

Macro Insights

1st March, 2024

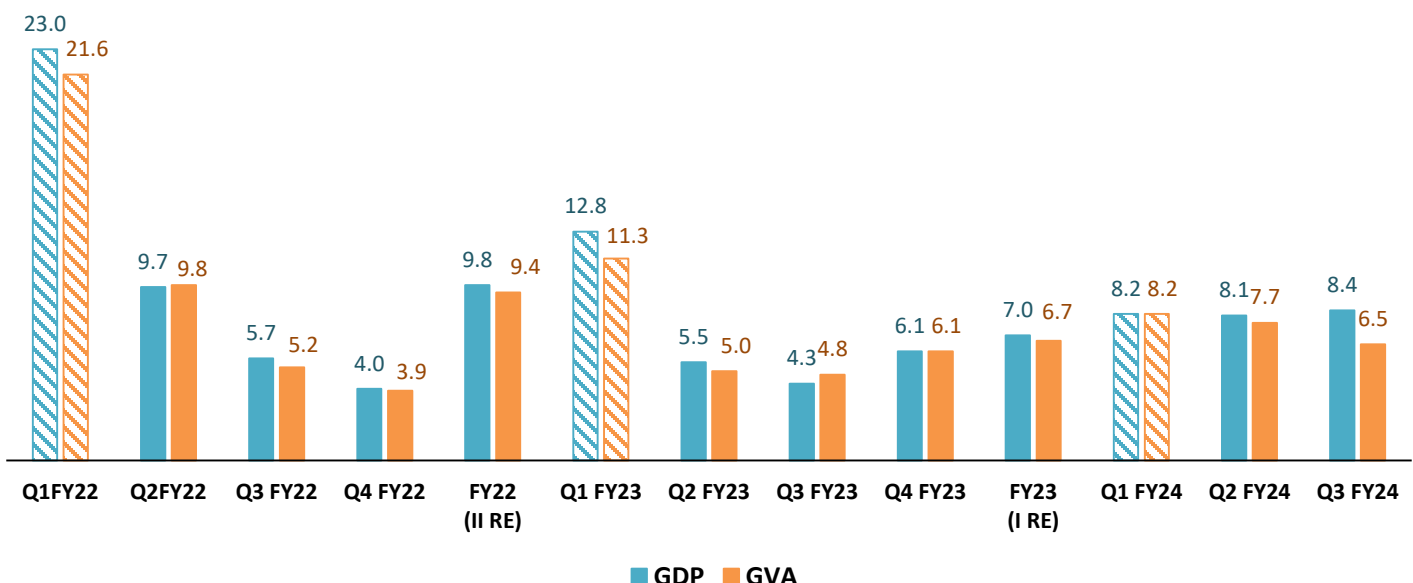
Indian economy grows by 8.4%

GDP for Q3 FY24 grew by 8.4% as compared to a growth of 8.1% in the previous quarter (Q2 FY24) and a growth of 4.3% in Q3 FY23.

Highlights:

