



## Q3' FY24 GDP shocks while GVA toes the line

29<sup>th</sup> February, 2024

## 1. Q3 FY24 GDP growth surprisingly jumps to 8.4% while GVA slows as expected

- GDP growth jumps in Q3 vis-à-vis our and consensus expectation of a slowdown to 6.5%
- However, GVA growth dropped as expected to 6.5%, in line with our economic activity index
- Unforeseen GDP/GVA gap explained by the superlative growth in indirect taxes, though sustainability needs to be checked

## 2. Sharp data revisions partly boost FY24 growth numbers

- Downward revision seen in FY23 (annual and quarterly growth numbers) on a higher revised base (9.8% in FY22 now)
- This boosted FY24 GDP growth now revised up to 7.6% from 7.3% previously while GVA growth stays broadly unchanged

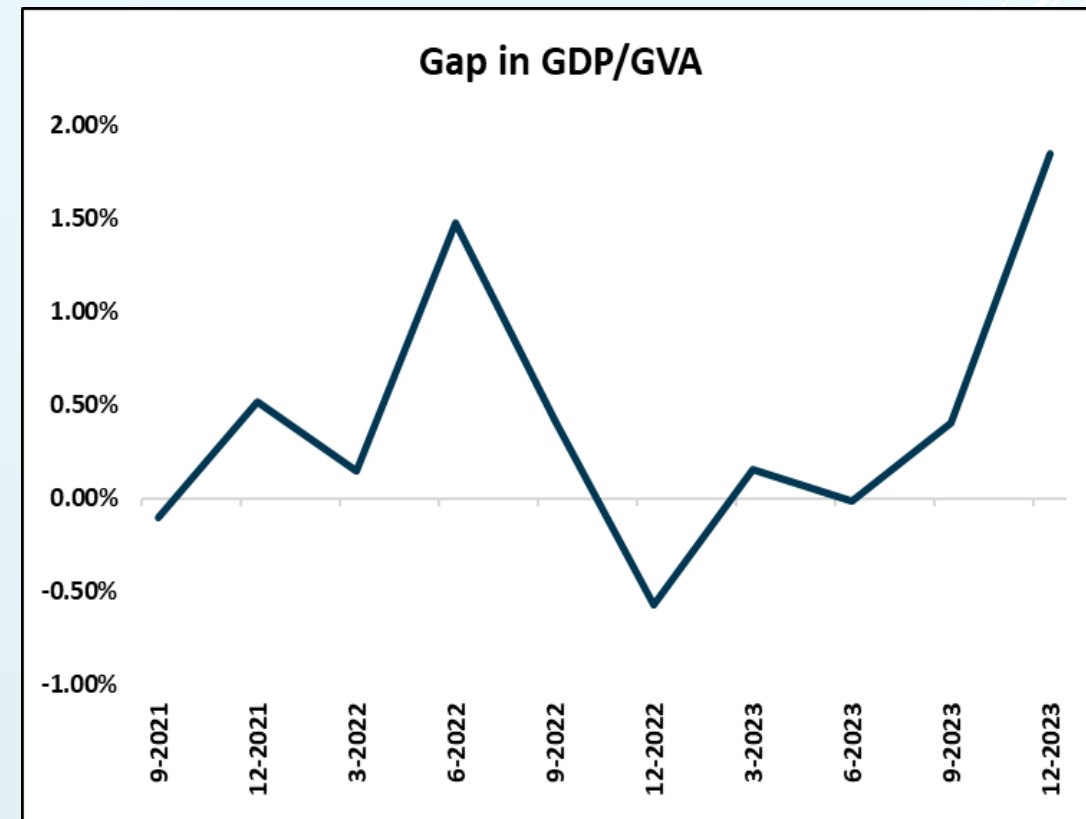
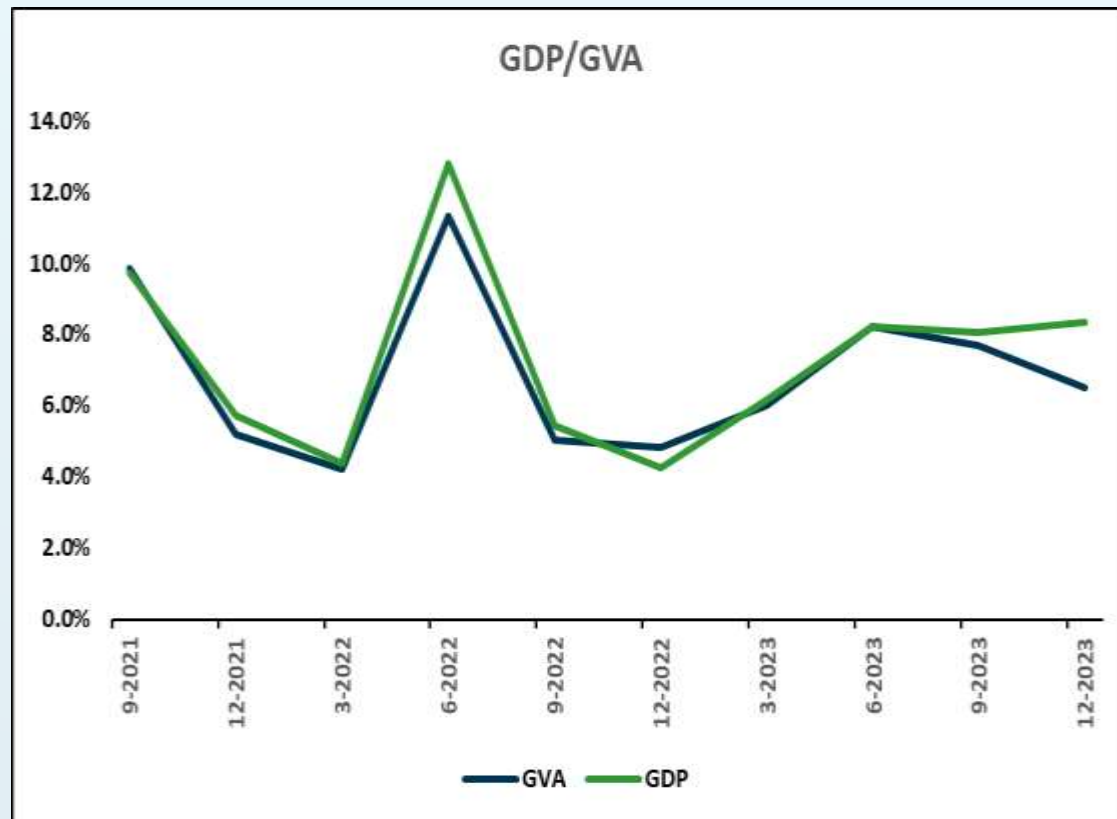
## 3. Capex along with manufacturing and construction are primary growth drivers in FY24

