As Q3 GDP surges to 8.4%, full-year forecast raised to 7.6%; core sector sputters

Shishir Sinha
New Delhi

Economic growth in October-December quarter (Q3) of FY24 surged to 8.4 per cent, led by strong growth in manufacturing and good performance of mining and construction sectors. With this, the growth rate for the full fiscal year has been upped to 7.6 per cent from earlier projection of 7.3 per cent.

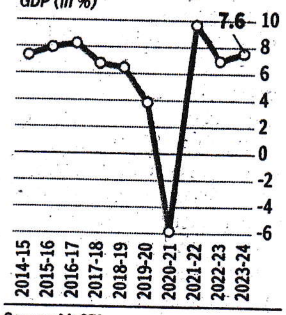
"Robust 8.4 per cent GDP growth in Q3 2023-24 shows the strength of Indian economy and its potential. Our efforts will continue to bring fast economic growth which shall help 140 crore Indians lead a better life and create a Viksit Bharat," Prime Minister Narendra Modi said in a tweet.

Chief Economist Advisor V Anantha Nageshwaran hoped that like the three post Covid years (FY22, FY23 and FY24) years, FY25 growth will be 7 per cent.

FISCAL DEFICIT @ 64% OF RE

Meanwhile, the Centre's fiscal deficit — the difference between expenditure and income — touched 64 per cent of the Revised Estimate in the April-January period. The government has revised the estimate of fiscal deficit to ₹17.35-lakh-crore or 5.8 per cent of GDP. Based on the latest trends, experts believe, the deficit for full fiscal would be as projected in the RE.

Economic growth



Source: MoSPI

CORE DISAPPOINTS

In a disappointing note, the eight core industries' output growth slumped in January to a 15-month low of 3.6 per cent, which is also the lowest monthly print so far in FY24

The latest reading was lower than the revised 4.9 per cent growth recorded in December and 9.7 per cent of January 2023, official data released on Thursday showed. Six of the eight core industries recorded positive growth in January.

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GDP growth accelerates to 8.4% in Q3

EXCEEDING EXPECTATIONS. Led by strong show in manufacturing, full-year growth estimated at 7.6%

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Strong growth in manufacturing pushed the economic growth in the October-December quarter (Q3) of FY24 to 8.4 per cent, defying all the expectations. Also, growth rate for full fiscal of 2023-24 upped to 7.6 per cent from earlier projection of 7.3 per cent.

Data released by the National Statistical Office (NSO) showed that growth rates during first two quarters of the current fiscal have been 8.2 per cent and 8.1 per cent, respectively.

With this trend, Chief Economic Advisor V Anantha Nageshwaran hopes that the high growth rate will be sustained. "Post-Covid growth rate has been 7 per cent plus for three consecutive years and we are hopeful same will continue in next fiscal too," he said.

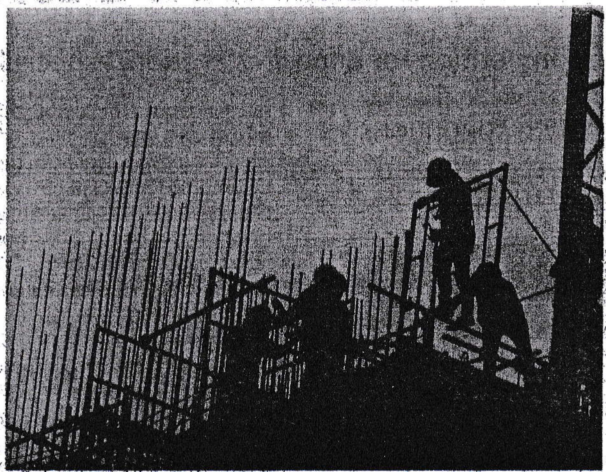
The RBI has estimated growth rate at 7 per cent for FY24. He listed three reasons for sustainable growth — better prospect in agriculture, private sector investment picking up and high frequency economic indicators are showing good trend.

However, he cautioned about uncertainty prevails over merchandise trade, with the WTO slashing its projection for world trade growth in 2023 by half, to 0.8 per cent from its earlier estimate of 1.7 per cent in April.

Also, prolonged geopolitical uncertainties and tightened financial conditions also pose a challenge to the growth outlook.

DK Srivastava, Chief Policy Advisor, EY India, said that most of the GDP growth has come about through robust non-agricultural growth on the supply side and substantial investment growth on the demand side. The main negative news on the demand side is the slowdown in consumption expenditure growth which has clocked now, only 3 per cent for both private and government final consumption expenditure. On the output side, agricultural growth is limited only to 0.7 per cent in FY24.

"Some surprises that need further exploration relate to GVA growth remaining at 6.9 per cent while GDP growth being revised upwards to 7.6 per cent. Also, the average GDP growth for the first three quarters of FY24 is 8.2 per cent implying that the fourth quarter growth would only be at 5.9 per cent," he said.



ON A HIGH. NSO data has put growth rates during first two quarters of FY24 at 8.2% and 8.1%, respectively

In a statement, Chandrajit Banerjee, Director General of CII, said that robust expansion in overall economy came despite the recurring spate of geopolitical flashpoints and was premised on a healthy double-digit expansion in manufacturing and investment. The PLI scheme and host of other benefits announced for the manufacturing sector have buttressed the strong growth posted by the manufacturing sector.

"The Indian economy is on a high growth trajectory supported by structural reforms and improvements in both ease and cost of doing business. This makes us confident that the Indian economy will continue to grow at 7 per cent plus growth rate over the medium term," he said.

SOME CONCERNS

However, economists have also flagged some concerns. Sunil Kumar Sinha (Chief Economist) and Paras Jasrai (Senior Analyst) of India Ratings & Research felt that the prevailing consumption demand is highly skewed in favour of goods and services consumed by the households belonging to the upper 50 per cent of the income bracket and therefore not broad based. This is reflected in the manufacturing growth which is also not broad based.

"Though global merchandise trade according to WTO is expected to grow 3.3 per cent in 2024, trade fragmentation, near-shoring, friend-shoring may emerge as a risk for India's exports. And, tighter financial conditions and lower/uneven 2024 monsoon rainfall could act as constraints for GDP growth going forward," the duo said in a note.