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SERVICE COMPANY

## GROSS DOMESTIC PRODUCT

GDP growth slowed to 4.1% in Q4  
FY2022; agri, construction led to  
modest upside

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## HIGHLIGHTS



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*YoY expansion in India's real GDP and GVA has been placed at higher-than-expected 4.1% and 3.9% in Q4 FY2022, 8.7% and 8.1% in FY2022*

*Agri, construction led to upside surprise in GVA growth in Q4 FY2022*

*While growth of private consumption slid, that of government consumption and investment accelerated sequentially in Q4 FY2022*

*We estimate YoY GDP growth at 12-13% in Q1 FY2023, maintain our forecast of 7.2% for FY2023*

India's GDP growth recorded an inevitable slowdown to a four-quarter low of 4.1% in Q4 FY2022 (+5.4% in Q3 FY2022), stemming from the adverse impact of the third wave on contact services, of high commodity prices on margins, as well as the unfavourable base effect. Additionally, growth of GVA at basic prices eased to 3.9% in Q4 FY2022 from 4.7% in Q3 FY2022. However, the GVA growth of agriculture, forestry and fishing was surprisingly strong in light of the bleak wheat harvest portrayed by the 3rd advance estimate (AE) of crop production, resulting in the upside relative to our forecasts for Q4 FY2022 (GDP growth: +3.5%, GVA growth +2.7%). Construction (+2.0% YoY) is the other sector that displayed a better-than-expected performance in Q4 FY2022. The growth of 8.7% in FY2022 as a whole, is mildly higher than our estimate of 8.5%, albeit lower than the second advance estimate of 8.9%. The high frequency data for India for April 2022 and early-May 2022 suggests that the global headwinds had not dented volume growth so far. Nevertheless, business margins are likely to be compressed, amidst an incomplete pass-through of input price pressures, while higher inflation would constrain demand growth. Aided by a low base, ICRA expects GDP growth to print at an optimally high 12-13% in Q1 FY2023, with the pace of FY2023 expansion still seen at 7.2%.

- **YoY GDP growth eased to a four-quarter low 4.1% in Q4 FY2022:** As per the initial data published by the NSO, India's real GDP growth slowed to 4.1% in Q4 FY2022 (+5.4% in Q3 FY2022), exceeding our expectation (+3.5%). However, the absolute level of GDP was 9.7% higher than the pre-Covid level of Q4 FY2019. There was a sharp drop in the growth of private final consumption expenditure (PFCE) to 1.8% in Q4 FY2022 from 7.4% in the previous quarter, which reflects both a high base and the impact of the third wave of Covid-19 in Jan-Feb 2022. In contrast, government final consumption expenditure (GFCE) and gross fixed capital formation (GFCF) reported an encouraging pickup in growth to 4.8% and 5.1%, respectively, in Q4 FY2022, from the tepid 3.0% and 2.1%, respectively, in the previous quarter
- **GVA growth pegged at 3.9% YoY in Q4 FY2022:** The YoY expansion in GVA eased to 3.9% YoY in Q4 FY2022 from 4.7% in Q3 FY2022, while surpassing our expectation of 2.7%, owing to the better-than-expected performance of agriculture, forestry and fishing (+4.1%) and construction (+2.0%). Moreover, GVA at basic prices exceeded the pre-Covid level by a healthy 13.6% in Q4 FY2022.
- **GDP expanded by 8.7% in FY2022, as a whole:** The NSO's provisional estimate (PE) pegs GDP growth in FY2022 at 8.7%, making India one of the fastest growing large economies in FY2022. However, this was lower than the 2nd AE of 8.9%, following the impact of the Russia-Ukraine conflict on commodity prices and margins. Overall, GDP exceeded the FY2020 level by 1.5% in FY2022.
- **GDP growth expected at 12-13% in Q1 FY2023:** The high frequency data for India for April 2022 and early-May 2022 suggests that the global headwinds had not dented volume growth so far. Nevertheless, business margins are likely to be compressed, amidst an incomplete pass-through of input price pressures, while higher inflation would constrain demand growth, notwithstanding the recent excise duty cuts on petrol and diesel. Aided by a low base, ICRA expects GDP growth to print at an optimally high 12-13% in Q1 FY2023. For FY2023 as a whole, we maintain our estimate of real GDP growth at 7.2%.

## OVERVIEW

**YoY economic performance in Q4 FY2022:** The YoY expansion in GDP (at constant 2011-12 prices) eased to a four-quarter low 4.1% in Q4 FY2022 (+2.5% in Q4 FY2021) from 5.4% in Q3 FY2022 (+0.7% in Q3 FY2021; refer Exhibit 1), while exceeding our forecast of 3.5%. This moderation was mainly led by the adverse impact of the third wave on contact services, and high commodity prices on margins, as well as the unfavourable base effect. The slowdown was led by PFCE (to 1.8% in Q4 FY2022 from 7.4% in Q3 FY2022), reflecting both a high base and the impact of the third wave of Covid-19 in Jan-Feb 2022, while the YoY growth of GFCE (to +4.8% from +3.0%) and GFCF (to +5.1% from +2.1%) improved sequentially in Q4 FY2022.

Similarly, the YoY growth in GVA (at basic prices) slowed to 3.9% in Q4 FY2022 (+5.7% in Q3 FY2021) from 4.7% in Q3 FY2022 (+2.1% in Q3 FY2021), led by services (to +5.5% from +8.1%), in spite of a pickup in industry (to +1.3% from +0.3%), and agriculture, forestry and fishing (to +4.1% from +2.5%; refer Annexures A, B and C). The easing in the YoY growth of the services sector to 5.5% in Q4 FY2022 (+2.1% in Q4 FY2021) from 8.1% in Q3 FY2022 (-0.9% in Q3 FY2021), mirrored the trend for the GVA of public administration, defence and other services (PADOS) (to +7.7% from +16.7% in Q3 FY2022) and trade, hotels, transport, communication and services related to broadcasting (THTCS; to +5.3% from +6.3%), while financial, real estate and professional services (FRP) witnessed a marginal rise in the YoY growth (to +4.3% from +4.2%). Boosted by Government spending, PADOS stood out as the fastest growing sub-sector of GVA with a 7.7% expansion in Q4 FY2022. Excluding PADOS, GVA growth stood at a muted 3.3% in Q4 FY2022 (+6.3% in Q4 FY2021).

The YoY GVA growth of industry rose to a mild 1.3% in Q4 FY2022 (+13.4% in Q4 FY2021) from 0.3% in Q3 FY2022 (+6.3% in Q3 FY2021), on account of an improvement in electricity, gas, water supply and other utility services (to +4.5% from +3.7%) and construction (reverted to a YoY growth of +2.0% from -2.8%), while the performance for mining (to +6.7% from +9.2%) deteriorated. In addition, the manufacturing sector contracted after a gap of six quarters, by a mild 0.2% in Q4 FY2022 (+0.3% in Q3 FY2022), reflecting the impact of higher commodity prices and margin compression.

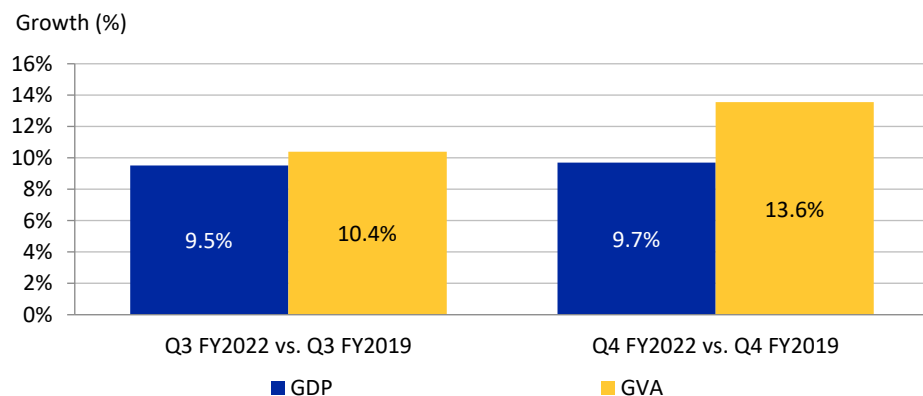
Net indirect taxes (taxes on products minus subsidies on products) expanded by 6.2% in Q4 FY2022, and as a result, GDP (+4.1%) recorded a higher YoY growth relative to GVA (+3.9%).

