

RESEARCH
BOB Economics Research | FY22 GDP

FY22 GDP expected at 9.2%

SUMMARY
India Economics: FY22 GDP

India's GDP growth is estimated at 9.2% in FY22 (-7.3% in FY21). Our forecast was 9.3%. But this growth would be 1.3% above pre-pandemic level led by exports and government expenditure. GVA growth is estimated at 8.6% (1.9% above pre-pandemic). While GDP rose by 13.7% in H1FY22, it is expected to slow down to 5.6% in H2. Further downward revision cannot be ruled out, to account for the impact of Omicron. We expect RBI to continue with its present stance.

[Click here for the full report.](#)

Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.51	0bps	7bps	60bps
India 10Y yield (%)	6.45	(2bps)	13bps	58bps
USD/INR	74.34	0.1	1.1	(1.6)
Brent Crude (US\$/bbl)	77.78	(1.9)	10.2	50.2
Dow	36,338	(0.2)	5.4	18.7
Shanghai	3,640	0.6	2.1	4.8
Sensex	58,254	0.8	2.1	21.7
India FII (US\$ mn)	30-Dec	MTD	CYTD	FYTD
FII-D	99.6	(1,612.3)	(1,528.9)	498.3
FII-E	(151.8)	(1,826.8)	3,675.7	(3,650.6)

Source: Bloomberg

BOBCAPS Research

researchreport@bobcaps.in



FY22 GDP

07 January 2022

FY22 GDP expected at 9.2%

India's GDP growth is estimated at 9.2% in FY22 (-7.3% in FY21). Our forecast was 9.3%. But this growth would be 1.3% above pre-pandemic level led by exports and government expenditure. GVA growth is estimated at 8.6% (1.9% above pre-pandemic). While GDP rose by 13.7% in H1FY22, it is expected to slow down to 5.6% in H2. Further downward revision cannot be ruled out, to account for the impact of Omicron. We expect RBI to continue with its present stance.

Madan Sabnavis
Chief Economist

Authors:

Sonal Badhan
Economist

Aditi Gupta
Economist

FY22 GDP at 9.2%: CSO has estimated India's GDP growth at 9.2% for FY22, which is in line with ours (9.3%) and RBI's estimate (9.5%). Interestingly, the estimates have not incorporated the impact of the third-wave of Covid-19, and may thus have a downward bias going ahead. Over FY20, GDP is expected to be 1.3% higher led by exports (11.1%), government spending (10.7%) and investment (2.6%). GVA growth in FY22 is estimated at 8.6% compared with a contraction of 6.2% in FY21. GVA would be 1.9% higher compared with FY20. This is led by agriculture and industry, even as services sector continues to lag. Further, with the possible lockdown restrictions, services sector is likely to be impacted the most.

Capital formation: For FY22 GFCF (current) is estimated at 29.6% of GDP, versus 27.1% in FY21 and 28.8% in FY20. *This however appears to be on the higher side, in view of latest trends in project announcements and state capex.* New project announcements have eased to Rs 2.1tn in Q3FY22 from Rs 2.2tn in Q2 led by services (Rs 355bn from Rs 1.1tn in Q2). In addition, sates' capex data also shows slowdown in Q3 with average growth of 29.7% (Oct-Nov'21) versus 68.3% in Q2.

Consumption: PFCE for FY22 (current prices) shows that consumption is estimated to rise by 15.4% following (-) 6% decline in FY21 and 9.7% FY20. Even over a 2-year horizon (FY22 compared with FY20), consumption is expected to rise by 8.5%. This is also reflected in Oct'21 data for production of consumer goods. On a 2-year basis, both consumer durable and non-durable output have improved by 10.9% (3.3% in Sep'21) and 7.9% (2.6% in Sep'21) respectively in Oct'21.

H2 growth at 5.6%: With FY22 growth estimated at 9.2% and H1 at 13.7%, growth is expected to slow down in H2 to 5.6%. While the slowdown is expected to be broad-based owing to base effect, notable impact will be in construction (-0.9% versus 30%) and trade and related services (7.5% versus 18.4%). This too will have a downward bias, due to Covid-19 impact.

Since growth is muted, we expect RBI to consider inflation developments and Union Budget before taking action. We expect RBI to remain on hold in Feb'22.



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Rating distribution

As of 31 December 2021, out of 115 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 57 have BUY ratings, 31 have HOLD ratings, 5 are rated ADD*, 2 are rated REDUCE* and 20 are rated SELL. None of these companies have been investment banking clients in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ00159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed

in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.