

## **GDP to grow by 6.5% in Q2FY23**

*Even as global economy is slowing down owing to the geo-political conflict at play, aggressive monetary tightening by global central banks; fears of recession also looms large for certain European economies. IMF has also cautioned about the dip in the global economy. On the other hand, India's economy is growing at a steady pace on the back of strong fundamentals. Owing to base effect, the economy is expected to moderate and grow by 6.5% in Q2FY23 from 13.5% growth in Q1FY23. Services sector is expected to hold the key for the revival. With this, Indian economy is poised to grow by 6.8% in FY23 compared with a growth of 8.7% in FY22.*

### **Q2FY23 GDP**

India's GDP is expected to moderate by 6.5% in Q2FY23 against an increase of 13.5% seen in Q1. This is led by across the board moderation in sectors owing to base effect.

- Agriculture growth will be higher by 3% against 4.5% in Q1FY23. This comes against the backdrop of above normal South-West monsoon (4<sup>th</sup> year in arrow), with marginally lower kharif sowing this year.
- Manufacturing sector is expected to be hit with indicators such as net sales and profit of industries such as textile, iron, plastic and other metallic product registering a negative growth in the Q2FY23. The sector will grow at a much slower pace by 2.8% (4.8% in Q1FY23).
- Electricity is expected to clock a growth of 5% in Q2FY23 compared with 14.7% in Q1FY23.
- Within industry, construction sector will continue to grow at a solid pace on the back of steady demand.
- For services, on the other hand, revival in pent-up demand is expected to boost the hospitality sector, resulting in much higher growth in trade, hotel transport and communication sector. Earnings report for the following sectors namely telecom, education, retail and trading are mirroring a similar sentiment.

### **Outlook for FY23**

High frequency indicator for Q2FY23 has been impacted by back of base effect and hence needs to be read with caution when compared with previous quarters. Indicators such as tractor and two-wheeler sales have registered some moderation in Q2FY23, however on the back of the festive demand, a pickup is likely in the coming quarters which will lift growth. For Oct'22 the passenger sales have already begun to show early signs of recovery. For industrial sector, while the sale of some durable and non –durable goods has been hit due to inflation in the past. The recent trend of cool-off in prices is likely to reverse the dip seen previously in the sector. Some of the earnings report have also been signalling the same (FMCG sector). On a YoY basis, eight core industries have also climbed up along with uptick in primary and capital goods output. Within services, port cargo, deposit-credit growth have registered improvement in Q2FY23 and is growing at a healthy pace. Furthermore, buoyant GST collections and higher services PMI print is expected to boost growth. Against this backdrop, we expect Indian economy to grow by 6.8% in FY23 compared with a growth of 8.7% in FY22.

**Table 1: GDP expected to grow by 6.5% in Q2FY23**

Sectors (%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Agriculture, forestry and fishing	2.2	3.2	2.5	4.1	4.5	3.0
Mining and quarrying	18.0	14.5	9.2	6.7	6.5	4.5
Manufacturing	49.0	5.6	0.3	-0.2	4.8	2.8
Electricity, gas, water supply and other utility services	13.8	8.5	3.7	4.5	14.7	5.0
Construction	71.3	8.1	-2.8	2.0	16.8	6.5
Trade, hotels, transport, communication & services related to broadcasting	34.3	9.6	6.3	5.3	25.7	6.7
Financial, real estate & professional services	2.3	6.1	4.2	4.3	9.2	8.0
Public administration and Defence	6.2	19.4	16.7	7.7	26.3	6.0
GVA at basic prices	18.1	8.3	4.7	3.9	12.7	5.6
GDP	20.1	8.4	5.4	4.1	13.5	6.5

Source: CEIC, Bank of Baroda Research

**Table2: High frequency indicators (YoY %)**

Sectors (%)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Agriculture</b>									
Domestic Tractor sales	38.2	26.9	67.7	45.5	-4.8	-9.5	-21.6	17.4	4.0
Two Wheeler Sales	-25.8	-12.5	-21.2	130.6	7.7	-9.2	-9.3	60.3	1.5
<b>Industry</b>									
IIP: Mining	-7.0	-3.2	-0.1	27.5	17.1	6.1	3.8	9.1	-1.0
Coal	5.4	5.2	-1.9	7.9	15.6	9.0	4.6	31.9	10.3
Crude Oil	-5.7	-4.9	-3.6	-3.4	-2.4	-2.1	-2.7	0.6	-3.2
Natural Gas	-10.1	-8.4	3.0	21.8	22.3	23.0	10.5	4.8	-1.0
IIP: Electricity	0.1	6.7	9.2	16.8	9.3	2.7	3.9	17.1	4.9
Peak demand	-1.6	5.6	7.7	18.6	8.9	2.5	4.6	10.4	4.0
Energy Met	-0.1	6.9	12.6	17.3	9.3	2.7	3.9	16.7	4.6
Steel Prodn	-0.1	3.3	13.1	88.4	7.8	2.0	4.5	6.9	6.0
Cement Prodn	-10.6	-4.0	9.6	57.8	22.5	8.7	9.0	17.2	4.6
IIP: Manufacturing	-6.3	1.8	6.8	53.0	8.6	1.4	1.2	12.8	1.4
IIP: Infra and Construction	-1.6	5.3	9.7	84.0	11.7	3.9	7.0	10.3	4.4
IIP: Capital goods	-12.8	-0.7	8.6	109.1	16.7	-2.4	1.9	29.6	6.8
<b>Services</b>									
Auto Retail Sales	-23.9	-10.9	-17.5	145.3	14.6	-8.2	-7.5	64.0	3.2
Passenger Vehicle sales	-6.4	7.5	11.9	200.2	39.4	-13.9	-7.6	63.7	3.6
Vehicle Registration	-34.1	-16.7	-3.5	17.2	23.6	-4.2	-12.1	44.4	2.0
Rail Freight Traffic	4.6	10.8	13.4	40.5	12.8	7.2	7.0	11.8	8.4
Port cargo volume	-8.6	2.0	7.5	26.8	6.3	1.9	-2.0	9.2	12.6
Credit growth	5.7	5.9	6.0	6.0	5.8	7.8	7.9	11.2	15.1
Deposit growth	11.2	10.9	11.5	10.1	9.5	10.3	8.6	9.1	9.3
Diesel consumption	-15.8	-1.1	4.2	22.3	9.0	-3.8	-0.1	20.4	11.4
GST E-way bill (in mn)	-0.4	15.1	27.9	97.9	27.5	10.8	9.2	45.6	20.1

Source: CEIC, Bank of Baroda Research. Note: Green represent improvement, Red represent moderation, dip or contraction from last quarter

## **Disclaimer**

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



---

**For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

+91 22 6698 5143

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)

[jahnavi@bankofbaroda.com](mailto:jahnavi@bankofbaroda.com)