



**Comments on :
Q1FY22 GDP Growth Estimates**

Base aside, industry and exports to drive strong GDP growth in Q1FY22

- Q1 FY22 enjoys a strong support from a highly favourable base from last year's near complete nationwide lockdown which had led to a massive 24.4%YoY contraction in Q1FY21 GDP.
- High intensity of the second wave of Covid and the subsequent lockdowns across almost all states have disrupted the contact intensive services again in Q1.
- Nevertheless, the growth print is likely to be supported by the relative resilience of the industrial sector in this phase of the pandemic, steady uptick in exports and improved government capital expenditure levels apart from the base factor
- A lower impact of the lockdowns on the industrial sector is manifested in the IIP print for Q1 which recorded 44.9%YoY growth, on an average.
- The buoyancy in the export sector is reflected not only by the 86.0%YoY growth but also a 18.0% growth over that in Q1FY20 (pre Covid period) in dollar terms.

Strong YoY GDP print masks the continuing gap with pre Covid levels

- We have projected a GVA YoY growth of ~20.0% and and GDP growth of 22.0%-23.0% for Q1FY22.
- However, the absolute levels of output will still be lower compared to the pre-Covid levels in the first quarter of FY20, implying that the economy still needs to cover some lost ground before embarking on a sustainable growth path.
- Further, a double digit sequential contraction in GVA and GDP is also expected vis-à-vis Q4FY21, given the severe hit on the services sector in April-May'21 when the second wave was in its peak.