### EXHIBIT 1: Growth of GDP and its Components (in %, Constant 2011-12 Prices, YoY)

	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY2021 RE	FY2022 PE
Private Final Consumption Exp.	6.5%	14.4%	10.5%	7.4%	1.8%	-6.0%	7.9%
Government Final Consumption Exp.	29.0%	-4.8%	8.9%	3.0%	4.8%	3.6%	2.6%
Exports	3.7%	40.8%	20.7%	23.1%	16.9%	-9.2%	24.3%
Imports	11.7%	61.1%	41.0%	33.6%	18.0%	-13.8%	35.5%
Gross Fixed Capital Formation	10.1%	62.5%	14.6%	2.1%	5.1%	-10.4%	15.8%
<b>GDP</b>	<b>2.5%</b>	<b>20.1%</b>	<b>8.4%</b>	<b>5.4%</b>	<b>4.1%</b>	<b>-6.6%</b>	<b>8.7%</b>
	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY2021 RE	FY2022 PE
Agriculture, Forestry & Fishing	2.8%	2.2%	3.2%	2.5%	4.1%	3.3%	3.0%
Industry	13.4%	46.6%	7.0%	0.3%	1.3%	-3.3%	10.3%
Services	2.1%	10.5%	10.2%	8.1%	5.5%	-7.8%	8.4%
<b>GVA at Basic Prices</b>	<b>5.7%</b>	<b>18.1%</b>	<b>8.3%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>-4.8%</b>	<b>8.1%</b>
<b>GVA ex-Agri</b>	<b>6.2%</b>	<b>21.6%</b>	<b>9.1%</b>	<b>5.2%</b>	<b>3.8%</b>	<b>-6.2%</b>	<b>9.1%</b>

RE: Revised Estimates; PE: Provisional Estimates; **Source:** NSO; CEIC; ICRA Research

**EXHIBIT 2: Quarterly performance of GDP and GVA (at constant 2011-12 prices) relative to the corresponding pre-Covid levels**



The performance is not compared to the corresponding quarters of FY2020, since the nationwide lockdown (Covid 1.0) was imposed on March 25, 2020, affecting the performance of some indicators in that fiscal; **Source:** NSO; CEIC; ICRA Research

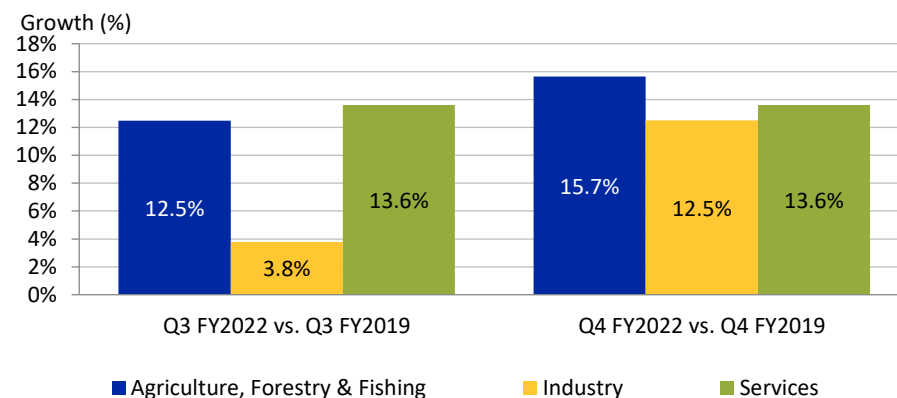
**Performance relative to pre-Covid level:** Encouragingly, relative to the respective pre-Covid quarters of FY2019, the growth in GDP and GVA at basic prices improved to 9.7% (+9.5% in Q3 FY2022) and 13.6% (+10.4% in Q3 FY2022), respectively (refer Exhibit 2). The rise in the absolute level of real GDP in Q4 FY2022 above the pre-Covid level of Q4 FY2019 was led by PFCE (+10.1%), GFCF (+15.2%), GFCE (+45.3%), and exports (+10.6%).

Notably, the GVA for services was 13.6% higher than the pre-Covid level in Q4 FY2022, in line with the growth recorded in Q3 FY2022 over Q3 FY2019. This was led by FRP (+18.5%), PADOS (+17.7%), and THTCS (+6.9%) in Q4 FY2022, relative to Q4 FY2019.

Relative to the corresponding pre-Covid levels, industrial GVA recorded a significant improvement in Q4 FY2022, as compared to Q3 FY2022 (to +12.5% in Q4 FY2022 from +3.8% in Q3 FY2022; refer Exhibit 3), driven by a broad-based pickup across all the sub-sectors such as mining (to +2.4% from +0.9%), manufacturing (to +9.6% from +5.1%), electricity, gas, water supply and other utility services (to +10.9% from +2.1%), and construction (to +22.9% from +2.3%).

**Performance of Nominal GDP in Q4 FY2022:** In nominal terms, the YoY expansion in the GDP and GVA eased to 14.9% and 15.2%, respectively, in Q4 FY2022 from 15.7% and 15.6%, respectively, in Q3 FY2022 (refer Exhibit 4). However, the GDP and GVA deflator rose somewhat to 10.8% and 11.3%, respectively, in Q4 FY2022 from 10.3% and 10.9%, respectively, in Q3 FY2022. This reflects the hardening in the CPI inflation, driven by food items, while the WPI inflation softened during Q4 FY2022.

**EXHIBIT 3: Quarterly sectoral performance relative to the corresponding pre-Covid levels**



The performance is not compared to the corresponding quarters of FY2020, since the nationwide lockdown (Covid 1.0) was imposed on March 25, 2020, affecting the performance of some indicators in that fiscal; **Source:** NSO; CEIC; ICRA Research

#### EXHIBIT 4: GDP and GVA data

GDP	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	GVA at Basic Prices	Q4 FY2021	Q1 FY2022	Q2 FY2021	Q3 FY2022	Q4 FY2022
Constant	2.5%	20.1%	8.4%	5.4%	4.1%	Constant	5.7%	18.1%	8.3%	4.7%	3.9%
Current	12.0%	32.4%	19.0%	15.7%	14.9%	Current	11.2%	26.4%	17.9%	15.6%	15.2%
Deflator	9.5%	12.3%	10.6%	10.3%	10.8%	Deflator	5.5%	8.3%	9.6%	10.9%	11.3%

Source: NSO; CEIC; ICRA Research

**Revisions in quarterly growth:** The GDP and GVA growth for the first three quarters of FY2022 have undergone considerable revisions (refer Exhibit 5). The growth in GVA has been revised mildly downwards for all the three quarters; Q1 FY2022 (to +18.4% from +18.1%), Q2 FY2022 (to +8.4% from +8.3%) and Q3 FY2022 (to +4.74% from +4.71%). This was led by the downward revisions in the agricultural sector (Q1 FY2022: to +2.2% from +3.5%; Q2 FY2022: to +3.2% from +3.7%; Q3 FY2022: to +2.5% from +2.6%). Moreover, the growth in the GVA of services sector has been pared for Q3 FY2022 (to +8.1% from +8.2%), while that for Q1 FY2022 and Q2 FY2022 have remained largely stable. In addition, the YoY growth of the industrial sector has been raised mildly upwards to 0.3% from the initial 0.2% in Q3 FY2022.

