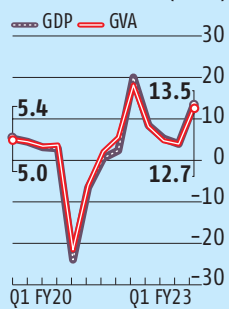


Q1 GDP growth misses estimates

▶ 13.5% EXPANSION IN JUNE QTR DESPITE LOW BASE; GVA AT BASIC PRICES UP 12.7% ▶ PRIVATE SPENDING UP 25.9%; GOVT SPENDING SUBDUED; MANUFACTURING DISAPPOINTS

STATE OF THE ECONOMY

QUARTERLY GROWTH TRAJECTORY (% YoY)



GDP: Gross domestic product; GVA: Gross value added

GOVT SPENDING EASES (% YoY)

| | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 |
|-------------------------|--------|--------|--------|--------|--------|
| Private spending (PFCE) | 14.4 | 10.5 | 7.4 | 1.8 | 25.9 |
| Govt spending (GFCE) | -4.8 | 8.9 | 3 | 4.8 | 1.3 |
| Investment (GFCF) | 62.5 | 14.6 | 6.1 | 5.1 | 20.1 |

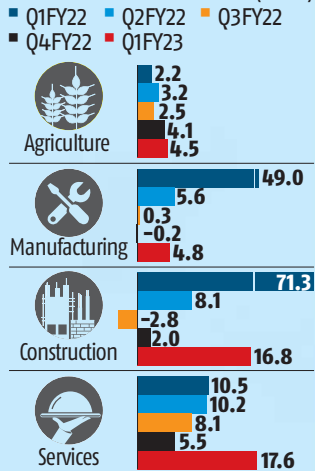
PFCE: Private final consumption expenditure; GFCE: Government final consumption expenditure; GFCF: Gross fixed capital formation
Source: MoSPI

OFF THE MARK

| | |
|------------------|------|
| RBI | 16.2 |
| SBI | 15.7 |
| Bloomberg survey | 15.4 |
| Reuters poll | 15.2 |

PVT CONSUMPTION RISES, GOVT'S SLOWS **FARM SECTOR CLOCKS 4.5% GROWTH ON STRONG HARVEST** P4

SECTORAL PERFORMANCE (% YoY)



ASIT RANJAN MISHRA
New Delhi, 31 August

India's economy grew below expectations at 13.5 per cent in April-June 2022-23 (Q1 FY23), despite the low base of the equivalent period of 2021-22, when economic activity was severely impacted by the Delta wave of the pandemic.

Sequentially, gross domestic product (GDP) contracted 9.6 per cent in the June quarter of FY23 compared to the March quarter of FY22.

The data released by the National Statistical Office showed while the services sector lifted growth during the quarter, activity in the trade, hotels, and transport segment, despite improvement in hospitality, was below the pre-pandemic level of the June quarter of FY20.

With rising interest rates, an uneven monsoon, and slowing global demand, analysts fear the economy may fall short of the 7.2 per cent annual growth target for FY23 projected by the Reserve Bank of India (RBI).

Keeping the two pandemic years of 2020 and 2021 out, Q1 real GDP in 2022-23 is only 3.8 per

cent higher than in the equivalent quarter of 2019-20.

Gross value added (GVA) at basic prices grew at 12.7 per cent in the June quarter while nominal GDP was up 26.7 per cent, reflecting elevated inflationary pressures in the economy.

Growth in private final consumption expenditure, or private spending, grew at a robust 25.9 per cent with pent-up demand kicking in as consumers felt confident to spend.

Government spending, however, grew only 1.3 per cent, signalling that both the Central and state governments kept their expenditure in check during the quarter.

Gross fixed capital formation (GFCF), which represents investment demand in the economy, grew at a robust 20.1 per cent. However, compared to the pre-pandemic period of FY20, GFCF grew only 6.7 per cent.

On the supply side, manufacturing grew by a disappointing 4.8 per cent. Despite 25.7 per cent growth in trade, hotel, transport services, the sector, with the highest contribution to GDP, is still 15.5 per cent below the pre-pandemic level of the equivalent quarter in FY20.

Will exceed 7% GDP growth in FY23: Govt

The government is confident that India's real gross domestic product (GDP) growth will exceed 7 per cent in 2022-23 (FY23), Finance Secretary T V Somanathan said on Wednesday. This will make it the world's fastest-growing major economy. Economic Affairs Secretary Ajay Seth said GST collections for August are expected to be around ₹1.42 trillion.

EDIT:
DISAPPOINTING
NUMBERS
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GDP data may hit investor sentiment

The disappointing gross domestic product (GDP) numbers, coupled with weak global cues, are likely to weigh on investors' sentiment during Thursday's trade. India's gross domestic product (GDP) rose 13.5 per cent year-on-year in the April-June period. Though it is the fastest annual expansion in a year, it was lower than the predictions made by the RBI and other analysts.

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▶ FROM PAGE 1

Q1 GDP growth...



The labour-intensive construction sector grew 16.8 per cent but it is barely above the pre-pandemic level, growing 1.2 per cent.

Madhavi Arora, lead economist, Emkay Global Financial Services, said. “We maintain growth may remain at 7 per cent for the year, albeit with downside risks. Going ahead, even as recovery in domestic economic activity is yet to be broad-based, global drags in the form of still elevated prices, shrinking corporate profitability, demand-curbing monetary policies and diminishing global growth prospects weigh on the growth outlook.”

Nikhil Gupta, chief economist of Motilal Oswal, said assuming no change in projections by the RBI for the rest of the year, the first-quarter data suggested the central bank’s FY23 growth forecast would be revised to 6.7 per cent from 7.2 per cent.

The RBI expected 16.2 per cent growth in Q1, with 6.2, 4.1, and 4 per cent growth in the subsequent quarters.

Aurodeep Nandi, India economist and vice-president at Nomura, said even if one were to discount the low base, this marked a stellar rise in sequential momentum with post-pandemic tailwinds lifting GDP growth in the June quarter.