

GDP grows 1.6% in Q4, but contracts 7.3% in FY21; experts decode data

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India's economy grew by 1.6 percent in the fourth quarter of 2020-21, restricting the full-year contraction to 7.3 percent, official data showed on Monday.

The fourth quarter growth was better than the 0.5 percent expansion in the previous October-December quarter of 2020-21.

The gross domestic product (GDP) had expanded by 3 per cent in the corresponding January-March period of 2019-20, according to data released by the National Statistical Office (NSO).

Experts weigh in with their views:

Dr M. Govinda Rao Chief Economic Adviser, Brickwork ratings

The revised estimates of GDP for FY21 at -7.3 percent and the fourth quarter estimate of 1.6% released by the Ministry of Statistics and Programme Implementation (MOSPI) are more optimistic than what the market had expected. The full-year revised estimate is largely in line with Brickwork Ratings estimate of a contraction of 7.5 percent.

The estimate of 3.7 percent growth in GVA and 1.6 percent growth in GDP in the fourth quarter of FY21 is largely due to a low base, and also reflects a slight improvement in the economic activities. Construction and Manufacturing activities seemed to have picked up faster in the last quarter of FY21 while the services sector continues to suffer the most with Trade, hotels segment estimated to contract by 15.5 percent. The muted growth in public administration is also delaying the growth revival. However, the better than expected GDP estimates provides some comfort to the RBI MPC, which is likely to maintain the repo rate at 4 percent in its upcoming meeting.