

India's economy grows by 8.4% in Q2 2021-22

- ❖ India's economy continued to report strong growth in the second quarter of 2021-22 on the back of favorable base effects. GDP at market prices recorded 8.4% growth in Q2 2021-22 as compared to 7.4% contraction recorded in Q2 2020-21. India's GDP grew by 0.3% in Q2 2021-22 when compared to the corresponding quarter in 2019 indicating that the economy has returned to the pre-pandemic level.
- ❖ Private consumption spending also witnessed an uptick on a y-o-y basis. Private final consumption expenditure reported 8.6% growth in Q2 2021-22 as compared to a decline of 11.2% reported in the same period previous year. While private consumption was hit hard in the previous quarter, owing to the deadly second wave of the pandemic, demand conditions are improving - inching closer to the pre-pandemic levels. Private final consumption expenditure has reached around 96% of the pre-pandemic levels. However, government final consumption expenditure though noted a y-o-y growth of 8.7% in Q2 2021-22, it noted a 14.2% contraction on a sequential basis and remained below the pre-pandemic level.
- ❖ Gross fixed capital formation, on the other hand, registered 11.0% growth on a y-o-y basis and about 21% growth on a q-o-q basis in Q2 2021-22.

GDP and Components (% YoY)							
	GDP	PFCE	GFCE	GCF	GFCF	Exports - goods & services	Imports - goods & services
Q2 FY21	-7.4	-11.2	-23.5	-8.0	-8.6	-2.0	-17.9
Q3 FY21	0.5	-2.8	-1.0	3.0	2.6	-3.5	-5.0
Q4 FY21	1.6	2.7	28.3	13.8	10.9	8.8	12.3
Q1 FY22	20.1	19.3	-4.8	56.7	55.3	39.1	60.2
Q2 FY22	8.4	8.6	8.7	17.3	11.0	19.6	40.6
Q2 FY22 as a % of Q2 FY20	100	96	83	108	102	117	115

GDP and Components (% QoQ)							
	GDP	PFCE	GFCE	GCF	GFCF	Exports - goods & services	Imports - goods & services
Q2 FY21	22.3	20.0	-24.9	61.7	56.4	26.0	33.0
Q3 FY21	9.9	17.8	6.9	14.7	16.0	-1.9	10.7
Q4 FY21	7.5	2.3	28.3	14.9	12.1	11.7	17.2
Q1 FY22	-16.9	-17.4	-7.6	-26.5	-23.6	0.8	-7.1
Q2 FY22	10.4	9.2	-14.2	21.0	11.8	8.4	16.8

GVA and Components (% YoY)					
	GVA	Agriculture, forestry & fishing	Industry	Manufacturing	Services
Q2 FY21	-7.3	3.0	-3.0	-1.5	-11.4
Q3 FY21	1.0	4.5	2.9	1.7	-1.2
Q4 FY21	3.7	3.1	7.9	6.9	1.5
Q1 FY22	18.8	4.5	46.2	49.6	11.4
Q2 FY22	8.5	4.5	6.9	5.5	10.2
Q2 FY22 as a % of Q2 FY20	101	108	104	104	98

GVA and Components (% QoQ)					
	GVA	Agriculture, forestry & fishing	Industry	Manufacturing	Services
Q2 FY21	18.2	-16.2	44.8	53.0	17.5
Q3 FY21	10.1	64.1	6.4	-0.1	-0.1
Q4 FY21	5.3	-15.0	14.4	13.6	7.7
Q1 FY22	-13.3	-10.7	-17.1	-13.9	-11.8
Q2 FY22	7.9	-16.2	5.9	7.9	16.2

- ❖ Furthermore, the external sector has been performing extremely well, driven by high external demand. Exports of goods and services registered 19.6% y-o-y growth in Q2 2021-22. Imports of goods and services also surged during the September ending quarter.

Source: MoSPI, CMIE

- ❖ As per economic activity, growth in GVA at basic prices was reported 8.5% on y-o-y basis in Q2 2021-22. Agriculture and allied sector reported 4.5% y-o-y growth in Q2 2021-22 as compared to 3.0% y-o-y growth recorded in Q2 2020-21. However, growth in agriculture declined by 16.0% on a sequential basis. Industry sector also recorded good y-o-y growth in Q2 2021-22 led by strong recovery across major sub-segments like manufacturing, construction and electricity sectors.
- ❖ The service sector output in the latest quarter was 10% higher than Q2 FY21 and 16% more on a sequential basis. Further easing of restrictions in the sector led to an uptick with all sub-segments witnessing an improved growth performance in Q2 FY22. However, the output of the sector is yet to attain pre-pandemic levels.

India's GDP Growth Projections: Growth Y-o-Y in %

Agency/ Institution	Month of Release, 2021	2021-22	
FICCI	October	9.1	<p>India's growth outlook for the year 2021-22 witnessed marginal improvement by the end of the second quarter. The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast for 2021-22 at 9.1% - with a minimum and maximum growth estimate of 8.5% and 9.6% respectively. This is a marginally better than 9.0% growth projected in the July 2021 round.</p> <p>Economic recovery post the second wave of the pandemic has been holding ground and the same is also being reflected in the incoming data on various high frequency indicators.</p> <p>Moreover, initial growth estimate for Q3 2021-22 is projected at 6.3% with a minimum and maximum range of 5.5% and 6.3% respectively.</p>
International Monetary Fund	October	9.5	
Fitch Ratings	October	8.7	
Deutsche Bank	October	10-10.5	
UBS	October	9.5	
Asia Development Bank	September	10	
OECD	September	9.7	
State Bank of India	September	8.5-9.0	
ICRA	September	9	

FICCI's Comments

The quarter 2 2021-22 GDP at 8.4% is within expected range. The decline in case load and the momentum in vaccination pace over the period July to September kept the economic recovery on track. The incoming lead indicators have been robust, and the optimism witnessed during the just gone by festive season was encouraging. Demand has been gaining traction which is gradually manifesting into an uptick in investment activity.

However, at this point in time we are standing at a turning point. Going forward, it will important that the uptick in growth is maintained, even if it implies extending further support. The extension of schemes like ECLGS, PMGKY is positive. Furthermore, we are hopeful that the Reserve Bank of India will continue to take cognizance of the ground situation in the monetary policy announcement next week and will give some more time for green shoots to firm up.

Moreover, considering the recent developments it remains important to keep a close watch on the evolving Covid-19 situation. Momentum on vaccination front needs to continue. Also, we should not fall behind on testing, surveillance and genome sequencing

Source: CMIE, FICCI Research