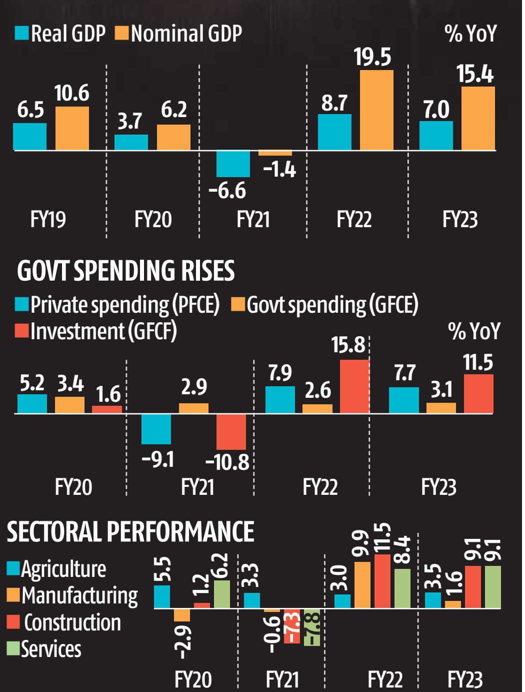
NATIONAL STATISTICAL OFFICE RELEASES FIRST ADVANCE ESTIMATES

GDP may grow 7% in FY23

MIXED BAG FOR ECONOMY



Note: Latest numbers from first advance estimates for FY23 Source: MoSPI

GROSS VALUE ADDED AT BASIC PRICES EXPECTED TO GROW AT 6.7% IN FY23

MANUFACTURING OUTPUT EXPECTED TO DECELERATE

ASIT RANJAN MISHRA
New Delhi, 6 January

The Indian economy may grow at 7 per cent in FY23, which is higher than projections made by the Reserve Bank of India (RBI) and the World Bank, according to the latest estimates by the National Statistical Office (NSO), which implicitly assumes a lower impact of intensifying global headwinds.

The economy grew 9.7 per cent in the first half (April-September) of FY23, the data for which was released on November 30.

The first Advance Estimates of GDP by NSO have incorporated the factory output data of an additional month (October) as well as some lead indicators until November and December, assuming 4.5 per cent growth in the second half (October-March).

The RBI and the World Bank have projected 6.8 per cent and 6.9 per cent GDP growth, respectively, in FY23.

The economy grew 8.7 per cent in FY22. In FY23, gross value added (GVA) at basic prices is expected to grow at 6.7 per cent.

With the government in 2017 advancing the date of the Union Budget to February 1 from the last day of February, the statistics department has also advanced the release of the first Advance Estimates so that the government has an annual estimate of GDP, which could be incorporated in the Budget calculations even at the cost of some accuracy.

"The Advance Estimates will have a short shelf-life — mostly based on extrapolating indicators available until November. The NSO will release the Revised Estimates of annual national accounts of the last three years by January-end, and that could change the base for FY23 estimates. Meanwhile the second Advance Estimate for FY23 and the 3QF23 print, due in end-February, will probably entail more factual data inputs," said Madhavi Arora, lead economist at Emkay Global Financial Services.

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Higher nominal GDP may help govt meet fiscal deficit target

The higher nominal gross domestic product in FY23 than what was assumed in the Budget at the start of the current fiscal year will allow the government to spend about ₹97,000 crore more than the Budget Estimate and still meet the fiscal deficit target of 6.44 per cent. 4

Consumption, investments show recovery 4

GDP growth estimate may be revised by 1 point 4

Farm sector growth pegged at 3.5% in FY23 4

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GDP may grow 7% in FY23

In FY23, agriculture is expected to remain the bright spot, growing at 3.5 per cent on the back of a good monsoon. While electricity (9 per cent) and construction (9.1 per cent) are likely to see robust growth, driven by post-pandemic recovery, manufacturing (1.6 per cent) is expected to remain the laggard, weighed down by high input cost.

The services sector, which comprises more than half the economy, is expected to grow at a robust 9.1 per cent, proving to be the key driver of economic recovery.

Private consumption is expected to grow at 7.7 per cent in FY23, boosted by increased spending on high-value items. However, government spending, comprising expenditures by the Centre and the state governments, is expected to remain muted at 3.1 per cent. The NSO estimate, however, factors in robust double-digit recovery in investment demand (11.5 per cent) in FY23, as represented by gross fixed capital formation, largely due to a sustained focus on capex by the Central government.

Sunil Sinha, senior director and principal economist, India Ratings & Research, said private consumption was still short of a broad-based recovery. "The current consumption demand is highly skewed in favour of goods and services consumed largely by the households falling in the upper-income bracket. A broad-based consumption recovery therefore is still some distance away," he added. The first GDP Advance Estimates of FY23 will also cheer the government since nominal GDP (15.4 per cent) and, in turn, tax revenues are going to be much higher than what had been budgeted and would provide adequate fiscal headroom to achieve the fiscal deficit target of 6.4 per cent.

CRISIL Chief Economist D K Joshi said the slowdown was expected to intensify next year on account of falling global growth. "While domestic demand has stayed relatively resilient so far, it will be tested next year by weakening industrial activity. It will feel the pressure from the increasing transmission of interest rate hikes to consumers as well, and as the catch-up in contact-based services fades," he added.