

India Q4FY22 GDP: Investment and exports are drivers of growth

- **Q4 GDP and GVA growth at 4.1% and 3.9%. Investment and exports are drivers of GDP. Agriculture remains mainstay from supply side**
- **FY22 GDP growth at 8.7%, lower from 8.9% earlier again driven by investments and exports. Government spending muted**
- **Nominal GDP growth at 19.5% on the back of higher inflation. Inflation is likely to impact consumption and industrial activity**
- **Investment to remain driver on the back of higher government capex, turnaround in real estate cycle and rising capacity utilization**
- **Exports to see some moderation on the back of global slowdown**

Q4 growth slid to 4.1%: India's Q4 GDP and GVA growth slid to 4.1% YoY (our estimate: 3.5%) and 3.9% (our estimate: 3.7%) respectively. Agriculture continued to be the mainstay of growth in Q4 at 4.1%. Industry saw a marginal acceleration from Q3 to 1.3% in Q4. While manufacturing output was muted at -0.2%, it was electricity and construction which accelerated to 4.5% and 2% respectively from 3.7% and -2.8% respectively in Q3. Services growth further decelerated to 5.5% in Q4. While financial services and real estate reported marginal improvement at 4.3% in Q4, both trade, transport, hotel and public admin, defence and other services decelerated. This can be explained by contact intensive segments in both the categories. On the demand side, consumption decelerated to 1.8% in Q4. On the other hand, government spending and investments saw an acceleration.

FY22 GDP growth at 8.7%: FY22 GDP growth is now at 8.7% (our estimate: 8.5%). Growth is led by investments—public and private—which expanded by 15.8%. Notably, Centre has maintained its capex roadmap in the year while restricting revenue expenditure because of which government spending has been muted. Exports too have seen a sharp rebound at 24.3% in FY22. Imports too have seen a sharp acceleration. GVA growth is estimated at 8.1%. Agriculture growth is at 3% on the back of 3.3% increase seen in FY21. Industry has seen a sharp rebound from the dip seen in FY21. However, H2FY22 has seen industry growing only at 4.3%. Services growth also has rebounded from a low base led by contact intensive trade, transport, hotels segment at 11.1%. Even public admin, defense and other services has seen an acceleration at 12.6%.

FY23 GDP growth estimated at 7%: We have revised our FY23 growth estimate to 7% led by slower than anticipated rebound in domestic consumption and exports. This is driven by higher inflation impacting domestic consumption. Exports will be impacted by global slowdown on the back of monetary tightening. Elevated energy prices imply terms of trade are in favour of commodity exporting countries rather than commodity importing countries. From the supply side, while agriculture is expected to do well, it is the industrial segment which will continue to face pressure from elevated commodity prices driving margins lower. Volume growth will be muted given the price increases already taken and to be taken in coming months. At the same time, rising capacity utilization, government capex and turnaround in real estate cycle implies investment demand will be do better.

Over the medium-term, we remain constructive on India's growth led by manufacturing sector—PLI led investments and expansion in renewables. Start-up ecosystem should continue to be a growth driver as well, albeit little soft in the near-term. Exports will continue to be a driver of growth though pace may wear-off with a global slowdown.

