

# Q1 GDP growth seen at 15-16% on base effect

SBI estimates growth rate at 15.7%, ICRA at 13%; data to be made public tomorrow

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The economy is expected to register growth rate between 15 and 16 per cent during April-June quarter of the current fiscal (FY23). Although, some economists say it could be between 13 and 14 per cent mainly due to the base effect.

The Central Statistics Office will come out with GDP number for Q1 tomorrow (August 31).

Various high frequency indicators have recorded mixed movement during April-June period. For example, Purchasing Managers' Index (PMI) for Manufacturing came down to 53.9 in June from 54.7 in April; while for services, it went up from 57.9 in April to 59.2 in June.

During the quarter, GST collection recorded all-time high collection and second all-time all high collection of ₹1.67-lakh crore and ₹1.44-lakh crore, re-

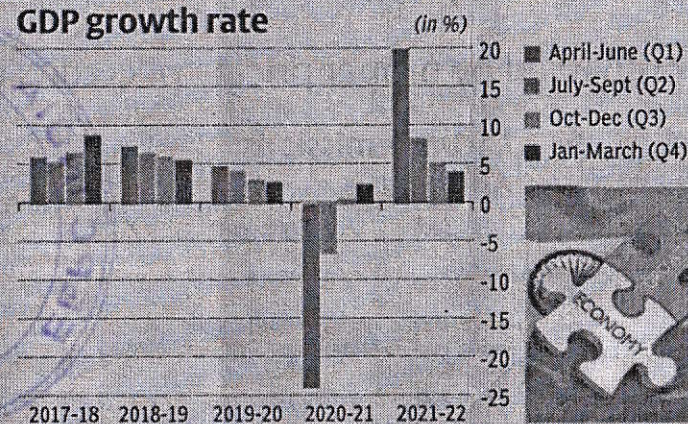
spectively. In RBI's monthly bulletin, a chapter titled 'State of the Economy' highlighted various positive developments during the said three months period. The central government's capital outlay grew by 53.5 per cent, while revenue expenditure increased by 8.8 per cent.

On the receipts front, growth in gross tax revenue picked up during April-June, despite unfavourable base effects, driven by positive momentum in direct taxes. Moreover, the government earned ₹1.5-lakh crore from 5G spectrum auctions, of which at least ₹13,365 crore will be paid as the first annual instalment, providing comfort on receipts from non-tax sources. The RBI projects GDP growth rate of 16.2 per cent for the first quarter.

## SBI sees lower growth

At the same time, research report of SBI estimates growth

**GDP growth rate**



Source: MOSPI and SBI Research

rate a tad lower at 15.7 per cent.

The report, authored by a team led by Soumya Kanti Ghosh, Group Chief Economic Adviser of SBI, said several indicators suggest that the economy is making resilient progress in Q1 FY23 inspite of the drag from global spillovers, elevated inflation and some slackening of external demand, as geopolitical developments take their toll on world trade.

Domestically, an intense heat wave in major regions limited economic activity in the

earlier months, despite which most of the high frequency indicators showed improvement especially in services sector activity.

"Against this backdrop, the Q1 FY23 GDP numbers are expected to be much higher (in double digits), though this largely reflects base effects of the steep absolute contraction in the corresponding quarter a year ago," the report said.

## Moderate growth: ICRA

However, ICRA has projected the year-on-year (YoY) growth

of the GDP in Q1 FY23 at 13 per cent.

Aditi Nayar, Chief Economist, ICRA, said the anticipated double-digit GDP expansion in Q1 FY23 benefits from the low base of the second wave of Covid-19 in India in the same quarter previous year and the robust recovery in the contact-intensive sectors following wider vaccination coverage.

## Commodities Impact

"In ICRA's assessment, there has been a shift in demand towards contact-intensive services from discretionary consumer goods for the mid-to-higher income groups.

"This, in conjunction with the emerging cautiousness in export demand, and the impact of high commodity prices on volumes as well as margins for the industrial sector, are likely to result in a relatively moderate industrial growth. Additionally, the impact of the heat wave on the wheat harvest is expected to result in a low growth of the agricultural sector in Q1 FY23," she said.