

## Indian economy grew by 20.1% in Q1 2021-22

- ❖ India's economy witnessed sharp recovery in the first quarter of 2021-22 on the back of a low base. GDP at market prices recorded 20.1% y-o-y growth in Q1 2021-22 as compared to 24.4% contraction recorded in Q1 2020-21. India's GDP had reported 1.6% y-o-y growth in the previous quarter and has been in the positive zone for three consecutive quarters after being badly hit by a global pandemic last year.
- ❖ However, on a sequential basis GDP growth noted a (-) 16.9% fall in the first quarter of 2021-22. We are also about 9.0% shorter than the pre-pandemic growth level (i.e., vis-à-vis quarter 1 of 2019-20).
- ❖ Private consumption spending noted a revival as compared to the previous year. Private final consumption expenditure reported at 19.3% y-o-y growth in Q1 2021-22 as compared to a decline of 26.2% reported in the same period previous year. However, consumption spending has actually contracted by about 17.0% in Q1 2021-22 on a q-o-q basis indicating the negative impact of the second wave of coronavirus infections on demand conditions during the quarter.

GDP and Components (% YoY)								GDP and Components (% QoQ)							
	GDP	PFCE	GFCE	GCF	GFCF	Exports - goods & services	Imports - goods & services		GDP	PFCE	GFCE	GCF	GFCF	Exports - goods & services	Imports - goods & services
Q1 FY21	-24.4	-26.2	12.7	-47.7	-46.6	-21.9	-40.9	Q1 FY21	-29.7	-29.0	24.5	-46.6	-45.5	-21.2	-34.9
Q2 FY21	-7.4	-11.2	-23.5	-8.0	-8.6	-2.0	-17.9	Q2 FY21	22.3	20.0	-24.9	61.7	56.4	26.0	33.0
Q3 FY21	0.5	-2.8	-1.0	3.0	2.6	-3.5	-5.0	Q3 FY21	9.9	17.8	6.9	14.7	16.0	-1.9	10.7
Q4 FY21	1.6	2.7	28.3	13.8	10.9	8.8	12.3	Q4 FY21	7.5	2.3	28.3	14.9	12.1	11.7	17.2
Q1 FY22	20.1	19.3	-4.8	56.7	55.3	39.1	60.2	Q1 FY22	-16.9	-17.4	-7.6	-26.5	-23.6	0.8	-7.1

  

GVA and Components (% YoY)						GVA and Components (% QoQ)					
	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22		Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
GVA	-22.4	-7.3	1.0	3.7	18.8	GVA	-24.3	18.2	10.1	5.3	-13.3
Agriculture, forestry and fishing	3.5	3.0	4.5	3.1	4.5	Agriculture, forestry and fishing	-11.9	-16.2	64.1	-15.0	-10.7
Industry	-35.8	-3.0	2.9	7.9	46.2	Industry	-38.8	44.8	6.4	14.4	-17.1
Manufacturing	-36.0	-1.5	1.7	6.9	49.6	Manufacturing	-38.5	53.0	-0.1	13.6	-13.9
Services	-21.5	-11.4	-1.2	1.5	11.4	Services	-19.7	17.5	-0.1	7.7	-11.8

- ❖ Likewise, while overall capital formation in Q1 2021-22 looks promising on a y-o-y basis (with gross fixed capital formation recording 55.3% y-o-y growth in Q1 2021-22), a look at the q-o-q data reveals the impact of the devastating second wave of the pandemic on economic activity and growth. Gross fixed capital formation contracted by 23.6% on q-o-q basis in Q1 2021-22 as compared to 12.1% q-o-q growth reported in Q4 2020-21.
- ❖ Government final consumption expenditure reported a y-o-y contraction in Q1 2021-22, emerging as a drag on the pace of growth.
- ❖ On the other hand, exports of goods and services was the only segment that recorded positive growth, both on y-o-y basis as well as q-o-q basis in Q1 2021-22, making it the best performing segment which is driving economic growth.

Source: MoSPI, CMIE

- ❖ As per economic activity classification, GVA at basic prices recorded 18.8% y-o-y growth in Q1 2021-22. While this was much higher than (-) 22.4% growth recorded in Q1 2020-21 largely owing to favorable base effects, India's GVA contracted by 13.3% on a q-o-q basis.
- ❖ Agriculture and allied sectors reported 4.5% y-o-y growth in Q1 2021-22 as compared to 3.5% y-o-y growth recorded in Q1 2020-21. However, growth in agriculture declined by 10.7% in Q1 2021-22 on a sequential basis. Nonetheless, agriculture and allied sector has proven to be the most resilient – given the strong rabi harvest, record procurement of cereals, and employment support schemes.
- ❖ Industry and services sector also recorded strong y-o-y growth in Q1 2021-22. While growth in the former was led by strong recovery in construction and manufacturing segments; revival in trade, hotels, transport, communication and broadcasting services segment led to a rebound in services growth during the quarter. However, the contact intensive services sector has been impacted more than the industry during the pandemic – which is also evident in the y-o-y growth numbers.

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

Agency/ Institution	Month of Release	2021-22
RBI	August	9.5
State Bank of India	June	7.9
World Bank	June	8.3
Asia Development Bank	July	10
OECD	June	9.9
International Monetary Fund	July	9.5
Moody's (CY)	June	9.6
S&P Global Ratings	June	9.5
Crisil	May	8.2
IHS Markit	May	7.7
DBS	June	9.5

India's growth outlook for the year 2021-22 has undergone some downward revision on the back of the impact of the second wave of the coronavirus infection. The worsening in growth performance on q-o-q basis during Q1 2021-22 was on expected lines and was factored in by most organizations while revising their annual growth forecast for India.

Although the damage on economic activity during the second wave had a lesser impact as compared to the first one (due to less stringent covid restrictions), the second wave of the pandemic was devastating on the health front as the spread of infections and consequent strain on health infrastructure was monumental.

### FICCI's Comments

Growth numbers for the first quarter of 2021-22 are on expected lines and have been backed by a low base. Nonetheless, signs of uptick are gaining traction and some of the lead indicators do reflect a return to normalcy. The upcoming festive season should further help sustain this momentum provided the vaccination drive is kept apace. Post the second wave it seems people are gradually learning to live with the virus.

'Vaccination at scale' must be the priority to beat COVID-19 and put it behind us. Inoculations across States have been somewhat uneven. While some of the States have been meeting their set vaccination targets, there are States that still seem to be lagging behind their vaccination program. It is urged that 'Accelerated Vaccination Mission' be undertaken in States like Jharkhand, Tamil Nadu, Uttar Pradesh, Bihar and Assam.

Covid-19 has caused immense stress amongst the poor, both in rural as well as urban areas. Unemployment rate across India has remained significantly higher in urban areas as compared to the rural areas. During the covid-19 phase, while the rural sector has displayed resilience, urban sector has taken a severe hit. Even though the economic activity indicators are showing signs of revival, the poor remain under stress, with lack of employment opportunities. A continuous support to them will help in boosting overall demand. Currently, the consumer sentiment is still low when compared to the pre-covid levels, especially in the urban areas. To support the urban poor, MGNREGA can be replicated, and government may consider offering work to people for carrying out sanitation activities, planting trees, cleaning and upkeep of common areas, etc. They can also be used for building residential houses for the migrant workforce