

'Growth momentum may have sustained in Q4'

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Finance Minister Nirmala Sitharaman has said that India's growth momentum — which gathered pace in the December quarter of FY23 — is likely to sustain in the March quarter, as reflected in the performance of various high-frequency indicators.

The finance ministry had posted a few tweets about Sitharaman's speech, but *Business Standard* has reviewed a copy of her full speech at the Fund-Bank meeting held during 10-16 April.

The National Statistical Office (NSO) will release the March quarter gross domestic product (GDP) data on May 31.

"GST (goods and services tax) collections in March 2023 crossed the ₹1.4-trillion (about \$21.5 billion) benchmark for 12 successive months. Overall, demand conditions have remained conducive to sustaining growth momentum as deduced from robust tractor and auto sales, high UPI transactions and double-digit credit growth," Sitharaman said earlier this month at the Development Committee during the Spring meet-

ing of the International Monetary Fund (IMF) and the World Bank.

Sitharaman said the December quarter estimate of real GDP in FY23 reflects the sustenance of sequential growth momentum in the economy, as further verified by high-frequency indicators.

"This is a reaffirmation of the ability of the Indian economy to grow on the strength of its domestic demand, amid the slowing of global output," she added.

India's economy grew at a weaker-than-expected 4.4 per cent in the December quarter of FY23.

This came amid wide revisions to earlier GDP figures, as manufacturing output contracted for the second consecutive quarter and consumer

The NSO kept the FY23 growth

forecast unchanged at 7 per cent, assuming 5.1 per cent growth in the March quarter.

Sitharaman said agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7 per cent in FY23.

"These optimistic growth forecasts stem in part from the resilience of the Indian economy seen in the rebound of private consumption, seamlessly replacing the export stimuli as the leading driver of growth," she added.

The finance minister said inflationary pressures eased in February, with a slight moderation in consumer price index (CPI) infla-

tion with wholesale price-based (WPI) inflation softening to a 25-month low in February.

"With WPI inflation easing, its transmission to CPI inflation is expected soon. Forecasts by various international agencies show that inflation will moderate in FY24 compared to FY23 RBI-projected retail inflation rate of below 6 per cent for the last quarter of 2022-23 and for FY24, with risks evenly balanced," she said.

Data released after Sitharaman's speech showed India's retail inflation fell to a 15-month low in March at 5.66 per cent. This is due to a high base and easing price pressure across categories. WPI inflation in March also came at a 29-month low of 1.34 per cent.

Sitharaman said it is significant that even as the cost of inputs has risen, the manufacturing output has not stagnated.

"The Purchasing Manager Index (PMI) of manufacturing has remained in the expansionary zone for 21 months since July 2021. The Index of Industrial Production (IIP) and the Index of Eight Core Industries have also observed positive year-on-year growth during April-February of 2022-23 (April-January for IIP), indicating an increment in output volume," she

said.

The finance minister said that India's current account deficit (CAD) is expected to remain moderate in FY23 and FY24, providing a buffer to the rupee in uncertain times. This moderate CAD would be due to lower merchandise trade deficit and robust growth in services exports and inward foreign remittances.

"This will provide a much-needed cushion to India's external sector at a time when the Fed is likely to raise rates further and ensure that India's external finances are not a major cause for concern," she added.

Sitharaman said with a manageable CAD and a growth rate highest among the major economies in FY23, the Indian economy has shown resilience in navigating the turbulence of the pandemic as well as geopolitical spillovers.

"India has moved on beyond the pandemic, staging a full recovery in FY22-23, ahead of many countries. It has positioned itself in an upward pre-pandemic growth path. The unparalleled vaccination drive has not only ensured quick economic recovery but also ensured economic prospects for this year and beyond," she added.

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Finance Minister