Moreover, the growth of GDP has also been revised downwards for Q1 FY2022 (to +20.1% from +20.3%) and Q2 FY2022 (to +8.4% from +8.5%). The YoY performance in GFCE followed a similar trend, with downward revision in all the three quarters of FY2022; Q1 FY2022 (to -4.8% from -4.4%), Q2 FY2022 (to +8.9% from +9.3%), and Q3 FY2022 (to +3.0% from +3.4%). Additionally, the growth in GFCF has been revised mildly downwards for Q1 FY2022 and Q2 FY2022 to 62.50% (initial: +62.54%) and 14.61% (initial: +14.63%) respectively. In contrast, the YoY expansion in PFCE has been raised to 14.4%, 10.5%, and 7.4% from the initial 14.2%, 10.2%, and 7.0% in Q1-Q3 FY2022, respectively.

#### EXHIBIT 5: Old and Revised YoY Growth in GDP and GVA at Basic Prices (Constant 2011-12 Prices)

GDP	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022
Old	-23.8%	-6.6%	0.7%	2.5%	20.3%	8.5%	5.4%
Revised	-23.8%	-6.6%	0.7%	2.5%	20.1%	8.4%	5.4%
GVA at Basic Prices	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022
Old	-21.4%	-5.9%	2.1%	5.7%	18.4%	8.4%	4.74%
Revised	-21.4%	-5.9%	2.1%	5.7%	18.1%	8.3%	4.71%

Source: NSO; CEIC; ICRA Research

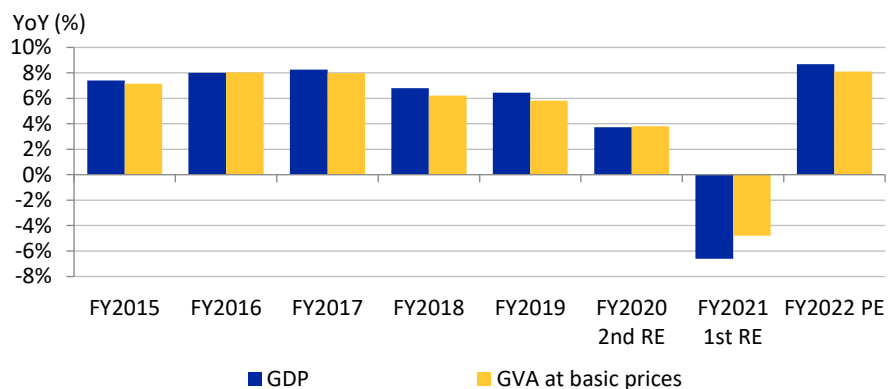
**Trends for FY2022:** The provisional estimates released by the NSO for FY2022 project a YoY expansion in the GDP and GVA of 8.7% and 8.1%, respectively, relative to the contraction of 6.6% and 4.8%, respectively in FY2021 (refer Exhibit 6 and 7). The full year YoY growth for FY2022 exceeded our forecasts (+8.5% and +7.8% for GDP and GVA, respectively). However, this is lower than the NSO's 2nd AE that was released in February 2022 (+8.9% and +8.3%, respectively). The revision in the FY2022 GVA growth relative to the 2<sup>nd</sup> AE was led by agriculture, forestry and fishing (to +3.0% from +3.3%) and services (to +8.4% from +8.6%), while that for industry remained unchanged at 10.3%.

The estimated expansion in GDP in FY2022 is broad-based, with a base-effect led improvement in the performance of PFCE, GFCE, GFCF, exports and imports (to +7.9%, +2.6%, +15.8%, +24.3%, and +35.5% respectively, from -6.0%, +3.6%, -10.4%, -9.2%, and -13.8% respectively).

The YoY growth in the GVA estimated by the NSO in FY2022 is led by a pickup in industry (to +10.3% from -3.3%) and services (to +8.4% from -7.8%), offsetting a moderation in the growth of agriculture, forestry and fishing (to +3.0% from +3.3%).

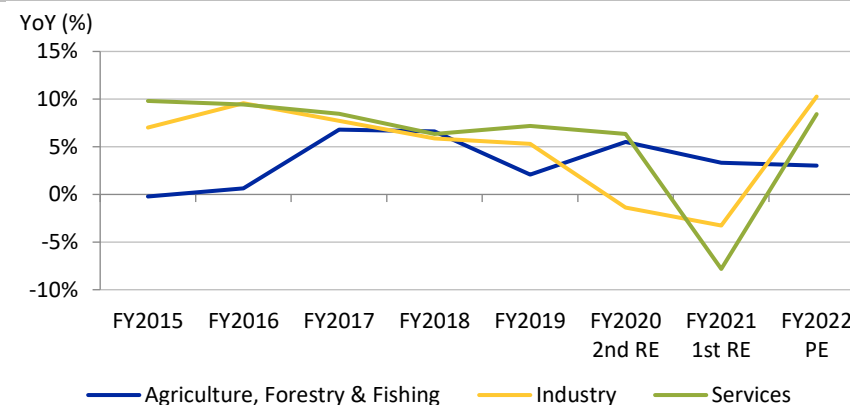
Additionally, GDP exceeded the FY2020 level by 1.5% in FY2022, driven by PFCE (+1.4%), GFCE (+6.3%), and GFCF (+3.8%). Moreover, GVA at basic prices rose above the pre-Covid level by 2.9% in FY2022, led by agriculture, forestry and fishing (+6.4%) and industry (+6.7%), while services (-0.04%) mildly trailed the pre-Covid level.

**EXHIBIT 6: Annual growth trends in GDP and GVA (Constant 2011-12 Prices)**



Source: NSO; CEIC; ICRA Research

**EXHIBIT 7: Growth in Agriculture, Industry and Services (Constant 2011-12 Prices)**



Source: NSO; CEIC; ICRA Research

The growth in nominal GDP and GVA for FY2022 is pegged by the provisional estimates at 19.5% and 18.2%, respectively (+19.4% and +18.3% in the 2nd AE for FY2022). The nominal GDP for FY2022 has been placed at Rs. 236.6 trillion as per the PE, marginally higher than the Rs. 236.4 trillion projected in the 2nd AE. With this, as well as a lower-than-estimated fiscal deficit in absolute terms, the provisional fiscal deficit of the Government of India (GoI) is now pegged at 6.7% of GDP (lower than 6.9% of the estimated FY2022 GDP included in the Union Budget).

Moreover, the growth embedded in the nominal GDP assumed by the Union Budget for FY2023 is only 9.0% relative to the latest estimate for FY2022, suggesting a considerable upside to the revenue forecasts made in the Budget.



## OUTLOOK

This fiscal year FY2023 began on a sombre note, in the backdrop of global challenges such as the Russia-Ukraine conflict, the surge in crude oil and commodity prices and renewed lockdowns in China. The high frequency data for India for April 2022 and early-May 2022 suggests that the aforementioned factors have not dented volume growth so far. Nevertheless, business margins are likely to be compressed, amidst an incomplete pass-through of input price pressures, while higher inflation would constrain demand growth, although the excise duty cuts on petrol and diesel are likely to provide some respite to consumers in the second half of the quarter. **Overall, ICRA expects GDP growth to improve to ~12-13% in Q1 FY2023, aided by the low base, a pickup in demand for the contact-intensive services and improved income visibility and demand for the households deriving income from the latter. However, the weak wheat harvest and its impact on rural sentiment, flagging external demand as well as the impact of inflationary pressures on broader demand and margins, pose downside risks.**

The recent surge in prices of items such as fuels and edible oils is likely to compress disposable incomes in the lower-to-mid income segments, constraining the demand revival, although the extension of free foodgrains under PMGKAY until September 2022 and the recent cut in excise duties on petrol and diesel would provide some relief to household budgets. In the mid-to-upper income segments, normalisation of behaviours after the third wave is set to result in a pivot of consumption towards the contact-intensive services that were avoided during the pandemic, although this would constrain the growth in demand for goods in FY2023. Moreover, some households may have a better income visibility in FY2023 as compared to the last two years, supporting their consumption.

