

## Macro Insights

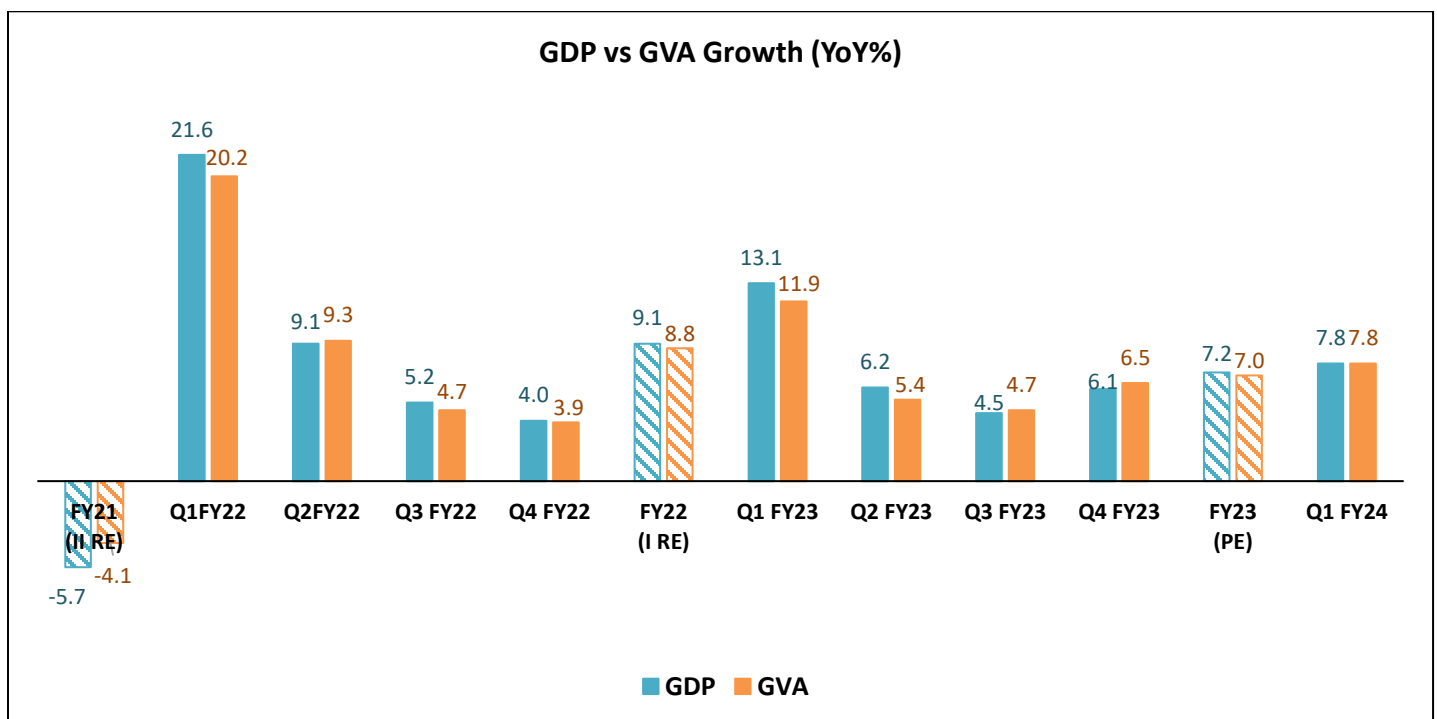
1<sup>st</sup> September, 2023

### Highlights:

#### GDP growth rises to 4-Quarter High

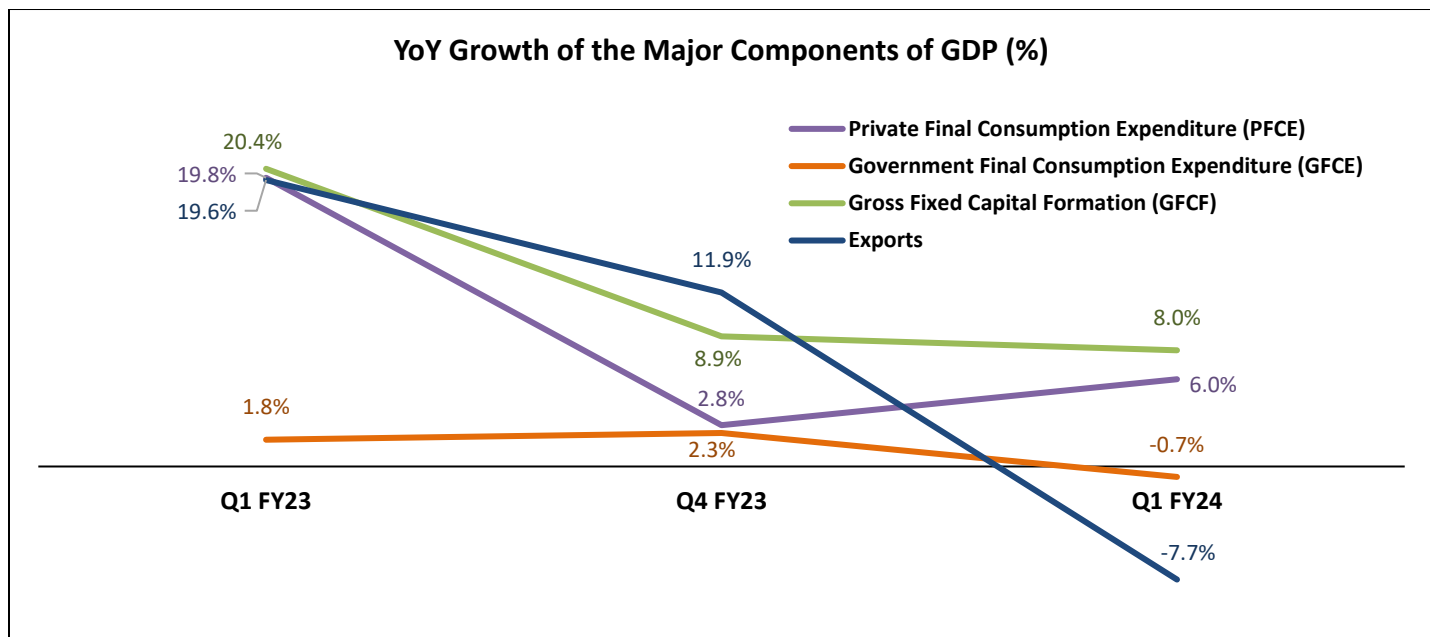
GDP for Q1 FY24 grew by 7.8% as compared to a growth of 6.1% in the previous quarter (Q4 FY23) and a growth of 13.1% in Q1 FY23.

- ☞ GDP growth of the Indian economy in Q1 FY24 grew by 7.8%, mainly driven by the Agriculture Sector.
- ☞ The figure was better than the growth rate of the previous quarter (6.1%), however quite below the growth of the previous year in the same quarter (13.1%).
- ☞ GVA growth was also pegged at 7.8% in Q1 FY24.



### Components of GDP

- Growth in Private Final Consumption Expenditure, the largest constituent of the gross domestic product, picked up from the previous quarter, with a growth of 6%, however below the previous year's reading of 19.8%.
- Government Final Consumption Expenditure dipped in the negative zone to -0.7% in the first quarter of FY24, which continues to imply the less dependency of the economy on Government Expenditure.
- The Growth in Gross Fixed Capital Formation, which denotes investment in the economy, remains almost consistent compared to the previous quarter, with a figure of 8.0% in Q1 FY24. The growth in Q1 FY23 however was as high as 20.4%.
- YoY Growth of exports took a major dip from 19.6% in Q1 FY23 to -7.7% in Q1 FY24.

