INDIA'S GDP FOR FY 2020-21 QUARTER WISE POSITION, REASONS & PREDICTION~

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2020-21 WILL BE THE FIRST TIME IN 41 YEARS THAT ANNUAL GDP GROWTH WILL BE NEGATIVE

There are many write ups/article on understanding of GDP and its current rate. However through this article efforts have been made to explain it through simple language along with pointing out real numbers and making reader part of this journey where GDP and its glossary shall be easy task whenever they read any financial news or watch TV. So we shall be covering basic concept, India's GDP growth rate for last two quarter (June ending & Sep Ending) of FY 2020-21 (From April 2020 to March 2021) along with predictions for GDP growth of FY 2020-21 and for next year FY 2021-22 looking into Covid-19 and other economic factors.

- GDP is a measure of economic activity in a country. It is the total value of a country's annual output of goods and services. It gives the economic output from the consumers' side.
- GVA is the sum of a country's GDP and net of subsidies and taxes in the economy.

So lets understand it Quarter wise for FY 2020-21.

Quarter 1 India's GDP @ -23.9%.

According to the recent National Statistical Office (NSO) data, India's Gross Domestic Product (GDP) growth contracted by 23.9% in the first (April-June) quarter of 2020 compared to the same period (April-June) in 2019.

The contraction in India's gross domestic product (GDP) was predicted.

A big fall, in tune with the rest of the world's economies, was expected.

But that almost a quarter of the GDP would be shaved off in the first quarter of financial year 2021 is a shock.

	GDP growth for the quarter ended June 2020 (in %)	
Country	Change over previous quarter	Change over same quarter of previous year
India	-29.3	-23.9
United Kingdom	-20.4	-21.7
France	-13.8	-19.0
Italy	-12.4	-17.3
Canada	-12.0	-13.5
Germany	-9.7	-11.7
Japan	-7.8	-10.0
United States	-9.5	-9.5
South Korea	-3.3	-2.9
China	11.5	3.2

Factors of GDP Contraction:

In any economy, the GDP growth is generated from one of the four engines of growth. i.e. private consumption, demand generated by private sector businesses, demand generated by government and exports.

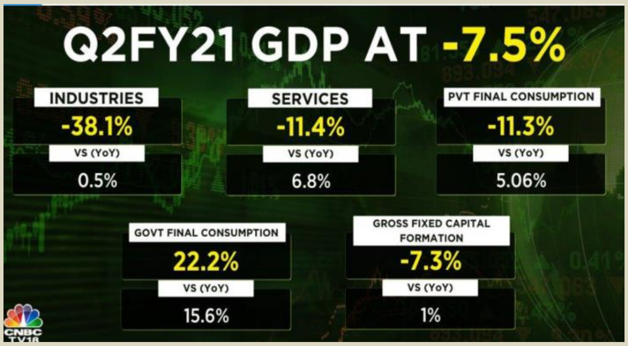
- Private consumption has fallen by 27%. It is the biggest engine that drives the Indian economy.
- Investment by private sector businesses has fallen by 47%. It is the second biggest engine.
- The net export demand has turned positive in this first quarter because India's imports have crashed more than its exports.
- The government's expenditure went up by 16% but this was nowhere near enough to compensate for the loss of demand in other sectors (engines) of the economy.

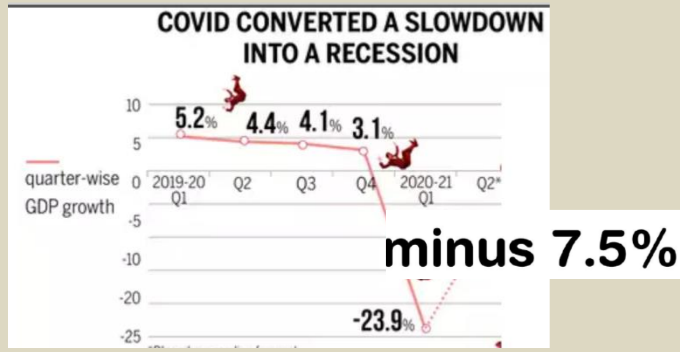
ENGINES OF GROWTH FALTER

Sources of total demand /engines of growth	Q1 FY20 (Rs crore)	Q1 FY21 (Rs crore)	Difference (Rs crore)	% change (year on year)
Expenditure by individual consumers [C]	19,92,967	14,61,164	–5,31,803	–27
Expenditure/Investment by private businesses [I]	11,32,195	5,99,192	–5,33,003	–47
Expenditure by Govt [G]	4,18,249	4,86,636	68,387	16
Net demand from exports minus imports	–1,17,242	75,675	1,92,917	165
Total (including discrepancies)	35,35,267	26,89,556	–8,45,711	–23.9

With GDP contracting by more than what most observers expected, it is now believed that the full-year GDP could also worsen.

Q2 GDP minus 7.5%





Statement 2: Quarterly Estimates of Expenditures on GDP in Q2 (July-… 2020-21 (at 2011-12 Prices)

(₹ in crore)

Industry	Expenditures of Gross Domestic Product 2018-19 Q1	2018-19 Q2	2019-20 Q1	2019-20 Q2	2020-21 Q1	2020-21 Q2
1. Private Final Consumption Expenditure (PFCE)	18,89,008	19,03,853	19,92,967	20,25,488	14,61,164	17,96,290
2. Government Final Consumption Expenditure (GFCE)	3,93,709	4,07,780	4,18,249	4,65,643	4,86,636	3,62,368
3. Gross Fixed Capital Formation (GFCF)	10,82,670	10,77,942	11,32,195	10,35,736	5,99,192	9,59,628
4. Change in Stocks (CIS)	64,131	66,159	67,328	66,999	53,336	71,208
5. Valuables	41,080	44,629	51,347	51,761	4,645	20,995
6. Exports	6,86,695	7,19,352	7,08,546	7,03,282	5,67,961	6,92,568
7. Imports	8,08,933	8,60,843	8,25,788	7,79,637	4,92,286	6,45,851
8. Discrepancies	10,803	73,679	-9,576	15,062	8,908	56,962
GDP	33,59,162	34,32,553	35,35,267	35,84,335	26,89,556	33,14,167
GDP (Percentage change over previous year)			5.2	4.4	-23.9	-7.5

GDP GROWTH PREDICTION FOR FULL FY 2020-21.

5th Bi-Monthly Monetary Policy 2020-21

RBI ने GDP ग्रोथ -9.5% से -7.5% किया।

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India’s GDP forecast for FY 2021-22

ADB	8%
IMF	8.8%
World bank	5.4%
Fitch Rating	11%