Capacity Utilisation (CU) had recovered to 72.4% in Q3 FY2022 from 68.3% in Q2 FY2022, exceeding the pre-pandemic level (69.9% in Q4 FY2020). ICRA expects CU to remain steady at 72-73% in Q4 FY2022, before dipping in Q1 FY2023, reflecting seasonal trends, as well as the impact of higher commodity prices and a revival in contact-intensive services on the demand for goods, although higher exports to fill global supply gaps are expected moderate the dip. We expect CU to rise gradually to 74-75% in Q3 FY2023.

While there are early signs of a revival in private capex, as seen in the uptick in the new project announcements by the private sector in Q4 FY2022, there are concerns that protracted geopolitical tensions and elevated commodity prices could constrain the profitability of the corporate sector, thereby dampening the investment climate in the next few quarters. In such a scenario, government capex would be critical to support investment demand and boost economic activity over the next two-three quarters.

External demand is set to weaken amidst the ongoing geopolitical tensions, elevated commodity prices, and policy tightening across advanced economies. In April 2022, the IMF pared its growth projections for world trade volumes of goods and services downwards to 5.0% (Jan 2022: +6.0%) and 4.4% (Jan 2022: +4.9%) for CY2022 and CY2023, respectively.

The upgraded forecast of the monsoon rainfall (to 103% of LPA from 99% of LPA) has provided some relief in light of the scorching temperatures as well as the seasonal drop in the pan-India reservoir levels. Looking ahead, a favourable progress of the rains across the country and healthy distribution remain critical. Regardless, concerns linger regarding the availability of labour in specific states as well as fertilisers, which could affect acreage and yields.

**Overall, we maintain our estimate of real GDP growth for FY2023 at 7.2% at the current juncture. With inflationary concerns coming to the forefront, we anticipate that the MPC may hike the repo rate by 40 bps in the June 2022 review and 35 bps each in the August 2022 and September 2022 reviews. This may well be followed by a longish pause to assess the robustness of the underlying growth momentum.**

## GVA AT BASIC PRICES

**GVA growth eased to 3.9% in Q4 FY2022:** The YoY growth in GVA (at basic prices) moderated to 3.9% in Q4 FY2022 (+5.7% in Q4 FY2021) from 4.7% in Q3 FY2022 (+2.1% in Q3 FY2021) on a normalising base, while exceeding our expectations (+2.7%). The decline in GVA growth in Q4 FY2022 relative to Q3 FY2022 was led by a slowdown in services (to +5.5% from +8.1%), even as industry (to +1.3% from +0.3%) and agriculture, forestry and fishing (to +4.1% from +2.5%; refer Exhibit 8) recoded a sequential improvement.

**Industrial sector recorded a YoY growth of 1.3% in Q4 FY2022:** The growth in the industrial GVA inched up to 1.3% in Q4 FY2022 (+13.4% in Q4 FY2021) from 0.2% in Q3 FY2022 (+6.3% in Q3 FY2021), led by construction (to +2.0% in Q4 FY2022 from -2.8% in Q3 FY2022), and electricity, gas, water supply and other utility services (to +4.5% from +3.7%; refer Exhibit 9), even as the GVA of mining and quarrying (to +6.7% from +9.2%), and manufacturing (to -0.2% from +0.3%) deteriorated in Q4 FY2022 relative to Q3 FY2022.

Industry accounted for a marginal 0.4% of the 3.9% GVA growth in Q4 FY2022, led by mining and quarrying (+0.2%), construction (+0.2%) and electricity, gas, water supply and other utility services (+0.1%), partially offset by manufacturing (-0.04%).

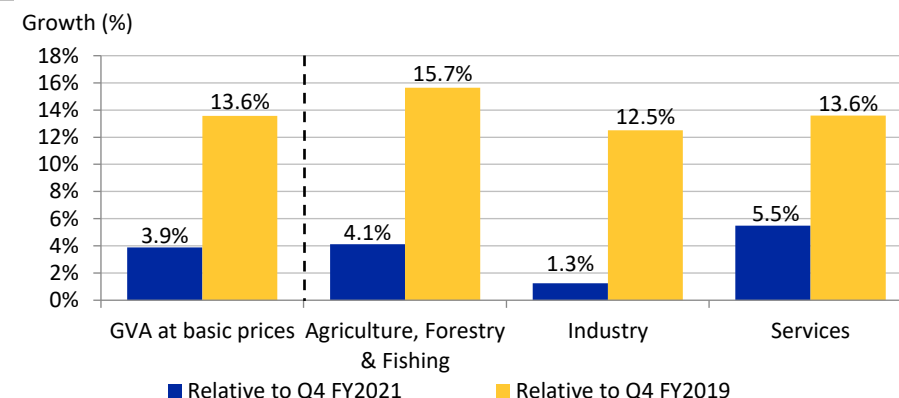
The manufacturing GVA contracted by 0.2% in Q4 FY2022 (+15.2% in Q4 FY2021), in contrast to the volume growth of manufacturing output of 0.9% (+6.8% in Q4 FY2021), as per the IIP data, suggesting margin compressions due to rising input costs.

In line with the improvement in growth in volumes of cement (+9.3%) and steel (+4.3%) during Q4 FY2022, the construction GVA grew by 2.0% in Q4 FY2022, compared to the contraction of 2.8% seen during Q3 FY2022. Notably, construction growth exceeded our expectation for Q4 FY2022.

The GVA growth of mining and quarrying eased to 6.7% in Q4 FY2022 (-3.9% in Q4 FY2021), from 9.2% in Q3 FY2022 (-5.3% in Q3 FY2021). However, it exceeded the volume growth of mining output of 3.8% in Q4 FY2022 (-0.1% in Q4 FY2021), as per the IIP data.

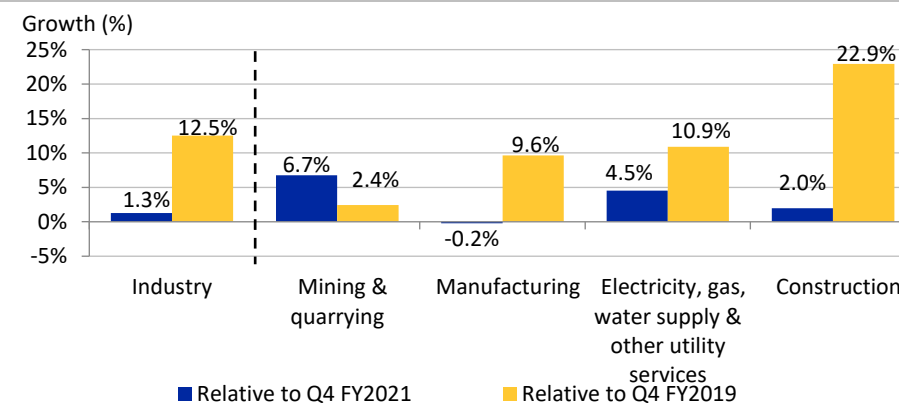
Moreover, the YoY growth in GVA of electricity, gas, water supply and other utility services rose to 4.5% in Q4 FY2022 (+3.2% in Q4 FY2021) from 3.7% in Q3 FY2022 (+1.5% in Q3 FY2021).

**EXHIBIT 8: Performance of GVA and its Components in Q4 FY2022 relative to Q4 FY2021 and Q4 FY2019 (pre-Covid)**



Source: NSO; CEIC; ICRA Research

**EXHIBIT 9: Performance of Industry and its Components in Q4 FY2022 relative to Q4 FY2021 and Q4 FY2019 (pre-Covid)**



Source: NSO; CEIC; ICRA Research



**Agricultural GVA growth increased to 4.1% in Q4 FY2022:** The growth in the GVA of agriculture, forestry and fishing rose to 4.1% in Q4 FY2022 (+2.8% in Q4 FY2021) from 2.5% in Q3 FY2022 (+4.1% in Q3 FY2021), which was surprisingly strong in light of the bleak wheat harvest portrayed by the 3rd advance estimate of crop production. The Ministry of Agriculture and Farmers' Welfare, in its 3rd AE for FY2022, indicated a mixed trend in the production of rabi crops relative to the Final Estimates for FY2021. While the output of pulses, oilseeds and coarse cereals is expected to have risen in FY2022, the output of wheat and rice is likely to have trailed the FY2021 levels (refer Exhibit 10). Notably, the rabi output for wheat estimated by the 3rd AE was significantly lower than the 2nd AE (-4.9 MT), due to the heat wave across parts of Northwest and Central India. Moreover, this sector accounted for a mild 0.6% of the 3.9% GVA growth in Q4 FY2022, while surpassing the Q4 FY2019 level by 15.7%.