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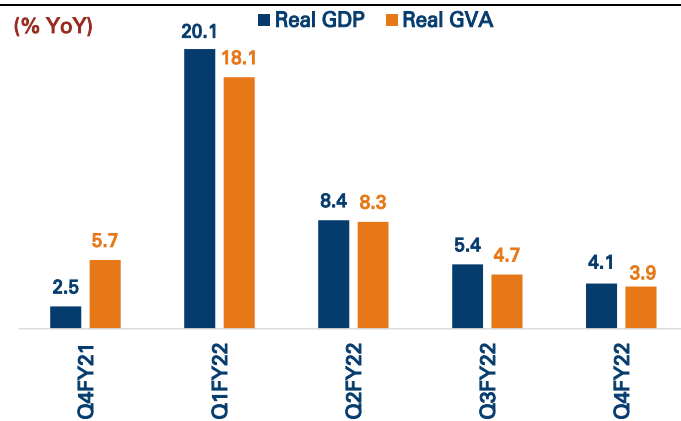
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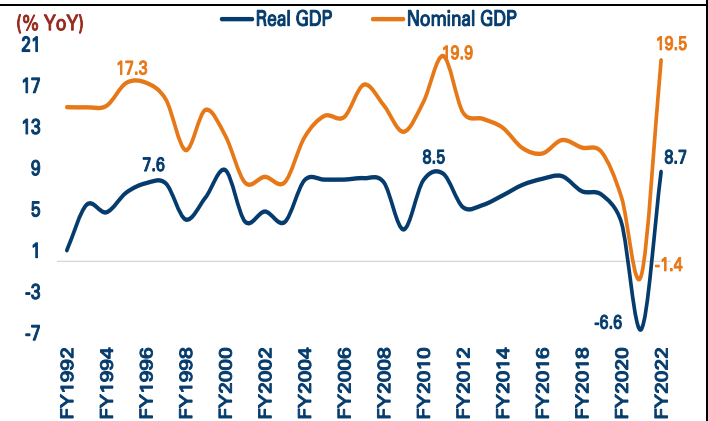
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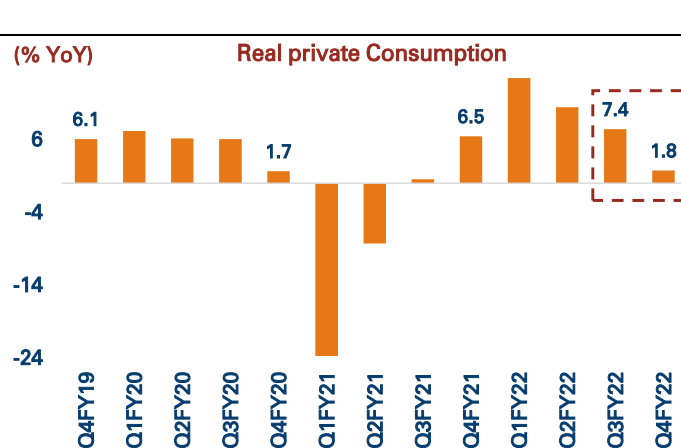
Real GDP growth decelerated in Q4FY22.....



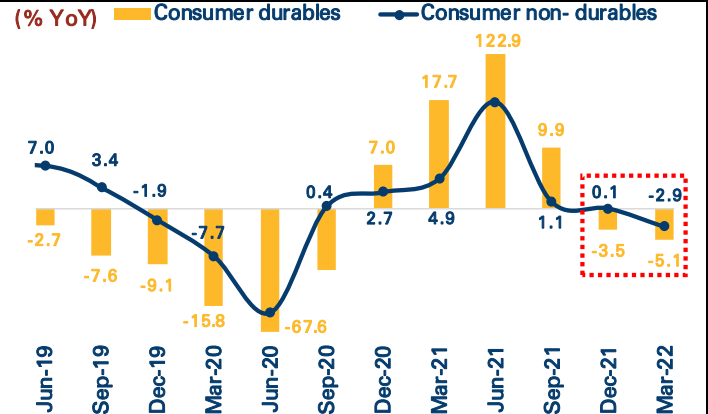
.....however nominal GDP grew sharply in FY22



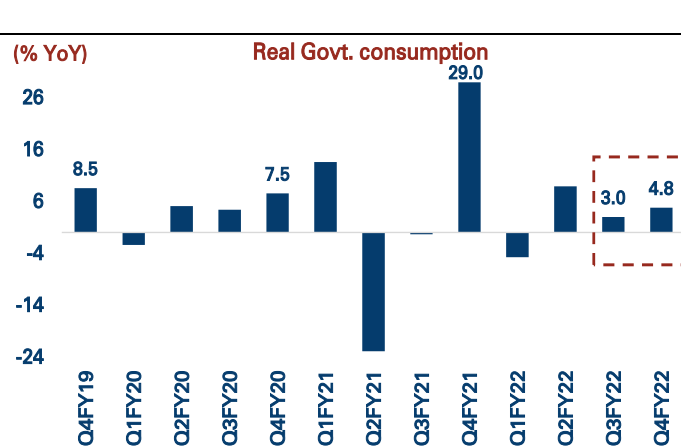
Private consumption growth remain muted....



