Growth may align with RBI forecast, expand close to 8% in Q1FY24

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New Delhi, 22 August

Economic growth could be quite close to 8 per cent during the first quarter (Q1) of the current financial year (2023-24, or FY24), as projected by the Reserve Bank of India's (RBI's) monetary policy committee (MPC).

The gross domestic product (GDP) data for Q1FY24 is scheduled to be released on August 31. The GDP growth rate stood at 13.1 per cent in Q1FY24 and 6.1 per cent in the fourth quarter (Q4) of the previous year (2022-23, or FY23). Various analysts that *Business Standard* spoke to put GDP growth rate in the range of 7 to 8.5 per cent for Q1FY24.

Financial services group Nomura, which predicts the lowest number at 7 per cent for the quarter, states in a written note that its provisional nowcast suggests Q1 GDP growth rate of 8 per cent due to base effects. This is closer to the RBI's forecast but above its prediction of 7 per cent.

Rahul Bajoria, managing director and head of emerging market Asia (excluding China) economics research at Barclays, projects a growth rate of 7.5 per cent as things stand. "We expect growth to remain supported by robust capital spending, construction activity, and improving profit margins amid falling input costs," he says.

All others expect the economy to grow around 8 per cent or more.

Among various data points, the GDP and gross value added for Q1FY24 are based on the Index of Industrial Production (IIP), financial results of listed companies, agriculture production and allied sector targets, accounts of central and state governments, as well as sectoral data. Regarding macro data, IIP growth stood at 4.5 per cent in Q1FY24, the same as in Q4FY23 but lower than the 12.9 per cent in the first quarter of the year.

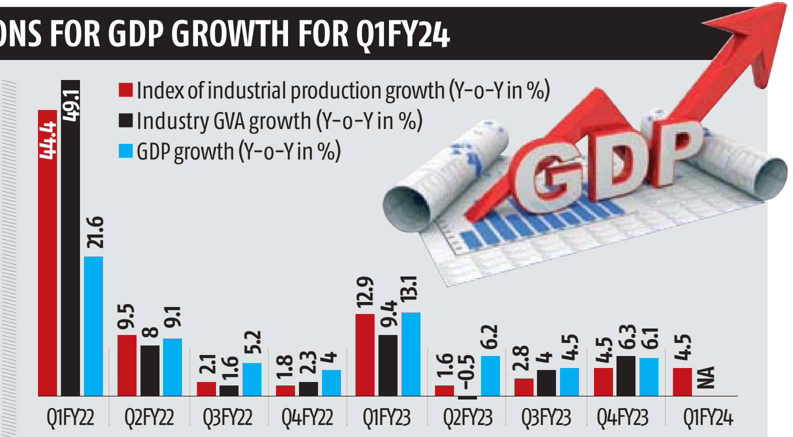
Data taken from IIP accounts for around one-fourth of the quarterly industrial numbers in the GDP data. The rest is taken from the results of listed companies. The industry accounted for around one-third of GVA and 30 per cent of GDP at constant prices in Q4FY23.

Bear in mind that IIP is the index in volume terms, while industrial numbers in GDP data represent value addition. In the past, IIP growth numbers and industrial growth in GDP data were quite close.

PROJECTIONS FOR GDP GROWTH FOR Q1FY24

	Forecast*
Nomura	7
Barclays	7.5
UBS Securities	7.5-8
QuanEco Research	7.7
PwC	7.8-8
HDFC Bank	7.9
Bank of Baroda	8-8.2
Crisil	8.2
SBI	8.3
ICRA	8.5
RBI MPC	8

*Forecast is Y-o-Y in % Source: Respective agencies



GVA: gross value added Source: Ministry of Statistics and Programme Implementation

The production of major foodgrains — rice and wheat — at 133.5 million tonnes (mt) and 112.7 mt, respectively, reached a record level during FY23 (July-June).

The Centre's capital expenditure (capex) grew by 59.07 per cent to ₹22.8 trillion in Q1FY24, compared with ₹1.75 trillion a year ago. The capex of 10 big states — Andhra Pradesh, Haryana, Karnataka, Uttar Pradesh, Maharashtra, Gujarat, Odisha, Rajasthan, Kerala, and Tamil Nadu — grew by 66.22 per cent to ₹64,795 crore in Q1FY24. This is in contrast to a decline of 3.2 per cent at ₹38,981.29 crore in the corresponding period of the previous year. Notwithstanding a subdued external environment, the deficit in merchandise and services stood at $22.59 billion in Q1FY24, compared with $31.49 billion in the corresponding period of the previous year. This translates into ₹1.85 trillion (at the average monthly exchange rate of ₹82.14) against ₹2.43 trillion (₹77.16). This means there would be less of a negative impact on the external balance of merchandise and services trade this time around.

UBS Securities India economist Tanvee Gupta Jain mentions that her agency's India composite economic indicator rose 4.4 per cent quarter-on-quarter on a seasonally adjusted sequential basis in the June quarter, against 3 per cent in the previous quarter.

The indicator suggests that economic momentum in India held up in the June quarter, even as reopening tailwinds have gradually faded and global headwinds remain, she adds.

"We believe that improved economic momentum and a favourable base effect should help accelerate India's GDP growth to 7.5 to 8 per cent year-on-year in Q1FY24," observes Jain.

Ranen Banerjee, a partner at PwC India, says while global headwinds are becoming stronger by the day, the majority of the negative impacts from oil price rise, weakening manufacturing, weak exports, and feeble imports will be felt from the second quarter (Q2) onwards.

CRISIL expects the economy to grow 8.2 per cent. Its chief economist, D K Joshi, says that this should not come as a surprise, as various indicators are pointing in that direction.