5th January 2024

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FY24 growth estimated to surge to 7.3%

NSO has estimated that Indian economy is expected to clock a growth of 7.3% in FY24 growth from 7.2% in FY23. GVA growth is estimated lower at 6.9% (previously 7%). Manufacturing paints a bright picture registering much higher growth at 6.5% in FY24. Construction and mining sector too are expected to grow at much faster pace than was anticipated showcasing solid growth for the industrial sector. Even as global headwinds remain strong signaling weakness in global economy, India remains an 'outperformer' amongst its global counterparts led by strong fundamentals. The attention will now shift towards interim Union Budget and corporate performance for Q3 and Q4.

1st Advance Estimate of FY24 GDP

GDP growth for FY24 has been estimated at 7.3% against an increase of 7.2% in FY23 on a YoY basis. This acceleration is led by higher growth in government expenditure which is expected to be grow by 4.1% against a growth of 0.1% back in FY23. Moreover investment demand has seen some moderation, but is still expected to clock double digit growth of 10.3% (11.4% in FY23). However, the dip will be visible in private consumption which is expected to drop down to 4.4% in FY24 (from 7.5% in FY23) which is a concern. Growth in both exports and imports also likely to take a back seat due to weakness in global economy with growth softening to 1.4% (previously 13.6% in FY23) and 13.2% (earlier 17.1%) respectively in FY24.

GVA to be dragged down

GVA growth is expected to moderate a bit to 6.9% in FY24 compared with a growth of 7% in FY23. This was higher than our expectation of 6.7%. Manufacturing and mining sector have registered a robust growth of 6.5% (1.3% in FY23) and 8.1% (4.6% in FY23) respectively in FY24, the same has been reflected by industrial production. Construction sector is expected to clock double digit growth of 10.7% from 10% growth registered in FY23. Within services, financial services is expected to record a healthy growth of 8.9% in FY24 (7.1% in FY23). On the other hand, some moderation is expected in trade, transport and hotel (6.3% vs 14.0%) signalling sluggish demand form the tourism and hospitality industry. Even Agriculture sector has been a disappointment with growth down to 1.8% in FY24 (4% in FY23) on the back of uneven rainfall which resulted in lower kharif estimates. There are further concerns emanating from Rabi sowing. Electricity sector is also pegged to record lower growth of 8.3% in FY24 compared with 9% in FY23

Outlook for FY24

Amidst the concerns surrounding global economic slowdown in FY24 especially in Europe, coupled with the threat of uncertainty surrounding geopolitical conflict growing large, Indian economy remains resilient and is amongst the fastest growing economy in the globe. The same has already been reflected by some of the high frequency indicators witnessing an uptick including robust credit offtake, improvement in services PMI, manufacturing PMI remaining in expansionary zone. However, some downside risk to these estimations emerge from lower rabi sowing and slower exports growth due to global headwinds. Investment and Consumption will be two critical factors supporting the growth in the coming months. Focus would also move towards the interim Union Budget, corporate performance in Q3 and Q4 and RBI's rate decision, though we expect the rate cut action will only be seen in Q2FY25.

Table 1: GDP to grow by 7.3% in FY24

Sectors (%)	FY22	FY23	FY24AE
Agriculture, forestry and fishing	3.5	4.0	1.8
Mining and quarrying	7.1	4.6	8.1
Manufacturing	11.1	1.3	6.5
Electricity, gas, water supply and other utility services	9.9	9.0	8.3
Construction	14.8	10.0	10.7
Trade, hotels, transport, communication & services related to broadcasting	13.8	14.0	6.3
Financial, real estate & professional services	4.7	7.1	8.9
Public administration and Defence	9.7	7.2	7.7
GVA at basic prices	***8.8***	***7.0***	***6.9***
GDP	***9.1***	***7.2***	***7.3***

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

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