- On an annual basis, growth resilience was led by capex (primarily government spending) while private consumption growth was weak at only 3%. The theme of K-shaped consumption dynamics stays amid rural-urban divide underway
- However, it needs to be noted that GDP data may undergo revisions as discrepancies explain c.55% of FY24 growth
- GVA boost in FY24 is primarily from industry while services held momentum and agri was a drag on El Nino effects

## 4. We see FY25 GDP growth at 7% with a downward bias

- FY25 growth seen at 7% as per RBI and government estimates, with downward pressure on soft landing in US and global economy, slowdown in public capex growth and delay in private capex recovery in H2 post elections

# Divergence in GDP and GVA growth in Q3' FY24



- GDP growth clocked a surprisingly high 8.4% (Q2: 7.7%) vis-à-vis our and market expectation of c.6.5%
- However, GVA growth slowed as expected to 6.5% (Q2: 7.7%). Hence, the major surprise is from spike in net indirect taxes (gap between GDP and GVA)
- The record gap in GDP and GVA shows the superlative growth in indirect taxes, though sustainability needs to be checked

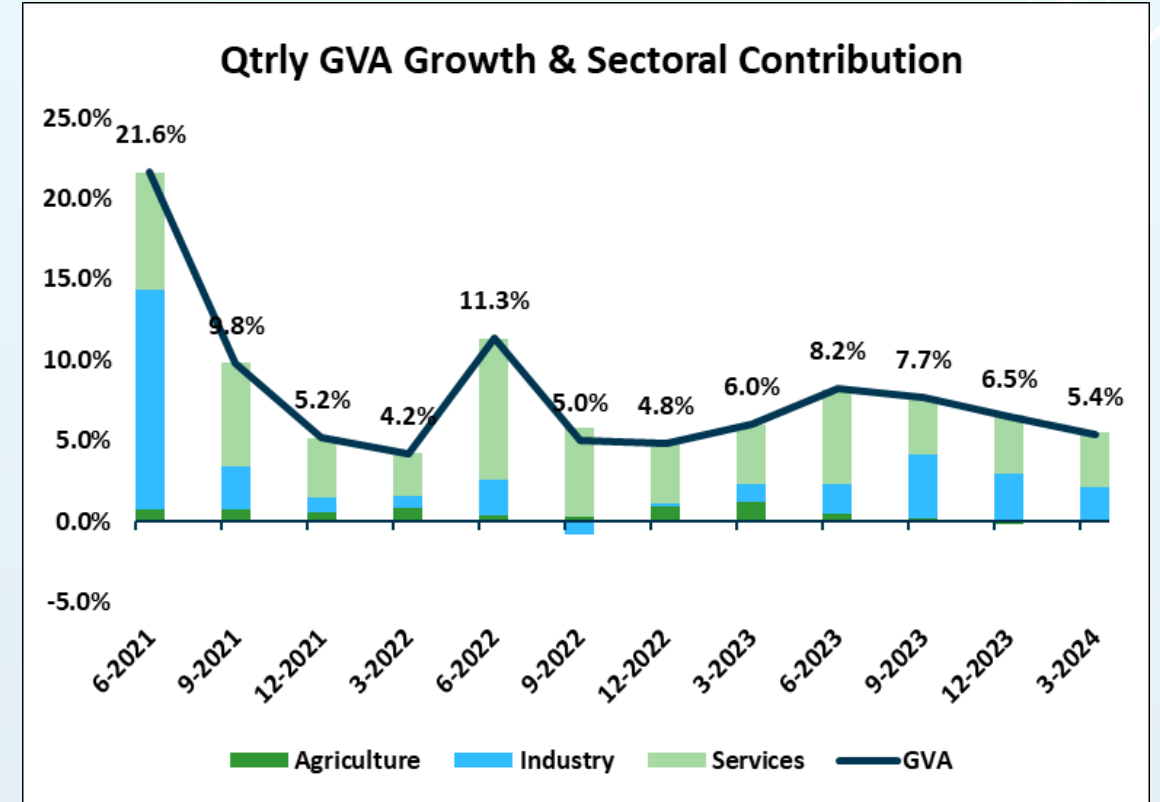
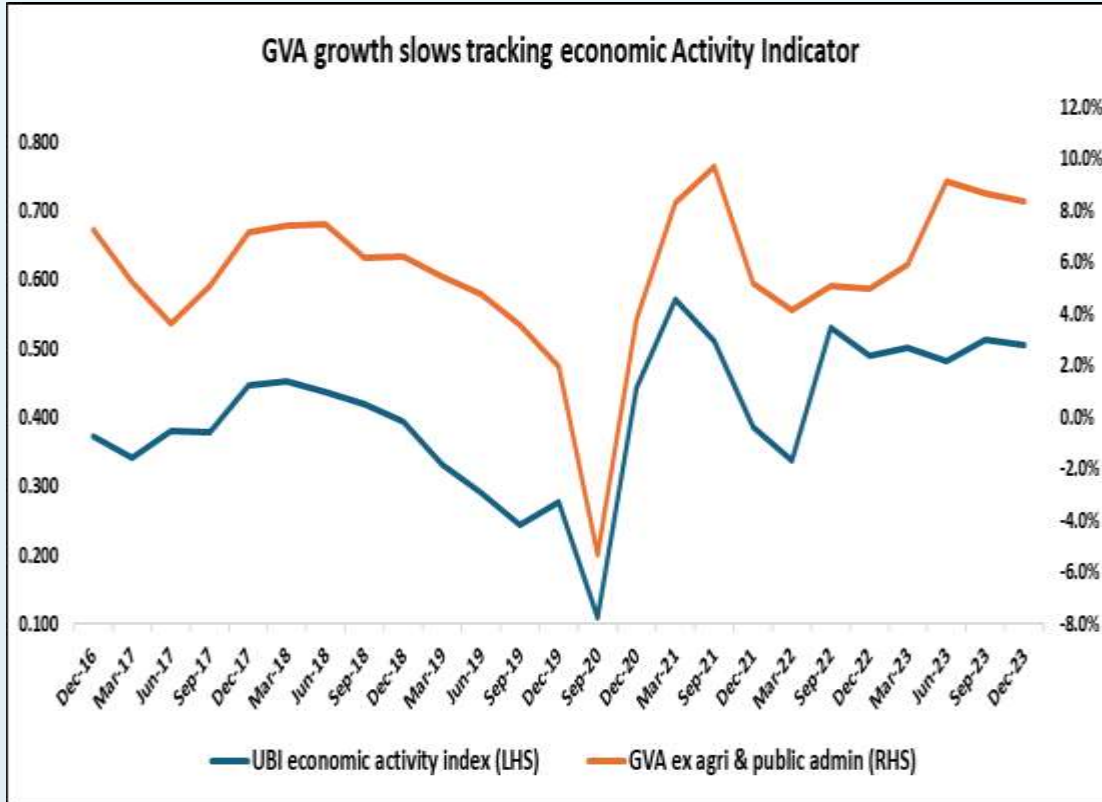
# Data revisions also partly explain the GDP surprise

