

Macro Insights

1st December, 2023

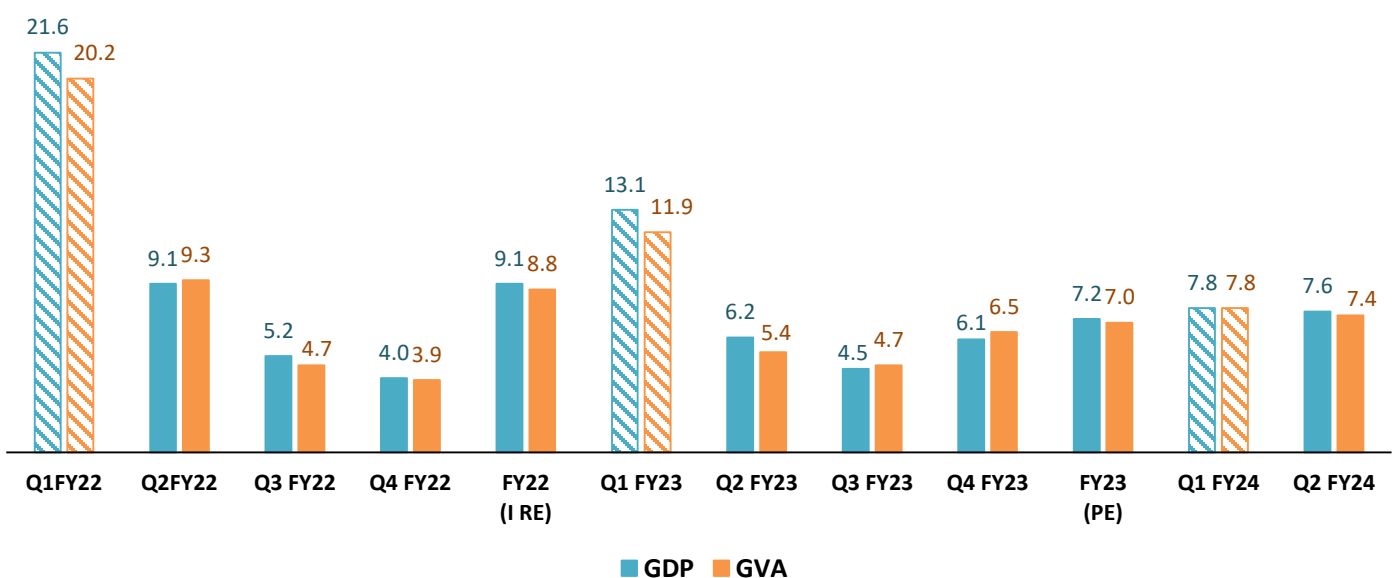
Indian economy grows by 7.6%

GDP for Q2 FY24 grew by 7.6% as compared to a growth of 7.8% in the previous quarter (Q1 FY24) and a growth of 6.2% in Q2 FY23.

Highlights:

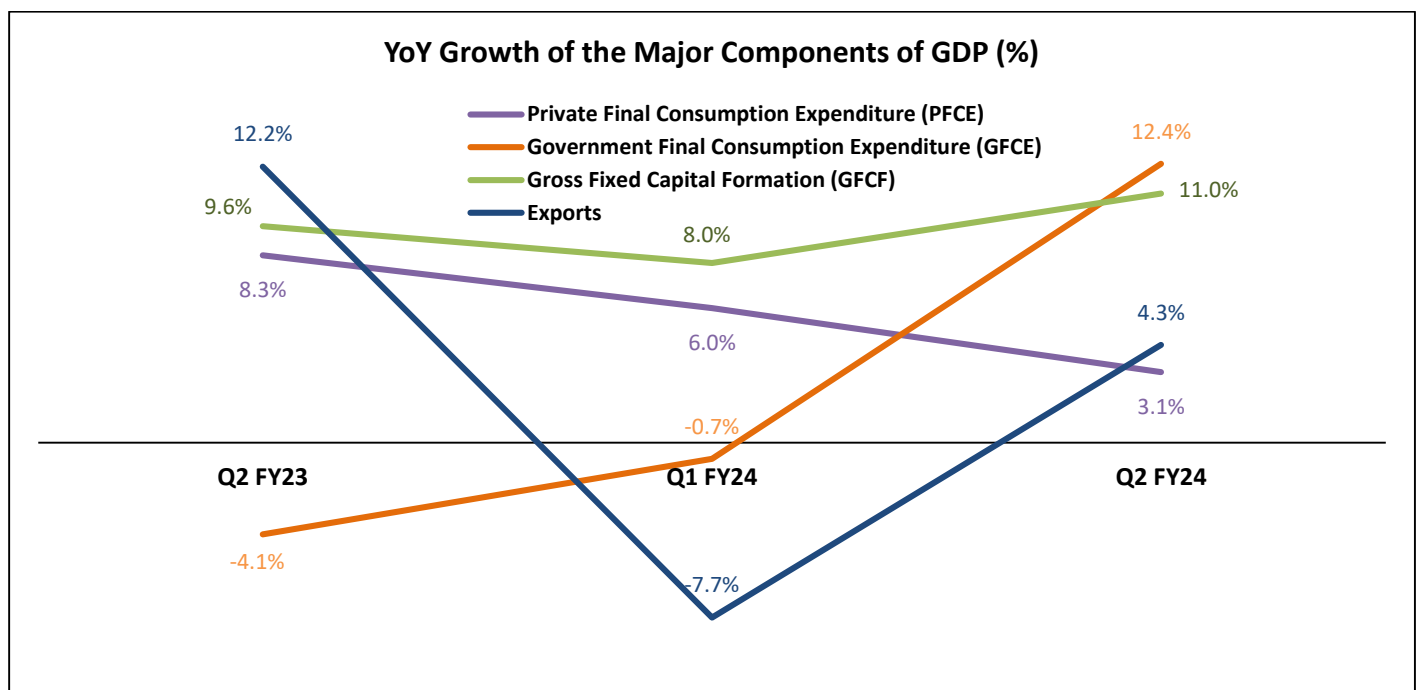
- Indian Economy remained resilient with a GDP growth of 7.6% in the second quarter of FY24, surpassing all the expectations.
- GVA growth, which excludes indirect tax and subsidies, was pegged at 7.4% in Q2 FY24.
- The growth was mainly driven by the manufacturing sector, which expanded by 13.9% as compared to a growth of 4.7% in the previous quarter.

GDP vs GVA Growth (YoY%)



Components of GDP

- Growth in Private Final Consumption Expenditure, the largest constituent of the gross domestic product, is showing a declining trend, with a figure of 3.1% in Q2 FY24, as compared to a growth of 6.0% in Q1 FY24 and 8.3% in Q2 FY23.
- Government Final Consumption Expenditure sky-rocketed to 12.4% in Q2 FY24 from the negative territory in both the previous quarter and the same quarter a year ago.
- Investment in the economy, denoted by Gross Fixed Capital Formation, grew further from 8.0% in first quarter to 11.0% in the second quarter of FY24.
- YoY Growth of exports also came out of the negative zone in the previous quarter and grew by 4.3% in Q2 FY24.

