

## Real GVA/GDP grew 3.7%/1.6% YoY in 4QFY21

Expect real GVA/GDP to grow ~24% YoY in 1QFY22

- Slightly lower than our forecast of 3.9% YoY, but higher than Bloomberg consensus of 2.6% YoY, real GVA came in at 3.7% YoY in 4QFY21. This implies that real GVA declined 6.2% YoY in FY21 as against a growth of 4.1% YoY in FY20. Real GDP came in at 1.6% YoY in 4QFY21, better than our forecast/Bloomberg consensus of 0.6%/1%. Real GDP, therefore, fell 7.3% YoY in FY21 v/s a growth of 4% YoY in FY20.
- While industrial activity grew at an 11-quarter high in 4QFY21, the services sector grew 1.5% YoY. Within industry, while manufacturing, construction, and power generation did well, mining and quarrying performed worse in 4QFY21. Trade, hotels, and transport declined slowly, but community, social, and personal services grew faster in 4QFY21.
- Total consumption grew 6.4% YoY in 4QFY21 (v/s -2.6% YoY in 3Q), led by higher government consumption rather than personal. Government/personal consumption grew 28.3%/2.7% YoY in 4QFY21 (v/s -1%/-2.8% in 3Q). Excluding government consumption, real GDP actually declined 1.1% YoY in 4QFY21. Even investments – gross capital formation – grew at a 12-quarter high of 13.8% YoY in 4QFY21 (v/s 3% YoY in 3Q). Net exports contributed negatively to overall real GDP because of a faster growth in imports vis-à-vis exports.
- Surprisingly, nominal GDP in 4QFY21 grew 8.7% YoY, slightly lower than 8.8% YoY in 4QFY20, leading to a 3% YoY decline in FY21 v/s a 7.8% YoY growth in FY20.
- Using quarterly data on net exports of goods and services and total investments, our estimates suggest that while implied GDS increased to 31.8% of GDP in 4Q v/s 28.1% of GDP in 3Q (the highest in 10 quarters), it grew marginally to 28.7% of GDP in FY21 v/s 28.1% of GDP in FY20.
- Data points such as core infrastructure growth (which declined 15% MoM in Apr'21), fiscal spending (which fell 26.2% YoY in Apr'21), and overall auto sales (which declined 30% MoM in Apr'21) implies that the recovery momentum has slowed down in Apr'21 due to the second COVID wave. On the very low base of -24.4% YoY in 1QFY21, we expect real GVA/GDP to come in ~22% - 25% YoY in 1QFY22.

### I. Real GVA grows 3.7% YoY...

- **Real GVA growth in 4QFY21 similar to our forecast...:** Slightly lower than our forecast of 3.9% YoY, but higher than Bloomberg consensus of 2.6% YoY, real GVA came in at 3.7% YoY in 4QFY21. This implies that real GVA declined 6.2% YoY in FY21 as against a growth of 4.1% YoY in FY20.
- **...on account of better growth in industry and services:**
- While industrial activity grew at an 11-quarter high of 7.9% YoY in 4QFY21 (v/s 2.9% YoY in 3Q), the services sector grew 1.5% YoY (v/s a decline of 1.2% YoY in 3Q). Within industry, while manufacturing, construction, and power generation did well, mining and quarrying performed worse in 4QFY21. Within services, while trade, hotels, and transport declined slowly, community, social, and personal services grew faster, and financing, insurance, real estate, and business service grew at a slower pace in 4QFY21.
- **GVA, excluding farm sector, would have grown slightly higher in 4QFY21:** Details suggest that real GVA, excluding agriculture, grew faster (3.8% YoY) in 4QFY21 v/s 0.2% YoY in 3Q.

