GDP growth seen slowing to 6.7% in third quarter

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THE ECONOMY LIKELY grew at a three-quarter low of 6.7% in Q3FY24, compared with 7.6% in the previous quarter, mainly due to fading away of the low base effect that had supported growth in H1, an *FE* poll of 20 economists showed. In H1, the country's GDP had grown 7.7%.

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The GDP projections in the poll ranged from 6% to 7.3%, with the median ratebeing 6.65%. The National Statistical Office (NSO) will release the December quarter's national income data on Thursday. The Reserve Bank of India's (RBI) 'nowcast' model has projected the Q3 growth at 7%.

At 6.7%, the GDP in absolute terms will grow 2.8% from the previous quarter. This is lower than the average 4.5% growth recorded between Q3 and Q2 in the past 12 financial years.

Economists say the third quarter will record a slower growth in agriculture and industry sectors, while the service sector will witness a pick-up. The GVA growth in the December quarter is seen easing to 6.5% from 7.4% in the September quarter.

"The net indirect tax growth likely to have been strong because of a slower rollout of subsidies in the third quarter and that will create a wedge between GVA and GDP growth, with the latter likely stronger," said Abhishek Upadhyay, senior economist, ICICI Securities Primary Dealership.

The Centre for Monitoring Indian Economy (CMIE) expects the agriculture GVA to have grown 1.2% in Q3, at a similar pace to Q2. The industry is expected to have grown at 8.6%, against 13.2% in the previous quarter. The services sector, meanwhile, is likely to have grown by 7.3% in the December quarter, higher than a 5.8% growth recorded in Q2.

On the expenditure front, economists expect public capital expenditure to primarily drive growth in Q3. "In Q3, the private consumption growth likely remained muted, but a slight improvement is expected in sequential terms. Public capex remained the driver of investment spending, whereas the net exports drag on the GDP growth remained wide," said Dhiraj Nim, economist, ANZ Banking Group.

The Centre's capital expenditure in Q3 was up 24.4% year-on-year, but lower than the 26.4% growth recorded in the previous quarter.

CMIE expects net exports to have negatively contributed to the GDP growth by 6.6%, higher than previous two quarters of FY24. In Q1 and Q2, net exports had dragged down the GDP growth by 4.6% and 3.6%, respectively.

The NSO, in its first advance estimate, has projected private final consumption expenditure to grow merely 4.4% in FY24, the slowest pace since FY03, mainly due to tepid growth in rural consumption.