

FY22 GDP Growth

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GDP growth stands at 8.7% in FY22

Indian economy rose by 8.7% in FY22 after declining by (-6.6%) FY21. The recovery is led by mining (11.5% versus -8.6%), construction (11.5% versus -7.3%) and public administration & other services (12.6% versus -5.5%). Going ahead, we expect the economy to clock 7.2% growth in FY23 with downward bias against the risk of global slowdown, elevated global inflation print, thin corporate margin,. However, a mix of fiscal and monetary policy is expected to boost growth prospects.

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GVA growth decelerates by 3.9% for Q4FY22: India's growth moderated in Q4FY22 by 3.9% compared with an increase of 4.7% in Q3FY22. The slowdown was led by moderation in services activity including trade, transport on the back of pandemic induced restrictions. Contracting in manufacturing activity (-0.2% from 3.7% in Q3) added to the pain, as the conflict between Russia-Ukraine (Feb-onwards) resulted in global supply shortage and pushed global commodity prices to an all-time high. Further, mining sector decelerated by 6.7% (9.2% in Q3FY22). Additionally, significant moderation was seen for public admin and defence activity (7.7% against 16.7% in Q3FY22). Agriculture remained the only bright spot at it clocked 4.1% growth in Q4 as against 2.5% in Q3FY22.

On expenditure side, consumption spending was severely impacted with growth moderating to 1.8% in Q4FY22 as the economy battled the 3rd variant of Covid-19. Both exports and imports also slowed by 16.95 and 18% respectively. However, pace of government spending improved in order to meet their budget targets (5.1% from 2.1% in Q3FY22). Investment too registered an uptick at 5.1% in Q4FY22 (2.1% in Q3).

GVA rebounds in FY22: India's overall GVA growth bounced back in FY22 to 8.1% following a (-) 4.8% decline in FY21. Sharp recovery was on the back of revival in all sectors, except agriculture and allied activities where growth slowed marginally from 3.3% in FY21 to 3% in FY22. Amongst other sectors, mining (11.5% versus -8.6%), construction (11.5% versus -7.3%) and public administration & other services (12.6% versus -5.5%) improved the most. Manufacturing (9.9% versus -0.6%) and trade and related services (11.1% versus -20.2%) also picked up. Relaxation in local Covid-19 restrictions, re-opening of global economy, pick up in the pace of vaccination and pent-up consumer demand have supported these sectors. Utilities (7.5% versus -3.6%) and finance and real estate (4.2% versus 2.2%) related sectors too showed signs of recovery in FY22.

FY22 GDP growth at 8.7%: After contracting by 6.6% in FY21, India's economy recovered and rose by 8.7% in FY22. On expenditure side, improvement in consumption expenditure (7.9% against -6% in FY21), investment (15.8% from -10.4% in FY2021), have contributed the most. Both exports (24.3% compared with -9.2% in FY21) and imports (35.5% from -13.8%) have clocked double digit growth in FY22 after contracting in FY21. We expect economy to moderate by 7.2% in FY22 against the headwinds of global economic slowdown, with downside risk to projections from surge in inflation print, ongoing Russia-Ukraine conflict, reducing corporate margin and aggravating heat wave conditions.



Table1: Q4 growth at 4.1%

Sectors	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Agriculture, forestry and fishing	2.8%	2.2%	3.2%	2.5%	4.1%
Mining and quarrying	(3.9%)	18.0%	14.5%	9.2%	6.7%
Manufacturing	15.2%	49.0%	5.6%	0.3%	-0.2%
Electricity, gas, water supply and other utility services	3.2%	13.8%	8.5%	3.7%	4.5%
Construction	18.3%	71.3%	8.1%	-2.8%	2.0%
Trade, hotels, transport, communication & services related to broadcasting	(3.4%)	34.3%	9.6%	6.3%	5.3%
Financial, real estate & professional services	8.8%	2.3%	6.1%	4.2%	4.3%
Public administration and Defence	1.7%	6.2%	19.4%	16.7%	7.7%
GVA at basic prices	5.7%	18.1%	8.3%	4.7%	3.9%
GDP	2.5%	20.1%	8.4%	5.4%	4.1%

Source: CEIC, Bank of Baroda Research



Table2: Growth at 8.7% in FY22

Sectors	FY20	FY21	FY22
Agriculture, forestry and fishing	5.5%	3.3%	3.0%
Mining and quarrying	(1.5%)	(8.6%)	11.5%
Manufacturing	(2.9%)	(0.6%)	9.9%
Electricity, gas, water supply and other utility services	2.2%	(3.6%)	7.5%
Construction	1.2%	(7.3%)	11.5%
Trade, hotels, transport, communication & services related to broadcasting	6.3%	(20.2%)	11.1%
Financial, real estate & professional services	6%	2.2%	4.2%
Public administration and defence	6.5%	(5.5%)	12.6%
GVA at basic prices	6.2%	(4.8%)	8.1%
GDP	3.7%	(6.6%)	8.7%

Source: CEIC, Bank of Baroda Research



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