

Macro Insights

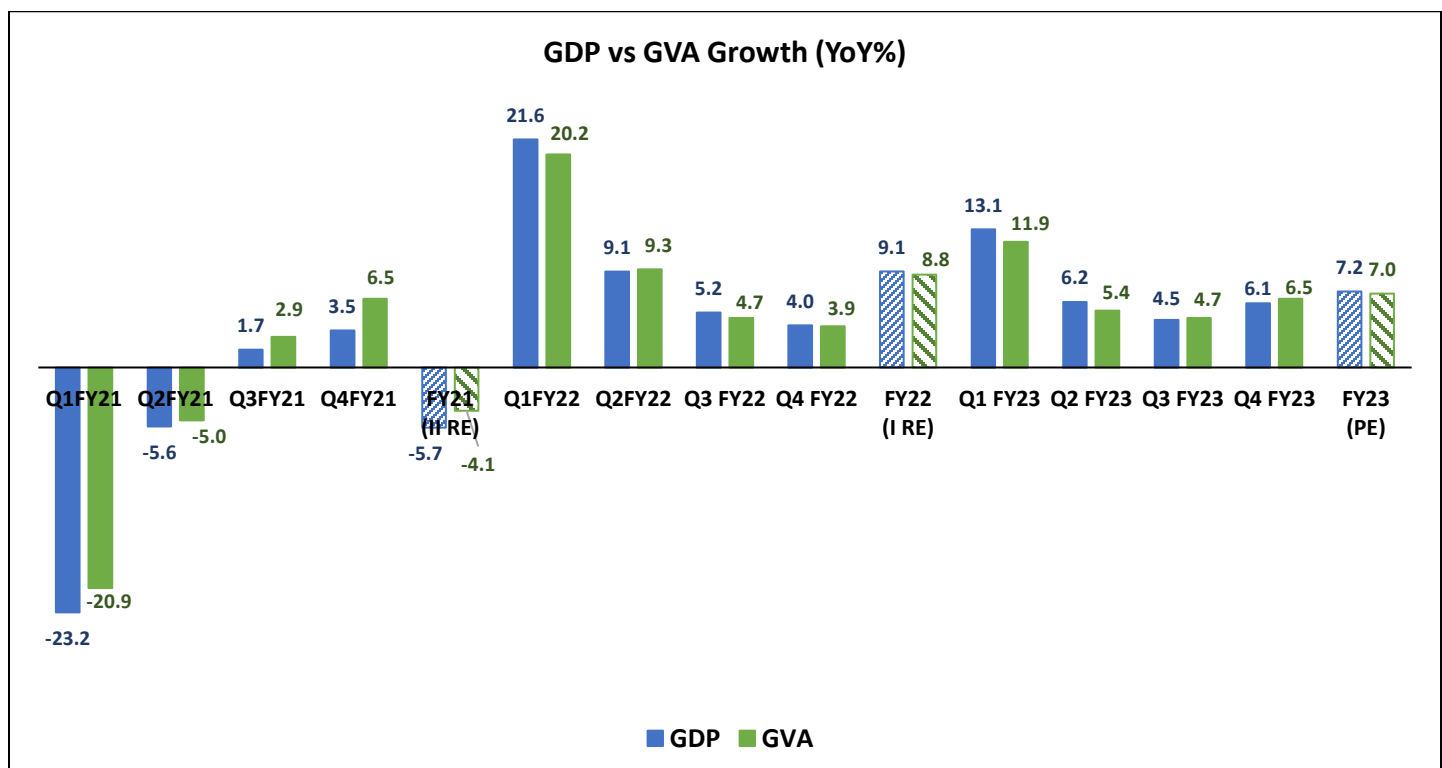
2nd June, 2023

India witnesses strong GDP growth

Gross Domestic Product (GDP) for FY23 grew by 7.2 per cent as compared to a growth of 9.1 per cent in the previous year. Also, **Real Gross Value Added (GVA) at basic prices in FY23 grew by 7.0 per cent** in comparison to a growth of 8.8 per cent in FY22. **For the last quarter of FY23, GDP grew by 6.1 per cent while GVA grew by 6.5 per cent.**

