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# GDP may grow 13-23% in Q1

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Economists have estimated GDP growth in the range 13.1-23 per cent for the first quarter (Q1) of this fiscal year.

The data is scheduled to be released by the end of this month.

Former chief statistician Pronab Sen has projected GDP growth at 17-18 per cent. However, he said actual growth would be much lower because the quarterly numbers did not take into account the results of unlisted companies.

The index of industrial production (IIP) would take into account 45 per cent of manufacturing while the rest will be corporate data, he said.

Soumya Kanti Ghosh, chief economic advisor to the SBI group, said: "Our preliminary estimates suggest that GDP growth could be in the range of 17-18 per cent for Q1."

However, he said ideally one should look at the gross value added (GVA) numbers because the GDP numbers were likely to be bolstered by strong tax collection in Q1. Net product taxes, which take out subsidies, are added to GVA to arrive at GDP.

Aditi Nayar, chief economist at ICRA, said: "Based on our assessment of volumes and available earnings, we forecast GVA growth in Q1 FY22 at 16-17 per cent and believe this to be a relatively good gauge of the economic performance than GDP in the current year. Given the sharp rise in indirect taxes, we anticipate that the National Statistical Office may peg GDP expansion at a deceptively high 19-20 per cent."

## THE PROJECTION

GDP growth in % YoY

| | |
|---|---|
| CARE Ratings | 13.1 |
| Barclays | 14.9 |
| India Ratings | 15.3 |
| Pronab Sen | 17-18 |
| Deloitte India | 17.7-21.8 |
| SBI Group | 18.0 |
| CRISIL | 19.0 |
| RBI | 21.0 |
| PwC India | 22.0 |
| QuantEco Research | 23.0 |

Source: Respective agencies

India Ratings Chief Economist Devendra Pant sees GDP growth at 15.3 per cent. "If one looks at FY22, it will be a V-shaped recovery. However, this will be because of minus 7.3 per cent growth in FY21. Almost all economies in the world are expected to have V-shaped recovery this year. The main question is whether we will be able to sustain the growth achievements of this fiscal year in the next couple of years," he said.

Barclays Chief India Economist Rahul Bajoria also said it would be a V-shaped recovery and saw economic growth at 14.9 per cent. However, Ghosh does not see a V-shaped recovery. To a query that the GDP numbers might not reflect the ground realities because they would be driven by listed firms' results, he said there was no doubt about the disconnect between how financial markets were performing and the economy.

"But the stock markets will continue to perform well on strong global cues and the abundance of liquidity, which in turn is cleaning up the corporate balance sheet. However, at the same time, consumer demand should pick at a sustained pace," he said. He also said unorganised sectors, particularly in rural areas, had seen a pickup in June-July but the recovery there was still uneven.

Madan Sabnavis, chief economist at CARE Ratings, projected GDP growth at 13.1 per cent. However, this was driven mainly by the base effect, he said.

GDP contracted a massive 24.4 per cent in the first quarter of the previous fiscal year. He pointed out May-June this year was a virtual lockdown with services being affected.

Ranen Banerjee, leader, economic advisory services at PwC India, pegged GDP growth at around 22 per cent. He said recovery to the pre-pandemic levels had almost been reached. "If there are no third wave-related hiccups, growth should track well over the next three quarters to give us around 10 per cent annual growth in FY22."

Sabnavis said the IIP was misleading due to the base effect. "The purchasing managers' index (PMI) is a better indicator of the health of the economy."

The IIP was up 45 per cent in the first quarter due to the 134.63 per cent rise in April owing to a low base. However, the PMI for manufacturing was 51.46 in the first quarter. A reading above 50 indicates expansion. The PMI was 48.1 in June, which is contraction. Similarly, the PMI services was 47.2 in April-June.