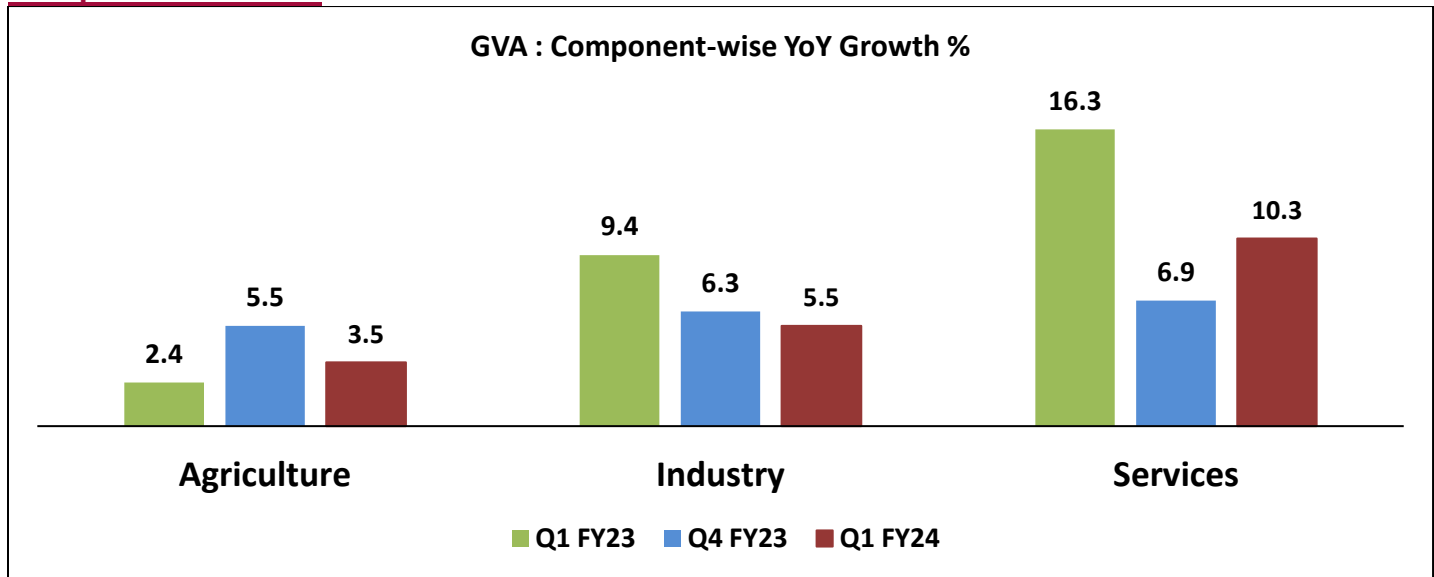


### Change of the Major Component's Share in GDP from last Year

- Share of Private Final Consumption Expenditure declined by 100 bps from 58.3% in Q1 FY24 to 57.3% in Q1 FY23.
- Share of Government Final Consumption Expenditure also declined by 90 bps from the previous year to 10.1% in the current quarter.
- Share of Gross Fixed Capital Formation remained constant at 34.7% in Q1 FY24 compared to the same quarter a year ago.
- Share of Exports declined by 350 bps while the share of imports increased by 60 bps when compared to the last year. Thus implying that the growth is mainly coming from the domestic economy.