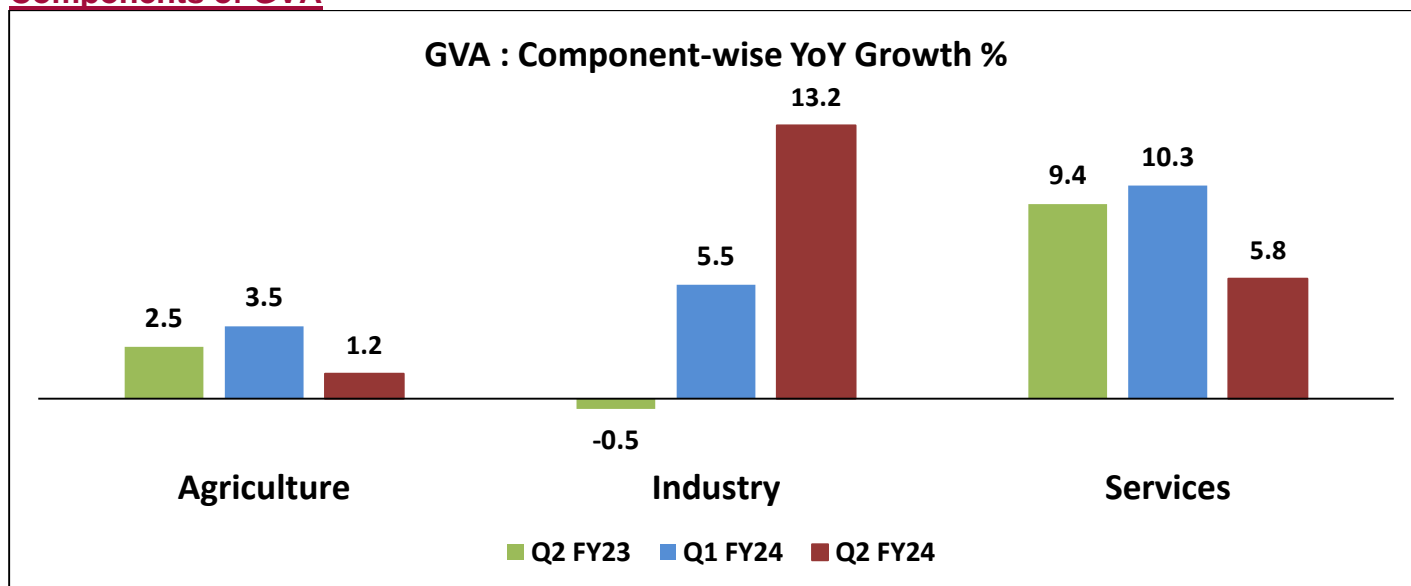


Change of the Major Component's Share in GDP from last Year

- Share of Private Final Consumption Expenditure declined by 250 bps from 59.3% in Q2 FY23 to 56.8% in Q2 FY24.
- Share of Government Final Consumption Expenditure increased by 30 bps from the previous year to 8.9% in the current quarter.
- Share of Gross Fixed Capital Formation also increased to 35.3% in Q2 FY24 from 34.2% in Q2 FY23.
- Share of Exports, however, declined by 70 bps while the share of imports increased by 230 bps when compared to the last year. The major role of the domestic economy in India's growth is supported by this data.

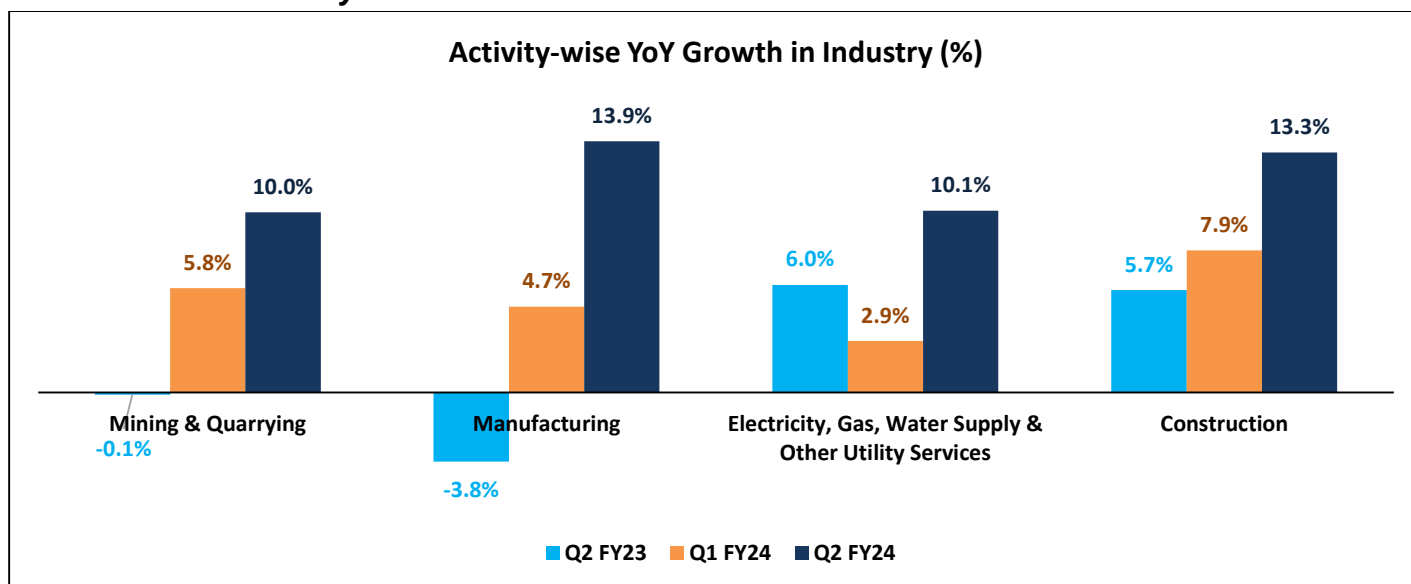
(Details in Annexure, Table 1)

