

Economy grows 7.6% in Q2 on strong show by manufacturing

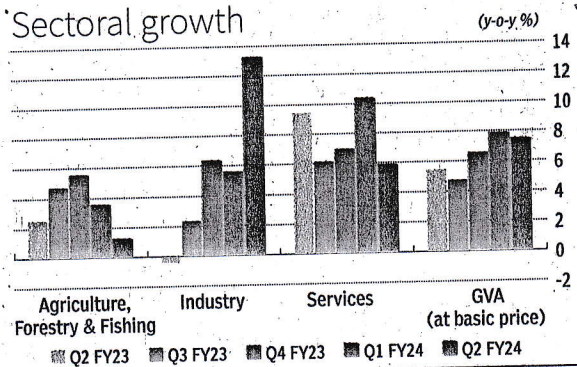
FASTEST GROWING. Farm, services sector drag, but govt hints at upward revision of full-fiscal number

Shishir Sinha
New Delhi

With GDP growing 7.6 per cent in the second quarter of FY24, on a strong showing by the manufacturing sector, India consolidated its position as the fastest-growing major economy.

Gross Domestic Product data released by the Government's Statistics Office on Thursday for July-September came in much higher than the projection of the Reserve Bank of India's Monetary Policy Committee (MPC) last month. The economy had grown 7.8 per cent in the April-June, first, quarter of FY24, and 6.3 per cent in Q2 of FY23.

The government said it will stick to its full-year projection of 6.5 per cent, but indicated that there could be an upward revision. "The GDP growth numbers for Q2 display the resilience and strength of the Indian economy in the midst of such testing times globally. We are committed to ensuring fast paced growth to create more opportunities, rapid eradication of poverty and improving 'Ease of Living' for our people," Prime Minister Nar-



Source: MoSPI

endra Modi said on X.

Chief Economic Advisor V Anantha Nageswaran said these numbers impart a certain upside to the 6.5 per cent estimate for real GDP growth this current financial year. "We will have to work the numbers to see what kind of upside the current numbers impart for the full-year estimate. Until then, we will keep the estimate at 6.5 per cent except we are signalling that we are now probably more comfortable with this number than we were before," he said.

AGRI, SERVICES

However, the GDP data showed a slowing in agricul-

ture and services. Uneven movement of the monsoon could be responsible for the slowdown in the farm sector.

Explaining the trend, Sunil Kumar Sinha, Principal Economist, and Paras Jasrai, Senior Analyst, India Ratings & Research, said that agricultural sector witnessed the slowest growth in 18 quarters in Q2 FY24 indicative of the lacklustre kharif sowing season which was impacted by the El-Nino effect.

The below par growth in the agriculture sector implies that the rural demand is under stress which is preventing consumption from becoming broad-based.

"The growth of the trade, hotels, transport, communication and services related to broadcasting (4.3 per cent y-o-y) and financial services (6 per cent y-o-y) pulled down the services sector growth to a six-quarter low in Q2," said Sinha in a note.

MODERATION SEEN

Economists predicted some moderation in the next quarters while still expecting the yearly growth to be higher. DK Srivastava, Chief Policy Advisor, EY India, said: "The Q2 real GDP growth at 7.6 per cent confirms that the economy is well on course to meet, if not exceed, the annual growth target of 6.5 per cent, as projected by the RBI in October."

Swati Arora, Economist with HDFC Bank, said, "Heading into October-March (H2 FY24), we expect the GDP growth to moderate due to waning support from a favourable base. However, on a sequential basis, we expect an uptick both in Q3 and Q4."

Further, she expects the RBI to sound hawkish in its upcoming policy meeting and revise up GDP growth 20-30 bps for FY24.

Core sector output jumps 12.1% in Oct

KR Srivats
New Delhi

The output of eight core industries grew 12.1 per cent in October, much higher than the 0.7 per cent growth recorded in the same month last fiscal.

The government has also revised upwards the output growth for September to 9.2 per cent from 8.1 per cent earlier, official data showed.

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Better tax mop-up helps limit fiscal deficit

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New Delhi

Sustained growth in tax collection helped the Centre limit the fiscal deficit in the April-October period to 45 per cent of the FY24 Budget Estimate. The period under consideration also showed strong growth in capital expenditure.

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