Vajiram & Ravi

India’s Economic Growth in Q2

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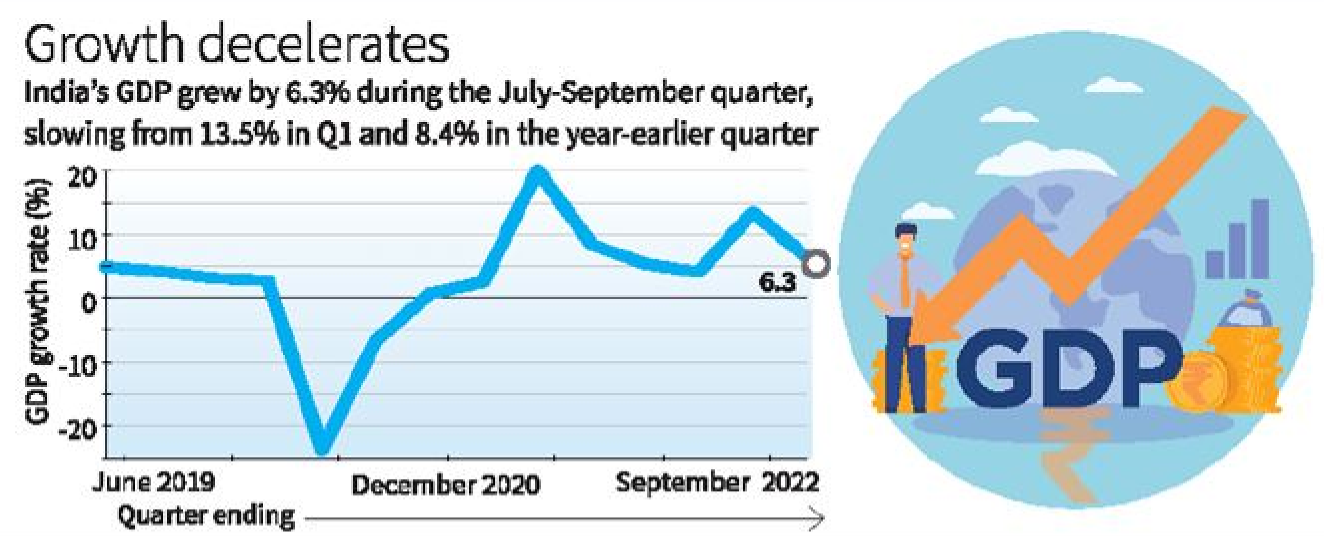
India’s Economic Growth in Q2:

The second quarter or Q2 refers to the months of July, August and September.

- India’s **Gross Domestic Product (GDP)** grew by 6.3 per cent in Q2 on a year-on-year basis.
- In other words, it was 6.3% more than the GDP in the same months in 2021.
- MoSPI also reported that India’s **Gross Value Added (or GVA)** in Q2 grew by. 5.6 per cent on a year-on-year basis.
- **GDP and GVA:**
- GDP and GVA are the two main ways to ascertain the country’s economic performance.
- Both are measures of national income.
- The **GDP measures the monetary measure of all “final” goods and services**— those that are bought by the final user— produced in a country in a given period.
- The GDP does this by adding up the total expenditures in the economy; in other words, it looks at who spent how much.
- That is why GDP captures the total “demand” in the economy.
- **There are four key “engines of GDP growth”. These are:**

- All the money Indians spent for their private consumption (that is, **Private Final Consumption Expenditure or PFCE)**
- All the money the government spent on its current consumption, such as salaries [**Government Final Consumption Expenditure or GFCE**]
- All the money spent towards investments to boost the productive capacity of the economy. This includes business firms investing in factories or the governments building roads and bridges [**Gross Fixed Capital Expenditure**]
- The net effect of exports (what foreigners spent on our goods) and imports (what Indians spent on foreign goods) [**Net Exports or NX**].
- **GVA:**
- The GVA calculates the same national income from the supply side.
- It does so by adding up all the value added across different sectors.
- According to the RBI, the GVA of a sector is defined as the value of output minus the value of its intermediary inputs.
- This “value added” is shared among the primary factors of production, labour and capital.
- **The GDP and GVA are related by the following equation:**
    - **GDP = (GVA) + (Taxes earned by the government) — (Subsidies provided by the government).**



Q1) What are the four components of GDP?

The four components of gross domestic product are personal consumption, business investment, government spending, and net exports.

Source: Indian Express