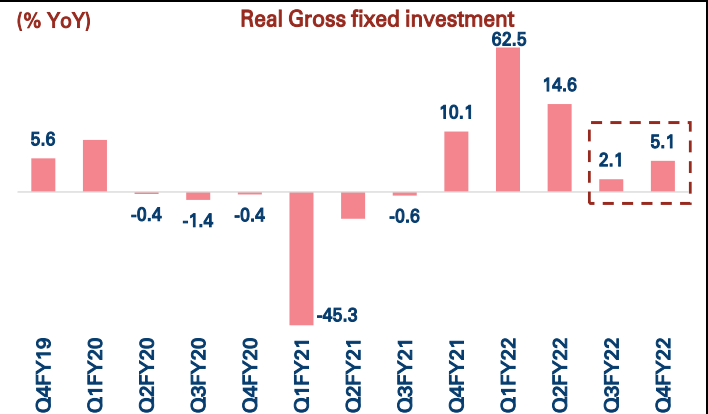
....as mirrored in lower consumer goods production during Q4

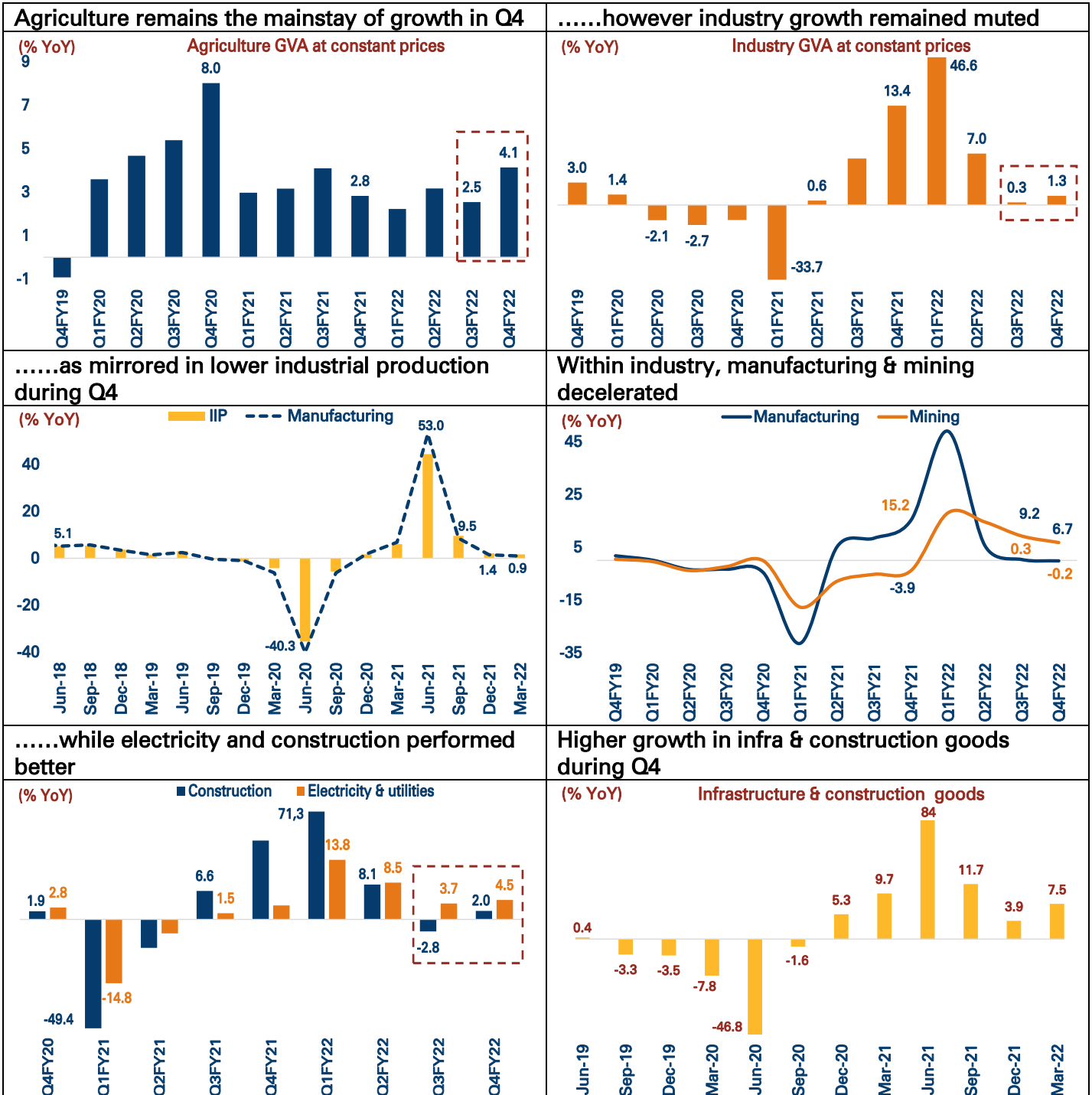


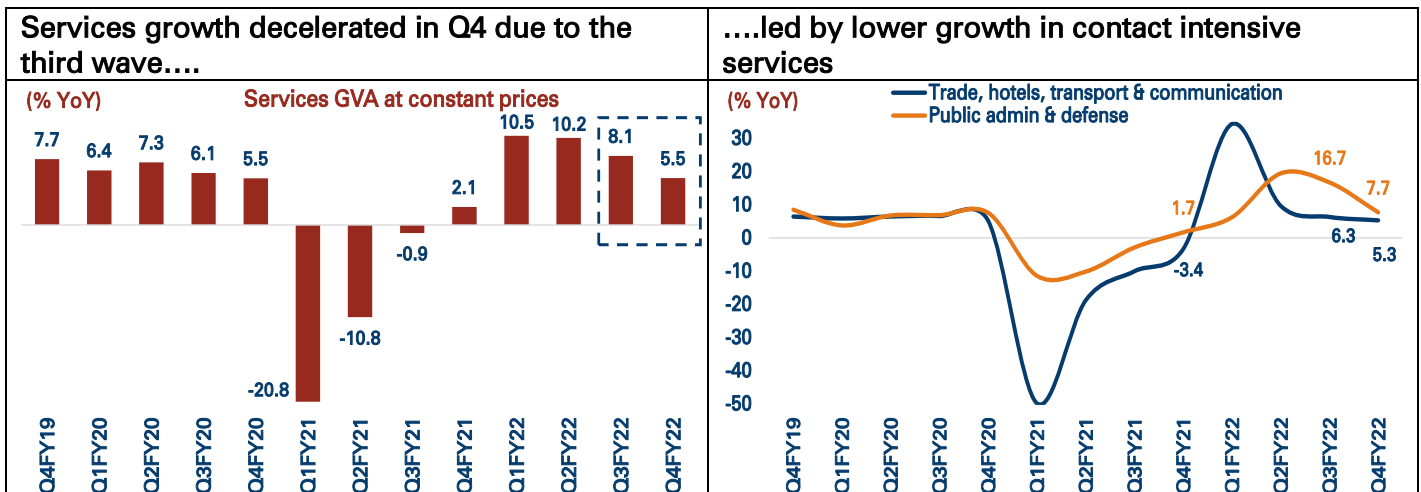
However, govt. consumption accelerated slightly