## II. ...and higher subsidy payments led to higher GDP in 4QFY21

- **Real GDP grew 1.6% YoY in 4QFY21...**: Better than our forecast/Bloomberg consensus of 0.6%/1%, real GDP came in at 1.6% YoY in 4QFY21. This implies that real GDP fell 7.3% YoY in FY21 as against a growth of 4% YoY in FY20.
- **...due to better consumption as well as investment**: Total consumption grew 6.4% YoY in 4QFY21 (v/s -2.6% YoY in 3Q), led by higher government consumption expenditure. Government/personal consumption grew 28.3%/2.7% YoY in 4QFY21 (v/s -1%/-2.8% in 3Q). Excluding government consumption, real GDP actually declined 1.1% YoY in 4QFY21 v/s a growth of 0.6% YoY in 3Q. Even investments – gross capital formation – grew at a 12-quarter high of 13.8% YoY in 4QFY21 (v/s 3% YoY in 3Q). Net exports contributed negatively to overall real GDP because of a faster growth in imports vis-à-vis exports.
- **Nominal GDP grew an impressive 8.7% YoY last quarter**: Nominal GDP in 4QFY21 grew higher than expected at 8.7% YoY (v/s 5.2% YoY in 3Q), leading to a 3% YoY decline in FY21 v/s a 7.8% YoY growth in FY20.

## III. India’s domestic savings rose in 4QFY21

Using quarterly data on net exports of goods and services and total investments, our estimates suggest that while implied GDS increased to 31.8% of GDP in 4Q v/s 28.1% of GDP in 3Q (the highest in 10 quarters), it grew marginally to 28.7% of GDP in FY21 v/s 28.1% of GDP in FY20.

## IV. Expect real GVA/GDP to grow ~24% YoY in 1QFY22

Data points such as core infrastructure growth (which declined 15% MoM in Apr’21), fiscal spending (which fell 26.2% YoY in Apr’21), and overall auto sales (which declined 30% MoM in Apr’21) implies that the recovery momentum has slowed down in Apr’21 due to the second COVID wave. On the very low base of -24.4% YoY in 1QFY21, we expect real GVA/GDP to come in ~22% - 25% YoY in 1QFY22.

Exhibit 1: Real GDP grew 1.6% YoY in 4Q...

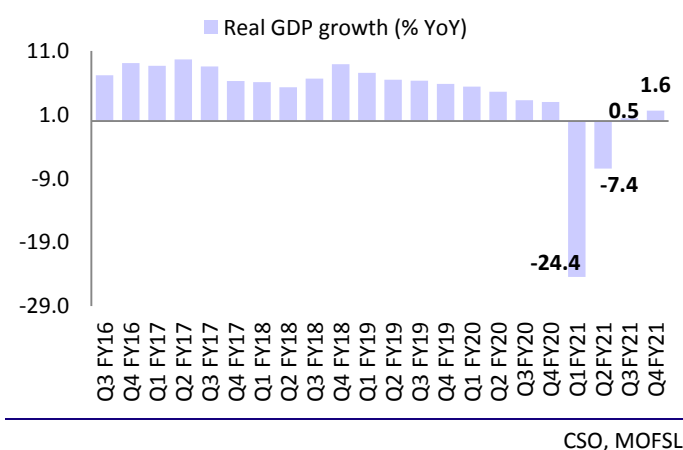
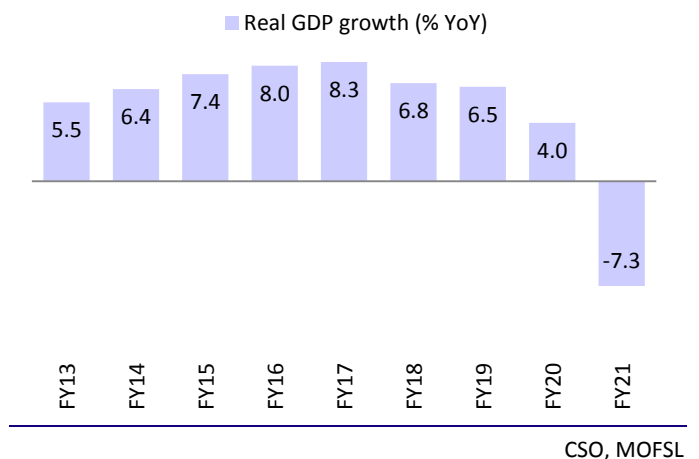
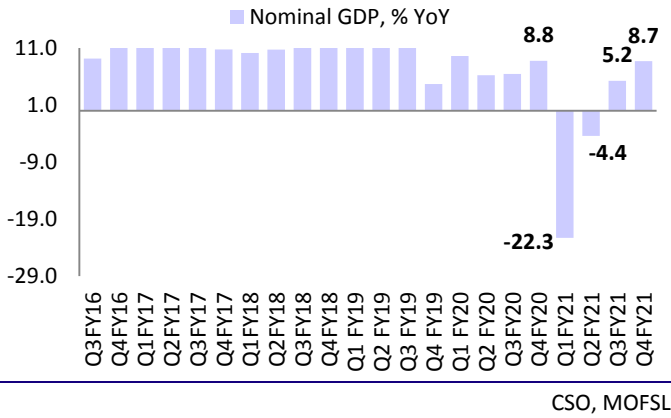


