

## Press Release

### NSO pegs FY22 GDP growth at 9.2%

**Resurgence in Covid infections a threat in Q4 but severity of impact likely to be less**

**8-January-2022**

As per the first advance estimate of national income for FY22 prepared by the NSO (National Statistical Office), India's real GDP and GVA growth has been pegged at 9.2% and 8.6% respectively. With H1 FY22 GDP growth already standing at 13.7% YoY, the implied growth momentum for H2 FY22 comes at 5.6%. While a normalization in the annualized GDP growth in H2 FY22 is any way expected on account of the dilution of the favourable statistical base, the current resurgence in Covid cases domestically and the consequent risk of fresh lockdown restrictions is likely to slower the pace of growth momentum in Q4 FY22.

Comparing the dataset with two year ago levels to look through the statistical distortions created by the lockdowns, we note that improvement in GDP is expected to be led by government expenditure followed by gross fixed capital formation i.e investments. The improvement in investments is very well corroborated in progress of certain high frequency indicators such as capital expenditure and a healthy growth in output of construction and capital goods. While GDP in absolute terms is likely to exceed that in the pre-pandemic year of FY20 by 1.3% as per NSO, the concern remains on revival of private consumption which is expected to track lower by 2.9%.

On the supply side, agricultural sector is expected to maintain a healthy growth of 3.9% YoY in FY22, backed by adequate monsoon and higher pace of government's rural spending since the beginning of the pandemic. While broad based expansion in industry segment is expected in FY22, services sector is likely to act as a laggard with trade, hotels and transportation sector driving the slowdown as compared to FY20 levels. While the contact intensive services sector did record a robust growth in Q2 FY22 aided by the gradual opening up of the economy amidst receding wave of Covid and improvement in vaccination coverage, the resurgence in infections amid new Covid variant from the end of the previous quarter may throw a spanner in such a recovery.

Despite headwinds to global growth rising in the wake of rising Covid cases, supply chain disruptions and elevated inflation, Indian economy has so far displayed resilience given the pickup of the contact intensive sectors and the healthy progress in the pace of vaccinations. A similar narrative has also emerged from our proprietary AMEP index which has remained intact in Q3 FY22 (averaged at 118 in Oct-Nov'21 vs. 110.3 in Q2 FY22). However, we remain mindful of the new risks emerging from the rapid spread of the new strain of the virus both in India and elsewhere along with the persistent challenges from global supply chain disruptions, elevated commodity prices and the threat of a global growth slowdown in the early part of 2022. The latest spike in Covid infections in some large Indian cities could again lead to localized restrictions hurting the ongoing revival in the contact intensive sectors including travel, transportation, entertainment and retail thereby slowing the pace of economic recovery. While our earlier expectations for Q4 GDP was around 6.2%, this may witness

a drop of up to 50 bps due to the impact of the fresh surge. Nevertheless, we believe that the economic impact of the third wave will be relatively lower as compared to the previous surges going by the current data on hospitalization and mortalities which will hopefully translate into lesser risk of large scale and prolonged lockdowns as compared to the previous two waves. For the whole of FY22, we hold on to our growth estimate of 10.0% for now with moderate downside risks that will depend on the way the third wave plays out over the next 1-2 months.

### **ANNEXURE**

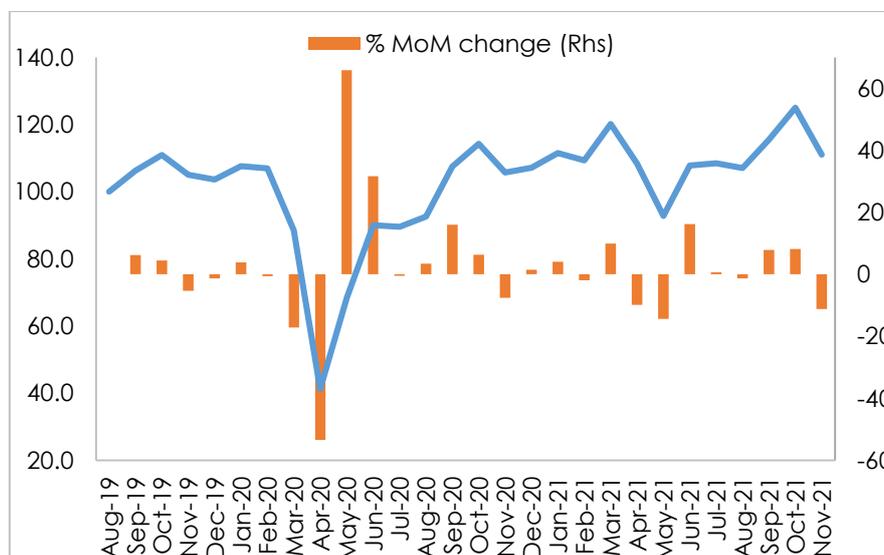
**Table 1: Key highlight of GVA data (% YoY)**

	2018-19	2019-20	2020-21	2021-22
<b>Total</b>	<b>5.9</b>	<b>4.1</b>	<b>-6.2</b>	<b>8.6</b>
Agriculture, forestry and fishing	2.6	4.3	3.6	3.9
Industry	5.3	-1.2	-7.0	11.8
Mining and quarrying	0.3	-2.5	-8.5	14.3
Manufacturing	5.3	-2.4	-7.2	12.5
Electricity, gas, water supply services	8.0	2.1	1.9	8.5
Construction	6.3	1.0	-8.6	10.7
Services	7.2	7.2	-8.4	8.2
Trade, hotels, transport, comm. services	7.1	6.4	-18.2	11.9
Financial ser., real estate and prof. services	7.2	7.3	-1.5	4.0
Public admin., defence and other services	7.4	8.3	-4.6	10.7

**Table 2: Key highlight of GDP data (% YoY)**

	2018-19	2019-20	2020-21	2021-22 (E)
Private Consumption	7.6	5.5	-9.1	6.9
Government Consumption	6.3	7.9	2.9	7.6
Gross Fixed Capital Formation	9.9	5.4	-10.8	15.0
Exports	12.3	-3.3	-4.7	16.5
(less) Imports	8.6	-0.8	-13.6	29.4
<b>GDP</b>	<b>6.5</b>	<b>4.0</b>	<b>-7.3</b>	<b>9.2</b>

**Chart 1: Despite dip in Nov-21, average index in Oct-Nov'21 stands firm at 118.0**



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