

GDP growth moderates to 4.1% in Q4 2021-22

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	-10.8
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	-1.0
Q4 FY21	2.5	6.5	29.0	11.9	10.1	3.7	11.7	Q4 FY21	5.7	2.8	13.4	15.2	2.1
Q1 FY22	20.1	14.4	-4.8	72.3	62.5	40.8	61.1	Q1 FY22	18.2	2.2	46.6	49.0	10.5
Q2 FY22	8.4	10.5	8.9	26.8	14.6	20.7	41.0	Q2 FY22	8.3	3.2	7.0	5.6	10.2
Q3 FY 22	5.4	7.4	3.0	8.4	2.1	23.1	33.6	Q3 FY22	4.7	2.5	0.3	0.3	8.1
Q4 FY 22	4.1	1.8	4.8	5.2	5.2	16.9	18.0	Q4 FY22	3.9	4.1	1.3	-0.2	5.5

Source: CMIE

❖ According to the recent GDP estimates for the fourth quarter of 2021-22, the overall GDP and GVA reported a slowdown as compared to the previous quarter. On a year-on-year basis, GDP growth in Q4 2021-22 was 4.1 percent, compared to 5.4 percent in Q3 2021-22. GVA growth was recorded at 3.9 percent (year-on-year) in Q4 2021-22, compared with 4.7 percent in Q3 2021-22.

❖ While a robust growth was observed in agriculture sector, manufacturing and services sectors reported a slowdown. The most pronounced reduction was witnessed in the services sector, where y-o-y growth declined to 5.5 percent in Q4 FY22 from 8.1 percent in Q3 of the same fiscal. Performance of all broad sub-segments of the services sector moderated in the fourth quarter, with a mere 0.1 percent improvement observed in the financial services, real estate & professional services segment.

❖ The manufacturing industry contracted by 0.2 percent, while the construction sector growth picked up from -2.8 percent in the third quarter to 2.0 percent in the fourth quarter of FY22. The omicron led wave and the ensuing partial lockdowns in the month of January 2022 did have an impact on business activity and the contact based services once again were particularly hit hard. Moreover, increased cost of inputs which were already a growing concern for businesses have escalated even more owing to the Russia-Ukraine conflict. The impact will become more conspicuous in the forthcoming quarters.

	Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	Q3 2021-22	Q4 2021-22
Industry – Y-O-Y Growth in %							
Mining & quarrying	-7.9	-5.3	-3.9	18.0	14.5	9.2	6.8
Manufacturing	5.2	8.4	15.2	49.0	5.6	0.3	-0.2
Electricity, gas, water supply	-3.2	1.5	3.3	13.8	8.5	3.7	4.5
Construction	-6.6	6.6	18.3	71.3	8.1	-2.8	2.0
Services - Y-O-Y Growth in %							
Trade, hotels, transport, communication	-18.9	-10.1	-3.4	34.3	9.6	6.3	5.3
Financial services, real estate & professional services	-5.3	10.3	8.8	2.3	6.1	4.2	4.3
Public administration, defence & other services	-10.2	-2.9	1.7	6.2	19.5	16.7	7.7

Source: MoSPI, CMIE

❖ Similarly, on the expenditure side, slowdown was witnessed across major sectors, with the exception of GFCE and GFCE, which showed an improvement by 1.8 percent points and 3.1 percent points, respectively in Q4 compared to Q3 of 2021-22. Government expenditure growth increased from 3.0 percent in Q3 to 4.8 percent in Q4 2021-22; while growth in gross fixed capital formation was reported at 5.2 percent in Q4 vis-a-vis 2.1 percent in Q3. Investment was a key driver backed by higher government capex and rising capacity utilization.

❖ In the fourth quarter, exports and imports both witnessed significant slowdown. Moderation in exports may continue given the global slowdown. Private consumption spending growth also slowed substantially from 7.4 percent in Q3 to 1.8 percent in Q4 of FY22.

❖ Compared with fiscal year 2021, in FY 2022 growth of GDP and GVA seems to have bounced back, and the economy appears to be regaining traction. GDP growth in FY22 is estimated at 8.7 percent (which is the highest in about two decades), while GVA growth is estimated at 8.1 percent. This is a significant improvement compared to the contraction of 6.6 percent and 4.8 percent in GDP and GVA respectively, estimated for the previous fiscal. Similar observation can be made for all the major sub-components as well.

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

	2019-20	2020-21	2021-22 First Revised Estimate January 2022	2021-22 Second Revised Estimate February 2022	2021-22 Provisional Estimate May 2022
GDP	3.7	-6.6	9.2	8.9	8.7
Private Final Consumption Expenditure	5.2	-6.0	6.9	7.6	7.9
Government Final Consumption Expenditure	3.4	3.6	7.6	4.8	2.6
Gross Fixed Capital Formation	1.6	-10.4	15.0	14.6	15.8
GVA	3.8	-4.8	8.6	8.3	8.1
Agriculture, forestry and fishing	5.5	3.3	3.9	3.3	3.0
Industry	-1.4	-3.3	11.8	10.3	10.3
Services	6.3	-7.8	8.2	8.6	8.4

Source: CMIE

Comments

The Q4 FY 22 GDP number at 4.1% is over 100 bps lower than Q3, which is on expected lines. The omicron led wave did leave some impact on economic activity during the last quarter of FY22. The moderation in services sector remained broad based and the contraction in manufacturing activity during Q4 is a tad disappointing. The heightened geopolitical stress and the lockdowns in China have once again brought to fore supply side constraints and uncertainty levels remain escalated.

Inflation has emerged as one of the primary concerns and the recent announcements made by the government to check price levels particularly the cut in excise duty for petrol and diesel are steps in right direction. A continuous monitoring of the current situation will be important as upside risks to prices remain on fore. Also, going ahead consumption activity, which was showing signs of an uptick, is expected to come under strain once again because of higher price levels. Balancing growth and inflation considerations is extremely critical at this juncture.