

India's Q3 GDP growth slowed to 5.4% from 8.5% in Q2 as manufacturing drags

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India's GDP growth rate in the third quarter of the current fiscal slipped to 5.4% compared to 8.5% in the previous quarter, data released by the Ministry of Statistics and Programme Implementation showed.

The Centre has also revised its GDP growth expectation for FY22 downwards to 8.9% from its first advance estimate of 9.2% released in January.

Rumki Majumdar, Economist, Deloitte India said that supply constraints and subdued demand have weighed on the growth rebound in Q3.

Growth in Gross Value Added (GVA) also declined in the third quarter to 4.7% from 8.4% in the second quarter of FY22. As per fresh estimates by the government, GVA growth would come in at 8.3% for FY22.

"New uncertainties because of geopolitical conflicts could impact the growth outlook. The biggest worry would be inflation because of skyrocketing oil prices that could impact growth going forward," Majumdar added.

India's manufacturing sector logged a growth rate of 0.2% in the third quarter of FY22, reflecting the negative impact of the covid-19's third wave in the country.

Manufacturing GVA came in at 5.91 lakh crore in Q3FY22, down from 6.24 lakh crore reported in the second quarter of the ongoing fiscal.

"The effect of semiconductor shortages is already evident in the weak 0.2% growth in the manufacturing sector in Q3. The third wave was largely impacted the economic activities in the fourth quarter (Q4) we expect the full fiscal growth may undergo revisions.

Finally, the higher crude oil prices are also likely to adversely impact both growth and inflation," M Govinda Rao, Chief Economic Adviser at Brickwork Ratings said.