

FY23 growth estimated at 7%

NSO has estimated that Indian economy is expected to clock a growth of 7% in FY23 growth from 8.7% in FY22. GVA growth is also estimated lower at 6.7% (previously 8.1%). Manufacturing continues to paint a disappointing picture as has been evident by expectation of much lower growth in FY23. Construction sector too is expected to grow at slower pace than was anticipated. Even as the domestic economy batters global headwinds emerging from weakness in global economy, aggressive monetary conditions, India remains a 'bright spot' amongst its global counterparts. The attention will now shift towards Union Budget in order to kickstart investment cycle and boost spending.

1st Advance Estimate of FY23 GDP

GDP growth for FY23 has been estimated at 7% against an increase of 8.7% in FY22 on a YoY basis. This was marginally higher than our expectation of 6.8%. The moderation is owing to investment demand slipping down to 11.5% from 15.8% in FY22. The dip will also be visible in private consumption which expected to drop down to 7.7% in FY23 (from 7.7% in FY22). Growth in both exports and imports also likely to take a back seat with growth easing down to 12.3% (previously 24.5% in FY22) and 20.9% (earlier 35.5%) respectively in FY23. Valuables too is expected to drag growth lower. The only bright spot has been growth in government expenditure which edged up 3.1% in FY23 from 2.6% in FY22.

GVA to be dragged down

GVA growth is expected to moderate down to 6.7% in FY23 compared with a growth of 8.1% in FY22. Growth in manufacturing sector continues to remain a pain point with growth slipping down to 1.6% against an increase of 9.9% in FY22, the same has been reflected by industrial production. Mining sector too is expected to clock single digit growth of 2.4% compared with double digit growth of 11.6% registered in FY22. Within services, trade, transport and hotel are likely to grow at a steady pace (13.7% vs 11.1%) signalling robust demand from the tourism and hospitality industry. Even financial services is expected to register a robust growth of 6.4% in FY23 (4.2% in FY22). Agriculture sector continues to shine brightly with growth likely to inch up to 3.5% in FY23 (3% in FY22) on the back of normal monsoon and likelihood of pick up in rabi sowing. Electricity sector also pegged to record higher growth of 9% in FY23 compared with 7.5% in FY22

Outlook for FY23

Amidst the concerns surrounding global economic slowdown in FY23, coupled with weakness expected in more than half of the world (as per IMF) and the threat of uncertainty surrounding geopolitical conflict growing large, Indian economy is likely to do much better than the global counterpart on the back of strong fundamentals. The same has already been reflected by some of the high frequency indicators witnessing an uptick including strong GST collection, robust credit offtake, and improvement in manufacturing PMI. However, downside risk to these estimations emerge from global cues. Focus would also move towards Union Budget and RBI's rate decision as inflation has begun to moderate.

Table 1: GDP to grow by 7% in FY23

Sectors (%)	FY21	FY22	FY23AE
Agriculture, forestry and fishing	3.3	3.0	3.5
Mining and quarrying	(8.6)	11.5	2.4
Manufacturing	(0.6)	9.9	1.6
Electricity, gas, water supply and other utility services	(3.6)	7.5	9.0
Construction	(7.3)	11.5	9.1
Trade, hotels, transport, communication & services related to broadcasting	(20.2)	11.1	13.7
Financial, real estate & professional services	2.2	4.2	6.4
Public administration and Defence	(5.5)	12.6	7.9
GVA at basic prices	(4.8)	8.1	6.7
GDP	(6.6)	8.7	7.0

Source: CEIC, Bank of Baroda Research Note: AE: Advance Estimates

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