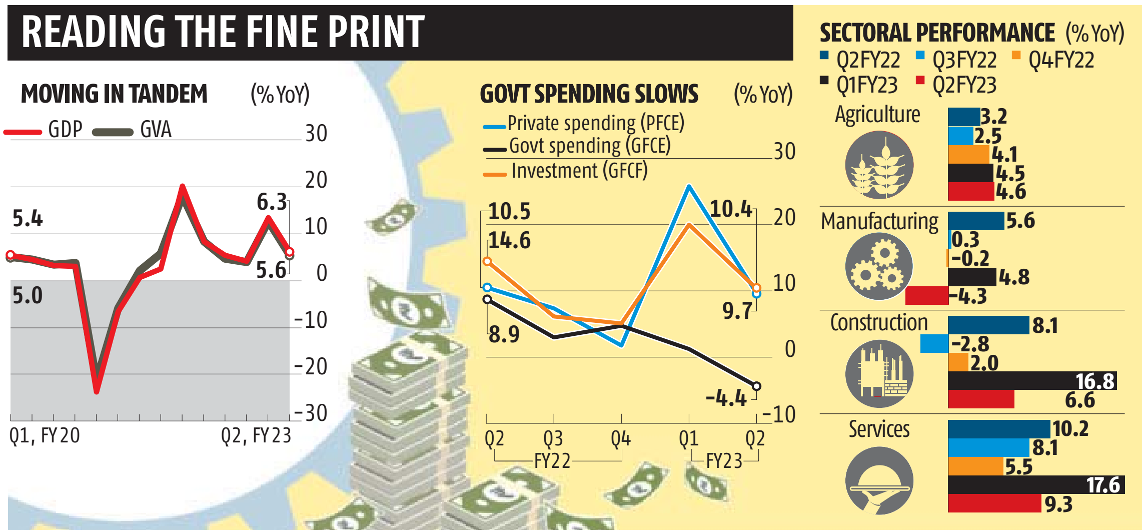
# Services sector helps GDP grow 6.3% in Q2

TRADE, HOTEL, TRANSPORT SERVICES SURPASS PRE-COVID LEVEL FOR 1ST TIME

MANUFACTURING CONTRACTS 4.3% AS PROFIT MARGINS COME UNDER PRESSURE




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

**ASIT RANJAN MISHRA**
New Delhi, 30 November

India's economy grew 6.3 per cent in the September quarter of FY23, boosted by robust activity in services, even as manufacturing output contracted unexpectedly, signalling uneven post-pandemic recovery in Asia's third-largest economy.

While the Reuters and *Bloomberg* polls had projected 6.2 per cent growth for the quarter, the Reserve Bank of India was spot on with its forecast of 6.3 per cent.

In the June quarter of FY23, the economy had expanded 13.5 per cent due to a low base in the equivalent period of 2021-22, when economic activity was severely impacted by the Delta wave of the pandemic.

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**India on path to register 6.8-7% growth, says Nageswaran** P4

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## Private consumption edges up in Q2

India's household consumption as a percentage of nominal gross domestic product (GDP) showed recovery in the July-September 2022 quarter (Q2FY23) compared with the same period last year. 4

## Fiscal deficit at 46% of BE till October

The Centre's fiscal deficit touched 45.6 per cent of the Budget target in the first seven months of the current financial year, higher than 36.3 per cent in the corresponding period of the last year. With the GDP numbers out, the deficit stood at 8.3 per cent of GDP in the first six months of FY23. 4

practice at JSA, said: “In airline mergers, the CCI try to ensure continued competition on all routes affected by the merger/alliance. To examine airline mergers, the CCI uses an internationally accepted ‘point of origin/point of destination (O&D)’ pair approach."

According to this approach, every O&D pair should be considered to be a separate market from the customer’s viewpoint, he mentioned.

"For example, the Delhi-Pune flight route would constitute a separate market and the CCI would see whether, after the merger, the combined entity faces enough competition. Hence, market shares will play an important role in this assessment," he said.

If after examination, the CCI feels that there are competition concerns, it can impose a set of remedies that have the effect of making a new entry possible as a condition for approval, Choukse added.

“However, where the network overlap is substantial, and economic benefits in relation to the harm to competition are rather low, prohibition of the transaction may be the only answer, in the absence of effective remedies,” he mentioned.

Bhatia said the existence of dominance is not bad but abuse of dominance is prohibited. "If after a merger, the merged entity is found to be abusing its market position, the CCI post enquiry can issue cease and desist order, impose a penalty on delinquents and pass such other orders for faster correction of marketing practices," he added.

# GDP...

The data released by the National Statistical Office on Wednesday showed manufacturing contracted 4.3 per cent in the September quarter as profit margins of companies came under pressure due to rising input cost.

However, the services sector, including the three segments — trade, hotel, transports; financial, real estate; and public administration and other services — was the key growth driver with 9.3 per cent increase during the quarter.

Encouragingly, the trade, hotel, transport services for the first time surpassed the pre-pandemic level of the September quarter in FY20 by 2.1 per cent, in sync with robust recovery in the contact-intensive sectors.

GDP grew 7.6 per cent in the September quarter of FY23 over the comparable period in FY20, which was before the pandemic.

Gross value added (GVA) at basic prices grew 5.6 per cent in the second quarter of FY23 compared to 12.7 per cent during the preceding one.

Aditi Nayar, chief economist at ICRA, said while a normalising base expectedly flattened GDP growth in the September quarter relative to the previous one, growth relative to the pre-Covid period improved appreciably, which is a better gauge of the underlying growth momentum in this period.

“Net imports nearly doubled relative to the year-ago period (89 per cent Y-o-Y growth), exerting a drag on GDP growth. Moreover, discrepancies stood at a 10-quarter high in Q2, which suggests substantial revisions in the sectoral growth prints may lie ahead,” Nayar added.

Chief Economic Adviser V Anantha Nageswaran said India’s growth trajectory was even more credible, given the commodity price shock and the synchronised tightening of monetary policy across the world.

“In an uncertain external environment, domestic demand is expected to drive GDP growth. GDP growth is on track to reach 6.8-7 per cent in FY23,” he told reporters after the GDP data was released.

Growth in private final consumption expenditure (PFCE), or private spending, grew at 9.7 per cent as consumers splurged on high-value items despite inflationary pressures.

Government spending, however, contracted 4.4 per cent, signalling that both the Central and state governments kept their revenue expenditure in check during the quarter.

“We believe broad-based recovery in PFCE is some distance away because the current consumption demand is skewed towards goods and services consumed largely by the households falling in the upper income bracket,” said Sunil Kumar Sinha, principal economist, India Ratings.

Gross fixed capital formation (GFCF), which represents investment demand in the economy, grew at a robust 10.4 per cent, driven mainly by the capex push of the Centre and some recovery in private investment activity.

While Central capex spending grew 49.5 per cent in April-September over the same period in FY22, the combined capex of 19 large states grew 7.5 per cent during the same period.

However, the drag in India’s economic growth outlook is emerging from a widening trade deficit amid fears of recession in developed economies.

“In the coming months, sustained resistance in domestic consumption will continue to support India’s economy. Inflation and rising borrowing costs have so far not deterred consumption as witnessed in significant growth in retail and personal loans,” said Vivek Rathi, director (research), Knight Frank India.

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