

# India GDP

## NSO paints an optimistic picture with upside risk to FD target



Hitesh Suvarna

hitesh.suvarna@jmfml.com | Tel: (91 22) 66303351

The first advance estimates pegs real GDP growth at 7.3% in FY24, which is even better than 7.2% in FY23. However improving inflationary scenario led to a lower deflator (1%), eventually implying a lower nominal GDP growth of 8.9 vs budgeted growth of 10.5. NSO's growth estimates imply a sluggish H2, which is most notable in the performance of Industrial and agricultural activities even as Services performance is relatively robust. Government consumption is expected to remain weak while investments pickup in H2. Private consumption continues to be a cause of concern even though there are early signs of improvement in rural consumption. We build-in realistic growth expectation in the range of 6.7% to 6.9% for the upcoming fiscal. NSO's Lower nominal GDP expectation adds upside risk to government's FD target of 5.9% calling for spending curtailment to the extent of INR 370bn.

- **NSO paints an optimistic picture for FY24:** India's real GDP is expected to grow at a robust pace of 7.3% in FY24 as per the First Advanced Estimates (FAE) released by the National Statistical Office (NSO). Going by the estimate, FY24 is expected to be better than 7.2% growth in FY23. NSO's estimate is even higher than the RBI's optimistic projection of 7%. But NSO's estimate implies slight moderation (but robust) 7% growth in H2FY24 vs 7.7% in the first half. Real GVA growth is expected to moderate to 6.9% in FY24 vs 7% in the previous year, this implies a sluggish H2 at 6.2% vs 7.6% in H1. On a sectoral basis, most notable moderation is expected in industry (6.7% in H2 vs 9.3% in H1) as growth in utilities (10.3% in H2 vs 6.4% in H1) did not compensate for the sluggishness in manufacturing (3.9% in H2 vs 9.3% in H1). Mining and construction activities are expected to remain robust in second half as well (Ex 1). While moderation in Agricultural growth is expected to be steeper (1.4% in H2 vs 2.4% in H1). Service performance (7.5% in H2 vs 8% in H1) is relatively robust, led by marginal moderation in public sector as well as the finance and Real estate activities while trade, hotel etc. moderates slightly.
- **Consumption a cause of concern; Trade balance expected to improve:** Going by the NSO's estimates, private consumption is likely to weaken in FY24 to 4.4% from 7.5% in FY23. However this implies that second half would see marginal moderation in private consumption vs a significant one in government consumption. (Ex 2). Even though imports undergo slight moderation in H2 (13% in H2 vs 14% in H1), overall trade balance is expected to improve as exports turn positive from de-growth in H1 (Ex 2). Lately, Rural agri. wages have been growing in real terms, even market survey by Nielson indicates consistent uptick in rural consumption.
- **Lower nominal GDP adds upside risk to FD target:** It is pertinent to note that the first advance estimates forms the base for budget exercise, but is subject to significant revision. NSO's lower nominal GDP growth of 8.9% vs budgeted 10.5% would add constraints to meeting government's fiscal deficit (FD) target of 5.9% of GDP. Current Nominal GDP would imply FD at 6% or curtailment of spending by INR 370bn as per our assessment (Ex 3). However considering government's comfortable fiscal deficit position in the first nine months (Apr-Nov'23) at 51% of FY24BE makes it that much easier to meet the target. Sluggishness is also reflected in Gross National Income, with a growth of 7.8% (INR 208,071) vs 15% in FY23, in USD terms GNI comes to USD 2506. Although slowing consumption is a cause of concern, however early signs of pick up in rural consumption, improving trade balance should cushion the economy going forward. We build in more realistic GDP growth expectation of 6.7% to 6.9% in the upcoming fiscal.

### Key Highlights:

- NSO paints an optimistic picture with 7.3% GDP growth in FY24.
- Advance estimates imply a sluggish H2, most notable moderation in Industry and Agri; Services performance relatively robust.
- Weakness in consumption in H2, led by government consumption vs private
- Lower nominal GDP adds upside risk to government's FD target or would entail curtailment in spending by INR 370bn.