Fixed investment increased too on the back of higher govt. capex







Quarterly GVA growth

Gross Value Added at constant prices (% YoY)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
GVA	-21.4	-5.9	2.1	5.7	18.1	8.3	4.7	3.9
Agriculture	3.0	3.2	4.1	2.8	2.2	3.2	2.5	4.1
Industry	-33.7	0.6	6.3	13.4	46.6	7.0	0.3	1.3
Mining	-17.8	-7.9	-5.3	-3.9	18.0	14.5	9.2	6.7
Manufacturing	-31.5	5.2	8.4	15.2	49.0	5.6	0.3	-0.2
Electricity & utilities	-14.8	-3.2	1.5	3.2	13.8	8.5	3.7	4.5
Construction	-49.4	-6.6	6.6	18.3	71.3	8.1	-2.8	2.0
Services	-20.8	-10.8	-0.9	2.1	10.5	10.2	8.1	5.5
Trade, transport, hotel & communication	-49.9	-18.8	-10.1	-3.4	34.3	9.6	6.3	5.3
Financial & real estate	-1.1	-5.2	10.3	8.8	2.3	6.1	4.2	4.3
Public admin & defence	-11.4	-10.2	-2.9	1.7	6.2	19.4	16.7	7.7

Source: CEIC, ICICI Bank Research

Quarterly GDP growth

Quarterly Growth estimates at constant prices (% YoY)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
GDP	-23.8	-6.6	0.7	2.5	20.1	8.4	5.4	4.1
PFCE	-23.7	-8.3	0.6	6.5	14.4	10.5	7.4	1.8
GFCE	13.6	-22.9	-0.3	29.0	-4.8	8.9	3.0	4.8
GFCF	-45.3	-4.5	-0.6	10.1	62.5	14.6	2.1	5.1
Exports	-25.5	-6.4	-8.6	3.7	40.8	20.7	23.1	16.9
Imports	-41.1	-17.9	-5.2	11.7	61.1	41.0	33.6	18.0

PFCE: Private final consumption expenditure, GFCE: Government final consumption expenditure, GFCF: Gross fixed capital formation

Source: CSO, ICICI Bank Research

Yearly GVA growth

Gross Value Added at constant prices (% YoY)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 E
GVA	5.8	3.8	-4.8	8.1	6.9
Agriculture	2.1	5.5	3.3	3.0	3.0
Industry	5.3	-1.4	-3.3	10.3	4.9
<i>Mining</i>	-0.8	-1.5	-8.6	11.5	4.8
<i>Manufacturing</i>	5.4	-2.9	-0.6	9.9	4.4
<i>Electricity & utilities</i>	7.9	2.2	-3.6	7.5	5.9
<i>Construction</i>	6.5	1.2	-7.3	11.5	6.0
Services	7.2	6.3	-7.8	8.4	9.2
<i>Trade, transport, hotel & communication</i>	7.2	5.9	-20.2	11.1	12.9
<i>Financial & real estate</i>	7.0	6.7	2.2	4.2	6.8
<i>Public admin & defence</i>	7.5	6.3	-5.5	12.6	8.6

Source: CEIC, ICICI Bank Research

Yearly GDP growth

Yearly Growth estimates at constant prices (% YoY)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 E
GDP	6.5	3.7	-6.6	8.7	7.0
Final consumption	7.0	4.9	-4.5	7.0	5.9
PFCE	7.1	5.2	-6.0	7.9	6.0
GFCE	6.7	3.4	3.6	2.6	5.1
GFCF	11.2	1.6	-10.4	15.8	7.8
Exports	11.9	-3.4	-9.2	24.3	12.4
Imports	8.8	-0.8	-13.8	35.5	13.8

PFCE: Private final consumption expenditure, GFCE: Government final consumption expenditure, GFCF: Gross fixed capital formation
Source: CSO, ICICI Bank Research

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