

GDP growth increases by 13.5% in Q1 of 2022-23

GDP and Components (Y-o-Y Growth in %)

	Total	PFCE	GFCE	GCF	GFCF	Exports of goods and services	Imports of goods and services
Q1 2021-22	20.1	14.4	-4.8	72.3	62.5	40.8	61.1
Q2 2021-22	8.4	10.5	8.9	26.8	14.6	20.7	41.0
Q3 2021-22	5.4	7.4	3.0	8.4	2.1	23.1	33.6
Q4 2021-22	4.1	1.8	4.8	5.2	5.2	16.9	18.0
Q1 2022-23	13.5	25.9	1.3	19.3	20.2	14.7	37.2

Source: CMIE

❖ According to the estimates for the first quarter of 2022-23, the overall GDP and GVA growth reported a double digit expansion which was on expected lines supported by the base effect. On a year-on-year basis, GDP growth in Q1 2022-23 has been reported at 13.5 percent, compared to 4.1 percent growth witnessed in Q4 of 2021-22 and 20.1 percent y-o-y growth registered in Q1 of 2021-22. GDP growth number for the first quarter is lower than the estimate of 16.2 percent put out by the Reserve Bank of India in the August monetary policy announcement. Also, GDP growth has noted an improvement by 3.8 percent over the pre-pandemic level (Q1 2019-20).

❖ The uptick in the GDP growth during the first quarter has been driven by consumption and investment. During the quarter, private final consumption expenditure increased by 25.9 percent (y-o-y), vis-à-vis 1.8 percent growth observed in the quarter ending March 2022; while gross fixed capital formation improved to 20.2 percent (y-o-y) from 5.2 percent growth observed in Q4 2021-22. The exports performance was buoyant but is expected to see some moderation going forward. Global headwinds remain on fore. Even though there has been some softening in commodity prices, risks are tilted to the downside. Also, the rise in borrowing costs is expected to have an underwhelming impact on private investments. Furthermore, the government final consumption expenditure reported muted numbers during the first quarter 2022-23.

❖ On the economic activity side, GVA growth was reported at 12.8 percent y-o-y in Q1 of 2022-23, vis-a-vis 3.9 percent growth registered in Q4 of 2021-22 and 18.2 percent in Q1 of 2021-22. An improvement in growth was observed across the three major sub-segments vis-à-vis Q4 numbers of the last fiscal year.

GVA and Components (Y-o-Y Growth in %)

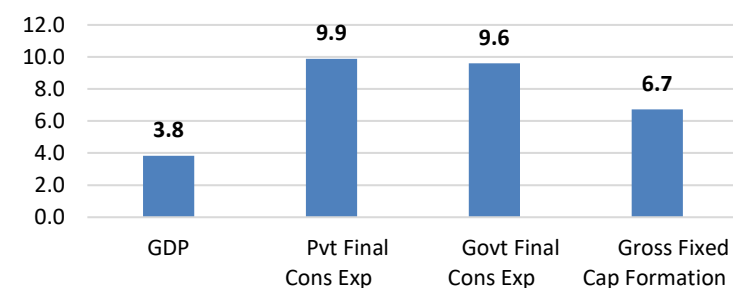
	Q1 2021-22	Q2 2021-22	Q3 2021-22	Q4 2021-22	Q1 2022-23
GVA	18.2	8.3	4.7	3.9	12.8
Agriculture, forestry and fishing	2.2	3.2	2.5	4.1	4.5
Industry	46.6	7.0	0.4	1.3	8.6
Mining and quarrying	18.0	14.5	9.2	6.8	6.5
Manufacturing	49.0	5.6	0.3	-0.2	4.8
Electricity, gas, water supply and other utility services	13.8	8.5	3.7	4.5	14.7
Construction	71.3	8.1	-2.8	2.0	16.8
Services	10.5	10.2	8.1	5.5	17.6
Trade, hotels, transport, communication and broadcasting services	34.3	9.6	6.3	5.3	25.7
Financial services, real estate and professional services	2.3	6.1	4.2	4.3	9.2
Public administration, defence and other services	6.2	19.5	16.7	7.7	26.3

Source: MoSPI, CMIE

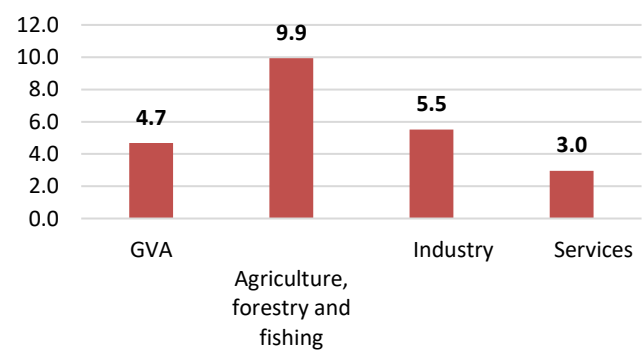
❖ The agriculture sector performance remained robust reporting a growth of 4.5 percent in Q1 2022-23; while the industrial and the services sector reported 8.6 percent and 17.6 percent respectively. The rebound in the services sector growth is particularly noteworthy. The services sector had witnessed 5.5 percent growth in Q4 2021-22 and 10.5 percent growth in Q1 2021-22. The opening up of contact based services including hospitality, travel both leisure and work, opening of offices supported sector's recovery.

❖ The industrial sector and its sub-components of manufacturing, electricity and construction reported higher growth levels in Q1 of FY23 compared to the previous quarter. The manufacturing and construction sectors grew by 4.8 percent and 16.8 percent y-o-y in the first quarter of 2022-23, vis-à-vis (-) 0.2 percent and 5.5 percent growth registered in these sectors respectively in Q4 of 2021-22. The electricity sector registered improvement in Q1 FY23, growing at 14.7 percent y-o-y vis-à-vis 4.5 percent growth in quarter 4 of FY22. The growth in the mining and quarrying sector, however, moderated to 6.5 percent in Q1 2022-23 from 6.8 percent growth in Q4 2021-22. This is in spite of an improvement noted in coal output.

GDP Growth: Q1 2022-23 over Q1 2019-20



GVA Growth: Q1 2022-23 over Q1 2019-20



Comments

The double digit growth in GDP witnessed in the first quarter of the current fiscal year was anticipated largely because of the base effect. The growth is seen to be broad basing. The pickup in the contact based services has been particularly noticeable which has lent support to the overall recovery in the services sector. Even though headwinds from the external sector remain, the easing of supply bottlenecks and softening in commodity prices is positive. At home, the onset of festive season should help regain more buoyancy. Nonetheless, GDP growth is expected to be in the range of 6.0 percent -7.0 percent in Q2 2022-23 according to our latest Economic Outlook Survey – as the base effect weans off.