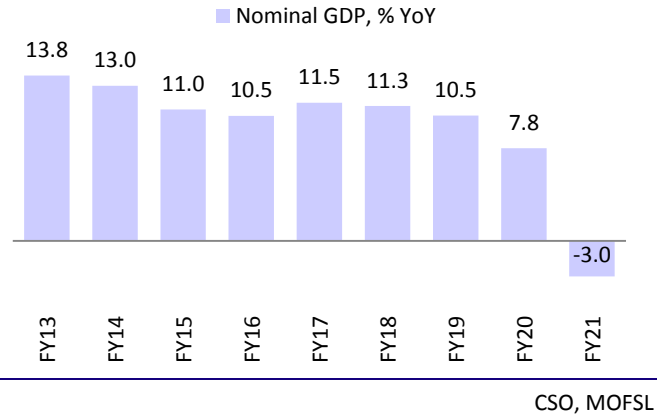
Exhibit 2: ...leading to a 7.3% YoY decline in FY21



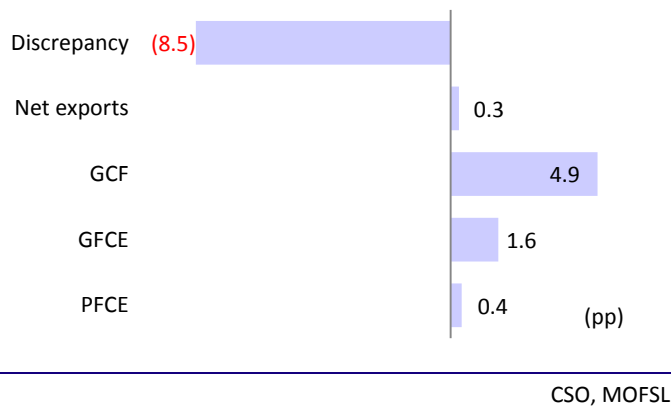
**Exhibit 3: Nominal GDP grew 8.7% YoY in 4Q...**



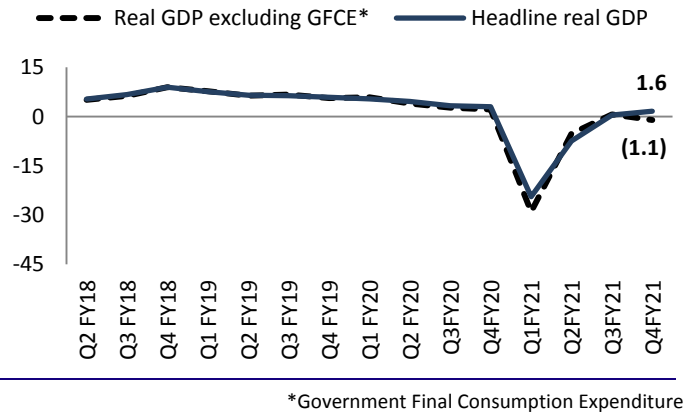
**Exhibit 4: ...leading to a 3% YoY decline in FY21**



