

Economists peg Q2 GDP growth at 7-9%

Inventory build-up before festival season, pick-up in govt spend in Sept likely to have supported economy activity

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India's economy grew in the range of 7-9 per cent in the second quarter (Q2) of the current fiscal year (2021-22, or FY22), against a contraction of 7.4 per cent in the corresponding period of the previous fiscal year, projected economists and various agencies. The Q2 gross domestic product (GDP) numbers are slated for release on Tuesday.

The economy grew 20.1 per cent in the first quarter of FY22, largely on a very low base of 24.4 per cent contraction a year ago.

CARE Ratings Chief Economist Madan Sabnavis said the main thrust of economic growth came from the manufacturing sector that showed smart recovery during the festival season.

The Indian economy, he said, has performed quite well in Q2FY22 after lockdown restrictions were eased in most states from July onwards.

The services sector, however, continued to be impeded by selective unlocking due to challenges posed by social distancing, he added.

It was only after September that various state governments gradually opened these services, said Sabnavis.

Yuvika Singhal, economist at QuantEco



Research, said the waning Covid infections, which allowed progressive easing of lockdown restrictions at state-level, along with progress on vaccination, were key growth stimulants in Q2.

Further, an inventory build-up ahead of the festival season, along with pick-up in government spending in September, is likely to have offered the back-loaded support to economic activity.

A healthy pick-up in momentum of both

industry and the services sector output is expected, said Singhal.

“Reinforcing this, our high-frequency lead indicator, Daily Activity and Recovery Tracker (DART) Index, had surpassed the baseline of 100 in July, followed by a breach of the pre-second wave peak in August and scaling further to record highs in September and October yet again,” added Singhal.

Ranen Banerjee, leader of economic advisory services at PwC India, said the high-

GDP PROJECTIONS FOR THE SECOND QUARTER OF FY22

	in % yoy
CRISIL	7.0-7.5
ICRA	7.9
SBI Research	8.1
Motilal Oswal	8.2
CARE Ratings	8.1-8.3
India Ratings	8.3
QuantEco Research	8.5
PwC	8-9

Source: Respective entities

frequency indicators in many cases had reached close to pre-pandemic levels by September this year.

He said some of the contact services had progressively resumed in Q2FY22, supporting robust Q2 growth.

India Ratings & Research Chief Economist Devendra Pant attributed economic growth in Q2 to the base effect and improvement in economic activity because of pre-festival demand.

State Bank of India Group Chief Economic Advisor Soumya Kanti Ghosh said the projected growth of the economy at 8.1 per cent in Q2FY22 would be the highest across all economies.

“The average GDP growth of 28 selected economies has decelerated to 4.5 per cent in July-September, against 12.1 per cent,” said Ghosh.

ICRA Chief Economist Aditi Nayar said economic activity in Q2FY22 was supported by pick-up in industrial and services sector volumes after the second wave of Covid-19 subsided and rising vaccine coverage revived confidence.

“Additionally, healthy central and state government spending, robust merchandise exports, and continuing demand from the farm sector supported economic activity in that quarter,” said Nayar.