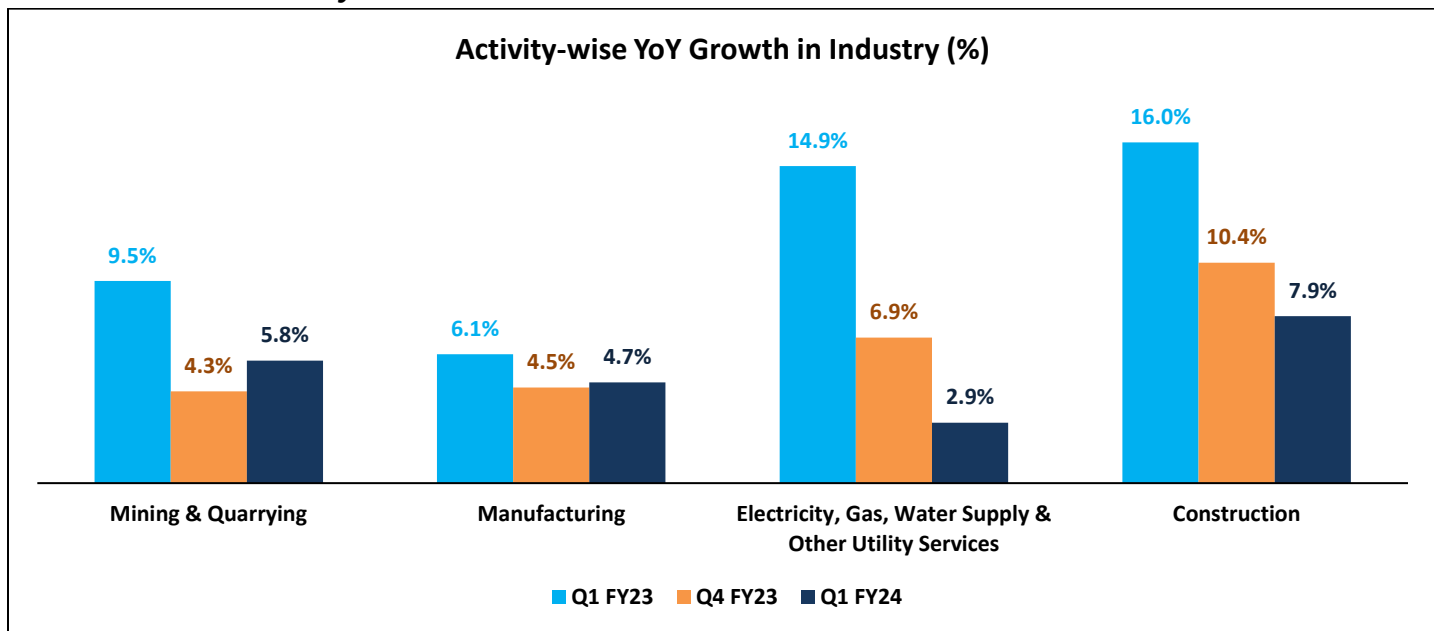
*(Details in Annexure, Table 1)*

**Components of GVA**

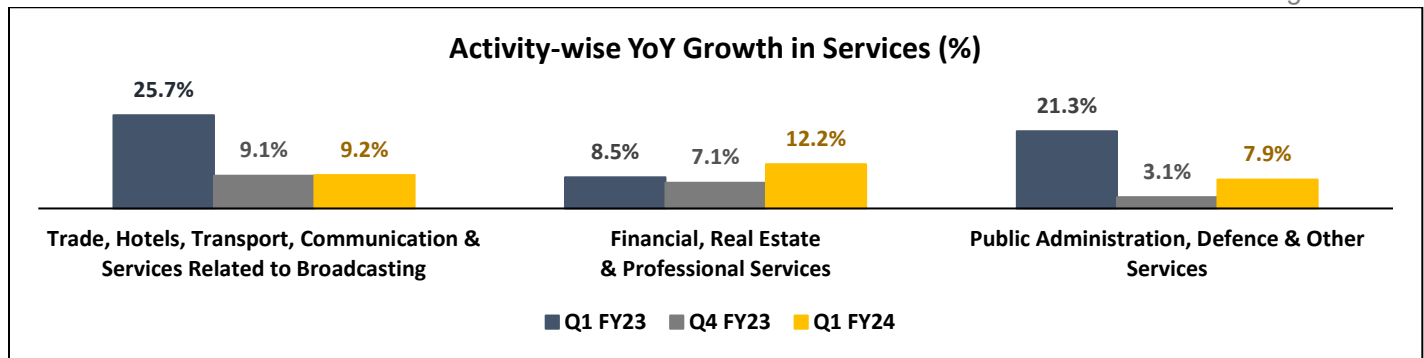


- The GVA growth in the farm sector increased to 3.5% in the first quarter of FY24 compared to 2.4% a year ago. The sector however grew by 5.5% in Q4 FY23.
- The growth in the Industry Sector declined from both the previous quarter and the previous year to 5.5% in Q1 FY24.
- The growth rate of services sector at 10.3% in Q1 FY24, is higher than the growth of 6.9% in the previous quarter, but lower than the growth of 16.3% in Q1 FY23.

**Closer look at Industry and Services**



- The Manufacturing industry, a major part of the industry sector, contracted to 4.7% in Q1 FY24 when compared to the growth of 6.1% in the previous year.
- Mining & Quarrying, Construction Industry and the 'Electricity, gas, water supply and other utility services' segment grew by 5.8%, 7.9% and 2.9% respectively in Q1 FY24.



- All the three segments increased from the previous quarter, however ‘Trade, Hotel, Transport, Communication & Services related to broadcasting’ and ‘Public Administration, Defence & Other Services’ fell well short of the previous year’s readings.
- ‘Financial, Real Estate & Professional Services’ in Q1 FY24 remained robust and increased by 12.2%.