**Services sector GVA growth moderated to 5.5% in Q4 FY2022:** The YoY growth in the GVA of the services sector eased to 5.5% in Q4 FY2022 (+2.1% in Q4 FY2021) from 8.1% in Q3 FY2022 (-0.9% in Q3 FY2021; refer Exhibit 11), led by THTCS (to +5.3% in Q4 FY2022 from +6.3% in Q3 FY2022) and PADOS (to +7.7% from +16.7%), while FRP (to +4.3% from +4.2%) recorded a mild improvement. Unsurprisingly, services accounted for a significant 2.8% of the 3.9% GVA growth in Q4 FY2022, driven by PADOS (+1.0%), THTCS (+1.0%) and FRP (+0.8%).

The GVA growth of PADOS stood at 7.7% in Q4 FY2022 (+1.7% in Q4 FY2021; +16.7% in Q3 FY2022), in contrast to 8.2% contraction in the Gol's non-interest revenue expenditure in that quarter, while being lower than the 13.4% growth in aggregate revenue expenditure of the 19 states for which data is available.

Additionally, the YoY growth in GVA of THTCS moderated to 5.3% in Q4 FY2022 (-3.4% in Q4 FY2021) from 6.3% in Q3 FY2022 (-10.1% in Q3 FY2021) following the impact of the third wave of Covid-19 in the first half of the quarter.

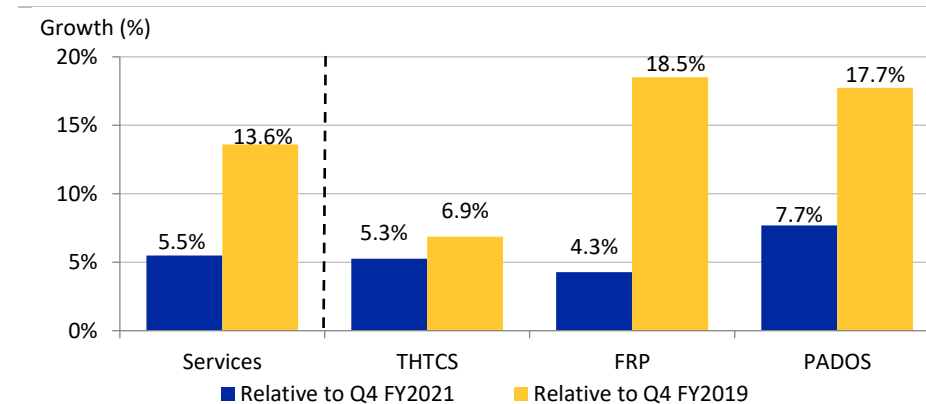
In contrast, the YoY growth in the GVA of FRP improved mildly to 4.3% in Q4 FY2022 (+8.8% in Q4 FY2021) from 4.2% in Q3 FY2022 (+10.3% in Q3 FY2021), mainly led by a healthy growth in the non-food bank credit (+9.7%) during this quarter.

**EXHIBIT 10: Trends for production of kharif and rabi crops (Million Tonnes)**

In Million Tonnes	Kharif Production			Rabi Production		
	Final FY2021	3 <sup>rd</sup> AE FY2022	Growth	Final FY2021	3 <sup>rd</sup> AE FY2022	Growth
Wheat		NA		109.6	106.4	-2.9%
Rice	105.2	111.0	5.5%	19.2	18.6	-2.8%
Coarse Cereals	36.8	35.6	-3.0%	14.6	15.1	3.4%
Pulses	8.6	8.3	-4.3%	16.8	19.5	15.8%
Oilseeds	23.7	24.7	4.1%	12.2	13.8	12.8%
Cotton*	35.2	31.5	-10.5%		NA	
Sugarcane	405.4	430.5	6.2%		NA	

AE: Advance Estimates; \*Million bales of 170 kgs. each  
Source: Ministry of Agriculture, GoI; CEIC; ICRA Research

**EXHIBIT 11: Performance of Services and its Components in Q4 FY2022 relative to Q4 FY2021 and Q4 FY2019 (pre-Covid)**



Source: NSO; CEIC; ICRA Research

## EXPENDITURE ON GDP

**YoY GDP growth eased to 4.1% in Q4 FY2022:** The YoY expansion in Indian GDP (at constant 2011-12 prices) eased to 4.1% in Q4 FY2022 (ICRA exp: +3.5%; +2.5% in Q4 FY2021) from 5.4% in Q3 FY2022 (+0.7% in Q3 FY2021), led by PFCE (+1.8% in Q4 FY2022; +7.4% in Q3 FY2022), even as GFCF (+5.1%; +2.1%) and GFCE (+4.8%; +3.0%) witnessed sequential improvements. Additionally, net exports exerted a narrower drag on the GDP growth in the just-concluded quarter, relative to Q3 FY2022.

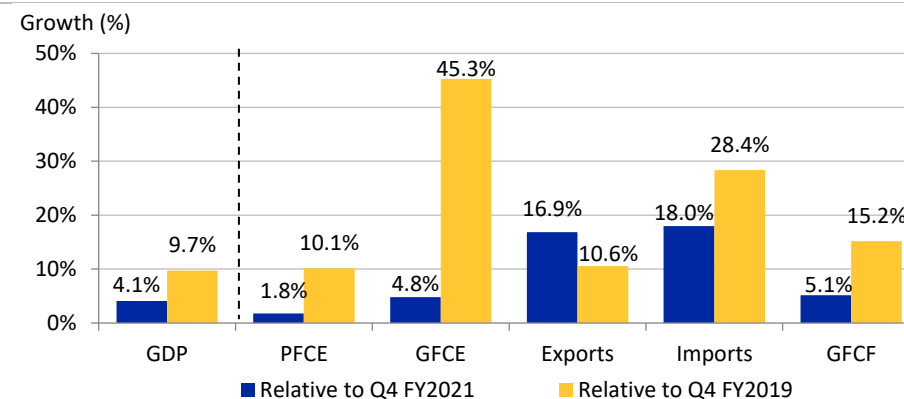
**GFCF growth increased to 5.1% in Q4 FY2022:** The YoY growth in GFCF increased to 5.1% in Q4 FY2022 from 2.1% in Q3 FY2022. This was driven by the trend seen in GoI's gross capital expenditure, which expanded by 73.6% YoY during Q4 FY2022, as against the sharp 32.7% decline seen in Q3 FY2022 (after adjusting for the equity infusion of Rs. 621 billion in Air India in December 2021). On the other hand, the growth of the capital outlay of 19 state governments<sup>1</sup> witnessed a downtrend in Q4 FY2022 (to +1.2% from +31.8% in Q3 FY2022). Encouragingly, the growth performance of investment-related indicators, such as the output of capital goods and infra/construction goods, witnessed an improvement in Q4 FY2022 relative to Q3 FY2022, as per the IIP data. Further, GFCF accounted for 1.7% of the 4.1% GDP growth in Q4 FY2022, the highest amongst the components. Moreover, GFCF as a percentage of GDP (at current prices) increased to 30.5% in Q4 FY2022 from 26.1% in Q3 FY2022 and 30.2% in Q4 FY2021.

At constant 2011-12 prices, valuables eased by 1.3% YoY in Q4 FY2022. This was led by trend in combined value of gold and silver imports, whose YoY contraction stood at 47.1% in Q4 FY2022 (source: Ministry of Commerce), owing to the impact of the third wave, as well as the high base.

