

GDP growth recovers to 0.4% in Q3 2020-21

- ❖ The quarter 3 GDP numbers have been in line with the broad expectations. GDP growth after being in the negative terrain for two consecutive quarters (-24.4 percent in Q1 2020-21 and -7.3 percent in Q2 2020-21) has been reported at 0.4 percent in the third quarter. The positive growth though marginal comes in as a welcome respite and lends confidence in the firming up of economic recovery.
- ❖ The uptick witnessed in lead indicators over the past few months, the improvement in demand, the vaccination drive point to a gradual normalization towards the pre-covid times. Nonetheless, the recent spike in cases in states like Maharashtra, Punjab, Karnataka, Tamil Nadu & Gujarat has once again raised concerns and brought to forefront the persisting uncertainty. At this juncture, it remains critical to maintain caution. We cannot afford to undo the progress we have made so far after hitting ground zero earlier last year.
- ❖ The government statement also reported the second advance estimate for the year 2020-21. The forecast for 2020-21 has been put at -8.0 percent, marking a further contraction over the estimate of -7.7 percent released in January this year. The second advance estimate reflects some moderation in the agriculture, electricity sector estimates vis-à-vis the first advance estimate. Finance, real estate & Professional Services and the Public Admin, Defence and Other Services are also likely to witness a deeper contraction as per the second advance estimate compared to the projections made earlier this year.

Gross Value Added and Gross Domestic Product: % YoY

	First Advance Estimate 2020-21	Second Advance Estimate 2020-21
Gross Value Added	-7.2	-6.5
Agriculture, forestry and fishing	3.4	3.0
Mining and quarrying	-12.4	-9.3
Manufacturing	-9.4	-8.4
Electricity, gas, water supply and other utility services	2.7	1.8
Construction	-12.6	-10.3
Trade, hotels, transport, storage and communication	-21.4	-18.0
Financial services, real estate and professional services	-0.8	-1.4
Public administration, defence and other services	-3.7	-4.1
Gross Domestic Product	-7.7	-8.0
Private Final Consumption Expenditure	-9.4	-9.0
Government Final Consumption Expenditure	5.8	2.9
Gross Fixed Capital Formation	-14.5	-12.4

GDP and Components (% YoY)

	GDP	PFCE	GFCE	GCF	GFCF	Exports - goods & services	Imports - goods & services
Q3 FY20	3.3	6.4	8.9	-0.4	2.4	-5.4	-7.5
Q4 FY20	3.1	2.7	13.6	-5.8	-6.5	-8.5	-7.0
Q1 FY21	-24.4	-26.3	12.8	-46.9	-46.4	-22.0	-41.1
Q2 FY21	-7.4	-11.3	-24.0	-7.8	-6.8	-2.1	-18.2
Q3 FY21	0.4	-2.4	-1.1	2.1	2.6	-4.6	-4.6

- ❖ The quarter 3 numbers report an improvement in consumption expenditure as well as in capital formation. The extent of contraction (on a y-o-y basis) in private final consumption expenditure and government final consumption expenditure noted a moderation in the third quarter. Moreover, on a sequential basis (q-o-q) both private and government consumption expenditure noted a positive growth of 18.5 percent and 7.5 percent respectively
- ❖ Likewise gross fixed capital formation reported a y-o-y growth of 2.6 percent in quarter 3, after witnessing negative growth for three consecutive quarters

Source: CMIE, FICCI Research

GVA and Components (% YoY)

	GVA	Agriculture, forestry and fishing	Industry	Manufacturing	Services
Q3 FY20	3.4	3.4	-2.6	-3.0	7.0
Q4 FY20	3.0	5.9	-0.6	-1.4	4.4
Q1 FY21	-22.4	3.3	-35.9	-35.9	-21.4
Q2 FY21	-7.3	3.0	-3.0	-1.5	-11.4
Q3 FY21	1.0	3.9	2.7	1.7	-1.0

❖ As per economic activity wise classification, GVA at basic prices reported a growth of 1.0 percent in quarter 3 of 2020-21, vis-à-vis 7.3 percent contraction reported in the previous quarter. With a large part of the economy now open and mobility gaining momentum, the recovery is gradually broad basing. The agriculture sector performance continues to be the bright spot – with quarter 3 growth reported at 3.9 percent

❖ Furthermore, the industry segment growth entered the positive terrain after five continuous quarters of negative growth. The recovery in the sector was backed by a noticeable turnaround in construction and electricity sub segments. The manufacturing sub-segment which constitutes for a large part of the industry sector also reported a positive growth of 1.7 percent in quarter 3 compared to -1.5 percent growth clocked in the previous quarter

❖ The services segment growth, on the other hand, declined by 1.0 percent. While financial services real estate and professional services sub segment managed a growth of 6.6 percent in quarter 3; the other two segments trade, hotels, transport, storage & communication and public administration, defence & other services witnessed -7.7 percent and -1.5 growth respectively during the same quarter

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

Agency/ Institution	Month of Release	2020-21	2021-22
World Bank	January, 2021	-9.6	5.4
United Nation (UN)	January, 2021	-9.6	7.3
Asia Development Bank (ADB)	December, 2020	-8.0	8.0
Organization for Economic Co-operation and Development (OECD)	December, 2020	-9.9	8.0
S&P Global Ratings	February, 2021	-7.7	10.0
Fitch Ratings	January, 2021	-9.4	11.0
Moody's	December, 2020	-10.6	10.8
ICRA	January, 2021	-7.8	10.1
Crisil	January, 2021	-7.7	10.0

FICCI's Comments

GDP numbers are in line with the expectations and reflect the recovery visible in most of the lead indicators. This is encouraging. Going forward, an accelerated roll out of capital expenditure as announced in the Union Budget should crowd in private investments and be an active catalyst for overall economic revival.

However, the sluggishness in the services sector - which constitutes a major part of our GDP- requires urgent attention of the government. While some sectors of the services economy are still heavily impacted by covid- restrictions, there are many segments that can take off, if they get some policy and financial support. Government support to these sectors is urgently needed.

Moreover, while the economic revival is very promising, fresh surge in Covid -19 cases in some parts is a cause of worry. While the vaccination drive is progressing well, there is need to ramp it up by an order of magnitude. FICCI believes that more comprehensive involvement of the private sector can be game changer in getting the country out of COVID. This is the essential for the society and economy both.

Source: CMIE, FICCI Research