

# CHART OF THE WEEK

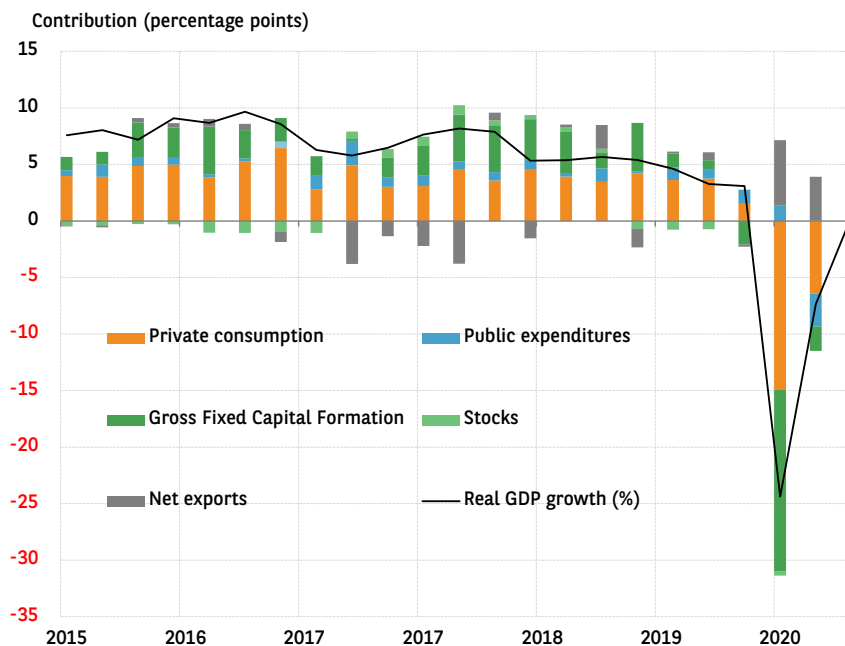


3 March 2021

## INDIA: GROWTH JUMPS TO 0.4% IN THIRD QUARTER OF THE FISCAL YEAR

Johanna Melka

Real GDP growth in India: rebound in Q3-FY2021



Source: CEIC

In Q4 2020, the third quarter of the 2020/21 fiscal year to 31 March 2021, India officially came out of recession. Real GDP was 0.4% higher than in Q4 2019. The recovery has been driven by an increase in government investment and a rebuilding of business inventories. In contrast, consumer spending – the biggest component of GDP – fell, whilst inflationary pressures have eased since November. Activity in the services sector was still down by 1%, while the agricultural and construction sectors recorded an acceleration, as did manufacturing, albeit to a lesser extent.

Economic indicators for January remain on the right track. Output in core industries recorded a positive growth for the second month in a row; goods freight accelerated, car sales increased strongly and unemployment dropped below its rate of a year ago (6.9% in February). However, the fourth consecutive monthly contraction in loans to companies offers little prospect of a recovery in private sector investment. Although a mechanical rebound in growth is expected in 2021/2022, stimulating private investment will be essential to boost medium-term growth and the level of employment without undermining the public finances.

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