	Annual Data Revision			
	GDP		GVA	
	Old	New	Old	New
<b>FY 21-22</b>	9.1	9.8	8.8	9.4
<b>FY 22-23</b>	7.2	7.0	7.0	6.7
<b>FY 23-24</b>	7.3	7.6	6.8	6.9

	Quarterly Data Revision			
	GDP		GVA	
	Old	New	Old	New
<b>9-2021</b>	9.1	9.7	9.3	9.8
<b>12-2021</b>	5.2	5.7	4.7	5.2
<b>3-2022</b>	4.0	4.4	3.9	4.2
<b>6-2022</b>	13.1	12.8	11.9	11.3
<b>9-2022</b>	6.2	5.5	5.4	5.0
<b>12-2022</b>	4.5	4.3	4.7	4.8
<b>3-2023</b>	6.1	6.2	6.5	6.0
<b>6-2023</b>	7.8	8.2	7.8	8.2
<b>9-2023</b>	7.6	8.1	7.4	7.7

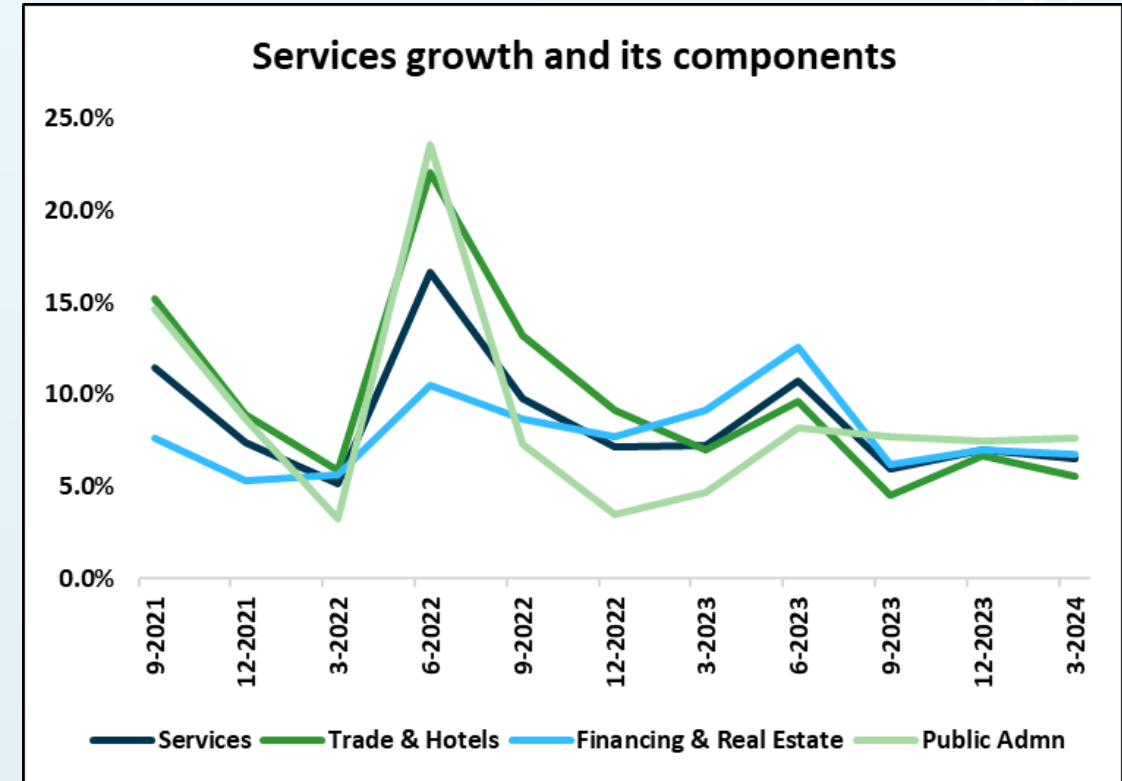
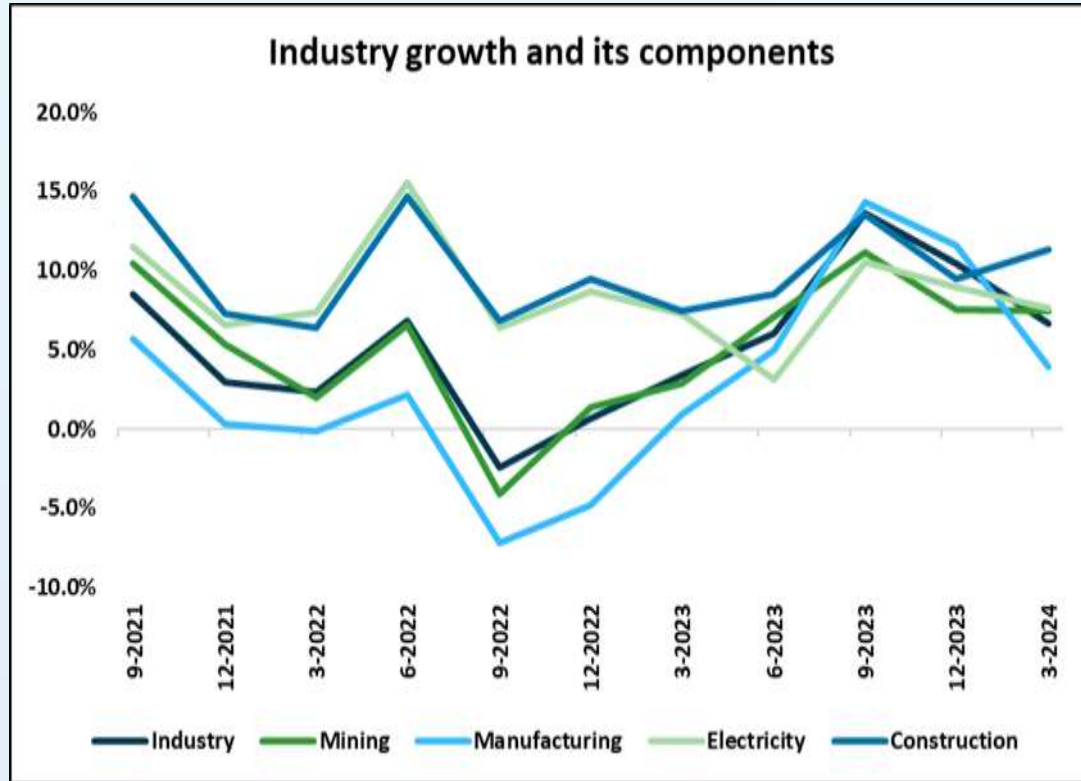
- Downward revision seen in FY23 (annual and quarterly growth numbers) on a higher revised base (9.8% in FY22 now)
- This has boosted FY24 GDP growth now revised up to 7.6% from 7.3% previously while GVA growth stays broadly unchanged
- Hence, much better than expected growth resilience in FY24 is partly attributed to data revisions