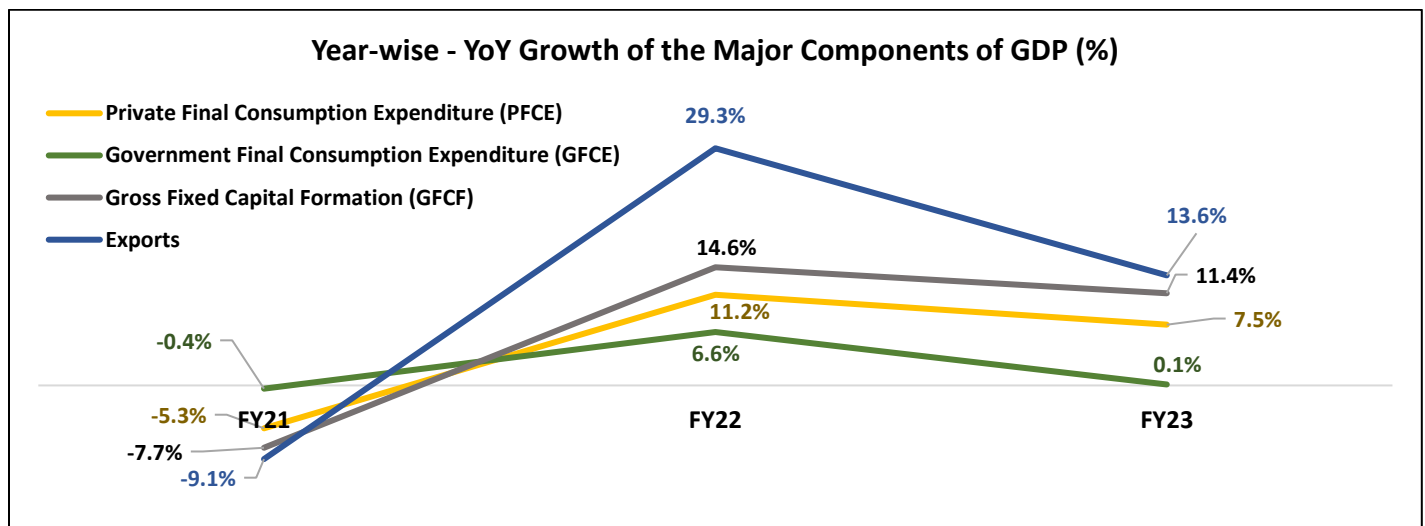
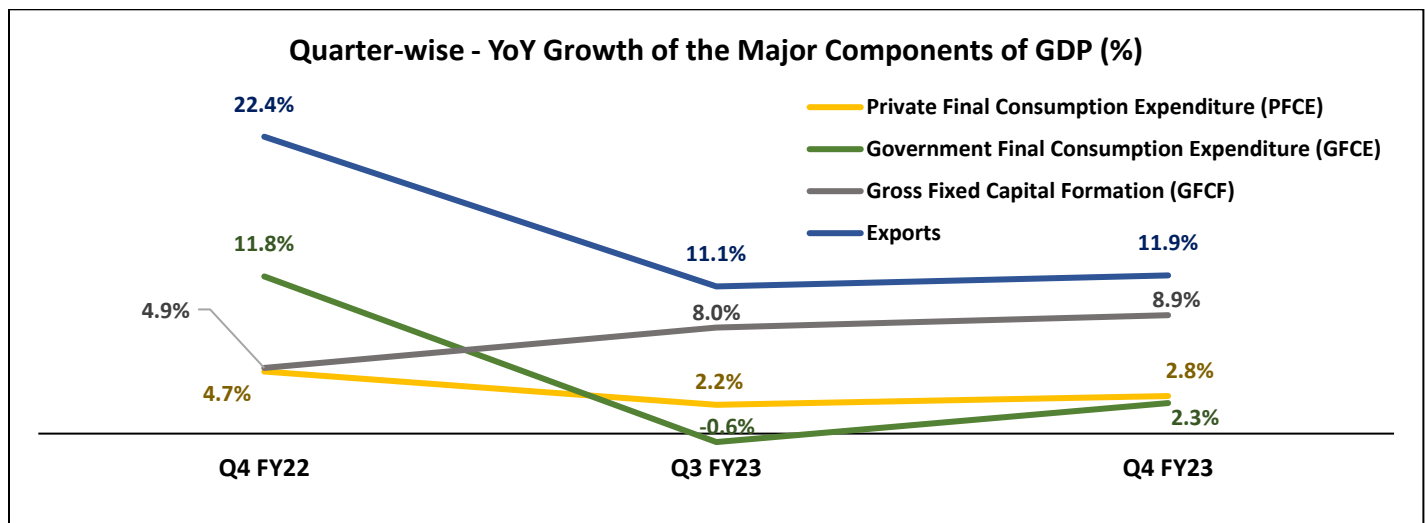
Highlights:

- ☞ The growth has driven the Indian economy to \$3.3 trillion and set the stage for achieving \$5 trillion target.
- ☞ For the quarter, growth was supported by the manufacturing and construction sectors and reflected sustained domestic demand amidst a gloomy global economic outlook.
- ☞ In the March quarter, India's manufacturing sector output rose 4.5 per cent on-year, while the farm output rose 5.5 per cent in the same period.
- ☞ Services sector showed a strong growth in FY23 with a growth rate of 9.5 per cent as against 8.8 per cent in FY22.



Components of GDP

- Growth in **Private Final Consumption Expenditure**, the largest constituent of the GDP, improved slightly from the previous quarter but remained at a lower level. The full year growth for the component also declined from the previous year from 11.2 per cent in FY22 to 7.5 per cent in FY23. ***This calls for an improvement in the consumer sentiments in the coming days.***
- Growth in **Government Final Consumption Expenditure** improved in the quarter to 2.3 per cent, coming out of the negative zone. However, the overall growth in the full year was marginal due to the negative growth in the previous two quarters. ***The lower rate of the component implies the less dependency of the economy on the Government Expenditures.***
- The growth of investment in the economy, denoted by **Gross Fixed Capital Formation**, increased from the previous quarter from 8.0 per cent to 8.9 per cent. The growth rate for the full year was also at a high-level with 11.4 per cent. ***This implies the continuous focus of the Government and the initiatives taken towards capital expenditure.***
- **Exports** improved slightly from previous quarter's growth, however declined sharply from the previous year's, ***implying sluggish demand and recession in the global economy.***

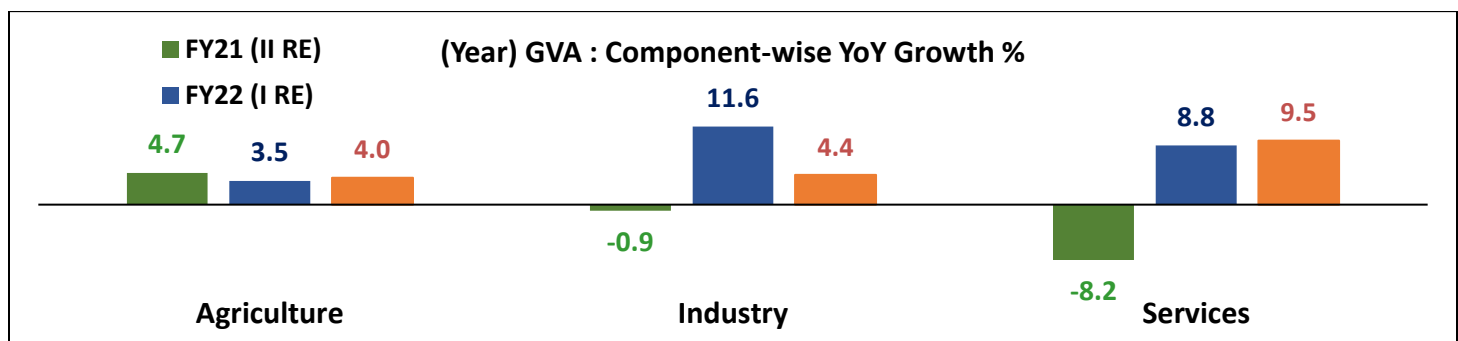
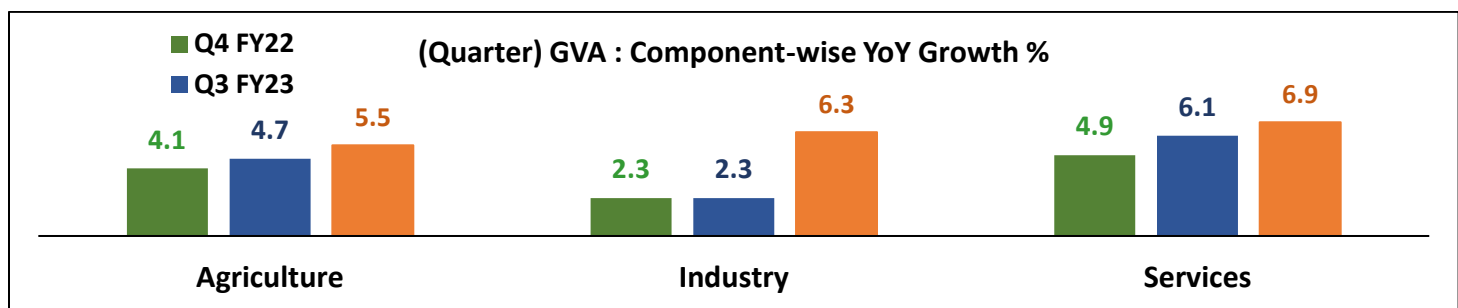