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**Exhibit 1. Easing in Industrial performance led by manufacturing; Services performance relatively robust; Agri weakens**

YoY%	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	H1FY24	H2FY24 (Implied)
<b>Real GVA</b>	<b>6.2</b>	<b>5.8</b>	<b>3.9</b>	<b>-4.2</b>	<b>8.8</b>	<b>7.0</b>	<b>6.9</b>	<b>7.6</b>	<b>6.2</b>
<b>Agriculture, Forestry and Fishing</b>	<b>6.6</b>	<b>2.1</b>	<b>6.2</b>	<b>4.1</b>	<b>3.5</b>	<b>4.0</b>	<b>1.8</b>	<b>2.4</b>	<b>1.4</b>
<b>Industry</b>	<b>5.9</b>	<b>5.3</b>	<b>-1.4</b>	<b>-0.9</b>	<b>11.6</b>	<b>4.4</b>	<b>7.9</b>	<b>9.3</b>	<b>6.7</b>
Mining and Quarrying	-5.6	-0.8	-3.0	-8.6	7.1	4.6	8.1	7.6	8.4
Manufacturing	7.5	5.4	-3.0	2.9	11.1	1.3	6.5	9.3	3.9
Electricity, Gas, Water & Other Utilities	10.6	7.9	2.3	-4.3	9.9	9.0	8.3	6.4	10.3
Construction	5.2	6.5	1.6	-5.7	14.8	10.0	10.7	10.5	10.9
<b>Services</b>	<b>6.3</b>	<b>7.2</b>	<b>6.4</b>	<b>-8.2</b>	<b>8.8</b>	<b>9.5</b>	<b>7.7</b>	<b>8.0</b>	<b>7.5</b>
Trade, Hotels, Transport, Comm & Broadcasting	10.3	7.2	6.0	-19.7	13.8	14.0	6.3	6.6	6.1
Financial, Real Estate & Professional Service	1.8	7.0	6.8	2.1	4.7	7.1	8.9	9.0	8.7
Public Administration, Defence & Other Services	8.3	7.5	6.6	-7.6	9.7	7.2	7.7	7.7	7.7
Private sector GVA	5.8	6.3	3.0	-5.3	9.9	7.6	7.8	8.5	7.1
Non-Agri GVA	6.2	6.5	3.6	-5.7	9.8	7.6	7.8	8.4	7.2
<b>Real GDP</b>	<b>6.8</b>	<b>6.5</b>	<b>3.9</b>	<b>-5.8</b>	<b>9.1</b>	<b>7.2</b>	<b>7.3</b>	<b>7.7</b>	<b>7.0</b>

Source: NSO, CEIC, JM Financial

**Exhibit 2. Consumption drag while investments come to the rescue in H2FY24; Trade performance improves marginally**

YoY%	FY18	FY19	FY20	FY21	FY22	FY23	FY24AE	H1FY24	H2FY24 (Implied)
<b>Real GDP</b>	<b>6.8</b>	<b>6.5</b>	<b>3.9</b>	<b>-5.8</b>	<b>9.1</b>	<b>7.2</b>	<b>7.3</b>	<b>7.7</b>	<b>7.0</b>
Private consumption	6.24	7.09	5.17	-5.23	11.23	7.53	4.44	5	4
Government consumption	11.92	6.7	3.95	-0.9	6.57	0.13	4.06	5	3
Gross Fixed Capital Formation	7.8	11.2	1.15	-7.34	14.64	11.39	10.3	10	11
Change in Stocks	68.33	27.29	-58.7	-85.48	687.8	2.66	4.59	8	2
Valuables	40.16	-9.7	-14.18	26.43	34.01	-18.89	-12.45	-8	-20
Exports of Goods and Services	4.56	11.93	-3.38	-9.14	29.29	13.57	1.4	-2	4
Import of Goods and Services	17.42	8.82	-0.84	-13.68	21.82	17.12	13.15	14	13

Source: NSO, CEIC, JM Financial

**Exhibit 3. Lower nominal GDP growth adds upside risk to FD target**

INR Bn	FY24BE	FY24AE
<b>Revenue Receipts</b>	<b>26,323</b>	<b>26,323</b>
Recovery of Loans	230	230
Other Receipts	610	610
<b>Total Expenditure</b>	<b>45,031</b>	<b>45,031</b>
Fiscal Deficit (FD)	-17,868	-17,868
<b>Nominal GDP</b>	<b>3,01,751</b>	<b>2,96,577</b>
FD% GDP	-5.9	-6.0
Curtailment of Spending Required	-	-370
Nominal GDP Growth (YoY%)	10.5	8.9

Source: NSO, India Budget, JM Financial estimates

## APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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