

## India 1Q22 GDP: Consumption the key

India's 1Q22 GDP release had something for everyone, slowing in year-on-year terms, but picking up in sequential quarterly terms. There are no glaring issues viewed from a sub-component basis, but weak consumer spending needs watching...



Source: Shutterstock

**4.1** YoY%  
1Q22 GDP

As expected

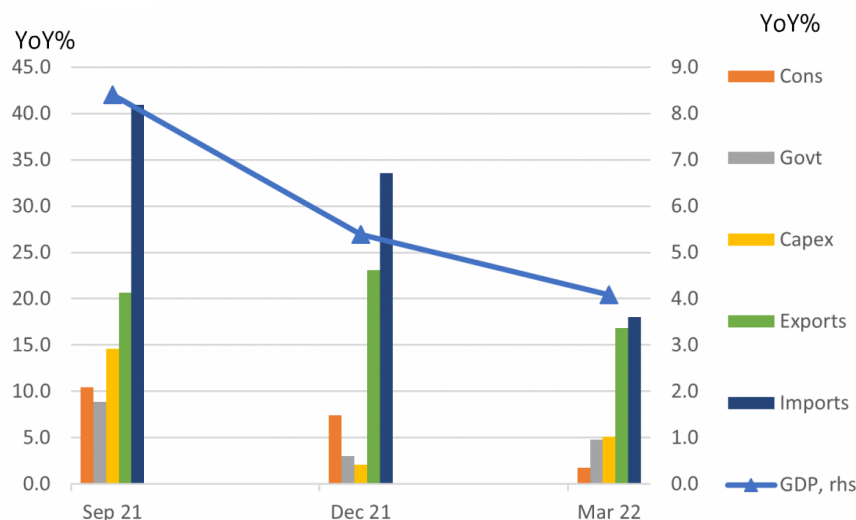
### GDP momentum is unclear

The 4.1%YoY GDP outturn was not substantially different to the consensus view of 3.9%YoY, and in itself doesn't merit much comment. But there are some subtle nuances to this data that are interesting and may shed light on where the Indian economy heads over the coming quarters.

As noted the 4.1% growth rate was not a big surprise and marks a slight slowdown from the 5.4% growth recorded in 4Q21. Viewed as the sum of its components, this slowdown owes quite a lot to

the weakness of consumer spending, which grew only 1.8%YoY, and contributed only 1 percentage point to the 4.1% total. Imports were a smaller drag, though there was a small contribution from capital expenditure, which is more encouraging.

## Year-on-year GDP growth



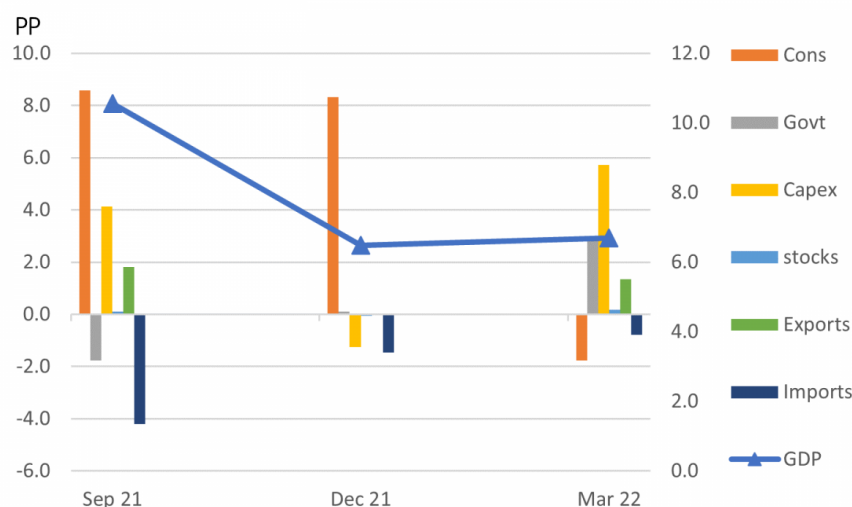
Source: CEIC, ING  
Indian GDP growth YoY%

## Quarterly momentum stronger

Indian GDP looks slightly more positive when viewed through the prism of quarterly growth and its contributions. 6.7% QoQ growth is a slight pick up from the fourth quarter, though once again, the consumer sector looks soft, actually dragging on the quarterly growth total. Capital expenditure is again supportive, and the quarterly figures also take some lift from the net export side as imports didn't accelerate from the previous quarter.

Missing from these or the year-on-year figures are any of the usual smoking guns, like a huge inventory build, or unrepeatable net export boost - both of which would likely encourage thoughts of an imminent reversal. However, the consumption weakness is a bit worrying, especially as it is at least partly being weighed on by high and rising prices - of which, there is little prospect of an imminent reversal either. This, and the government and Reserve Bank of India's response to the inflation threat will be important in shaping how the rest of the year pans out.

## Contribution to QoQ% Growth (percentage points)



Source: CEIC, ING  
Cont to QoQ growth

## Full year growth of 7.3-7.4%

For now, we see little need to do much to our full-year forecasts for India, which are respectively at 7.4% and 7.3% for the calendar and fiscal years. But if we see a need to revise these GDP forecasts lower, then the ramifications of this could be serious. With their investment-grade rating under negative watch from Fitch, rising prices and slowing growth could result in fiscal slippage as the government tries to protect households and the corporate sector through subsidies.

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