

Higher fiscal spending, consumption recovery lift India's Q2FY22 GDP above 8% (Roundup)

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New Delhi, Nov 30 (IANS) Higher central fiscal spending as well as consumption recovery and healthy monsoon season accelerated India's Q2FY22 GDP growth rate to 8.4 per cent on a year-on-year basis.

Besides, pent-up demand, higher exports along with a rise in service activity amid further improvement in mobility supported the uptrend.

The accelerated vaccination drive also played a role in this YoY rise as it brightened consumer sentiments.

On a YoY basis, India's GDP growth rate had fallen by 7.4 per cent during the corresponding period of the previous fiscal. On a sequential basis, the GDP growth rate during Q2FY22 was lower than the rise of 20.1 per cent recorded for Q1FY22. India's GDP at constant 2011-12 prices has been estimated at Rs 35.73 lakh crore in Q2FY22, as against Rs 32.97 lakh crore in Q2FY21.

"GDP at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 35.73 lakh crore, as against Rs 32.97 lakh crore in Q2 2020-21, showing a growth of 8.4 per cent as compared to 7.4 per cent contraction in Q2 2020-21," the National Statistical Office (NSO) said in its Q2FY22 GDP estimates.

"Quarterly GVA at Basic Prices at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 32.89 lakh crore, as against Rs 30.32 lakh crore in Q2 2020-21, showing a growth of 8.5 per cent," it added.

The GVA includes taxes, but excludes subsidies. In a poll of economists, IANS had on November 29 predicted that based on the consumption recovery, India's GDP Q2FY22 is expected to grow by anywhere between 7 and 9 per cent.

On year-on basis, there was a sharp increase in expenditure on public administration, defence and other services, which recorded a growth of 17.4 per cent from (-)9.2 per cent in the like quarter of the previous fiscal and 5.8 per cent in Q1FY22.

The Q2GVA for 2021-22 from the agriculture, forestry and fishing sector showed a growth of 4.5 per cent, as against 3 per cent in the corresponding quarter of 2020-21 and 4.5 per cent in Q1FY22.

Similarly, the GVA in Q2FY22 from the manufacturing sector grew 5.5 per cent, as compared to a de-growth of (-)1.5 per cent in the like quarter of the previous fiscal and 49.6 per cent in Q1FY22.

The mining and quarrying sector increased by 15.4 per cent against previous fiscal's contraction of (-)6.5 per cent and 18.6 per cent in Q1FY22.

"This was mainly due to the sharp increase in public expenditures in the second quarter after conservative spending in the first quarter, as seen by the increase of 8.5 per cent in government consumption expenditures," said M. Govinda Rao, Chief Economic Adviser at Brickwork Ratings.

As per Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research: "What is also encouraging to see is a 10.7 per cent growth in gross capital formation, driven primarily by public capital expenditure although there are also signs of a pickup in private capex in the current fiscal."

"The absolute real GDP value has exceeded the pre-pandemic levels of Q2FY20 by 0.33 per cent."

According to Sunil Kumar Sinha, Principal Economist, India Ratings and Research: "Although the healthy GDP growth numbers are mainly due to the base effect, yet it indicates that economy is recovering quickly post Covid 2.0."

"In fact, 2QFY22 GDP in level terms is now higher than 2QFY20. Though it is only 0.3 per cent higher, it does indicate that economy has finally recovered the ground lost due to Covid-19 pandemic."

In addition, Aditi Nayar, Chief Economist, ICRA said: "The pace of GVA growth in Q2 FY2022 modestly exceeded our expectations, led by agriculture, forestry and fishing, and public administration, defence and other services."

"After a broadly healthy festive season, many indicators have displayed a flagging momentum in November 2021, suggesting that the revival in economic growth is yet to become durable."

"While rising vaccine coverage and fuel tax cuts will boost confidence and re-invigorate demand, the spectre of higher prices may contain the consumption recovery in H2 FY2022."