

GDP growth moderates to 5.4% in Q3 2021-22

Second advance estimate for 2021-22 revised down to 8.9%

GDP and Components (% YoY)								GVA and Components (% YoY)					
	GDP	PFCE	GFCE	GCF	GFCF	Exports - goods & services	Imports - goods & services		GVA	Agriculture, forestry & fishing	Industry	Manufacturing	Services
Q2 FY21	-6.6	-8.3	-22.9	-6.1	-4.5	-6.5	-17.9	Q2 FY21	-5.9	3.2	0.6	5.2	-10.9
Q3 FY21	0.7	0.6	-0.3	-1.9	-0.6	-8.6	-5.2	Q3 FY21	2.1	4.1	6.3	8.4	-0.9
Q4 FY21	1.6	2.7	28.3	13.8	10.9	8.8	12.3	Q4 FY21	3.7	3.1	7.9	6.9	1.5
Q1 FY22	20.3	14.2	-4.4	72.3	62.5	40.4	60.6	Q1 FY22	18.4	3.5	46.6	49.0	10.5
Q2 FY22	8.5	10.3	9.3	26.8	14.6	20.5	40.7	Q2 FY22	8.4	3.7	7.0	5.5	10.2
Q3 FY 22	5.4	7.0	3.4	8.3	2.0	20.9	32.7	Q3 FY22	4.7	2.6	0.2	0.2	8.2

❖ The latest GDP estimates for the third quarter of 2021-22 reported moderation across sectors. GDP growth for Q3 2021-22 was reported at 5.4 percent on a y-o-y basis, vis-à-vis 8.5 percent growth in Q2 2021-22. The GDP growth number is in line with the projection of 5.6 percent put out in FICCI's Economic Outlook Survey finalized in the month of January 2022. The GVA growth, on the other hand, has been reported at 4.7 percent (y-o-y) in Q3 2021-22 vis-à-vis 8.4 percent growth in Q2 2021-22.

❖ According to the economic activity wise classification, all key heads agriculture, industry and services reported a slowdown – with the industry sector reporting the most conspicuous moderation. The manufacturing sector reported a subdued growth of 0.2 percent, while the construction sector reported a surprising contraction by 2.8 percent in the third quarter. Unprecedented rainfall and shortage of labor in urban areas could have led to a muted performance of the construction sector.

❖ The services sector grew by 8.2 percent in Q3 2021-22, vis-à-vis 10.2 percent growth recorded in Q2 2021-22. Even though all broad sub-segments of the services sector reported a moderation in performance; the public administration, defence and other services segment reported a robust double-digit growth of 16.8 percent during the third quarter.

	Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	Q3 2021-22
Industry – Y-O-Y Growth in %						
Mining & quarrying	-7.9	-5.3	-5.8	17.6	14.2	8.8
Manufacturing	5.2	8.4	6.9	49.0	5.6	0.2
Electricity, gas, water supply	-3.2	1.5	9.1	13.8	8.5	3.7
Construction	-6.6	6.6	14.5	71.4	8.2	-2.8
Services - Y-O-Y Growth in %						
Trade, hotels, transport, communication	-18.9	-10.1	-2.3	34.3	9.5	6.1
Financial services, real estate & professional services	-5.3	10.3	5.4	2.3	6.2	4.6
Public administration, defence & other services	-10.2	-2.9	2.3	6.3	19.6	16.8

Source: MoSPI, CMI

- ❖ Likewise, on the expenditure side as well, the slowdown was evident across all key sectors except for the export sector – which reported a marginal improvement in Q3 on a y-o-y basis compared to Q2 of 2021-22.
- ❖ Both consumption and capital formation was muted in the third quarter. This was despite the second wave of the pandemic receding and the festivities being around the corner. A sense of caution remained the dominating sentiment around that time. Private consumption expenditure reported a growth of 7.0 percent in Q3 2021-22 (v/s 10.3 percent growth in Q2 2021-22); while government expenditure registered 3.4 percent growth in Q3 (v/s 9.3 percent growth in Q2 2021-22). Gross fixed capital formation, on the other hand, increased by just 2.0 percent in Q3 2021-22 compared to 14.6 percent growth in Q2 2021-22.
- ❖ Nonetheless, the growth in GDP and GVA in Q3 2021-22, relative to the respective pre-Covid quarter, recorded a significant improvement to 6.2% and 6.9%, respectively.

Growth Performance: Annual: Y-o-Y Growth in %

	2018-19	2019-20	2020-21	2021-22 First Revised Estimate (Jan'22)	2021-22 Second Revised Estimate (Feb'22)
GDP	6.5	3.7	-6.6	9.2	8.9
Private Final Consumption Expenditure	7.1	5.2	-6.0	6.9	7.6
Government Final Consumption Expenditure	6.7	3.4	3.6	7.6	4.8
Gross Fixed Capital Formation	11.2	1.6	-10.4	15.0	14.6
GVA	5.8	3.8	-4.8	8.6	8.3
Agriculture, forestry and fishing	2.1	5.5	3.3	3.9	3.3
Industry	5.3	-1.4	-3.3	11.8	10.3
Services	7.2	6.3	-7.8	8.2	8.6

The second advance estimate for 2021-22 for the growth in GDP (8.9% vs. 9.2%) and GVA (8.3% vs. 8.6%) are lower than the first advance estimate released in January 2022. This has come on back of a narrower contraction for 2020-21 reported as per the first revised estimates.

FICCI's Comments

The numbers for the third quarter indicate a moderation across board with performance of the manufacturing sector remaining almost flat. There are mixed signals as far as recovery is concerned. Even though the omicron led wave has fairly receded, the escalation in geo-political stress over the past week has accentuated downside risks. The current times continue to remain volatile.

Nonetheless, the Union Budget announced earlier this month promising a massive thrust towards capital expenditure can be a game changer for India's economy. The continuity in reforms displays an earnest commitment of the government. We hope to see a similar commitment towards implementation of this capex to ensure that the tentativeness in the recovery process is cemented more firmly. Muted demand and a sense of caution on new investments continue to be constraints.

The world economy is at a critical juncture. Maintaining a close watch on the events including covid situation remains important. With regard to the latter, we urge the government to allow the preventive dose for all.

Source: CMIE, FICCI