Change of the Major Component's Share in GDP from last Year

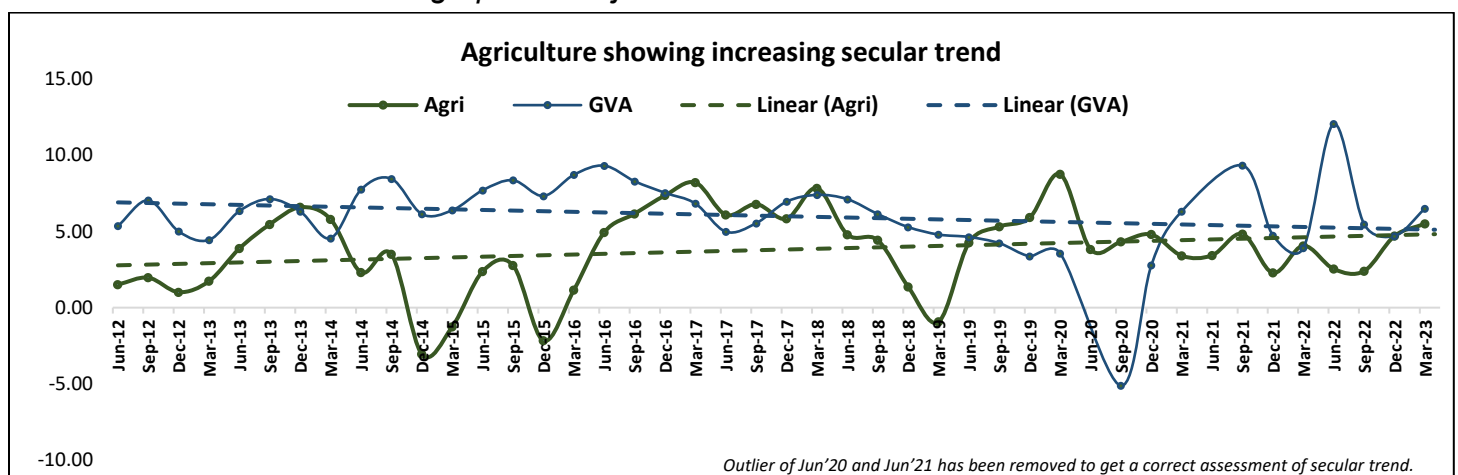
- Share of Private Final Consumption Expenditure increased marginally from 58.3 in FY22 to 58.5 in FY23.
- Share of Government Final Consumption Expenditure declined from 10.6 per cent to 9.9 per cent in FY23.
- Share of Gross Fixed Capital Formation increased sharply from 32.7 per cent a year ago to 34 per cent in FY23.
- Share of Exports and Imports also increased compared to previous year.

