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Chart A: GDP growth



Chart B: Sectoral contribution to real GVA growth

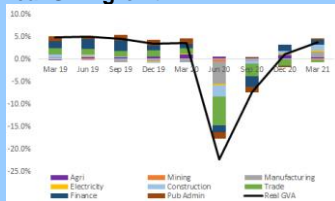


Chart C: Core GVA

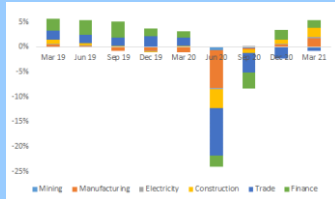


Chart D: Investment Rate (% of GDP)



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INDIA

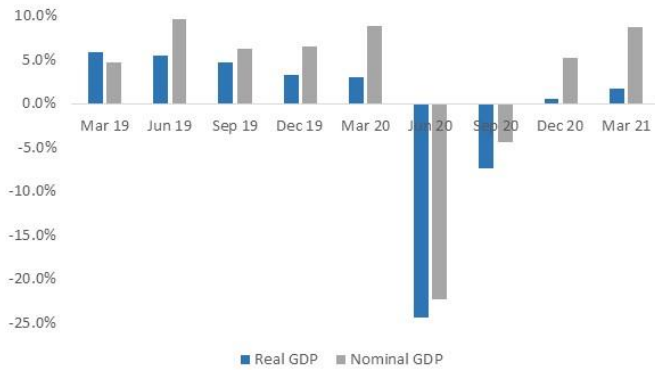


## Economy

## Q4FY21 GDP grows 1.6%; full year growth at -7.3%

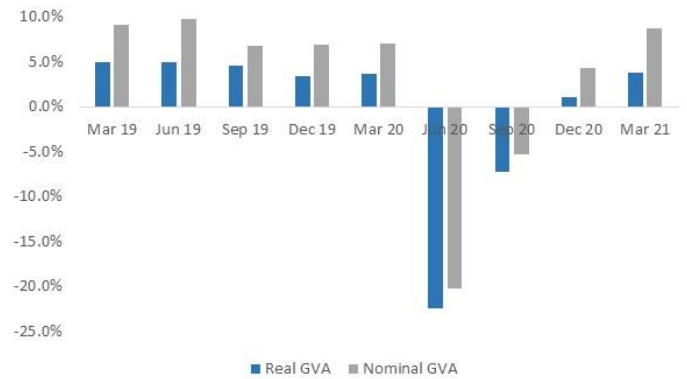
- ▶ **India's real GDP grows 1.6% y/y in Q4FY21; nominal growth at 8.7%:** India's real GDP grew 1.6% y/y in Q4FY21 (I-Sec est: 1.2%, consensus: 0.9%), bringing full-year growth in FY21 to -7.3%. Nominal GDP in Q4FY21, on the other hand, grew at 8.7% while nominal GDP growth for full-year FY21 stood at -3%. This implies a GDP deflator of 7% for Q4FY21 and 4.5% for full-year FY21. With this print, nominal and real GDP for FY21 stands at Rs 197trn and Rs 135trn respectively. The more reliable GVA prints were broadly in line with our expectations: real and nominal GVA grew 3.7% and 8.8% respectively in Q4FY21. As expected, Q4FY21 marks the best quarterly growth in FY21: real GDP growth in Q1, Q2 and Q3 was -24.4%, -7.4% and 0.5% respectively.
- ▶ **Real per capita GDP declines 8.2% in FY21:** India's real per capita GDP declined 8.2% y/y to Rs 99,694 in FY21 from Rs 108,645 in FY20. Real per capita consumption expenditure, on the other hand, declined 10.1% in FY21 to Rs 55,783 from Rs 62,056 in FY20. Sharper decline in per capita consumption compared to per capita income shows that households have resorted to saving more during the year.
- ▶ **Internals surprise; manufacturing and construction growth better than expected:** While the headline growth numbers were broadly in line with our expectations, the internals were surprising. Manufacturing sector grew 6.9% in Q4FY21 while construction sector recorded growth of 14.5%. Real GVA growth in Q4FY21 was up just 5bps from the growth recorded in Q4FY20. Out of this, manufacturing and construction collectively added 320bps and electricity and finance together added 20bps. All other components of GVA viz. agriculture (-60bps), mining (-10bps), trade (-160bps), and public administration (-100bps) shaved off from growth. The divergent recovery across sectors was expected since the lockdown and social distancing measures disproportionately affected contact-intensive services sector (such as trade) more. Manufacturing, by virtue of being less contact-intensive, posted faster recovery when lockdown restriction were gradually eased. The strong growth in construction sector, however, is surprising especially given the labour shortages and other supply constraints faced by the sector.
- ▶ **Core GVA grows 4.4% in Q4FY21; growth at 7-quarter high:** In an encouraging sign, core GVA (excluding agriculture and public admin) grew 4.4% in Q4FY21, the fastest growth since Q1FY19. Faster growth in core GVA compared to headline GVA shows that non-agriculture private sector is witnessing much better growth. This narrative is further corroborated by falling contribution of public administration services to overall growth. In Q4FY20, public admin contributed 130bps to total GVA growth of 370bps (i.e. 36%). However, in Q4FY21, it contributed only 30bps to total GVA growth of 370bps (i.e. 8%).
- ▶ **Private consumption growth improves to 5-quarter high of 2.7% in Q4FY21; investment rate at 31.2% of GDP:** Private consumption, which accounts for 55% of GDP, grew 2.7% in Q4FY21. This is the highest growth rate recorded by the mainstay of India's economy since Q3FY20, as starting Q4FY20 Covid restrictions posed a large headwind to the component. Gross fixed capital formation grew 10.9% in Q4FY21, its best performance since Q1FY20. With this print, investment rate stands at 31.2% of GDP.
- ▶ **India's fiscal deficit for FY20 at 9.3% of GDP:** In separately released data, the CGA showed that India's fiscal deficit for FY21 came in at 9.3% of GDP, lower than the revised estimate of 9.5%. This was mainly achieved due to higher receipts (actual Rs 16.9trn vs Rs 16trn in RE). Total expenditure in FY21 stood at Rs 35.1trn vs RE of Rs 34.5trn.
- ▶ **Growth outlook depends on vaccination pace; we expect growth in FY22 at 9.6%:** The growth outlook for FY22 largely depends on the pace of vaccinations. We expect growth to remain subdued in H1FY22 due to second wave and slow pace of vaccination. However, in H2FY22 as vaccination picks up pace growth momentum should gather strength. We expect real GDP growth of 9.6% in FY22.

