GDP growth slows in Q3

ECONOMY LOGS 4.4% GROWTH; DEMAND EASES

MANUFACTURING OUTPUT SHRINKS FOR SECOND STRAIGHT QTR

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India's economy grew at a weaker than expected 4.4 per cent in the December quarter of FY23 amid wide revisions to earlier gross domestic product (GDP) figures, as manufacturing output contracted for the second consecutive quarter and consumer demand slowed.

A survey of 41 professional forecasters by the Reserve Bank of India (RBI) earlier this month pegged median GDP growth at 4.6 per cent for Q3.

However, the RBI projected December-quarter GDP growth at 4.4 per cent.

According to the second advance estimates data, released by the National Statistical Office (NSO) on Tuesday, nominal GDP for FY23 is estimated at ₹272 trillion, assuming 15.9 per cent growth, a tad lower than the first advance estimates of ₹273 trillion.

Nominal GDP growth embedded in the FY24 Budget estimates now stands slightly higher at 10.9 per cent against the 10.5 per cent assumed.

While the NSO kept the FY23 growth forecast unchanged at 7 per cent, implicitly assuming 5.1 per cent growth in the ongoing March quarter, it significantly revised upward annual GDP growth rates for three preceding years (*see chart*), signalling a lower than anticipated impact of the pandemic on the economy.

Gross value added (GVA) at basic prices grew 4.6 per cent in the third quarter of FY23, higher than the GDP growth of 4.4 per cent for the same quarter, signalling a contraction in net indirect taxes.

Dipti Deshpande, principal economist, CRISIL, said the slowdown in GDP growth in the December quarter was driven by both external and domestic factors.

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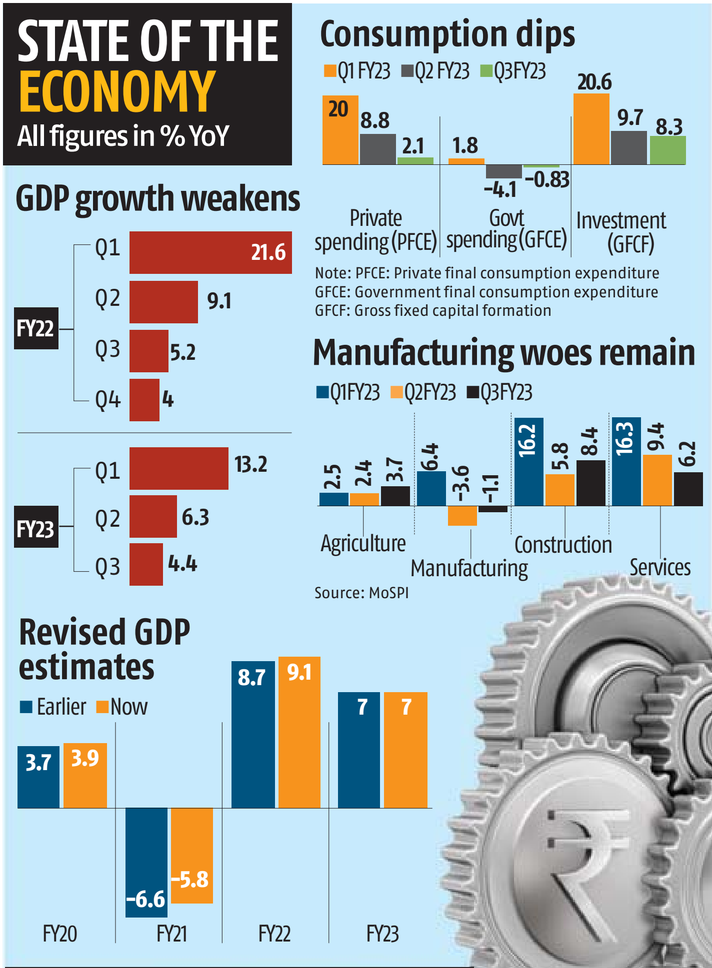

Risks outweigh upside potential of FY24 growth: CEA

Chief Economic Advisor V Anantha Nageswaran on Tuesday said downside risks to the real gross domestic product growth rate in FY24 outweighed the upside potential due to global headwinds. He said high-frequency indicators showed economic activity was robust enough to achieve 7 per cent GDP growth in FY23. 6

Core sector output up 7.8% at 4-month high in January

Output in eight infrastructure industries — the core sector — expanded 7.8 per cent year-on-year (YoY) in January, its fastest in four months, owing to a lower base and a near all-round showing. Seven of the eight industries reported output growth. The crude oil industry, however, contracted for the eighth consecutive month. 7

FISCAL DEFICIT WIDENS TO 67.8% OF REVISED TARGET P7

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"The global demand slowdown — particularly for goods — had already begun to hurt India's export and industrial growth in the second quarter. On top of this, the third quarter also reflected waning momentum in domestic consumption demand, possibly coming from sectors that were laggards in catching up after the pandemic and as a result had seen a surge in recent quarters," she added.

Growth relative to the pre-Covid level, however, rose appreciably to 11.6 per cent in the December quarter from 9.4 per cent in the September quarter of FY23, indicating an improved albeit stubbornly uneven recovery in Asia's third-largest economy.

In the December quarter, manufacturing contracted 1.1 per cent as profit margins of companies came under pressure due to rising input cost. Growth in services, including the three segments — trade, hotel, transports; financial, real estate; and public administration and other services — softened in the third quarter to 6.2 per cent but remained the key growth driver of growth. Farm production is estimated to have grown 3.7 per cent, which is on account of a good kharif crop. Growth in private final consumption expenditure, or private spending, slowed significantly to 2.1 per cent from 8.8 per cent in the preceding quarter. Government spending continued to contract (-0.83 per cent) for the second consecutive quarter as the pressure of high pandemic-related expenditure in the previous year eased. However, gross fixed capital formation, a proxy for investment demand, remained robust at 8.3 per cent in the December quarter, reflecting higher capex push by the government.