Ahead of GDP data, govt sees Q1 growth at 15.6%

Estimates lower than RBI's projection of 16.2% for the quarter

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AT A GLANCE

- **Almost all GDP components have shown** healthy growth
- **Household consumption, capital investment** said to have bounced back
- **Trade impacted** due to geopolitical situation
- **RBI had projected** Q1FY23 GDP at 16.2%
- **FinMin's internal estimates** based on indicators it tracks
- **NSO will release provisional** GDP estimates on August 31

Ahead of the April-June quarter Gross Domestic Product (GDP) data due next week, the Finance Ministry estimates the economy to have grown by around 15.6 per cent in the quarter, *Business Standard* has learnt. This is lower than the Reserve Bank of India's April-June (Q1FY23) GDP projection of 16.2 per cent.

A senior official said that while most components of GDP, like Private Final Consumption Expenditure (PFCE), Gross Fixed Capital Formation (GFCF) and Government Final Consumption (GFCE) showed healthy improvement, the trade component could have been impacted due to high commodity prices and rupee depreciation.

It should be remembered that 15.6 per cent GDP growth is the Finance Ministry's internal estimate based on the high-frequency indicators it tracks, and not necessarily the provisional headline print which will be released by National Statistical Office on August 31.

"Capital investment, as measured by GFCE, has likely shown improvement as private sector capex has started crowding back in. Private consumption has also improved, in spite of inflationary pressures. However, trade has been impacted due to geopolitical headwinds," the official said.

The April-June quarter bore the brunt of geopolitical disturbances due to Russia's invasion of Ukraine as supply chains were disrupted and commodity prices spiked.

The Indian crude basket soared to $118 a barrel in early June and averaged $109.50 a barrel for the entire quarter.

However, apart from the trade component, all other components of GDP are said to have improved year-on-year, and the sectors which make up Gross value Added (GVA) like manufacturing, construction, mining, agriculture are also expected to show healthy growth.

Even touch services like hospitality, leisure and tourism have bounced back from their pandemic-induced disruption due to pent-up demand.

The RBI projects FY23 GDP at 7.2 per cent, with Q1 forecast at 16.2 per cent, Q2 (July-September) at 6.2 percent, Q3 (October-December) at 4.1 per cent, and Q4 (January-March) at 4 per cent.

India's real GDP had grown by 20.1 per cent in the April-June quarter of the last fiscal year (FY22), on the back of a low base in FY21 due to the Covid-19 nationwide lockdown.

GDP had contracted by 24.4 per cent in the April-June FY21, the steepest quarterly contraction in the economy in independent India's history.

For FY22 overall, real GDP grew by 8.7 per cent, and 4.1 per cent year-on-year in the January-March quarter, even as the rate of growth slowed sequentially for a third straight quarter with the Omicron wave-induced restrictions and high commodity prices weighing on economic activities.

In FY22, all sectors except trade, hotels and communication services were above the pre-pandemic levels of FY20.

Growth in private final consumption expenditure, or private spending, decelerated sequentially in Q4 to 1.8 per cent, proving to be the weakest link. Government spending, however, picked up to grow at 4.8 per cent, supporting overall growth.

Gross fixed capital formation, which represents investment demand in the economy, slowed to 5.1 per cent.

As per a recent report by State Bank of India's Group Chief Economic Advisor Soumya Kanti Ghosh, India's GDP in Q1FY23 is expected around 15.7 per cent with a large possibility of an upward bias because several indicators have shown good progress in the Indian economy.

The progress in the economy is seen despite global spillovers, elevated inflation and some slackening of external demand as geopolitical developments take their toll on world trade.