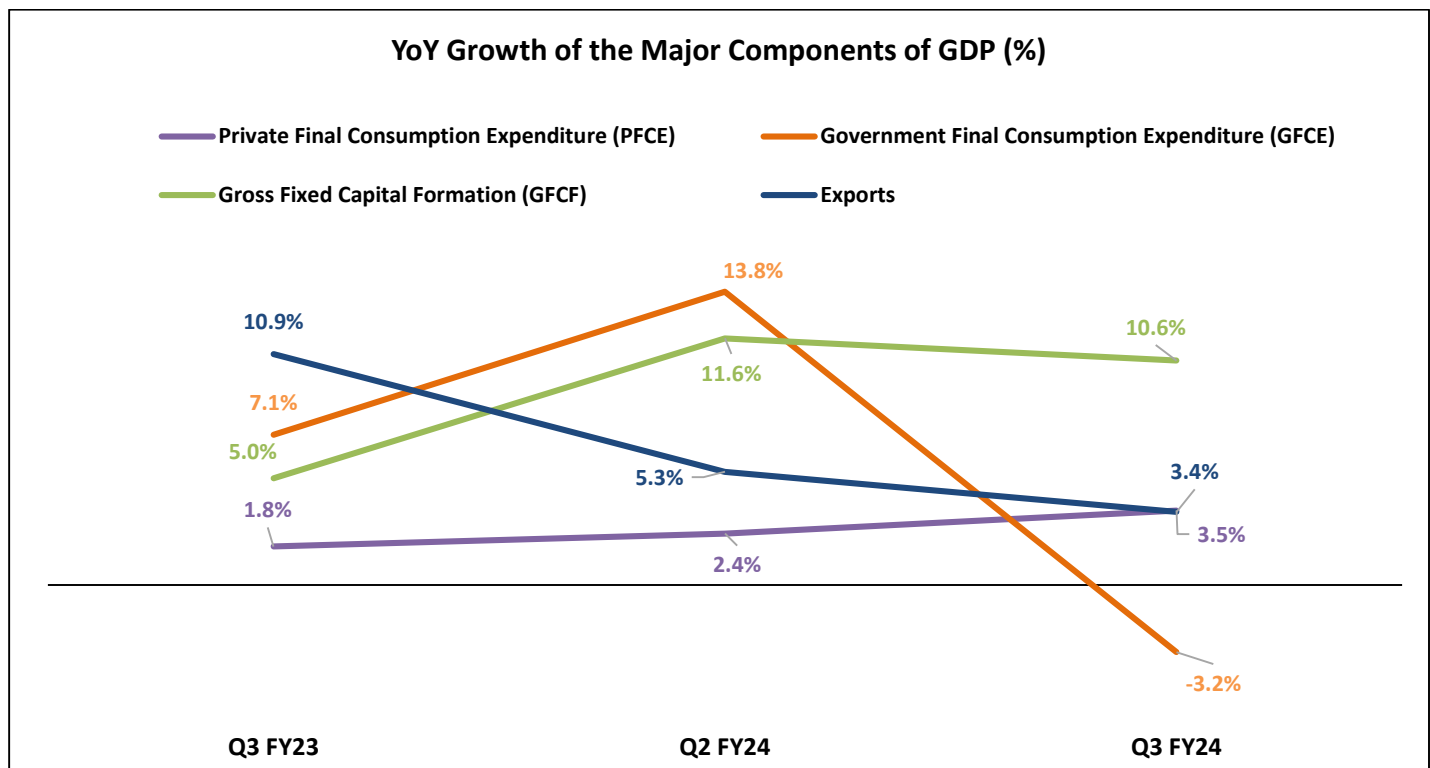
- India accounted for the highest GDP growth in the last 6 quarters at 8.4% in Q3 FY24, marking the third consecutive quarter of 8% + growth in FY24.
- The growth was mainly driven by a remarkable double-digit growth rate of 11.6% in the manufacturing sector and a solid performance in the construction sector with a growth rate of 9.5%.
- GVA growth, which excludes indirect tax and subsidies, was pegged at 6.5% in Q3 FY24.
- As per the government's 2nd Advanced Estimate (AE), India's GDP growth is expected to accelerate to 7.6% in FY24, up from the previous estimate of 7.3% (1st AE).

GDP vs GVA Growth (YoY%)



Components of GDP

- Growth in Private Final Consumption Expenditure, the largest constituent of the gross domestic product, is showing an upward trend, with a figure of 3.5% in Q3 FY24, as compared to a growth of 2.4% in Q2 FY24 and 1.8% in Q3 FY23.
- Government Final Consumption Expenditure has fallen into negative territory reaching -3.2% in Q3 FY24 from the highs of 13.8% & 7.1% in Q2 FY24 and Q3 FY23, respectively.
- Investment in the economy, denoted by Gross Fixed Capital Formation, has moderated from 11.6% in the second quarter to 10.6% in the third quarter of FY24.
- YoY Growth of exports also witnessed moderation from the previous quarter by growing at 3.4% in Q3 FY24.