Components of GVA

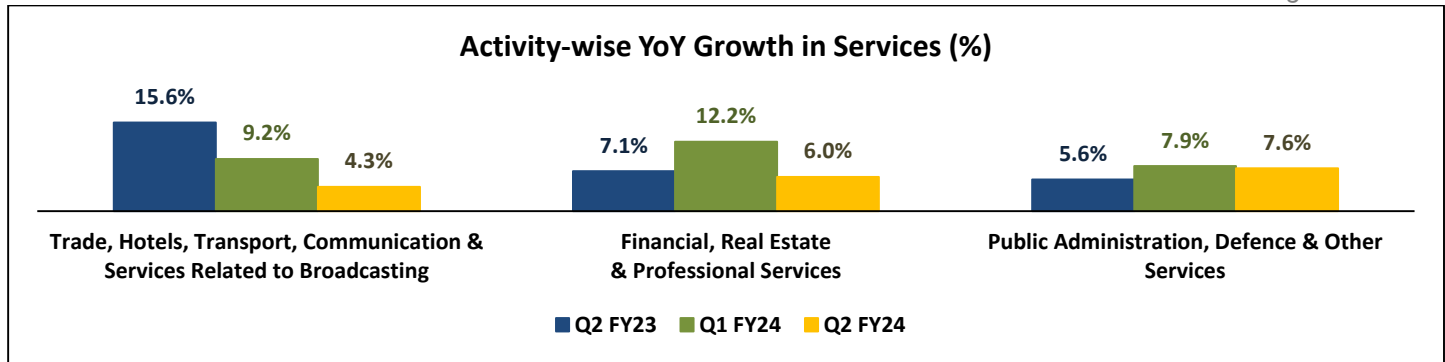


- The GVA growth in the farm sector declined from 3.5% in Q1 FY24 to 1.2% in Q2 FY24.
- The growth in the Industry Sector jumped from 5.5% in Q1 FY24 to 13.2% in Q2 FY24.
- The Services sector registered a growth of 5.8% in the second quarter, however, the growth is lower than its growth in the first quarter and the second quarter 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 13.9% in Q2 FY24. The growth of the industry was in negative region a year ago.
- Mining & Quarrying, Construction Industry and the 'Electricity, gas, water supply and other utility services' segment all grew over 10% in Q2 FY24, with construction industry registering a 13.3% growth. The growth in these sectors were higher than both its previous quarter and the same quarter a year ago.



- Growth of all the three segments was below the previous quarter.
- However, 'Public Administration, Defence & Other Services' segment marked a growth of 7.6% in Q2 FY24, which is higher than the growth it showed in Q2 last year.