# GVA growth slows as expected in Q3'FY24



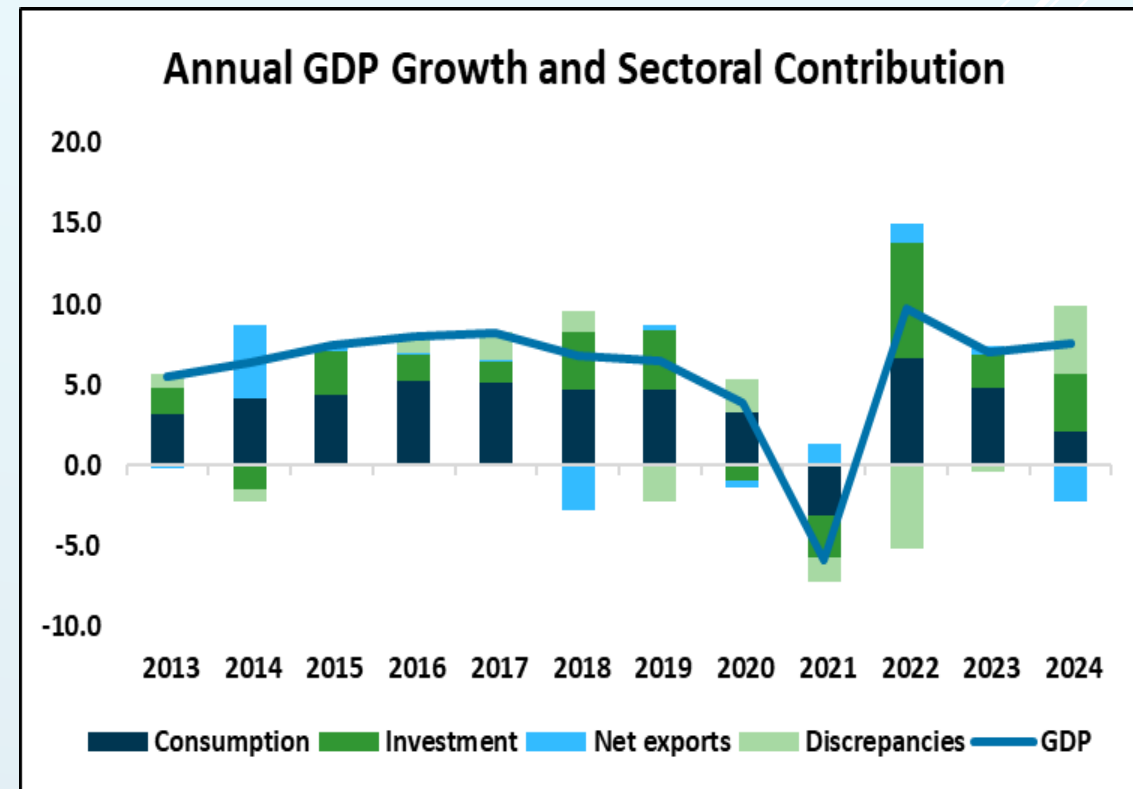
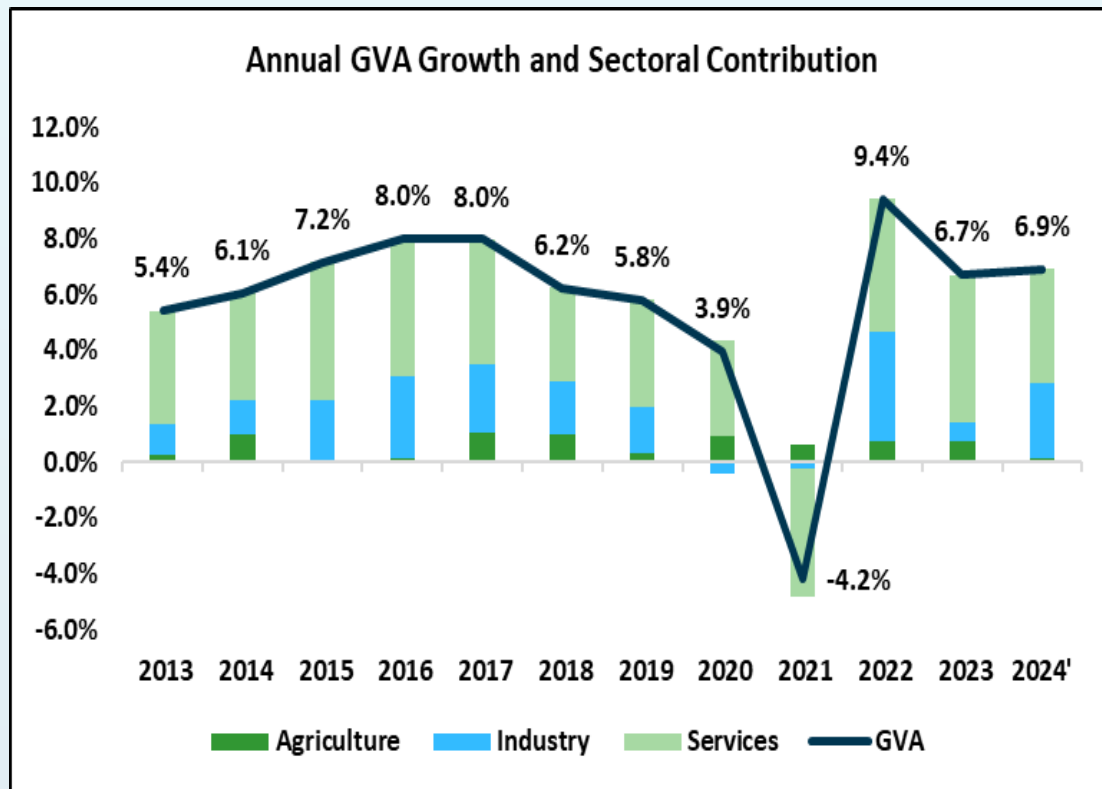
- We estimated slip in GVA growth in Q3 FY24 to 6.2% hence the data is broadly as expected in line with our economic activity index showing a downward bias during the quarter
- On a sectoral basis, cooling in growth was primarily attributed to agriculture (slipped into contraction zone on El Nino impact) and industry while services held their momentum

# Industry and agri drag GVA while services hold up



- Broad based slowdown in industry GVA in Q3 FY24 led by manufacturing and construction . However, manufacturing GVA stays robust after staying in single digits for almost 7 quarters before Q2
- Services growth boosted by financing & real estate and public admin. Meanwhile, trade & hotels GVA eases further in line with slowing private consumption growth