(Details in Annexure, Table 1)

Components of GVA

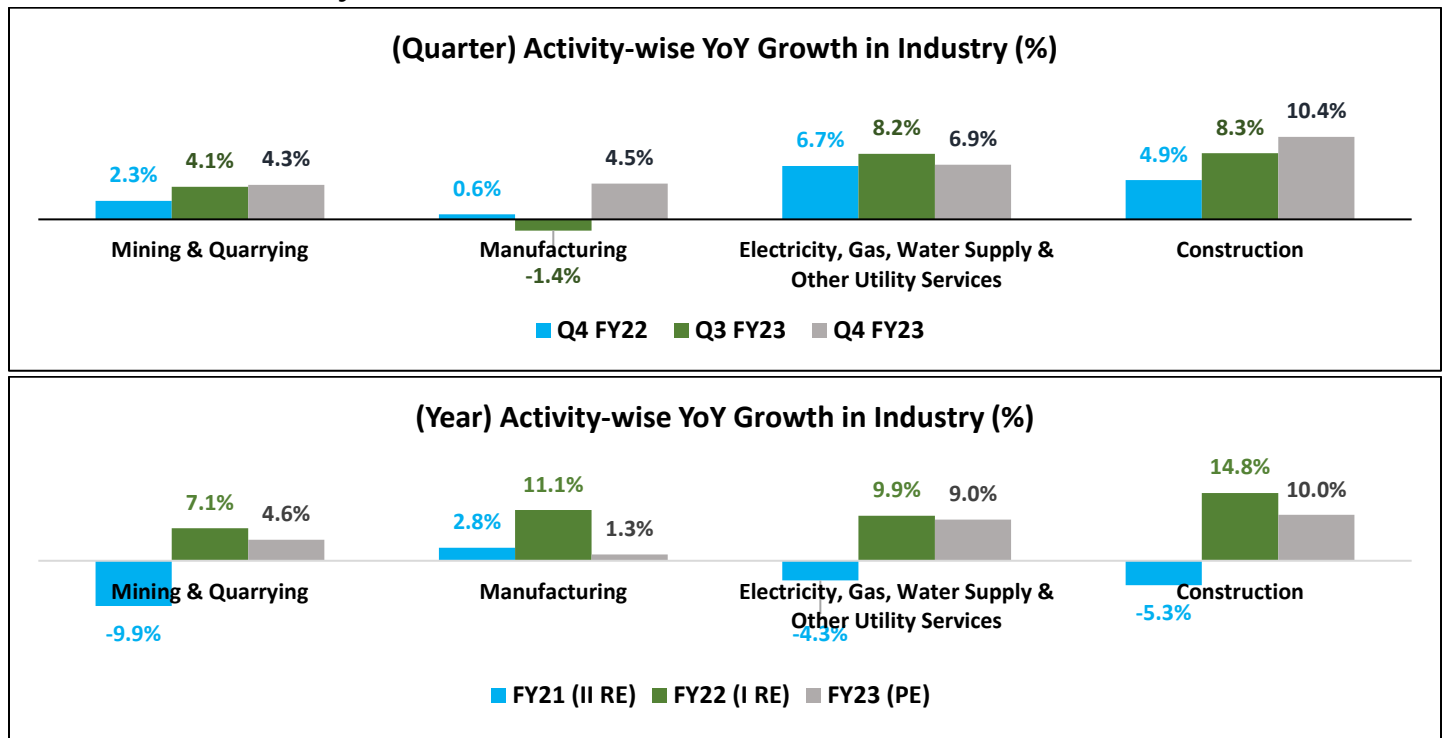


- The GVA growth in the **Farm sector** increased substantially from the previous quarter and registered a growth of 5.5 per cent. For the year too, the Agricultural sector increased from the previous year to 4.0 per cent, **thus proving to be a major contributor despite facing adverse weather conditions. The graph below justifies the sector's contribution.**

