FY22 GDP growth put at 9.2% as agri, manufacturing shine

Why in news?

The National Statistical Office has released the first Advance Estimate for FY22.

What the estimate tells us?

- Considering limited impact of the Covid wave the economic growth for the 2021-22 fiscal year is estimated at 9.2%.
- Though growth points to 9.2% due to base effect the real growth estimated is only 1.3% over the pre-Covid GDP level.
- The size of India's economy is expected to increase to $3.2 trillion.
- Nominal GDP is estimated to expand by 17.6% in FY22, higher than the 14.4% assumed in Budget 2021-22.
- The estimate is the highest in nearly two decades.
- Nominal growth is overtaking real growth by 8.4 percentage points due to a high implicit price deflator (IPD)-based inflation of 7.7%.

What are the sector wise data?

- The agriculture sector continues to shine.
- Manufacturing and construction have shown good growth.
- The growth in agriculture and industry was higher than in 2019-20 (FY20).
- Though the services sector grew it lags behind FY20.

What are the concerns?

- Impact of subsequent covid waves on the revival of economy in 2022-23.
- Continued supply-side rigidities.
- Lowering of India's export due to covid surge.

What looks promising?

- Higher nominal GDP than assumed provides additional expenditure space for the government.
- This would reduce the debt-to-GDP ratio, which is the focus of FRBM.
- Despite the shortfall in disinvestment proceeds and additional demand for supplementary grants, the fiscal deficit target of 6.8% of GDP is likely to be achieved.

How is Nominal GDP different from Real GDP?

- Nominal GDP tells us the present-day value of a country's goods and services. Here prices are affected by inflation since it uses current market prices.
- Real GDP is not affected by inflation. Here nominal GDP is adjusted for inflation using GDP deflator to reflect changes in real output.
- Hence real GDP growth reflects a country's increased output and is not influenced by inflation increasing price level.
- The GDP deflator, also called implicit price deflator, is a measure of inflation.
- It is the ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year.

Reference

1. https://www.thehindubusinessline.com/economy/fy22-gdp-growth-put-at-92-as-agri-manufacturing-shine/article38178306.ece?homepage=true