

GDP Highlights: India's economy grew 20.1% in April-June quarter; strong growth helped by low-base effect

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India GDP Highlights: India economy continued to grow despite the severe second wave of the covid-19 pandemic during the April-June quarter.



India's GDP at constant prices (2011-12) in the first quarter stood at Rs 32.38 lakh crore. (Image: PTI)

India GDP Highlights: India's economy grew by 20.1% during the April-June quarter of this financial year, as against a 24.4% contraction seen during the same period last year. The massive growth seen in the first quarter has made India the fastest-growing major economy across the globe. India's GDP at constant prices (2011-12) in the first quarter stood at Rs 32.38 lakh crore, however still lower than the Rs 35.66 lakh crore seen in the first quarter of 2019-20, signalling that India is yet to emerge from the covid induced slump. The construction sector's

GVA was 68.3% higher than the previous year. The services sector grew at 3.7% from the year-ago period. In the previous quarter, India's economy had grown by 1.6%. For the full financial year 2020-21, India's GDP contracted by 7.3%.

Revival of economy will continue at a faster pace

The First quarter growth of GDP in the current year at 20.1% comes as a pleasant surprise and is quite close to the growth estimate put out by the RBI. In particular, sharp turnarounds in the growth of GVA in manufacturing at 49.6% and more importantly in Construction at 68.3% show significant revival in these sectors and their resilience in withstanding the restrictions posed by the second wave of the pandemic. Even the contact intensive sector like trade, hotels transport etc. has shown appreciable resilience in recording the growth of 34.3%. The industry sector has shown a growth of 46.1% whereas, the service sector, still has a lot to pick up as it recorded a growth of just 11.4%. The growth of public administration, defence and other services, however, has been muted at 5.8% and this is a clear indication that the government has been far too cautious in increasing its expenditures to contain the fiscal deficit.

Going ahead, the revival of the economy will continue at a faster pace in the coming quarters and even if there is a third wave, the disruptions are not likely to be large due to the progress in vaccination and the resilience of the economy gained after experiencing the first two waves of the pandemic. The overall growth for FY22 estimated at 9.5% by the RBI is likely to hold and in fact, even may exceed. However, the revival of the private investment cycle is quite some time away and is not likely to happen before FY23.

~Brickwork Ratings

Second wave hit construction sector

The second wave has adversely impacted the construction sector as well, though the disruption seems to be much less than last year. The massive migration of construction workers in the wake of the prolonged lockdown last year completely disrupted the sector, and the contraction in the sector was 49.5%. However, the outmigration during the second wave has been much less and mostly localised. Although the second wave has disrupted the sector, the impact is likely to be much less than last year.

~ Brickwork Ratings

Repeated state-level restrictions to limit GDP growth at 14% in Q1FY22: Brickwork Ratings

The economy was well under-recovery from the devastation caused by the first wave of the pandemic until the second wave hit the economy, starting April 2021, bringing the recovery process to an abrupt halt.

We expect GDP growth for Q1FY22 at 14% (year-on-year), largely due to a low base in Q1FY21. The subsequent quarters will see an improvement if there is no resurgence of the virus in the form of a third wave. Although many states have started easing the lockdown restrictions recently, economic activities have not resumed completely to their pre-Covid levels.

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