

Fact Sheet: Gross Domestic Product

February 2024

GDP grows by 8.4 % in Q3 2023-24

	GDP and Components (% YoY)							GVA and Components (% YoY)				
	GDP	PFCE	GFCE	GCF	GFCF	Exports goods & services	Imports - goods & services	GVA	Agriculture, forestry & fishing	Industry	Services	
Q1 FY23	12.8	18.5	9.8	14.9	13.9	19.1	26.1	Q1 FY23	11.3	2.7	6.8	16.7
Q2 FY23	5.5	8.3	3.4	2.5	4.7	11.7	16.1	Q2 FY23	5.0	2.3	-2.4	9.8
Q3 FY23	4.3	1.8	7.1	2.8	5.1	10.9	4.1	Q3 FY23	4.8	5.2	0.6	7.2
Q4 FY23	6.2	1.5	13.9	3.3	8.9	12.4	-0.4	Q4 FY23	6.0	7.6	3.4	7.2
Q1 FY24	8.2	5.3	-0.1	7.5	8.5	-6.5	15.3	Q1 FY24	8.2	3.5	6.0	10.7
Q2 FY24	8.1	2.4	13.8	10.6	11.6	5.3	11.9	Q2 FY24	7.7	1.6	13.6	6.0
Q3 FY24	8.4	3.5	-3.2	12.2	10.6	3.5	8.3	Q3 FY24	6.5	-0.8	10.4	7.0

Source: CMIE

❖ Belying broad expectations, GDP growth in Q3 FY24 rose to 8.4 percent on a y-o-y basis. The corresponding growth in the same quarter last year was recorded at 4.3 percent. Additionally, according to the latest numbers, GDP growth for Q1 and Q2 FY24 has been revised from 7.8 percent and 7.4 percent to 8.2 percent and 8.1 percent, respectively. This upward revision in numbers can partly be attributed to a downward revision in respective FY23 quarterly numbers. On the other hand, growth in GVA moderated to 6.5 percent growth in Q3 vis-à-vis 7.7 percent recorded in the previous quarter (the Q2 FY24 GVA growth has also been revised upwards from an earlier estimate of 7.4 percent).

❖ According to the economic activity wise classification, while agriculture forestry and fishing sector recorded a y-o-y contraction of 0.8 percent in Q3 FY24 (first in almost nineteen quarters) due to moderation in kharif production and slow rabi sowing; the industrial sector reported a double-digit growth for the second consecutive quarter in Q3 FY24. The industry sector growth was reported at 10.4 percent in Q3 FY24 supported by a favorable base.

❖ Within the industry sector, the manufacturing maintained its double-digit growth streak to record 11.6 percent growth. Nonetheless, like the other sub segments of the industry sector, the manufacturing activity, marked a moderation in growth in Q3 FY24 vis-à-vis the previous quarter.

❖ Services sector recorded a 7.0 percent growth in Q3 2023-24 vis-à-vis 6.0 percent in Q2 2023-24. The trade hotels transport communication sub segment noted a visible improvement in numbers in Q3 FY24 - reporting a growth of 6.7 percent vis-à-vis 4.5 percent in Q2 FY24.

	Q1 2022-23	Q2 2022-23	Q3 2022-23	Q4 2022-23	Q1 2023-24	Q2 2023-24	Q3 2023-24
Industry - Y-O-Y Growth in %							
Mining & quarrying	6.6	-4.1	1.4	2.9	7.1	11.1	7.6
Manufacturing	2.2	-7.2	-4.8	1.0	5.0	14.4	11.6
Electricity, gas, water supply	15.6	6.4	8.7	7.3	3.2	10.5	9.0
Construction	14.7	6.9	9.5	7.4	8.6	13.5	9.5
Services - Y-O-Y Growth in %							
Trade, hotels, transport, communication	22.1	13.2	9.2	7.0	9.7	4.5	6.7
Financial services, real estate & professional services	10.5	8.7	7.7	9.2	12.6	6.2	7.0
Public administration, defence & other services	23.6	7.3	3.5	4.7	8.2	7.7	7.5

❖ On the expenditure side, Government's consistent thrust on capex has been supporting growth. Growth in gross fixed capital formation, a proxy for investment demand recorded a remarkable 10.6 percent growth in Q3 FY24. However, the government consumption expenditure, GFCE has recorded a contraction of 3.2 percent- marking a sharp reversal from robust 13.8 percent growth marked in Q2 FY24.

Source: MoSPI, CMIE

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- ❖ Private consumption, with a share of over 55 percent in GDP, continued to remain relatively muted. The private final consumption expenditure registered a growth of 3.5 percent growth, a slight uptick from 2.4 percent recorded in Q2 FY24. Rural demand is expected to remain modest amid subdued agricultural performance.
- ❖ On the external side, the persisting geo-political stress (Red sea crisis, Ukraine, Middle-east conflict) and sluggish growth in advanced economies continue to cast a shadow on India's exports. While export growth moderated to 3.5 percent in Q3 FY24 (from 4.3 percent in previous quarter), imports registered a growth of 8.3 percent (from 11.9 percent in quarter 2).
- ❖ As per the second advanced estimates, the GDP growth for the fiscal year 2023-24 has been revised to 7.6 percent vis-à-vis 7.3 percent projected in the first advanced estimate. This implies a projection of under 6.0 percent GDP growth in Q4 FY24.

Growth Performance: Annual: Y-o-Y Growth in %

	2021-22 2nd RE	2022-23 1st RE	2023-24 Second Advance Estimate (Feb'24)
GDP	9.7	7.0	7.6
Private Final Consumption Expenditure	11.7	6.8	3.0
Government Final Consumption Expenditure	0.0	9.0	3.0
Gross Fixed Capital Formation	17.5	6.6	10.2
GVA	9.4	6.7	6.9
Agriculture, forestry and fishing	4.6	4.7	0.7
Industry	12.2	2.1	9.0
Services	9.2	10.0	7.5

Mospi, CMIE

Comments

GDP growth for Q3 2023-24 at 8.4 percent is much better than anticipated. In fact, the numbers for the first two quarters have also been revised upwards of 8.0 percent growth. The numbers are certainly encouraging and reaffirm the underlying resilience in the economy. Even though external factors especially on account of geopolitical factors do pose a downside risk, the domestic macroeconomic fundamentals remain strongly supportive. Inflation has softened a tad. The incoming data on high frequency indicators also point towards optimism. Moreover, the interim budget announced earlier this month marked another step forward towards the government's larger vision of a Viksit Bharat. The Government's consistency and approach towards reforms has been a great enabler and continues to infuse confidence among industry members.