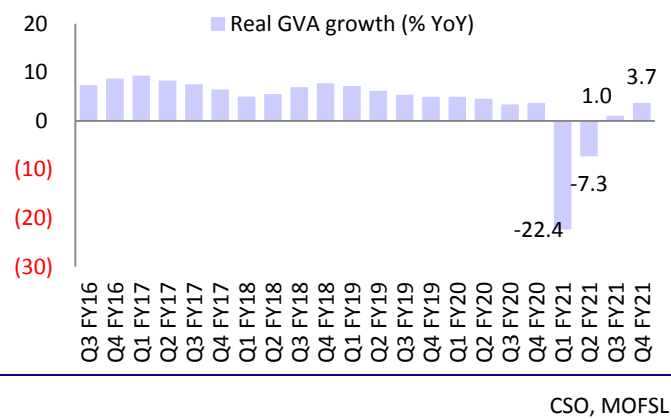
**Exhibit 5: Gross capital formation and government consumption were the highest contributors to GDP**



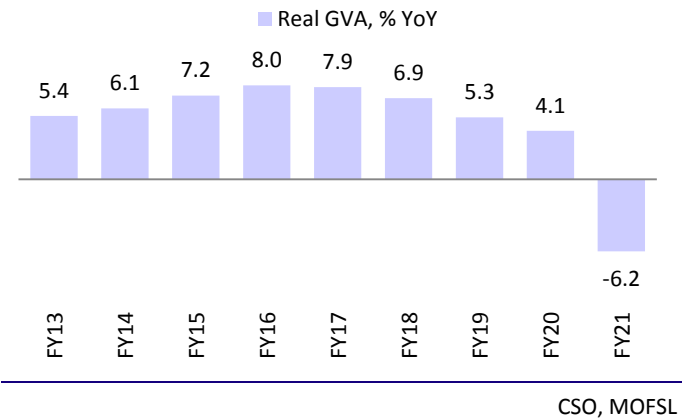
**Exhibit 6: Excluding government consumption, real GDP actually declined 1.1% YoY in 4QFY21**



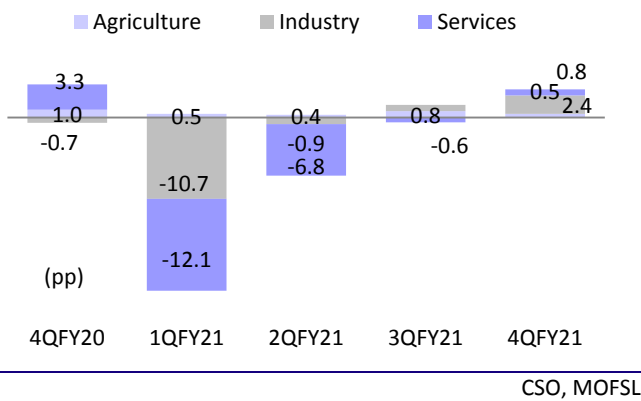
**Exhibit 7: Real GVA grew 3.7% YoY in 4Q...**



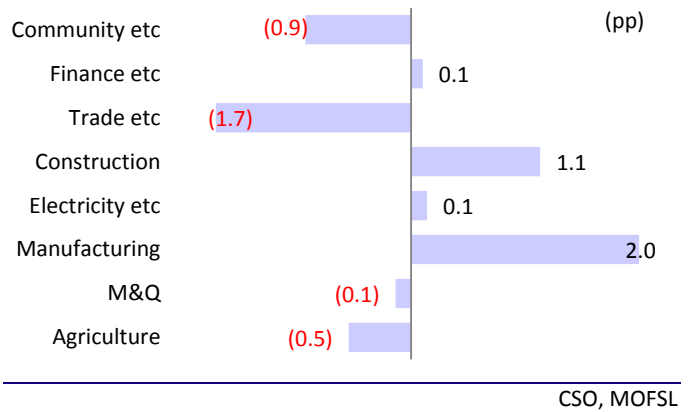
**Exhibit 8: ...leading to a 6.2% YoY decline in FY21**