*(Details in Annexure, Table 2)*

### Views

- The growth in GDP was in line with the expectations and slightly below the RBI’s projection of 8%. As per the announcement of the latest Monetary Policy Committee (MPC), RBI had projected the Real GDP growth for 2023-24 at 6.5% with Q1 at 8.0%, Q2 at 6.5%, Q3 at 6.0% and Q4 at 5.7%. Hence, RBI is expected to give more thrust on growth in the upcoming MPC.
- With this growth, India maintains its position as the fastest-expanding major economy, with China's GDP growth standing at 6.3 per cent for the April-June quarter.
- It may be mentioned that in Q1 FY23, the growth was higher due to the base effect. The growth rate in Q1 FY24 is however higher than the previous quarter, showing consistency in the expansion of economic activities.
- Another factor leading to the softer growth rate compared to the same period in the previous year was also due to the slowdown in exports, which may be linked to signs of global headwinds.
- **Going forward, the RBI’s projection of 6.5% GDP growth mark in FY 2023-24 is reachable on the back of the economy’s strong and stable momentum as compared to other countries. We also expect consumption to remain resilient and net exports to improve during the year.**

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**Table-1: GDP (at Constant Prices) for Q1 FY24 (Apr-Jun)**

Item	Expenditures of Gross Domestic Product (Rs Cr)		Share in GDP (%)		% YoY Growth		
	Q1 2022-23	Q1 2023-24	Q1 2022-23	Q1 2023-24	Q1 2021-22	Q1 2022-23	Q1 2023-24
Private Final Consumption Expenditure (PFCE)	2182357	2312601	58.3	57.3	17.6%	19.8%	6.0%
Government Final Consumption Expenditure (GFCE)	411243	408300	11.0	10.1	-2.1%	1.8%	-0.7%
Gross Fixed Capital Formation (GFCF)	1297588	1400832	34.7	34.7	61.0%	20.4%	8.0%
Change in Stocks	31050	32256	0.8	0.8	-	-	-
Valuables	34959	27633	0.9	0.7	481.2%	58.7%	-21.0%
Exports	915111	844252	24.4	20.9	46.1%	19.6%	-7.7%
(Less) Imports	1001571	1102748	26.7	27.3	44.8%	33.6%	10.1%
Discrepancies	-126452	114019	-3.4	2.8	-	-	-
<b>GDP</b>	<b>3744285</b>	<b>4037145</b>	<b>100.0</b>	<b>100.0</b>	<b>21.6%</b>	<b>13.1%</b>	<b>7.8%</b>

**Table-2: Real GVA at basic prices for Q1 FY24 (Apr-Jun)**

SN	Industry	Gross Value Added (Rs Cr)		Growth (%)		
		Q1 2022-23	Q1 2023-24	Q1 2021-22	Q1 2022-23	Q1 2023-24
1	Agriculture, Forestry & Fishing	496547	513946	3.4%	2.4%	3.5%
	<b>Agriculture</b>	<b>496547</b>	<b>513946</b>	<b>3.4%</b>	<b>2.4%</b>	<b>3.5%</b>
2	Mining & Quarrying	82809	87587	12.2%	9.5%	5.8%
3	Manufacturing	637520	667770	51.5%	6.1%	4.7%
4	Electricity, Gas, Water Supply & Other Utility Services	90134	92704	16.3%	14.9%	2.9%
5	Construction	276648	298393	77.0%	16.0%	7.9%
	<b>Industry</b>	<b>1087111</b>	<b>1146454</b>	<b>49.1%</b>	<b>9.4%</b>	<b>5.5%</b>
6	Trade, Hotel, Transport, Communication & Services related to broadcasting	594803	649560	41.4%	25.7%	9.2%
7	Financial, Insurance, Real Estate & Professional Services	881599	989293	2.8%	8.5%	12.2%
8	Public Administration, Defence & Other Services	439780	474678	6.5%	21.3%	7.9%
	<b>Services</b>	<b>1916182</b>	<b>2113531</b>	<b>12.5%</b>	<b>16.3%</b>	<b>10.3%</b>
	<b>GVA at Basic Price</b>	<b>3499840</b>	<b>3773931</b>	<b>20.2%</b>	<b>11.9%</b>	<b>7.8%</b>

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