

# Momentum of FY23 sustains but some headwinds ahead: FinMin

**ECONOMIC REVIEW.** Strength of domestic demand fuels growth; stellar macroeconomic management helps

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India will sustain its growth in a more durable way than before, a report by the Finance Ministry said on Thursday. It, however, cautioned about headwinds that could pose challenges if overlooked.

The economy grew by 7.2 per cent in FY23 led by the upward movement in the January-March quarter. "This upside to the growth estimate takes the momentum deep into the current year," said the *Annual Economic Review*, prepared by the Economic Affairs Department of the Finance Ministry.

## LOOKING OPTIMISTIC

It pointed out that several forecasting agencies share similar optimism as they revise upwards their growth estimates for FY24.

Fitch Ratings raised its forecast for India's economic growth to 6.3 per cent for the current fiscal year from its previous estimate of 6 per cent. S&P Global Ratings re-

## Key high frequency economic indicators

	FY21-22	FY22-23	% change
<b>Agriculture</b>			
Fertilizer sales (million tonnes)	59.2	68.1	15.2
Domestic tractor sales (lakh)	8.4	9.5	12.2
Rabi production (mt)	159.6	175.4	9.9
Kharif production (mt)	154.9	155.1	0.1
<b>Industry</b>			
IIP (index)	131.6	138.4	5.3
Domestic auto sales (lakh)	164.2	196.8	19.8
PMI manufacturing index	54	55.6	3
Power consumption (billion kWh)	1,380.1	1,506.5	9.2
<b>Services</b>			
Average daily ETC collection (₹ crore)	104.5	148.4	42
PMI Services	52.3	57.3	6.6
UPI (value in ₹ lakh crore)	84.2	139.2	65.4
E-way bill (volume crore)	77.4	96.1	24.2

Source: Annual Economic Review

tained its growth estimate for FY24 at 6 per cent, and pegged it at 6.9 per cent for FY25. In its recent report, the RBI projected the FY growth at 6.5 per cent.

Taking a cue from various high frequency economic in-

dicators such as Manufacturing PMI at 57.8, Services PMI at 58.5, and GST collections topping ₹1.61-lakh crore, the report said that "The Indian economy has carried the momentum from FY23 into the current fiscal year."

The Finance Ministry report card said the strength of domestic demand has fuelled the growth. "FY23 has brought the economy to a touching distance of the quarterly output it would have otherwise achieved in the absence of the pandemic. Post-pandemic quarterly trajectories of consumption and investment have already crossed their pre-pandemic paths," it said.

Despite weak global demand and, thus, low net exports, the report said that pre- and post-pandemic trajectories of real GDP will converge once the external demand picks up pace.

The report listed escalation of geopolitical stress, enhanced volatility in global financial systems, sharp price correction in global stock markets, high probability of El Nino impact, modest trade activity and FDI inflows owing to frail global demand as some of the headwinds.

"Should these developments deepen and dampen growth in the subsequent quarters, the external sector

may challenge India's growth outlook for FY24," it cautioned.

The report noted that India's macroeconomic management has been stellar despite unprecedented global challenges in the last few years and balance-sheet troubles in the country's banking and non-financial corporate sectors.

## INFRA INVESTMENTS

Investments in supply-side infrastructure will help in achieving sustained economic growth, the report said. "Strong balance-sheets and digital advancements could lead to better credit decisions allowing India's financial cycle to sustain for longer periods before encountering the challenge of bad debts. Thus, India is poised to sustain its growth in a more durable way than before. Nonetheless, it is no time to rest on laurels nor risk diluting the painstakingly and consciously achieved economic stability. If we are patient, the rising tide will lift all boats as it has begun to," the report concluded.