

GDP to grow nearly 7% in FY24: Economists

First Advance Estimates for 2023-24 would be released by the NSO today

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The economy may grow by around 7 per cent this financial year as estimated by the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), say economists with various organisations.

The first advance estimates for 2023-24 will be released on Friday by the National Statistical Organisation (NSO), an exercise done for calculating ratios such as the fiscal deficit. The interim Budget will be presented on February 1. Most economists *Business Standard* spoke to gave a growth range that stretched up to 7 per cent or a number that was closer to 7 per cent (see chart).

It should be noted even if GDP grows by 7 per cent during the year, the growth rate will slow to 6.3 per cent in the second half against 7.7 per cent in the first one due to a normalising base effect.

Global agencies such as the International Monetary Fund and the World Bank had estimated growth at a much lower 6.3 per cent.

However, it should be noted that these agencies had come up with projections when the second-quarter GDP number had not come. After the second-quarter growth number came at 7.6 per cent, most experts revised their numbers for economic expansion for FY24.



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PROJECTIONS

GDP growth for FY24 (%)

IMF	6.3	
World Bank	6.3	
ICRA	6.5	
Finance Ministry	over 6.5	
Asian Development Bank	6.7	
Barclays	6.7	
India Ratings	6.7	
Bank of Baroda	6.6-6.7	
QuantEco Research	6.8	
Grant Thornton Bharat	6.8-6.9	
PwC	6.8-7	
Deloitte India	7.0	
Monetary Policy Committee	7.0	
SBI Research	7.2	

Source: Respective entities

For instance, the Asian Development Bank (ADB) too raised it to 6.7 per cent from 6.3 per cent, ICRA to 6.5 per cent from 6.2 per cent, and India Ratings to 6.7 per cent from 6.2 per cent.

SBI group Chief Economic Advisor Soumya Kanti Ghosh, whose projection of 7.2 per cent for the year was the highest, said if one looked

at the data for the last 10 years, the RBI final projections given in December had always been the same or slightly higher than the first advance estimates, except for FY23, when it came at 7 per cent against the RBI's projection of 6.8 per cent.

"We believe this year again the advance estimates will be higher than the RBI

estimates and GDP growth for FY24 is expected to come around 7.2 per cent," he projected. Ranen Banerjee, economic advisory services partner at PwC, said the advance estimates were likely to be in the range 6.8-7 per cent.

"The surprise Q2 numbers and continued strong prints of high-frequency indicators in Q3 support an upside to the estimates. Strong GST collection and corporate tax collection indicate strength in the economy," he pointed out.

He said the narrowing of the trade deficit and continued capex by the government would support the GDP numbers printing on the higher side. Given that fiscal ammunition is still available with the government, one can expect strong government final consumption expenditure, besides gross fixed capital formation making up for any softness on the private final consumption expenditure element in the Q4 estimates, he pointed out.

Bank of Baroda Chief Economist Madan Sabnavis said the NSO's call was normally based on extrapolations. The first advance estimates take the data till December, such as the index of industrial production (IIP) for October, and extrapolate the numbers for the remaining months.

"But the first two quarters have been exceptionally good and will not be replicated in the last two quarters," he pointed out.