(Details in Annexure, Table 2)

Views

- **With China's growth of 4.9% in July-September 2023, India remains the fastest growing major economy.**
- The growth in GDP for the second quarter of FY24 exceeded the expectations, and was well above the RBI's projection of 6.5% in its October Monetary Policy Committee meeting.
- The Industry Sector, mainly aided by Manufacturing and the Construction Industry, showed a robust performance.
- The Government Spending and Investment Activities also displayed healthy growth.
- However, there are some concerning areas where the economy needs to perform better. Firstly, the growth of Agriculture Sector slipped from the previous quarter to 1.2%. Secondly, the Services sector growth slowed down with sluggish performance in 'Trade, Hotel, Transport, Communication and Services related to broadcasting' segment. Lastly, the private consumption growth also showed signs of deceleration.
- **Going forward, even though there are expectations of the economy to slow down in the second half of the financial year due to factors like global slowdown, lagged impact of domestic rate hikes, adverse impact of El Nino, etc., the strong foundation set by the first two quarters is expected to push up the full year growth estimate of 6.5%.**

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Table-1: GDP (at Constant Prices) for Q2 FY24 (Jul-Sep)

| Item | Expenditures of Gross Domestic Product (Rs Cr) | | Share in GDP (%) | | % YoY Growth | | |
|---|--|----------------|------------------|--------------|--------------|-------------|-------------|
| | Q2 2022-23 | Q2 2023-24 | Q2 2022-23 | Q2 2023-24 | Q2 2021-22 | Q2 2022-23 | Q2 2023-24 |
| Private Final Consumption Expenditure (PFCE) | 2298123 | 2370094 | 59.3 | 56.8 | 14.2% | 8.3% | 3.1% |
| Government Final Consumption Expenditure (GFCE) | 332450 | 373513 | 8.6 | 8.9 | 11.7% | -4.1% | 12.4% |
| Gross Fixed Capital Formation (GFCF) | 1325580 | 1471938 | 34.2 | 35.3 | 12.4% | 9.6% | 11.0% |
| Change in Stocks | 30591 | 34154 | 0.8 | 0.8 | - | - | - |
| Valuables | 108206 | 103901 | 2.8 | 2.5 | 156.6% | -19.5% | -4.0% |
| Exports | 927872 | 968011 | 23.9 | 23.2 | 25.1% | 12.2% | 4.3% |
| (Less) Imports | 1074495 | 1253860 | 27.7 | 30.0 | 26.6% | 23.1% | 16.7% |
| Discrepancies | -70326 | 106561 | -1.8 | 2.6 | - | - | - |
| GDP | 3878001 | 4174312 | 100.0 | 100.0 | 9.1% | 6.2% | 7.6% |

Table-2: Real GVA at basic prices for Q2 FY24 (Jul-Sep)

| SN | Industry | Gross Value Added (Rs Cr) | | Growth (%) | | |
|----|---|---------------------------|----------------|--------------|--------------|--------------|
| | | Q2 2022-23 | Q2 2023-24 | Q2 2021-22 | Q2 2022-23 | Q2 2023-24 |
| 1 | Agriculture, Forestry & Fishing | 430119 | 435371 | 4.8% | 2.5% | 1.2% |
| | Agriculture | 430119 | 435371 | 4.8% | 2.5% | 1.2% |
| 2 | Mining & Quarrying | 64773 | 71229 | 10.6% | -0.1% | 10.0% |
| 3 | Manufacturing | 628098 | 715465 | 6.6% | -3.8% | 13.9% |
| 4 | Electricity, Gas, Water Supply & Other Utility Services | 87449 | 96249 | 10.8% | 6.0% | 10.1% |
| 5 | Construction | 269185 | 304938 | 10.8% | 5.7% | 13.3% |
| | Industry | 1049505 | 1187881 | 8.1% | -0.5% | 13.2% |
| 6 | Trade, Hotel, Transport, Communication & Services related to broadcasting | 678928 | 707881 | 13.1% | 15.6% | 4.3% |
| 7 | Financial, Insurance, Real Estate & Professional Services | 932864 | 988993 | 7.0% | 7.1% | 6.0% |
| 8 | Public Administration, Defence & Other Services | 472847 | 508574 | 16.8% | 5.6% | 7.6% |
| | Services | 2084639 | 2205448 | 11.1% | 9.4% | 5.8% |
| | GVA at Basic Price | 3564263 | 3828700 | 9.3% | 5.4% | 7.4% |

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