

# Economy may have grown in 7.7-8.5% range in Q1 with all sectors firing; govt data coming today

**Shishir Sinha**

New Delhi

The government's Statistics Office will come out with the economic growth data for the April-June quarter of 2023-24 (Q1FY24) on Thursday. The expectation is that the economy will have grown between 7.7 and 8.5 per cent thanks to the good performance of all three sectors: Services, Industry, and Agriculture.

"Everybody feels that yes, the first quarter did go well, so the numbers should be good," Finance Minister Nirmala Sitharaman said recently while addressing a global business meet.

The GDP growth rate in the January-March, or the fourth, quarter of FY23 was 6.1 per cent, while the first quarter expansion in the fiscal year just

past was 13.1 per cent. Economists expect Q1FY24 growth to be between 7.7 and 8 per cent, while research reports by SBI and ICRA project 8.3 and 8.5 per cent, respectively. The Monetary Policy Committee estimated Q1 growth at 8 per cent.

## **NOMINAL TO LAG REAL**

The SBI research report, using an artificial neural network model with 30 high-frequency indicators, expects the Q1 growth at 8.3 per cent. "Given that the GDP deflator is at -0.6 per cent (due to negative WPI), we expect nominal GDP growth at 7.7-7.8 per cent for Q1FY24. This is the first time since Q4FY19 that nominal GDP growth is expected to be less than real GDP growth," it said.

ICRA sees GDP improving to 8.5 per cent in Q1FY24 from 6.1

per cent in Q4FY23, thanks to the base effect of Q1FY23, when the economy normalised after the Covid-19 pandemic. According to ICRA Chief Economist Aditi Nayar, economic activity in Q1FY24 was boosted by a continued catch-up in service demand and improved investment activity, particularly a welcome front-loading in government capital expenditure.

The SBI research report said that in Q1FY24, manufacturing was sustained, as reflected in IIP, automobile sales, and PMI data. Further, agriculture sales were strong. Power supply was high. On the service side, passenger traffic that picked up in Q4FY23 has sustained, and air cargo traffic increased.

## **SURGE IN CAPEX**

"Most importantly, there has

been a surge in capital expenditure in Q1, with the Centre spending 27.8 per cent of what was budgeted for FY24 and the States spending at 12.7 per cent. Andhra Pradesh, Telangana, and Madhya Pradesh, where elections are due, have registered capital expenditure growth up to 41 per cent," the report said, while expecting growth for FY24 to be higher than the projected rate of 6.5 per cent.

"We are circumspect that the erratic rainfall, narrowing differentials with year-ago commodity prices, and a possible slowdown in the momentum of government capex as we approach the general elections could dampen GDP growth in the second half of FY24 below the MPC's forecasts," said ICRA's Nayar.