

Research

## M. Govinda Rao, Chief Economic Adviser, Brickwork ratings on Q3FY21 GDP numbers

Posted On: **2021-02-26 23:15:16** (Time Zone: Arizona, USA)

The second advance estimate and the third quarter estimate of GDP released by the Ministry of Statistics and Programme Implementation (MOSPI) are on expected lines. The estimate of 1% growth in GVA and 0.4% growth in GDP marks the ending of the recessionary phase. In fact, all the sectors except (i) Mining and Quarrying, (ii) Trade, Hotels, Transport and communication services and (iii) Public administration, defence and other services have recorded positive growth in the third quarter.

In terms of sectoral break up, the services sector continues to be under cloud, but industry sector has moved into the positive territory. Significant improvement is seen in the performance of Construction from -7.2 per cent in Q2 to 6.2 per cent in Q3 and financial and real estate sector from -9.5% in Q2 to 6.6% in Q3. The contraction in trade hotels and transport sector continues to be high at -7.7% in Q3 though this is a significant improvement from -15.3% in Q3.

Public administration, defence and other services performed better than -9.3% growth recorded in Q2 but continued the contraction at -1.5% in Q3. It was hoped that increase in Central government spending after October last year would take it to positive growth. However, the State governments, which contribute to over 70 per cent of public consumption spending seem to continue their austerity due to constraints in revenues. The sectors like education and healthcare too have not recovered to the pre-Covid levels.

The increased GST collections of more than Rs. one lakh crore and the record collection of Rs. 1.2 lakh Crore in January also indicated recovery in the consumption of goods and services. However, increased collections seem to be as much due to increased consumption due to better enforcement with the technology platform able to implement e-invoicing system for businesses with more than Rs. 100 Crore Turnover.

The second advance estimate shows the GDP sliding into 8 per cent contraction which is higher than the 7.7 per cent estimated earlier. This is mainly due to the downward revision of the first quarter GDP estimate from -23.9 per cent in the first advance estimate to -24.4 per cent in the second, probably better reflecting the impact of the lockdown on unorganised sectors due to additional information available.

Source: **Equity Bulls**