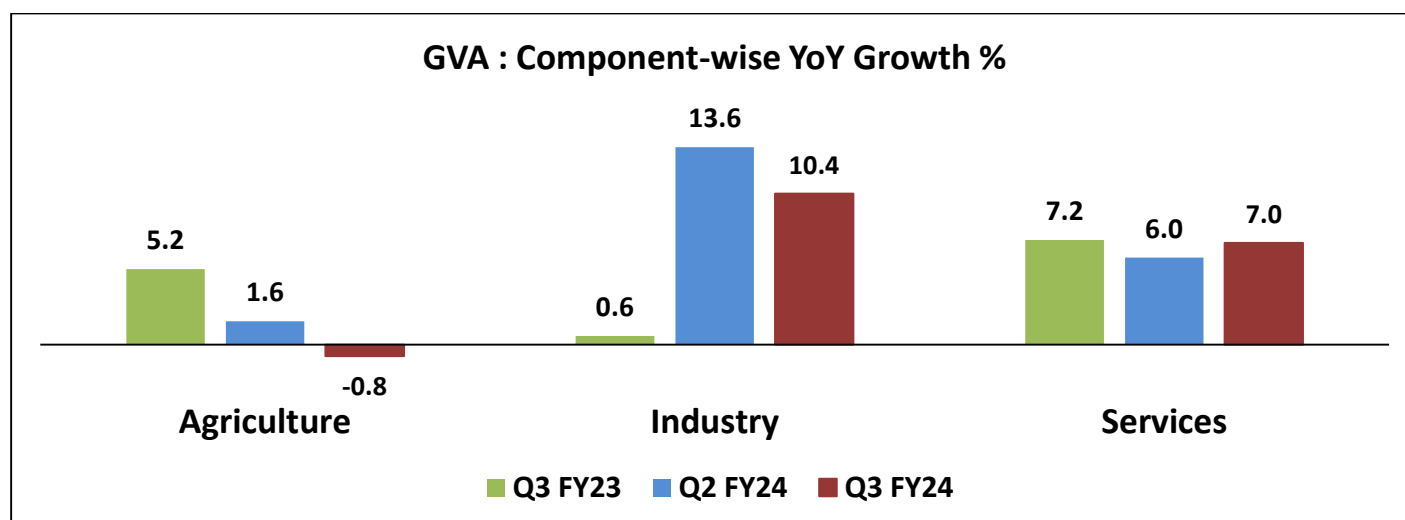


Change of the Major Component's Share in GDP from last Year

- Share of Private Final Consumption Expenditure declined by 270 bps from 61.3% in Q3 FY23 to 58.6% in Q3 FY24.
- Share of Government Final Consumption Expenditure also decreased by 90 bps from the previous year to 7.8% in the current quarter.
- Share of Gross Fixed Capital Formation increased to 32.4% in Q3 FY24 from 31.8% in Q3 FY23.
- The share of Exports, however, declined by 110 bps while the share of imports remained the same when compared to the previous year. The major role of the domestic economy in India's growth is supported by this data.

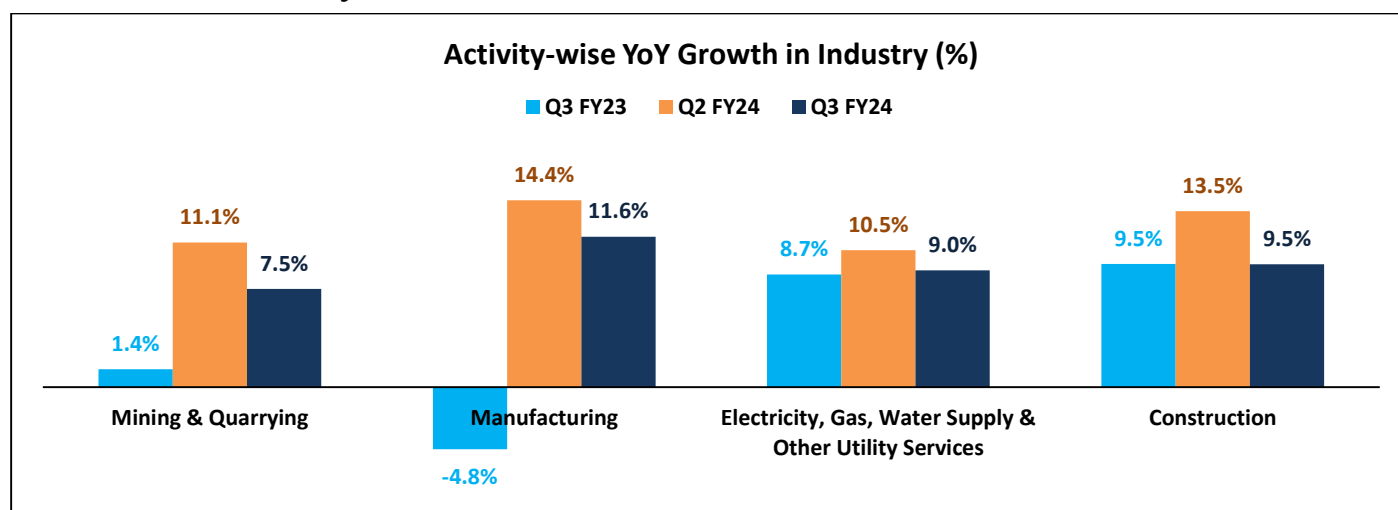
(Details in Annexure, Table 1)

