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**PRIVATE CONSUMPTION UP 7% IN DECEMBER QUARTER**

# GDP Grows Slower than Expected in Q3, up 5.4%

## FY22 estimate comes down to 8.9% from 9.2% projected earlier

**Our Bureau**

**New Delhi:** India's economy grew by a slower-than-expected 5.4% in the December quarter, pushing down the full-year estimate for FY22 to 8.9% from 9.2% previously, data released by the government on Monday showed.

An ET poll of economists had last week forecast a median 6% growth in gross domestic product (GDP) in the third quarter of the current fiscal year.

Rating agency ICRA said the estimate was "sorely below" its expectations of a 6.2% rise in the quarter. Oxford Economics said, "India's GDP growth slowed to 5.4% y/y in Q4 2021 from 8.5% in Q3, confirming our view that the recovery lost momentum in the last quarter of the year."

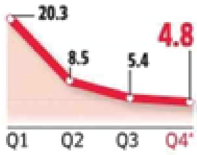
The third-quarter growth number and prospects of an even weaker fourth quarter have triggered further downgrades in full-year estimates by independent economists.

ICRA lowered its estimate to 8.5% from 8.5-8.9% while Barclays cut its full-year growth forecast to 8.8% from 10%.

### Falling Short

**Q3 growth falls below expectation, triggers further cut in FY22 estimate**

% Annual Growth



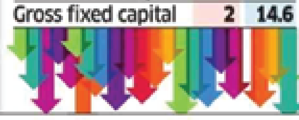

*implicit growth, calculated from full yr estimate

**Reasons for Slow Growth**

Flat manufacturing (0.2%) and lower construction (-2.8%)

Upward revision in last year numbers causing adverse base

| % Annual Growth | Q3 | FY22 |
|---|---|---|
| Agriculture | 2.6 | 3.3 |
| Mining & quarrying | 8.8 | 12.6 |
| Manufacturing | 0.2 | 10.5 |
| Electricity etc | 3.7 | 7.8 |
| Construction | -2.8 | 10 |
| Trade, Hotels etc | 6.1 | 11.6 |
| Finance, realty etc | 4.6 | 4.3 |
| Public admin etc | 16.8 | 12.5 |
| Private consumption | 7 | 7.6 |
| Gross fixed capital | 2 | 14.6 |



Economists called for monetary and fiscal support to the economy that now faces downside risks from the spiralling geopolitical situation that has spiked crude and commodity prices.

The silver lining was a 7% rise in private consumption in the December quarter from a year ago.

Implied Expansion for Q4 at 4.8% ▸▸ 7

# Implied Expansion for Q4 at 4.8%

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It has recovered to 1.2% higher than the pre-pandemic level of FY20.

However, the tepid 2.0% rise in gross fixed capital formation in the quarter indicated that the much-anticipated recovery in investment is yet to manifest itself. Manufacturing grew only 0.2% in the quarter and agriculture growth slowed to 2.6%, while construction contracted 2.8%.

For the full FY22, farm sector growth is seen at 3.3%, the same as last year; manufacturing at 10.5%; mining 12.6%; construction 10%; trade, hotels and transport etc. at 11.6%; and financial services at 4.3%. The economy grew 20.3% in the first quarter of the year and 8.5% in the second. Gross value added (GVA) growth for FY22 is now pegged at 8.3% compared with 8.6% earlier.

In the first nine months of the year, GDP growth was 10.6% against a 9.9% contraction in the year-ago period.

Based on the full-year estimate of 8.9% growth and 10.6% in the first three quarters, the implied expansion in the fourth quarter is 4.8%.

"This (4.8% growth) looks challenging given the fact that the third wave of the pandemic had caused considerable restrictions," said M Govinda Rao, chief economic adviser, Brickwork Ratings. "We expect the full fiscal growth may undergo revisions. Finally, higher crude oil prices are also likely to adversely impact both growth and inflation."

The earlier revision in the GDP contraction for the previous fiscal year to 6.6% against 7.3% earlier has also depressed the growth of the current fiscal by creating a less favourable base for FY22. GDP growth for FY20 was revised to 3.7% from 4% earlier.

"The softer-than-expected 3QFY22 GDP has been led by manufacturing and construction but largely led by upward revisions to the previous year's numbers," said Upasna Bhardwaj, senior economist at Kotak Mahindra Bank.