An accumulation of inventories was witnessed for the fourth consecutive quarter in Q4 FY2022, in contrast to the drawdown seen in Q4 FY2021. However, inventories as a percentage of GDP (at current prices) increased to 0.9% in Q4 FY2022 from 0.8% in Q3 FY2022.

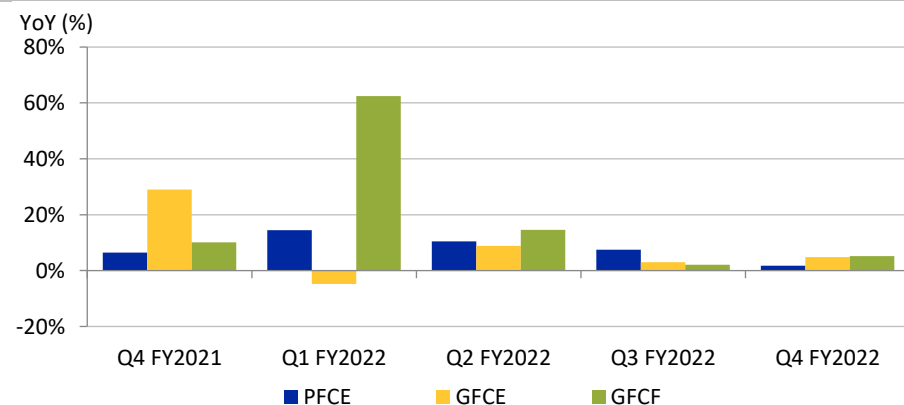
<sup>1</sup> These include West Bengal, Uttarakhand, UP, Telangana, Tamil Nadu, Sikkim, Rajasthan, Punjab, Odisha, Nagaland, Mizoram, Manipur, Maharashtra, Kerala, Karnataka, Himachal Pradesh, Haryana, Gujarat and Chhattisgarh

**EXHIBIT 12: Performance of GDP and its Components in Q4 FY2022 relative to Q4 FY2021 and Q4 FY2019 (pre-Covid)**



Source: NSO; CEIC; ICRA Research

**EXHIBIT 13: YoY Growth of PFCE, GFCE and GFCF (Constant 2011-12 Prices)**



Source: NSO; CEIC; ICRA Research

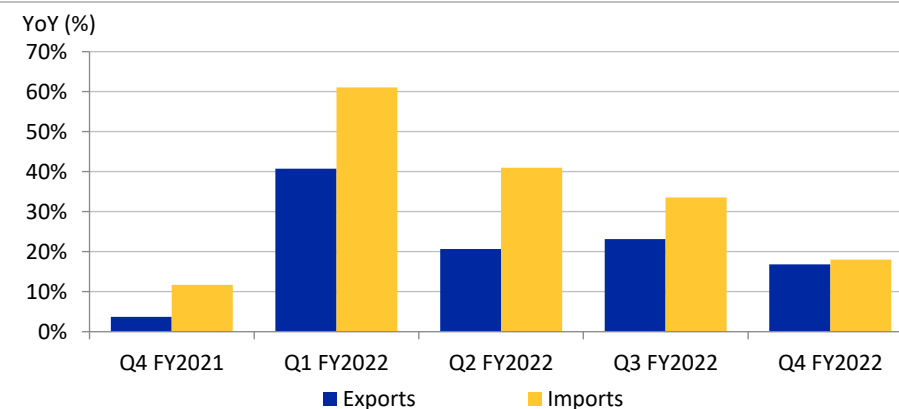
**PFCE growth moderated to 1.8% in Q4 FY2022:** The YoY growth in PFCE moderated sharply to 1.8% in Q4 FY2022 from 7.4% in Q3 FY2022 (refer Exhibit 13). The March 2022 round of the RBI's Consumer Confidence Survey had indicated a gradual improvement for the fourth successive round of the survey. However, the output of consumer goods contracted by a modest 3.9% in Q4 FY2022 (-1.6% in Q3 FY2022, as per the IIP data). PFCE accounted for 1.0% of the 4.1% GDP growth in Q4 FY2022. Additionally, PFCE as a percentage of GDP (at current prices) dipped to 59.2% in Q4 FY2022 from 63.2% in Q3 FY2022 and 60.6% in Q4 FY2021.

**GFCE grew by 4.8% in Q4 FY2022:** The growth in GFCE increased to 4.8% in Q4 FY2022 (+29.0% in Q4 FY2021) from 3.0% in Q3 FY2022 (-0.3% in Q3 FY2021), despite an unfavourable base. For the 19 state governments for which data is available, revenue expenditure growth rose to 13.4% in Q4 FY2022 from 11.8% in Q3 FY2022. However, given the back-ended spending in March 2021, the Gol's non-interest revenue expenditure contracted by 8.2% in Q4 FY2022, in contrast to 8.4% growth recorded in Q3 FY2022. Moreover, GFCE accounted for a mild 0.5% of the 4.1% GDP growth in Q4 FY2022. Additionally, GFCE as a percentage of GDP (at current prices) increased to 11.9% in Q4 FY2022 from 9.6% in Q3 FY2022, while being lower than 12.1% in Q4 FY2021.

**Net exports exerted a narrower drag on GDP growth in Q4 FY2022:** The YoY growth in exports and imports, at constant prices, eased to 16.9% and 18.0%, resp., in Q4 FY2022 (+23.1% and +33.6%, resp. in Q3 FY2022; refer Exhibit 14). With the milder sequential deterioration in exports relative to imports, the drag of net exports on the GDP narrowed to Rs. 2.1 trillion from Rs. 2.3 trillion, respectively.

At current prices, the data released by the NSO indicates that the YoY expansion in exports and imports stood at 30.7% and 32.9%, respectively, in Q4 FY2022 (+14.8% and +16.5%, respectively, in Q4 FY2021).

**EXHIBIT 14: YoY Growth of Exports and Imports (Constant 2011-12 Prices)**



Source: NSO; CEIC; ICRA Research

Similarly, the data released by the Ministry of Commerce indicates that in US\$ terms, both merchandise exports and imports witnessed a YoY expansion of 31.7% and 28.4%, respectively, in Q4 FY2022, driven by elevated commodity prices and continued demand from major export destinations. Additionally, the data released by the RBI reveals that, in US\$ terms, services exports and imports recorded a YoY growth of 24.5% and 27.6%, respectively, in Q4 FY2022.

**Discrepancies eased slightly in Q4 FY2022:** Discrepancies refer to the residual that remains after disaggregating GDP into its expenditure components, such as PFCE, GFCE and GFCF. The discrepancies in the GDP data for Q4 FY2022 rose to (+) Rs. 847.5 billion (at 2011-12 prices) from (+) Rs.190.8 billion in Q4 FY2021, indicating that the pace of growth of the components of expenditure may be revised at a later stage.

## ANNEXURE A

### EXHIBIT 15: GVA at Basic Prices and its Components (YoY Growth, Constant 2011-12 Prices)

	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY2021 RE	FY2022 PE
<b>GVA at Basic Prices</b>	<b>5.7%</b>	<b>18.1%</b>	<b>8.3%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>-4.8%</b>	<b>8.1%</b>
<b>Agriculture, Forestry &amp; Fishing</b>	<b>2.8%</b>	<b>2.2%</b>	<b>3.2%</b>	<b>2.5%</b>	<b>4.1%</b>	<b>3.3%</b>	<b>3.0%</b>
<b>Industry</b>	<b>13.4%</b>	<b>46.6%</b>	<b>7.0%</b>	<b>0.3%</b>	<b>1.3%</b>	<b>-3.3%</b>	<b>10.3%</b>
Mining & Quarrying	-3.9%	18.0%	14.5%	9.2%	6.7%	-8.6%	11.5%
Manufacturing	15.2%	49.0%	5.6%	0.3%	-0.2%	-0.6%	9.9%
Electricity, gas, water supply & other utilities	3.2%	13.8%	8.5%	3.7%	4.5%	-3.6%	7.5%
Construction	18.3%	71.3%	8.1%	-2.8%	2.0%	-7.3%	11.5%
<b>Services</b>	<b>2.1%</b>	<b>10.5%</b>	<b>10.2%</b>	<b>8.1%</b>	<b>5.5%</b>	<b>-7.8%</b>	<b>8.4%</b>
Trade, Hotels, Transport, Communication & Services related to Broadcasting	-3.4%	34.3%	9.6%	6.3%	5.3%	-20.2%	11.1%
Financial, Real Estate & Professional Services	8.8%	2.3%	6.1%	4.2%	4.3%	2.2%	4.2%
Public Administration, Defence and Other Services	1.7%	6.2%	19.4%	16.7%	7.7%	-5.5%	12.6%

