Goldman raises growth forecast by 30 bps for '23

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New Delhi, 26 May

Goldman Sachs in its latest release on Friday revised upwards the growth estimate for India by 30 basis points (bps) to 6.3 per cent for the calendar year (CY) 2023, given the boost in services export and a lower merchandise import.

However, it kept its forecast for CY24 unchanged at 6.3 per cent.

The global investment banker also revised its earlier forecast for FY23 and FY24 by 30 bps and 10 bps to 6.9 per cent and 6.4 per cent, respectively.

"Going forward, we expect the strong trend in services exports and lower merchandise imports to continue, and expect a net export boost in CY23, with real exports growth above 4 per cent with flat real imports growth in CY23. There are pockets of strength in services demand — services PMI clocked a 13-year high of 62, domestic air passenger traffic exceeded pre-pandemic levels and services exports have held up despite a slowdown in global growth," it said in a release.

Besides, the global investment banker also said in Q1, CY23, domestic consumption and investment remained mixed, as measured by the proprietary consumption and investment indices, which are currently tracking at 4.6 per cent and 3.7 per cent, respectively.

However, the private sector investment demand has remained muted as represented by a slowdown in industrial credit growth led by large industries in recent months, although the sequential growth in government expenditure is expected to come in stronger than previous expectations, given spending trends in January and February.

"Capex push is being led by the central government, while private sector investment remains tepid. We, thus, forecast lower investment growth of 7.9 per cent in CY23 (versus 9 per cent year-on-year earlier). We expect government expenditure to pick up in Q4 before the general elections in mid-2024," it says.

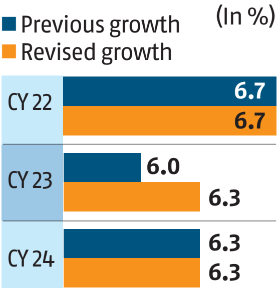
"In YoY terms, our Q2-Q4 CY23 GDP growth forecast is 6.5 per cent, 5.9 per cent, and 8.1 per cent, respectively," it added.

On Wednesday, Reserve Bank of India (RBI) Governor Shaktikanta Das had said the country's growth rate for FY23 could be higher than the official forecast of 7 per cent, even as there was a continued need for vigilance from weather-related uncertainties that could pose headwinds in the fight against inflation.

"For all high-frequency indicators, which we monitor, the momentum was maintained in Q4 (January-March), [and] the war on inflation is not over yet; we have to remain alert. There is no room for complacency. We will have to see how the El Nino factor plays out," Das had said at an industry body event.

However, in its mid-year update earlier last week, the United Nations Department of Economic and Social Affairs (UNDESA) retained its growth forecasts for India at 5.8 per cent and 6.7 per cent for the CY23 and CY24, respectively.

IN NUMBERS



Source: Goldman Sachs