# Capex along with manufacturing and construction are primary growth drivers in FY24



- On an annual basis, growth resilience was led by capex (primarily government spending) while private consumption growth was weak at only 3%. The theme of K-shaped consumption dynamics stays amid rural-urban divide underway
- However, it needs to be noted that GDP data may undergo revisions as discrepancies explain c.55% of FY24 growth
- GVA boost in FY24 is primarily from industry while services held momentum and agri was a drag on El Nino effects

# Slower industry GVA in line with corporate earnings

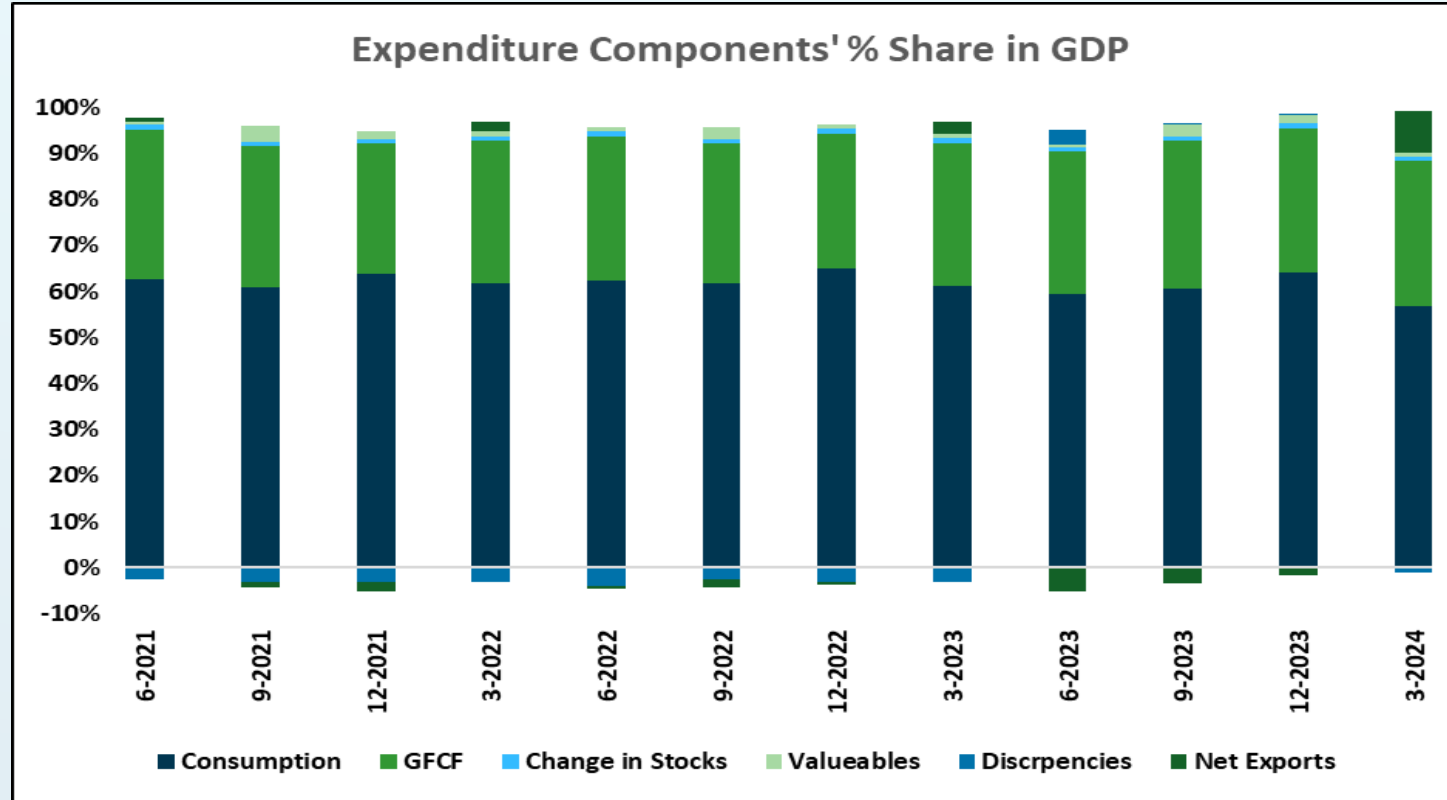
## Sectoral Growth of Listed Non-Government Non-Financial Companies