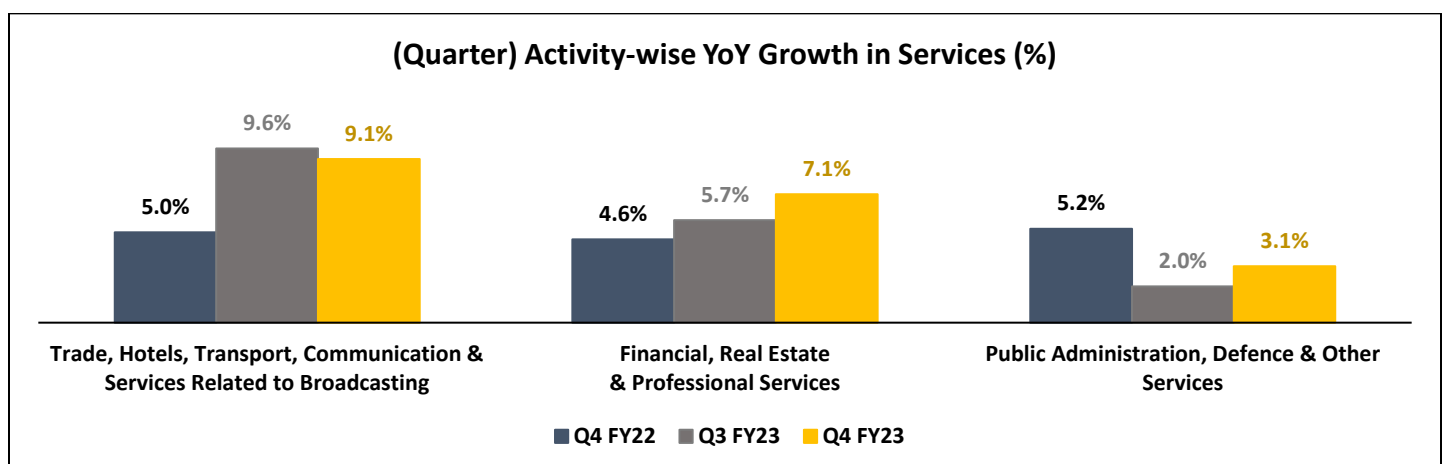


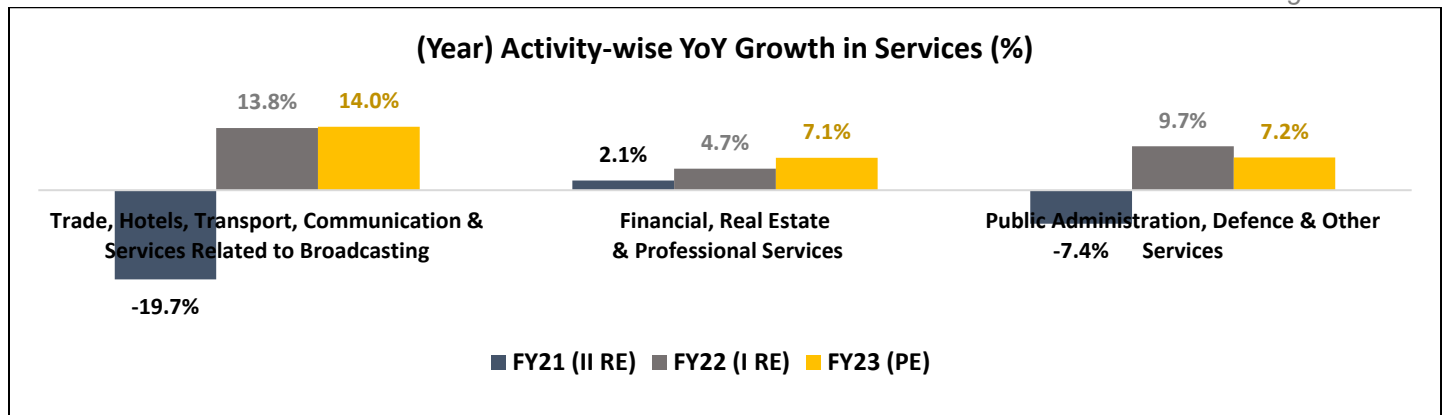
- **The Industry sector** experienced a robust growth of 6.3 per cent in the quarter (Q4 FY23) from 2.3 per cent in the previous quarter. However, the overall growth for the FY23 came down to 4.4 per cent due to **the slow performance in the previous quarters**.
- **The Services sector played a major role in the country's growth**, increasing both quarter wise (6.9 per cent from 6.1 per cent in the previous quarter) and year wise (9.5 per cent in FY23 from 8.8 per cent in FY22).

Closer look at Industry and Services



- **The Manufacturing industry**, a major part of the industry sector, **drove the growth of industry in the quarter** (Q4 FY23), growing from negative zone to 4.5 per cent, however could not make a mark for the full year when compared to the previous year's growth. **The expansion in the quarter attributes to higher profitability in the sector owing to moderate input costs**.
- Despite the rate hikes and elevated inflation levels, **the Construction sector showcased a robust performance with double-digit growth for both the quarter and the full year**.