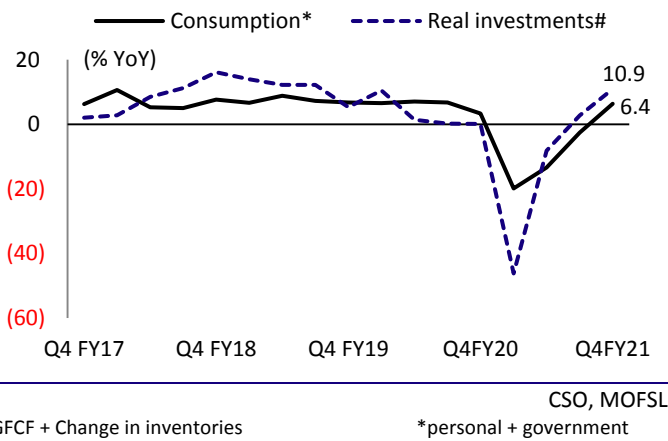
**Exhibit 9: Industry was the highest contributor to real GVA growth in 4QFY21**



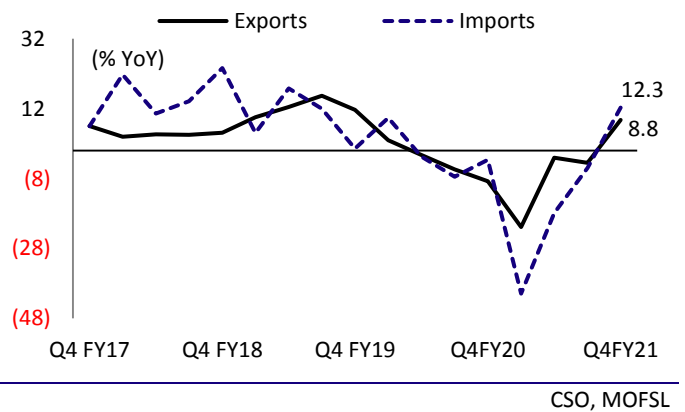
**Exhibit 10: Within industry, manufacturing and construction did well in 4QFY21**



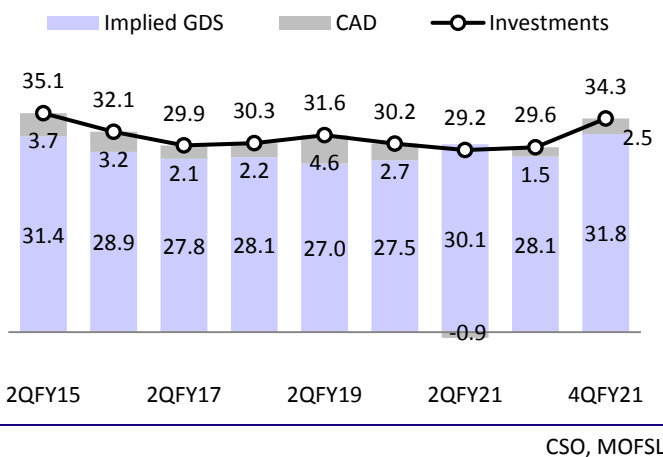
**Exhibit 11: Real investment grew faster than consumption in 4QFY21**



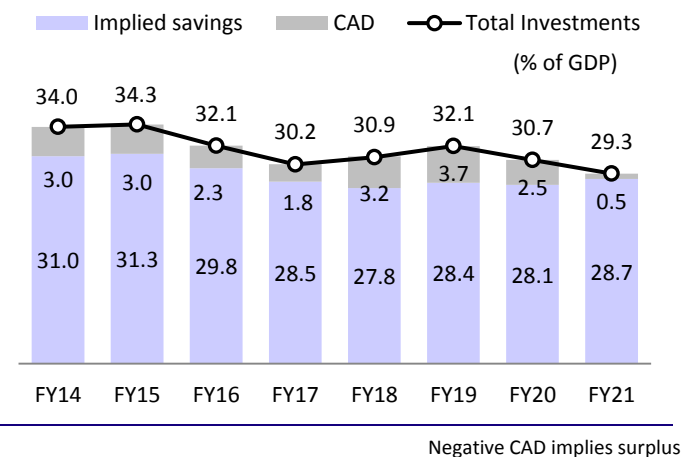
**Exhibit 12: Imports grew faster than exports in 4QFY21, leading to negative contribution to real GDP**



**Exhibit 13: Implied domestic savings performed better in 4Q...**



**Exhibit 14: ...leading to a slightly better performance in FY21**



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