RE: Revised Estimates; PE: Provisional Estimates; **Source:** NSO; CEIC; ICRA Research

### EXHIBIT 16: GDP and Final Expenditures (YoY Growth, Constant 2011-12 Prices)

	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY2021 RE	FY2022 PE
<b>GDP</b>	<b>2.5%</b>	<b>20.1%</b>	<b>8.4%</b>	<b>5.4%</b>	<b>4.1%</b>	<b>-6.6%</b>	<b>8.7%</b>
PFCE	6.5%	14.4%	10.5%	7.4%	1.8%	-6.0%	7.9%
GFCE	29.0%	-4.8%	8.9%	3.0%	4.8%	3.6%	2.6%
Exports	3.7%	40.8%	20.7%	23.1%	16.9%	-9.2%	24.3%
Imports	11.7%	61.1%	41.0%	33.6%	18.0%	-13.8%	35.5%
Gross Capital Formation	11.9%	72.3%	26.8%	8.4%	5.2%	-11.4%	21.7%
GFCF	10.1%	62.5%	14.6%	2.1%	5.1%	-10.4%	15.8%
Change in Stocks	-112.4%	-2301.0%	-1659.6%	-1581.7%	-1574.2%	-110.7%	-1723.9%
Valuables	156.9%	515.6%	171.7%	53.0%	-48.9%	26.4%	41.9%
Discrepancies	-92.0%	-37.6%	-108.1%	58.4%	344.1%	-39.8%	-9.1%

RE: Revised Estimates; PE: Provisional Estimates; **Source:** NSO; CEIC; ICRA Research

## ANNEXURE B

### EXHIBIT 17: Composition of GVA at Basic Prices (Constant 2011-12 Prices)

	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY2021 RE	FY2022 PE
<b>GVA at Basic Prices</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Agriculture, Forestry &amp; Fishing</b>	<b>15.3%</b>	<b>15.5%</b>	<b>12.2%</b>	<b>18.8%</b>	<b>15.3%</b>	<b>16.3%</b>	<b>15.5%</b>
<b>Industry</b>	<b>33.0%</b>	<b>31.4%</b>	<b>30.7%</b>	<b>28.8%</b>	<b>32.2%</b>	<b>30.1%</b>	<b>30.8%</b>
Mining & Quarrying	2.6%	2.6%	2.1%	2.3%	2.7%	2.3%	2.4%
Manufacturing	19.0%	18.9%	18.8%	16.8%	18.2%	17.9%	18.2%
Electricity, gas, water supply & other utilities	2.1%	2.5%	2.5%	2.1%	2.1%	2.3%	2.3%
Construction	9.3%	7.4%	7.3%	7.6%	9.1%	7.7%	7.9%
<b>Services</b>	<b>51.7%</b>	<b>53.1%</b>	<b>57.1%</b>	<b>52.4%</b>	<b>52.5%</b>	<b>53.6%</b>	<b>53.7%</b>
Trade, Hotels, Transport, Communication & Services related to Broadcasting	19.8%	14.6%	17.1%	17.9%	20.0%	17.1%	17.5%
Financial, Real Estate & Professional Services	19.1%	26.4%	26.0%	20.1%	19.2%	23.5%	22.7%
Public Administration, Defence and Other Services	12.8%	12.1%	14.1%	14.4%	13.3%	13.0%	13.5%

RE: Revised Estimates; PE: Provisional Estimates; **Source:** NSO; CEIC; ICRA Research

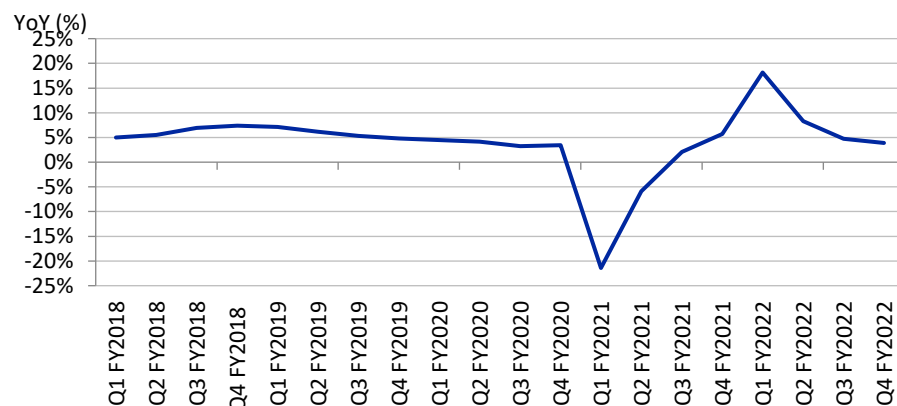
### EXHIBIT 18: Composition of GDP and Final Expenditures (Constant 2011-12 Prices)

	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	FY2021 RE	FY2022 PE
<b>GDP</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
PFCE	56.7%	54.0%	56.6%	61.0%	55.5%	57.3%	56.9%
GFCE	11.3%	12.6%	9.8%	9.3%	11.3%	11.3%	10.7%
Exports	18.5%	22.7%	22.2%	20.8%	20.8%	18.8%	21.5%
Imports	22.8%	25.7%	27.0%	26.8%	25.8%	21.1%	26.3%
Gross Capital Formation	35.8%	34.8%	38.6%	33.4%	36.1%	31.9%	35.7%
GFCF	33.3%	32.8%	33.4%	30.1%	33.6%	30.5%	32.5%
Change in Stocks	-0.1%	1.4%	1.3%	1.2%	1.3%	-0.1%	1.3%
Valuables	2.6%	0.7%	4.0%	2.0%	1.3%	1.5%	2.0%
Discrepancies	0.5%	1.5%	-0.2%	2.3%	2.1%	1.8%	1.5%

RE: Revised Estimates; PE: Provisional Estimates; **Source:** NSO; CEIC; ICRA Research