Components of GVA

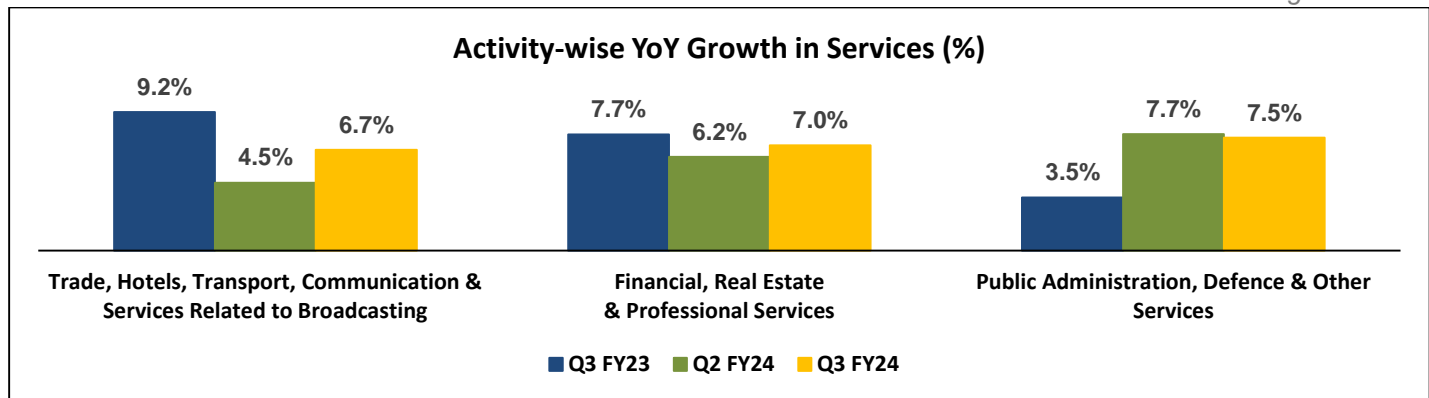


- The GVA growth in the farm sector dropped to the negative zone from 1.6% in Q2 FY24 to -0.8% in Q3 FY24.
- The growth in the Industry Sector remained robust with 10.4% in Q3 FY24 significantly higher than 0.6% in Q3 FY23. However, it remained lower than the growth of 13.6% in the previous quarter (Q2 FY24).
- The Services sector registered a growth of 7% in the third quarter, higher than its growth in Q2 FY24, though it came moderately lower than a year ago.

Closer look at Industry and Services



- The Manufacturing industry, a major part of the industry sector, grew the highest among all the industries by 11.6% in Q3 FY24. The growth of the industry was in a negative region a year ago.
- Mining & Quarrying, Construction Industry and the 'Electricity, gas, water supply and other utility services' segments witnessed growth rates of 7.5% and 9%, respectively in Q3 FY24, with the construction industry registering a 9.5% growth.
- The growth in these sectors was lower than in Q2 FY24. However, when compared to the Q3 FY23 they remained either higher or equal.



