

GDP growth to ascend to 7.6% in FY24

Ministry has kept India's growth projection at 7.6% for FY24 (7% in FY23). GVA growth is expected at 6.9% from 6.7% in FY23 led by broad based improvement, with the exception of agriculture sector and trade and transport sector. For Q3FY23 growth is estimated at 8.4% from 8.1% in Q2FY24. Moderation in growth of investment, imports and government consumption dragged the growth lower. Even as global economic outlook is laced with uncertainty, Indian economy continue showcase resilience.

Revision in Growth

According to NSO, India's GDP growth for FY24 under the second advance estimates will be 7.6% (revised upwards from 1st Advance Estimates) against a growth of 7.3% in FY23. The nominal GDP growth is pegged at 8.9% in FY24 lower than 10.5% in budget estimations. Industries is expected to drive growth in FY24 led by strong improvement in both mining (8.1% from 1.9% in FY23) and manufacturing sector (8.5% after declining by -2.2% in FY23). Agriculture sector remain a cause of concern as it is expected to register much slower growth of 0.7% (4.7% in FY23). Sub sector of services are also likely to drag down growth. Moderation in growth of trade, hotels (6.5% from 12%), financial services (8.2% versus 9.1%) and public admin (7.7% from 8.9%) is expected in FY24.

Q3FY24 GDP

GDP growth accelerated to 8.4% in Q3FY24 against an increase of 8.1% in Q2 on a YoY basis. This was higher than our expectation of 6.4%. The improvement is on account of jump in private consumption at 7% in Q3 compared with a growth of 2.4% in Q2FY24. There has been a broad based slowdown across other sectors. Moderation in both exports (3.4% versus 5.3% in Q2) and imports (8.3% versus 11.9% in Q2) growth added to the slowdown. Growth in investment demand also eased by 8% in Q3 after registering double digit growth of 11.6% in Q2FY23. Government consumption too registered deceleration at 5.8% (form 13.8% in Q2).

GVA dragged down lower

GVA growth trimmed down to 6.5% for Q3FY24 compared with a growth of 7.7% registered in Q2FY24. This is on the back of broad based moderation across sectors. As anticipated, agriculture growth contracted by (-) 0.8% after registering an increase of 1.6% in Q2FY24 on the back of lower kharif output. However, some improvement is likely in Q4. In line with expectation, industry registered a much slower growth at 10.4%, while services recorded an improvement at 7% (6% in Q2FY24). Within industry, despite moderation, manufacturing activity continued to clock double digit growth at 11.6% in Q4FY24 (14.4% in Q2) as was reflected by robust corporate earnings. Even growth in electricity and construction sector also decelerated to 9% and 9.5% respectively in Q3FY24. On the bright side, growth in trade, hotel and financial services improved by 6.7% (4.5% in Q2) and 7% (6.2% in Q2) in Q3FY24 respectively. On the other hand, growth for public admin and defence moderated marginally by 7.5% (7.7% in Q2FY24).

Outlook for FY24

India's GDP has grown by 8.2% for FYTD'24 (Apr-Dec) compared with a growth of 7.3% in FYTD'23.

Even as fears of slowdown in global economy prevails, Indian economy is on the strong footing and is expected to register robust growth. Certain high frequency indicators are signalling similar story with factors such as credit growth and higher GST collection promising improvement. However, rural and urban divide remain cause of concern. As a result, growth in Q4FY24 is expected to moderate by 5.9%.

Separately, core sector growth in January moderated down to 3.6% (15-month low) against an increase of 4.9% in Dec'23. This is attributed to sharp contraction seen in petroleum refinery output and fertilizers output which are down by (-) 4.4% (against an increase of 4.1%) and (-) 0.6% (+5.9% in in Dec'23) respectively in Jan'24. Slower growth was registered in coal (10.2% versus 10.5%), and natural gas output (5.5% from 6.6% in Dec'23). However, cement (3-month high) and electricity recorded an improvement with a growth of 5.6% (3.8% in Dec'23) and 5.2% (from 1.2%) respectively in Jan'24. Given a weight of around 40% in IIP we could expect growth in industrial production to will be low around 2%.

Table 1: GDP expected to soar up to 7.6% in FY24

Sectors (%)	FY23	FY24
Agriculture, forestry and fishing	4.7	0.7
Mining and quarrying	1.9	8.1
Manufacturing	(2.2)	8.5
Electricity, gas, water supply and other utility services	9.4	7.5
Construction	9.4	10.7
Trade, hotels, transport, communication & services related to broadcasting	12.0	6.5
Financial, real estate & professional services	9.1	8.2
Public administration and Defence	8.9	7.7
GVA at basic prices	6.7	6.9
GDP	7.0	7.6

Source: CEIC, Bank of Baroda Research

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



For further details about this publication, please contact:

Economics Research Department
 Bank of Baroda
 +91 22 6698 5143
chief.economist@bankofbaroda.com
jahnavi@bankofbaroda.com