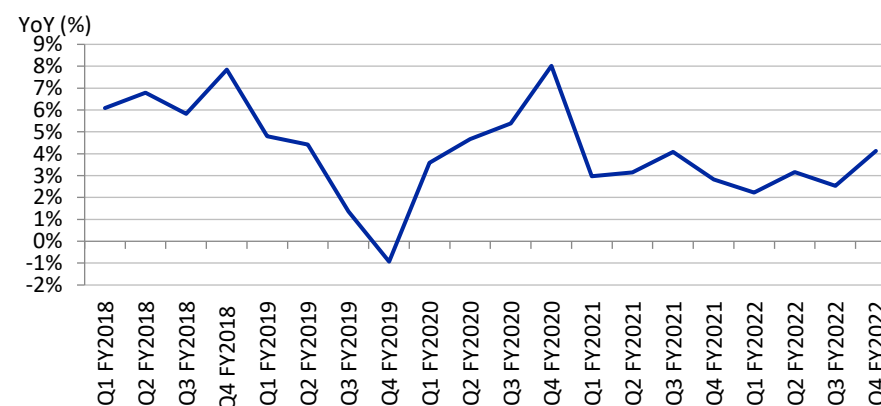
## ANNEXURE C

**EXHIBIT 19: Growth in GVA at Basic Prices (Constant 2011-12 Prices)**

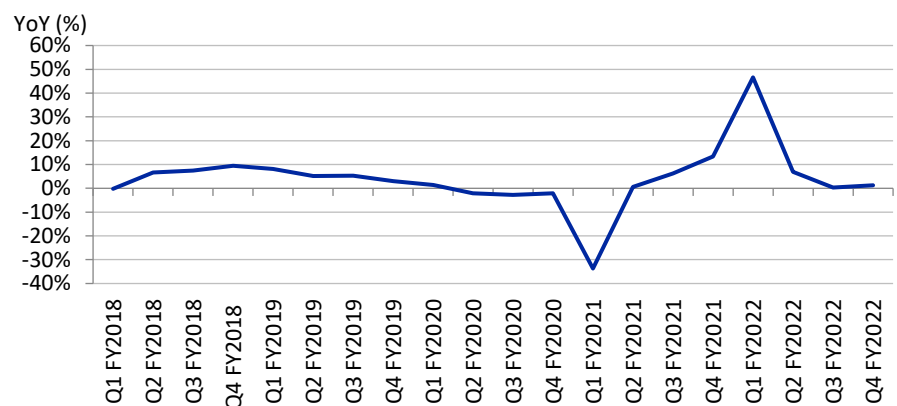


Source: NSO; CEIC; ICRA Research

**EXHIBIT 20: Growth in Agriculture, Forestry & Fishing (Constant 2011-12 Prices)**

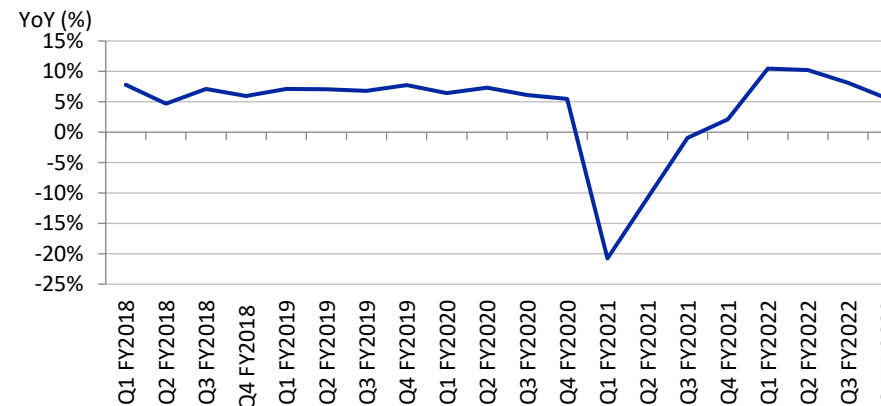


**EXHIBIT 21: Growth in Industry (Constant 2011-12 Prices)**

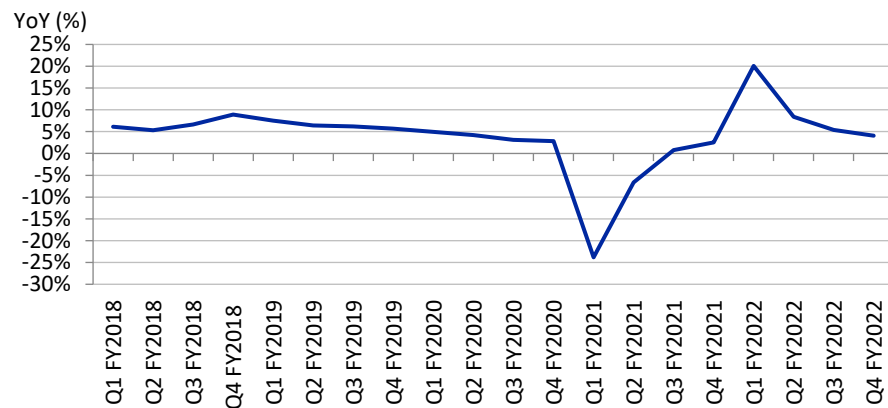


Source: NSO; CEIC; ICRA Research

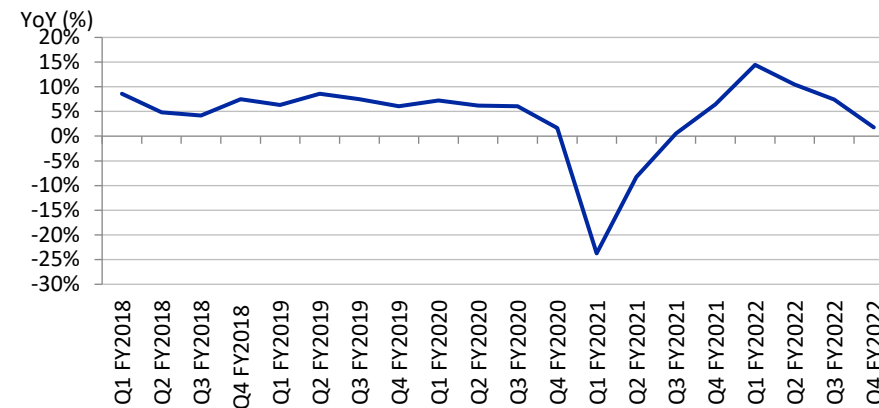
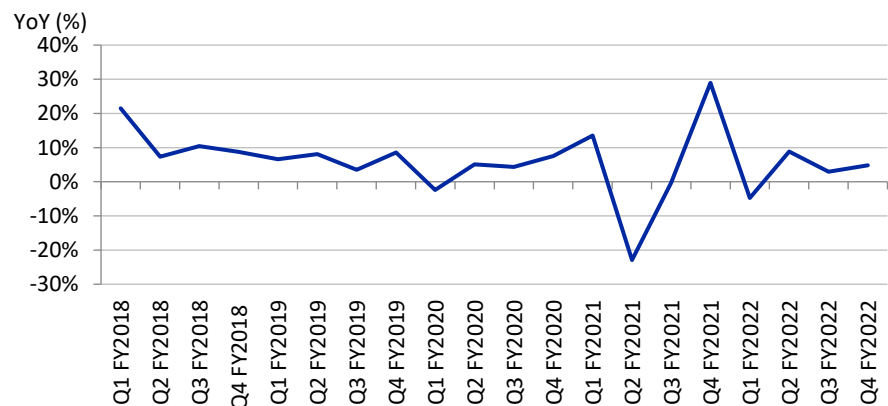
**EXHIBIT 22: Growth in Services (Constant 2011-12 Prices)**



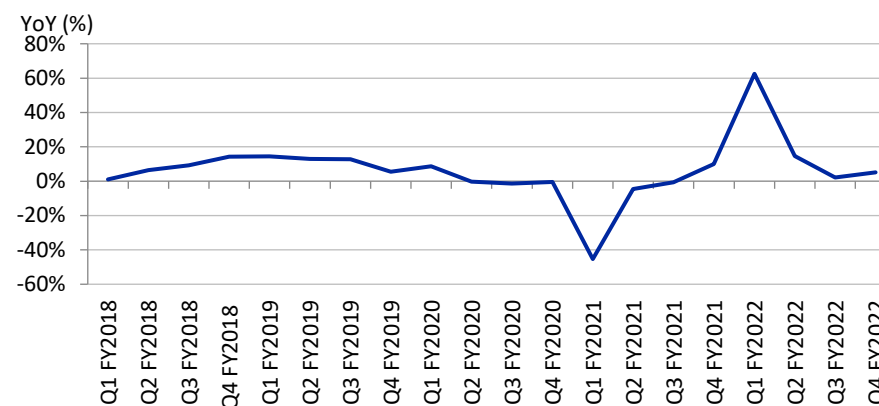


**EXHIBIT 23: Growth in GDP (Constant 2011-12 Prices)**


Source: NSO; CEIC; ICRA Research

**EXHIBIT 24: Growth in PFCE (Constant 2011-12 Prices)**

**EXHIBIT 25: Growth in GFCE (Constant 2011-12 Prices)**


Source: NSO; CEIC; ICRA Research

**EXHIBIT 26: Growth in GFCF (Constant 2011-12 Prices)**




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- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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