Industry/Industry Group	No. of Companies	Y-O-Y (%)			Y-O-Y (%)			Profitability Ratios		
		Sales			EBITDA Growth			Net Profit to Sales		
		Q3 2023-24	Q3 2022-23	Q2 2023-24	Q3 2023-24	Q3 2022-23	Q2 2023-24	Q3 2023-24	Q3 2022-23	Q2 2023-24
Mining / Quarrying	28	19.1	-17.8	-0.5	-5.6	18.4	5.5	7.2	7.1	9.2
Manufacturing	1685	10.6	4.2	3.7	-4.5	25.6	15.6	7.2	7.9	9.8
Textiles	222	-12.7	0.0	4.0	-48.6	-3.5	20.2	0.3	2.9	4
Petroleum Products	12	13.5	0.1	1.2	0.6	44.2	17.8	6.7	8.2	7.9
Chemicals and Chemical Products	233	12.5	-8.9	-13.5	-0.9	2.2	-11.3	10.1	11.0	12
Pharmaceuticals and Medicines	156	7.4	7.1	9.2	1.1	15.0	27.2	11.7	16.9	15
Cement and Cement Products	34	15.4	13.3	7.7	-10.1	81.7	58.0	4.2	7.1	8.2
Iron and Steel	120	5.1	2.4	3.4	-35.5	72.3	35.9	1.3	-0.3	9.6
Motor Vehicles /Transport Equipment	104	24.4	16.1	16.1	56.0	48.7	28.6	7.4	10.0	11.5
Electricity and Gas - Supply	29	23.6	9.7	16.0	55.2	72.9	28.0	11.7	24.8	14.6
Construction	160	10.4	14.2	14.5	9.6	24.4	9.3	3.5	5.3	2.8
Real Estate	67	4.0	27.7	2.4	-5.6	-19.3	3.3	24	22.1	16.6
Computer software & related services	189	19.4	5.9	3.2	10.2	6.7	5.9	17.6	17.5	17.9
All Companies	2842	12.7	4.4	5.5	1.0	22.0	15.9	7.1	8.3	9.5

- EBITDA growth slowed across most sectors in Q3 explaining the slip in manufacturing GVA
- Despite slower sales growth, EBITDA and profit margins holding up well amid downward pressure on cost



# Consumption recovers while capex stays key growth driver in Q3



- Capex led by government spending stayed the key growth driver in Q3 FY24. Private capex recovery stays muted
- Consumption recovered in Q3, amid rural-urban divide while government consumption slipped on fiscal consolidation effects
- Surprisingly drag from net exports eased in Q3 despite the widening in trade deficit.

# Key Statistics

% y/y	FY23	FY24 (E)	Q1-FY24	Q2-FY24	Q3-FY24	Q4-FY24 (implied)	H1-FY23	H2-FY23	H1-FY24	H2-FY24
<b>GVA</b>	6.7%	6.9%	8.2%	7.7%	6.5%	5.4%	8.6%	5.4%	8.0%	6.0%
<b>GDP</b>	7.0%	7.6%	8.2%	8.1%	8.4%	5.9%	9.5%	5.3%	8.1%	7.1%
<b>Agri</b>	4.7%	0.7%	3.5%	1.6%	-0.8%	-0.6%	2.4%	6.3%	2.6%	-0.7%
<b>Industry</b>	2.1%	9.0%	6.0%	13.6%	10.4%	6.7%	4.3%	2.1%	9.7%	8.4%
<b>ow Manufacturing</b>	-2.2%	8.5%	5.0%	14.4%	11.6%	3.9%	0.9%	-1.7%	9.7%	7.4%
<b>Construction</b>	9.4%	10.7%	8.5%	13.5%	9.5%	11.3%	10.7%	8.3%	10.9%	10.5%
<b>Services</b>	10.0%	7.5%	10.7%	6.0%	7.0%	6.5%	12.6%	7.2%	8.3%	6.7%
<b>ow Trade</b>	12.0%	6.5%	9.7%	4.5%	6.7%	5.5%	20.1%	8.0%	6.9%	6.1%
<b>Financing and real estate</b>	9.1%	8.2%	12.6%	6.2%	7.0%	6.8%	7.8%	8.4%	9.3%	6.9%
<b>Public administration</b>	8.9%	7.7%	8.2%	7.7%	7.5%	7.6%	12.6%	4.1%	8.0%	7.5%
<b>Pvt consumption expenditure</b>	6.8%	3.0%	5.3%	2.4%	3.5%	1.0%	13.6%	1.7%	3.8%	2.3%
<b>GFCF</b>	6.6%	10.2%	8.5%	11.6%	10.6%	10.2%	14.7%	4.4%	10.1%	10.4%
<b>Nominal GDP</b>	16.1%	10.0%	8.5%	9.6%	10.1%	8.1%	22.2%	9.3%	9.0%	9.1%
<b>Real GVA ex agriculture ex govt</b>	6.7%	8.1%	9.1%	8.7%	8.4%	6.4%	9.0%	5.5%	3.3%	7.3%

# Thank You !

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