way to drive consumption higher. Till such time, government spending will be necessary to boost growth as seen in construction activity in the last quarter. We expect states to start removing restrictions from late June or early July as cases come down steadily. Post that, we believe a durable growth recovery will be seen with consumption demand seeing an uptick.

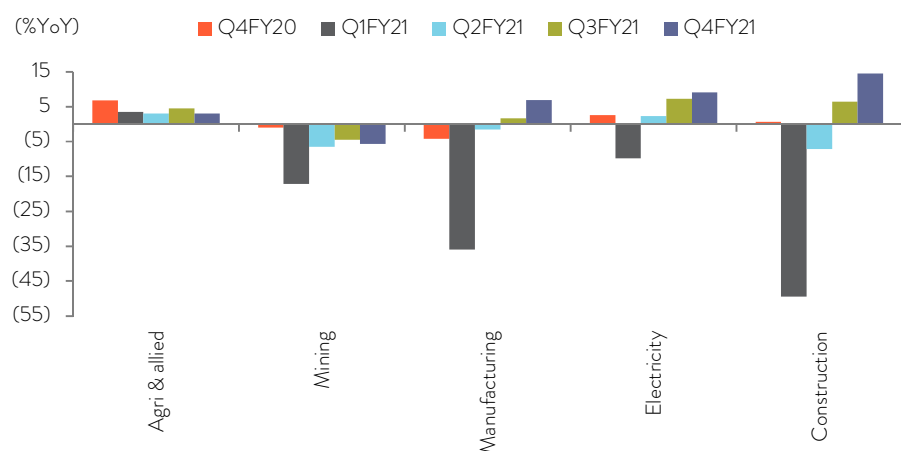


FIG 1 – INVESTMENT DEMAND PICKS UP

Source: CEIC, Bank of Baroda Research

FIG 2 – PRIVATE CONSUMPTION ALSO IMPROVES

Source: CEIC, Bank of Baroda Research

FIG 3 – GVA GROWTH PICKS UP LED BY MANUFACTURING AND CONSTRUCTION

Source: CEIC, Bank of Baroda Research

FIG 4 – GDP EXPECTED TO RISE BY 9.7% IN FY22

(% change)	FY17	FY18	FY19	FY20	FY21PE	FY22E
Agriculture, forestry and fishing	6.8	6.6	2.6	4.3	3.6	3.1
Industry	7.7	5.9	5.3	(1.2)	(7.0)	14.5
Mining and quarrying	9.8	(5.6)	0.3	(2.5)	(8.5)	8.8
Manufacturing	7.9	7.5	5.3	(2.4)	(7.2)	16.3
Electricity, gas, water supply and other utility services	10.0	10.6	8.0	2.1	1.9	7.0
Construction	5.9	5.2	6.3	1.0	(8.6)	14.8
Services	8.5	6.3	7.2	7.2	(8.4)	9.0
Trade, hotels, transport, communication & services related to broadcasting	7.7	10.3	7.1	6.4	(18.2)	13.3
Financial, real estate & professional services	8.6	1.8	7.2	7.3	(1.5)	6.5
Public administration and defence	9.3	8.3	7.4	8.3	(4.6)	7.5
GVA at basic prices	8.0	6.2	5.9	4.1	(6.2)	9.0
GDP	8.3	6.8	6.5	4.0	(7.3)	9.7

Source: CEIC, Bank of Baroda Research | PE- Provisional estimates; 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.in



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com