- **Growth in Services sector was mainly led by ‘Trade, Hotel, Transport, Communication & Services related to broadcasting’ segment**, which registered a growth of 9.1 per cent in Q4 FY23 and 14 per cent for FY23.
- **‘Financial, Real Estate & Professional Services’ segment**, also registered a growth of 7.1 per cent for both, the quarter and the year.

(Details in Annexure, Table 2)

Way forward

- Even though the rate of GDP growth remained lower than the previous year, **India remains as one of the fastest-growing economies among major global players.**
- Going ahead, the Private Expenditure needs to be pick-up this year.
- With the strong growth of FY23, **the present year needs more effort on all the aspects because of the higher base.**
- **The resilient economic performance also gives room for sticking to the rate hike pause** in the upcoming Monetary Policy Meets.
- **GDP growth may be expected around 6.3 - 6.6 per cent** which is in line with RBI’s expectation of 6.5 per cent for FY24 on the back of easing inflationary pressures. However, the potential risks from global uncertainties and the El Nino Conditions will remain as the threats to be watchful of.

***Disclaimer:** The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/figures represented in the note and shall not be held liable for the same in any manner whatsoever.*

For any feedback or valuable suggestions: Reach us at eicsmead@pnb.co.in

Follow our Official Page www.pnbindia.in

Table-1: GDP (at Constant Prices) for FY23 & Q4FY23

Item	Expenditures of Gross Domestic Product (Rs Cr)			Share in GDP (%)			% YoY Change		
	Q4 FY23	2021-22 (1 st RE)	2022-23 (PE)	Q4 FY23	2021-22 (1 st RE)	2022-23 (PE)	Q4 FY23	2021-22	2022-23
Private Final Consumption Expenditure (PFCE)	2399515	8703541	9358694	55.0	58.3	58.5	2.8%	11.2%	7.5%
Government Final Consumption Expenditure (GFCE)	485284	1575281	1577306	11.1	10.6	9.9	2.3%	6.6%	0.1%
Gross Fixed Capital Formation (GFCF)	1538071	4878773	5434691	35.3	32.7	34.0	8.9%	14.6%	11.4%
Change in Stocks	35954	124162	127463	0.8	0.8	0.8	5.9%	687.8%	2.7%
Valuables	37330	278759	226089	0.9	1.9	1.4	-23.4%	34.0%	-18.9%
Exports	994047	3305833	3754521	22.8	22.1	23.5	11.9%	29.3%	13.6%
Less Imports	1000311	3493326	4091375	22.9	23.4	25.6	4.9%	21.8%	17.1%
Discrepancies	-128375	-447182	-380964	-2.9	-3.0	-2.4	2.9%	-307.4%	-14.8%
GDP	43,61,515	1,49,25,841	1,60,06,425	100.0	100.0	100.0	6.1%	9.1	7.2

Table-2: Real GVA at basic prices for FY23 & Q4FY23

Industry	Gross Value Added (Rs Cr)			% YoY Change		
	Q4 FY23	2021-22 (1 st RE)	2022-23 (PE)	Q4 FY23	2021-22	2022-23
Agriculture, Forestry & Fishing	607131	2149122	2234269	5.5%	3.5%	4.0%
Agriculture	607131	2149122	2234269	5.5%	3.5%	4.0%
Mining & Quarrying	98104	310415	324708	4.3%	7.1%	4.6%
Manufacturing	738200	2582473	2617059	4.5%	11.1%	1.3%
Electricity, Gas, Water Supply & Other Utility Services	85297	316110	344418	6.9%	9.9%	9.0%
Construction	391811	1129368	1242354	10.4%	14.8%	10.0%
Industry	1313412	4338366	4528539	6.3%	11.6%	4.4%
Trade, Hotel, Transport, Communication & Services related to broadcasting	810205	2456447	2800112	9.1%	13.8%	14.0%
Financial, Insurance, Real Estate & Professional Services	760810	3098827	3320305	7.1%	4.7%	7.1%
Public Administration, Defence & Other Services	487603	1755263	1881615	3.1%	9.7%	7.2%
Services	2058618	7310537	8002032	6.9%	8.8%	9.5%
GVA at Basic Price	39,79,161	1,37,98,025	1,47,64,840	6.5%	8.8%	7.0%

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