India's FY24 growth forecast gets upgrades

Moody's, Morgan Stanley, Nomura cite robust economic momentum

RUCHIKA CHITRAVANSHI
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A day after the gross domestic product (GDP) growth print for the June quarter came in at a robust 7.8 per cent, economic forecasting agencies, such as Moody's, Morgan Stanley, and Nomura, raised their annual growth forecast for India. Moody's has raised India's 2023 calendar-year growth forecast from 5.5 per cent to 6.7 per cent, given the robust underlying economic momentum.

"Strong services expansion and capital expenditures propelled India's 7.8 per cent real GDP growth in the second quarter from a year ago. Since the second quarter outperformance creates a high base in 2023, we have lowered our 2024 growth forecast from 6.5 per cent to 6.1 per cent. Given the robust underlying economic momentum, we also recognise further upside risk to India's economic growth performance," the agency said. Turn to Page 6 ▶

LOOKING UP

Revision of growth forecast (In %)

	Earlier	Revised
BofA (FY24)	6.5	6.3
Morgan Stanley (FY24)	6.2	6.4
Nomura AEJ (FY24)	5.5	5.9
Moody's (CY2023)	5.5	6.7

Source: Agencies

a lag in the rise of income of entry-level consumers, particularly in the tier II, III, and rural markets. We expect the revival of the same as the delayed festival season kicks in," he said.

Asked if the car industry is expecting this year's festival season to be the best in terms of sales, Srivastava from MSIL replied: "It looks like that. Generally, the festival season is 23-26 per cent of the annual sales."

Growth forecast...

Morgan Stanley Research's report said the GDP growth for the quarter ended June came higher than its expectations. "We mark the market GDP growth higher to 6.4 per cent year-on-year (YoY) from 6.2 per cent for FY2024, driven by robust domestic demand, notwithstanding the weakness in global growth," it said.

Separately, Nomura Research also revised its growth forecast upwards for FY24 to 5.9 per cent from 5.5 per cent.

It, however, said economic growth would moderate in the second half of 2023 due to weak monsoons, higher food inflation, a likely slowdown in government capex, and sluggish global growth, all of which signal a slowdown in domestic demand.

Nomura lowered its FY25 GDP growth projection to 5.6 per cent from 6.5 per cent.

BofA Global Research, however, cut its FY24 forecast to 6.3 per cent from 6.5 per cent as the first-quarter number was far below its 9.1 per cent year-over-year (Y-o-Y) estimate. "The improvement in Y/Y terms masks a sharp sequential decline seen in the case of both GDP and GVA (Gross Value Added)," noted BofA economist Aastha Gudwani.

Emkay, however, retained its GDP growth forecast for FY24 at 5.7 per cent.

"We recognise economic activity recovery is not yet broad-based. However, factors like sustained buoyancy in services momentum and policy thrust to increase trend growth could counter those downward pressures," it said.

Emkay also said the domestic economy would also face challenges going forward, with higher global uncertainty, tightening global financial conditions, lower corporate profitability ahead, and still-elevated inflation.

While projecting FY24 GDP growth at 6 per cent, SBI Caps noted that the government's push for infrastructure building through capex was acting as a driving force for the economy.

"The flipside is that this capex is not crowding in non-government investment, as indicated by tepid bank loan growth in the infrastructure segment and languid foreign direct investment (FDI) inflows...The road ahead is thus being constructed, but several turns and bumps do await," SBI Caps said.

HSBC Research said as the base normalised, and rural demand came under pressure led by El Niño, it expected GDP growth to slow from here on, averaging 5.8 per cent in FY24.

"The fall in commodity prices has led to buoyant economic activity over the last few quarters... Going forward, the intensification of the El Niño weather phenomenon is the biggest risk to the rural economy and overall GDP growth," HSBC Research said.