

# GDP growth rate seen below 5% in Dec qtr

FY23 quarterly, annual estimates may be revised tomorrow

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India's economic growth may show lower than 5 per cent print in the December quarter of fiscal year 2022-23 (FY23) on a normalising base even though many high frequency indicators signal a sequential improvement in performance.

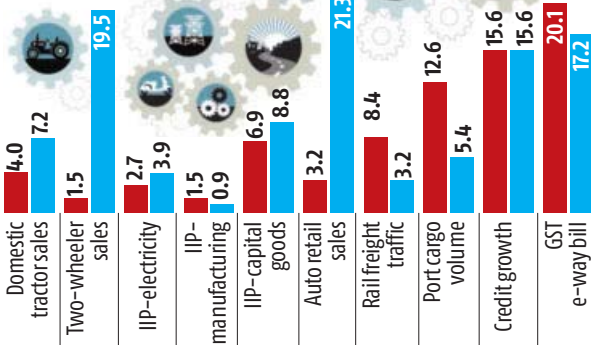
During the third quarter of FY22, the economy grew at 5.4 per cent. In the preceding September quarter of FY23, gross domestic product (GDP) recorded 6.3 per cent growth.

A survey of 41 professional forecasters by the Reserve Bank of India (RBI) earlier this month pegged median GDP growth at 4.6 per cent for Q3 within a wide range of 4 per cent and 6.9 per cent. However, the RBI itself has projected December quarter GDP growth at 4.4 per cent. What could upend forecasts, though, is that the National Statistical Office will revise GDP data of the past years on Tuesday

## MIXED SIGNAL

High-frequency indicators (YoY in %)

■ Q2FY23 ■ Q3FY23



Source: Bank of Baroda

along with the second Advance Estimates for FY23. As the base year numbers of FY22 change, quarterly as well as annual growth estimates for FY23 are likely to be revised as well.

"We anticipate revisions in GDP data for FY20, FY21, and

FY22 that are going to be released on February 28. Additionally, there will be revisions in quarterly numbers of FY20, FY21, FY22, and even FY23 (Q1 & Q2)," said Soumya Kanti Ghosh, group chief economic adviser, SBI.

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## GDP growth...

High frequency indicators signal that while India's economy continues to do well in agriculture and key services sectors, manufacturing is still showing signs of weakness. Pressure from the negative net exports, which reduces the size of the domestic economy, is also seen to have eased in the December quarter at \$35.5 billion from \$50.3 billion in the September quarter. This is likely to support higher growth in the December quarter.

According to SBI research, corporate results of around 3,000 non-financial companies for the December quarter showed contraction in Ebitda (earnings before interest, taxes, depreciation, and amortisation) by 9 per cent year-on-year as against 18 per cent Ebitda growth during the year-ago quarter.

"Manufacturing volumes in Q3FY23 were partly constrained by the ongoing slowdown in external demand and lag in domestic demand for consumer durables relative to pre-Covid levels, as seen in the decline in output for segments, such as textiles, leather products, electrical equipment, etc. Nevertheless, the demand for other goods, such as automobiles, was robust

during the festive season," said Aditi Nayar, chief economist at ICRA.

Madan Sabnavis, chief economist at Bank of Baroda, said rural demand was likely to remain buoyant as had already been reflected by improvement in tractor and two-wheelers sales. "Revival in pent-up demand and higher discretionary spending is likely to boost urban consumption. Uptick in railway freight and upward momentum in air passenger traffic, along with higher e-way bill generations, will provide further support to services," he added.

The second Advance Estimates will also provide updated annual growth projection for FY23. The first Advance Estimates released in January had estimated GDP growth in FY23 at 7 per cent, slightly above projections by the RBI and World Bank at 6.8 per cent and 6.9 per cent, respectively.

## Drone, PPP

The plan is to complete the chain by ensuring that these manufacturers already have commercially viable use-cases for drones through the EODB project.

Says Ambar Dubey, former joint secretary in the ministry of civil aviation who spearheaded the drone policy: "The drone EODB project is timely and much needed. It