**Chart 1: Real and nominal GDP**



Source: MOSPI, I-Sec Research

**Chart 2: Real and nominal GVA**



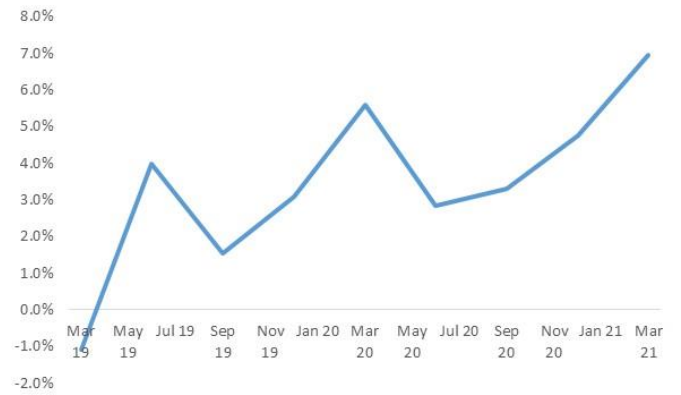
Source: MOSPI, I-Sec Research

**Chart 3: Investment rate (% of GDP)**



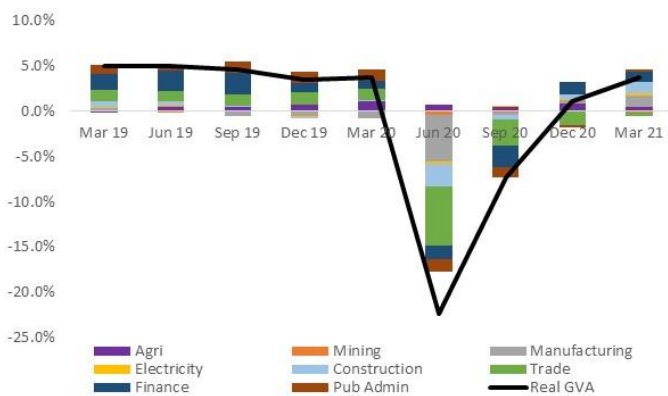
Source: MOSPI, I-Sec Research

**Chart 4: GDP deflator**



Source: MOSPI, I-Sec Research

**Chart 5: Sectoral contribution to GVA**



Source: MOSPI, I-Sec Research

**Chart 6: Core GVA**



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