

(/alexa)

+ (91-22) 61772000 (25 Lines) | GST ID : 27AAECS6989F1ZS | CIN : U72200MH2000PTC125470

POLYMERUPDATE
INTELLIGENCE ANALYTICS CONFERENCES

TPC

THE POLYMERUPDATE CLUB
DUSSEHRA BUYER & SELLER MEET 2022
7TH OCT, 2022 | 06:30 PM - 11:30 PM

TRIBUNE BANQUET - THE INTERNATIONAL BY TUNGA
 B-11, MIDC, Central Road, Andheri (E), Mumbai - 400 093

ENQUIRE NOW

<https://www.polymerupdate.com/tpc.aspx>



RURAL CONSUMPTION DRIVES INDIA'S REAL GDP GROWTH AT 13.5% IN THE APR-JUN QUARTER, GLOBAL HEADWINDS CONTINUE TO POSE A CHALLENGE



On Thursday, September 01, 2022 at 12:56 IST

India's economy measured by the gross domestic product (GDP) posted a 13.5 percent year-on-year real growth in the April-June 2022 quarter, the highest in a year, on a sharp rebound in household consumption, especially in the contact-intensive services and buoyant investment activity, data released by the National Statistical Office (NSO) under the Ministry of Statistics and Programme Implementation, showed.

When compared with the sequential quarter, the country's real GDP posted a jump from the level of 4.1 percent growth but reported a decline from the 20.1 percent growth recorded in the corresponding quarter last year. In the April-June quarter of the current year, India's economic growth missed the 16.2 percent target aimed by the Reserve Bank of India (India).

Expressing satisfaction over the economic growth, India's Finance Secretary T V Somanathan said, "The Indian economy is 'on course' to achieve over 7 percent growth this fiscal. This growth is good enough to achieve the speed of growth which we think everyone including the International Monetary Fund (IMF) and RBI separately have expected as the real GDP growth in the range of 7-7.5 percent in the current year."

"The GDP growth number is impressive as it comes over a favourable base effect as growth was thwarted in

2021 due to the second wave of Covid-induced lockdowns. If one compares it with the GDP growth over the pre-Covid period of 2019, it would be modest at 3.8 percent. All eight major sectors of the economy witnessed a satisfactory growth, though manufacturing has been at 4.8 percent which is low, given a base growth of 49 percent," said Madan Sabnavis, Chief Economist, Bank of Baroda.

During the first quarter of the current fiscal (April 2022 - March 2023), agricultural growth was recorded as high at 4.5 percent which reflects a good rabi harvest. While both construction and power registered higher growth on account of staggering growth in infrastructure activity, the trade and communications segment posted high growth mainly due to the pent-up demand on the back of post-Covid consumer activity. Also, real estate and finance continue to do well with the former recovering after years of lull activities.

"India's real GDP witnessed a double-digit growth due to favourable base effect, it contracted by 9.6 percent on the sequential quarter basis. Although domestic economic activities remained resilient to global headwinds during the first quarter of the current financial year, a high level of inflation led to moderation in the real GDP. However, we are optimistic about India's economic outlook as the early indicators such as manufacturing PMI, GST collections etc. in the last few months have remained strong albeit global turbulences," said Vivek Rathi, Director-Research, Knight Frank India.

In the April-June 2022 quarter, consumer inflation averaged 7.3 percent on account of high global commodity prices along with sharp rupee depreciation. In the coming months, India's economy would face headwinds primarily arising from a widening trade deficit as a result of decelerating exports due to the global demand slowdown. Additionally, investments in the economy could get hindered following tightening borrowing costs and elevated input prices.

Dharmakirti Joshi, Chief Economist, Crisil Ltd, believes that the Indian economy will see slower growth in the next few quarters because of the waning base effect. "While the ongoing broad-basing of domestic economic activity is supportive, the key risks are slowing global growth, which could curb India's export and create uncertainty in private capex plans. These would put downward pressure on India's GDP growth forecast of 7.3 percent for the current fiscal," Joshi added.

According to Rajani Sinha, Chief Economist, CareEdge, global headwinds could bring in a challenging time for the Indian economy. "The revival in consumption demand has been uneven so far despite peak rural demand. While lowering inflation will provide support to overall consumer spending, uneven monsoons will play a spoiler for rural demand. On the investment front, there are positive signals appearing with the rise in capacity utilization to 75 percent level. The Centre's healthy capital expenditure in the fiscal year so far also bodes well for the investment scenario. Overall, we expect the momentum in the economy to gather pace going forward. At the same time, we need to remain cautious of the global slowdown and its implications for the Indian economy," Sinha added.

In the April-June 2022 quarter, the gross value added (GVA) came at 12.7 percent y-o-y. Details suggest that while industrial activity was lower than expected, better services sector growth pushed overall GVA growth higher.

"Overall it confirms that growth recovery is not so strong in India. It ideally implies that monetary tightening should not be very aggressive. However, it appears that the terminal repo rate will be 5.75-6 percent in this cycle with one-two more rate hikes, ending the cycle in December 2022," said Nikhil Gupta, Chief Economist, Motilal Oswal Financial Services Ltd (MOFSL).

DILIP KUMAR JHA

Editor

dilip.jha@polymerupdate.com