

GDP growth may slow to 6% in Q3: Icra

FE BUREAU
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INDIA'S GDP GROWTH is likely to slow down to 6% in Q3 FY24 from 7.6% in the previous quarter, mainly on account of moderation in growth of industrial and agricultural sectors, rating agency Icra said in a report on Wednesday.

The projected growth is 100 basis points (bps) lower than the Reserve Bank of India's (RBI) growth estimate for the quarter.

As per RBI's nowcast model, India's GDP in Q3 FY24 is seen growing at 7%.

"Lower volume growth for the industrial sector, flagging momentum in certain indicators of investment activity, a slowdown in government expenditure and an uneven monsoon are expected to dampen the GDP growth to 6.0% in Q3 FY24," said Aditi Nayar, chief economist, Icra. The gross value added (GVA) growth is estimated to ease to 6.0% in Q3 FY24 from 7.4% in Q2 FY24.

Industrial growth is seen slowing to 8.8% from 13.2%, and agricultural growth 0.5% from 1.2%.

Services growth, on the other hand, is expected to rise to 6.5% in Q3 from 5.8% in Q2, as per Icra estimates. The anticipated deterioration in the industrial sector growth in Q3 FY2024 is partly attributable to an adverse base effect and a



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■ Slowdown is due to flagging growth of industrial & agricultural sectors

■ The projected growth is 100 bps lower than RBI's estimate for Q3

■ GVA growth is estimated to moderate to 6.0% in Q3 from 7.4% in Q2

deceleration in volume expansion, even as the continued deflation in commodity prices kept profitability of some sectors favourable, Icra said.

Further, a 0.2% year-on-year contraction in the total spending of the Centre and 25 state governments is seen pulling down GVA growth in Q3 FY24. In Q2, the total spending of the Centre and 25 states had risen 18.2% on year. The National Statistical Office has projected the country's GDP to grow 7.3% in FY24.

In order to achieve that growth, India's GDP will have to grow 7% each in Q3 and Q4 of the current fiscal, according to the RBI. But that seems unlikely, given moderation in high-frequency indicators' momentum, say economists.