- Growth in two of the three segments was above the previous quarter.
- Although, the 'Public Administration, Defence & Other Services' segment, grew by 7.5% in Q3 FY24—a little less than the 7.7% growth of Q2 FY24, but more than twice as much as the previous year.

(Details in Annexure, Table 2)

Views

- **India remains the world's fastest-growing major economy in the third quarter of this financial year, reflecting resilience amid global growth slowdown.**
- The GDP growth for the third quarter of FY24 exceeded all expectations, and was well above the RBI's projection of 6.5% announced in its December MPC meet.
- Manufacturing and the construction sector were the primary drivers of the industry sector's robust and consistent growth in Q3, reflecting the public capex support push.
- The services sector also performed well, with improvements observed in the Financial, Real Estate, Professional Services, Trade, Hotel, and Transport segments.
- The growth in Private Consumption has picked up to 3.5%.
- However, the Agriculture Sector growth has slowed down further in this quarter by contracting to 0.8% owing to monsoon worries. Alongside, there's a sharp decline in government's expenditure as well from 13.8% in Q2 to -3.2% in Q3 FY24.
- **Going forward, the growth of Indian economy might see some moderation in the Q4 FY24, on account of slowing consumption growth mainly in rural economy along with sluggish external demand and persisting geopolitical tensions globally. Despite this, the Indian economy to remain resilient and account one of the highest GDP growth rates among major economies in the current fiscal.**

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Table-1: GDP (at Constant Prices) for Q3 FY24 (Oct-Dec)

Item	Expenditures of Gross Domestic Product (Rs Cr)		Share in GDP (%)		% YoY Growth		
	Q3 2022-23	Q3 2023-24	Q3 2022-23	Q3 2023-24	Q3 2021-22	Q3 2022-23	Q3 2023-24
Private Final Consumption Expenditure (PFCE)	2473262	2560203	61.3	58.6	11.0%	1.8%	3.5%
Government Final Consumption Expenditure (GFCE)	352789	341625	8.7	7.8	-0.6%	7.1%	-3.2%
Gross Fixed Capital Formation (GFCF)	1282287	1418043	31.8	32.4	4.8%	5.0%	10.6%
Change in Stocks	42943	46352	1.1	1.1	826.0%	11.5%	7.9%
Valuables	46214	74773	1.1	1.7	46.8%	-38.2%	61.8%
Exports	939984	972383	23.3	22.2	31.1%	10.9%	3.4%
(Less) Imports	968270	1048303	24.0	24.0	21.4%	4.1%	8.3%
Discrepancies	-134318	6935	-3.3	0.2	-	-	-
GDP	4034891	4372011	100.0	100.0	8.2%	8.1%	8.4%

Table-2: Real GVA at basic prices for Q3 FY24 (Oct-Dec)

SN	Industry	Gross Value Added (Rs Cr)		Growth (%)		
		Q3 2022-23	Q3 2023-24	Q3 2021-22	Q3 2022-23	Q3 2023-24
1	Agriculture, Forestry & Fishing	708618	702792	3.0%	5.2%	-0.8%
	Agriculture	708618	702792	3.0%	5.2%	-0.8%
2	Mining & Quarrying	76877	82680	5.3%	1.4%	7.5%
3	Manufacturing	586257	653992	0.3%	-4.8%	11.6%
4	Electricity, Gas, Water Supply & Other Utility Services	82288	89670	6.6%	8.7%	9.0%
5	Construction	329590	360743	7.3%	9.5%	9.5%
	Industry	1075012	1187085	3.0%	0.6%	10.4%
6	Trade, Hotel, Transport, Communication & Services related to broadcasting	711266	758862	8.9%	9.2%	6.7%
7	Financial, Insurance, Real Estate & Professional Services	766916	820499	5.3%	7.7%	7.0%
8	Public Administration, Defence & Other Services	479822	515724	8.6%	3.5%	7.5%
	Services	1958004	2095085	7.4%	7.2%	7.0%
	GVA at Basic Price	3741634	3984962	5.2%	4.8%	6.5%

*GVA + taxes on products - subsidies on products = GDP