SBI pegs Q3 GDP growth at 4.6%

STATE OF THE ECONOMY. This is higher than the 4.4% growth projected by the RBI and NSO

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India's economy was estimated to have grown 4.6 per cent during the October-December quarter of the current financial year, said a research report by SBI.

This is higher than the 4.4 per cent growth projected by the Reserve Bank of India and the National Statistical Office (NSO), but lower than India Ratings & Research's (Ind-Ra) estimate of around 5 per cent. NSO will release the actual number on February 28.

The country's Gross Domestic Product (GDP) grew 0.7 per cent and 5.4 per cent in Q3 FY21 and Q3 FY22, respectively, while growth during the first two quarters of the current fiscal has been pegged at 13.5 per cent (Q1) and 6.3 per cent (Q2). For the whole of current fiscal, GDP is estimated to grow between 6.8 and 7 per cent.

"We estimate India's GDP growth for Q3 FY23 at 4.6 per cent. This is based on an in-house SBI Artificial Neural Network (ANN) model," SBI research report titled Ecowrap said.

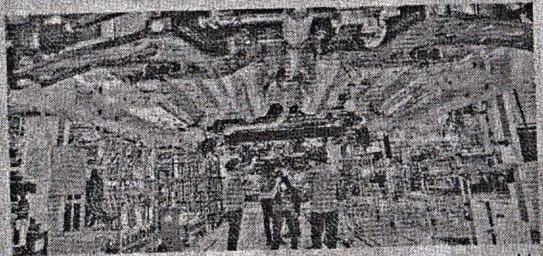
INDIA INC'S GROWTH

The report added that corporate results, excluding BFSI (banking, financial services and insurance), for Q3 FY23 show de-growth in EBIDTA (earnings before interest, depreciation, tax and ammortisation) by 9 per cent year-on-year against 18 per cent EBIDTA growth in Q3 FY22, though the top line continued to grew at a healthier pace. Net sales grew 15 per cent in Q3 FY23, while bottom line was down around 16 per cent. Further, corporate margin seems to be under pressure as reflected in results of around 3,000 listed entities (excluding BFSI), on account of higher input costs with decreasing EBIDTA margin, on aggregate basis, from 15.3 per cent in Q3 FY22 to 11.9 per cent in Q3 FY23.

"These could pull down the manufacturing growth in Q3 FY23," the report said.

It also mentioned that the geopolitical uncertainty continues to rattle the global economic landscape. With the Russian aggression into Ukraine completing a year this week, "we witness a domino effect coming in full force as tensions of formidable momentum, with meaty consequences for growth and prosperity for majority of world, take centre stage."

Other than the lingering long war in Europe that dealt a heavy blow to food/energy/commodity security, there are fresh points of conflict erupting primarily in Korean Peninsula and West Asia.



DAMPENER. According to the report, higher input costs could pull down the manufacturing growth in Q3 FY23 AFP

FY23 real GDP Projections *in %*

	SBI	RBI/NSO
Q3 P	4.6	4.4
Q4 P	4.0-4.6	4.8
Annual P	6.8-7.0	7.0

Source: RBI; SBI Research

Need to grow 7.6% annually till FY37 to achieve pre-pandemic trend: Ind-Ra

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Annual GDP (Gross Domestic Product) growth of 7.6 per cent is required till 2036-37 to catch up with the pre-pandemic GDP trend, India Ratings & Research (Ind-Ra) said on Tuesday.

The rating agency expects Indian economy to grow at 5.9 per cent in 2023-24. It is lower than the RBI's projection of 6.4 per cent and IMF's projection of 6.1 per cent. The Economic Survey had given a projection of 6-6.8 per cent with 6.5 per cent in baseline scenario.

Pre-pandemic trend shows average GDP growth was 6.6 per cent between 2011-12 and 2019-20. However the first year of pandemic recorded a de-growth of 6.6 per cent. FY22 saw of growth of 8.7 per cent which was mainly due to base impact. For the current year, the expectation is 7 per cent. The agency says India needs to grow at 7.6 per cent annually for next 13 fiscal years starting 2024-25 to 2036-37 to catch up with the pre-pandemic GDP trend. Ind-Ra says it does not expect the growth momentum witnessed in the first half of FY23 (April-September) to sustain in the second half (October-March). NSO estimates GDP growth to drop to 4.5 per cent in the second half from 9.7 per cent in the first.

PENT-UP DEMAND

The pent-up demand, which had provided thrust to growth, is normalising, exports, which had been buoyant, are facing headwinds from the global slowdown and credit growth is facing tighter financial conditions. The International Monetary Fund expects the global GDP growth to fall to 2.9 per cent in 2023 from an estimated 3.4 per cent in 2022.

"Although there are a few positives for India such as - sustained government capex, deleveraged corporates, low NPA in the banking sector, production-linked incentive scheme and likelihood of global commodity prices remaining subdued, Ind-Ra believes they are still not sufficient to take the FY24 GDP growth beyond 6 per cent," says Sunil Kumar Sinha, Principal Economist, Ind-Ra.