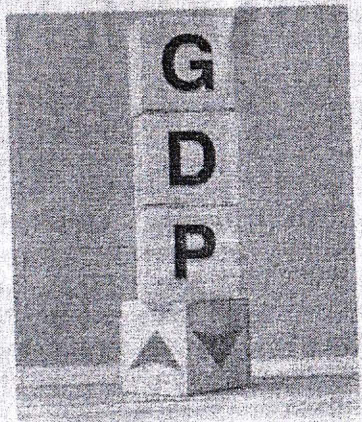
ICRA projects 13% GDP growth in Q1 on low base

OUR BUREAU
Mumbai, August 23

India's GDP growth is projected to spike to a four-quarter high 13 per cent in Q1 (April-June) FY23 due to low base of Covid 2.0 and robust recovery in contact-intensive services, according to ICRA.

The Q1 FY23 GDP projection is a sharp jump from 4.1 per cent in Q4 of FY22. Overall, ICRA expects GDP growth this quarter to trail the 16.2 per cent projected by the Monetary Policy Committee (MPC).

The rating agency said the gross value added (GVA) growth is expected to rise to 12.6 per cent from 3.9 per cent in the preceding quarter. ICRA expects the sectoral growth in Q1FY23 to be driven by the services sector (17-19 per cent; 5.5 per cent in Q4-FY22), followed by industry (9-11 per cent; 1.3 per cent).



However, the GVA growth in agriculture, forestry and fishing is projected to decline to around 1 per cent in Q1FY23 from 4.1 per cent in Q4FY22, on account of the heat wave in several parts of the country, which suppressed wheat output.

Aditi Nayar, Chief Economist, ICRA, noted that the anticipated double-digit GDP expansion in this quarter benefits from the low base of the second wave of Covid-19 in India during the same quarter last fiscal as well as the robust recovery in contact-intensive sectors following the widening vaccination coverage.

Additionally, the impact of the heat wave on wheat harvest is expected to result in a low growth for the agricultural sector in Q1 of FY23.

"The recent moderation in commodity prices, if sustained, should help to ease inflationary as well as margin pressures and translate into improved demand for discretionary goods and higher value-added growth, respectively," Nayar said.

ICRA said the government's capex, infrastructure/construction output and new project announcements showed encouraging trends in Q1 FY23, along with a robust order-book position of construction and capital goods companies and resilience in housing sales, as evinced by stamp duty collections. However, project completions, states' capex, and capital goods output were subdued, suggesting that recovery in investment demand remained uneven.