

GDP Update: All you need to know

1. The YoY GDP numbers at 8.4%(vs consensus of 8%) optically appear healthy, translating into real economy almost reaching pre-covid levels of output. However, with fear of Omicron variant and lack of synergies between growth and jobs, any upward revision to full year numbers is unwarranted.
2. Nominal GDP came in at a whopping 17.6% with a high WPI rightly reflecting in the deflator. High nominal GDP is seeing its reflections in corporate profitability, GOI tax collections etc. H1FY22 has seen INR 106 tn of NGDP and is likely to beat budgeted INR 223 tn, thereby easing deficit further.
3. Private consumption, though up nominally, is still below pre-covid and raises red flags on the consumption optimism. Q3 will be on careful watch.
4. On the sectors front, Agriculture has done well at 4.5% but major outperformance has been from resumption in services (+10.2% YoY). Trade, hotels and communication category, however, remains lackluster.
5. Overall, a healthy set of numbers but the dichotomy between organized and unorganized sector remains stark(Q2 NSE 500 ex-financials EBITDA at 31% YoY vs GVA at 8.5%). Given the growth is yet not broad based and the scare of new variant, RBI is likely to remain accommodative in the upcoming policy.

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