

**RESEARCH**
**BOB ECONOMICS RESEARCH | GDP**

GDP growth in Q1: India-fastest growing major economy

**Daily macro indicators**

Indicator	29-Aug	30-Aug	Chg (%)
US 10Y yield (%)	4.12	4.11	(1bps)
India 10Y yield (%)	7.19	7.19	0bps
USD/INR	82.71	82.73	0.0
Brent Crude (US\$/bbl)	85.5	85.9	0.4
Dow	34,853	34,890	0.1
Hang Seng	18,484	18,483	0
Sensex	65,076	65,087	0
India FII (US\$ mn)	28-Aug	29-Aug	Chg (\$ mn)
FII-D	25.6	167.0	141.4
FII-E	299.7	95.9	(203.8)

Source: Bank of Baroda Economics Research

**SUMMARY**
**INDIA ECONOMICS: GDP**

India's GDP rose by 7.8% in Q1FY24, following 6.1% growth in Q4FY23. While this was slightly lower than our estimate of 8-8.2%, India still remains the fastest growing major economy. Support to growth was provided by private consumption and investment. Government consumption and export growth weakened in Q1. Sector-wise, financial & real estate sector, trade, transport etc, and public administration and defense spending provided major boost to GDP in Q1. Agriculture growth softened and remains a key risk to overall GDP growth in FY24, as monsoon activity was lackluster in Aug'23 (32% deficit so far). IMD expects a normal monsoon in Sep'23, which will be critical in determining overall growth trajectory in FY24. Going forward, we also believe that growth will get some support from government spending. We maintain our forecast of 6.3% growth for the full year (FY24).

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## GDP

31 August 2023

**GDP growth in Q1: India-fastest growing major economy**

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**Sonal Badhan**  
Economist

**Q1FY24 GDP accelerates**

GDP growth in Q1 accelerated to 7.8%, from 6.1% in Q4FY23 on a YoY basis. This was marginally lower than our expectation of 8-8.2%. The push to growth was mainly provided by pick up in private consumption, which jumped by 6% in Q1FY24 from 2.8% in Q4FY23. Private investment slowed, but maintained a healthy growth of 8% in Q1 versus 8.9% in Q4. Major drag came from dip in government consumption (-0.7 versus 2.3%) and exports (-7.7% versus 11.9%).

**GVA improves**

GVA growth rose by 7.8% in Q1FY24, up from 6.5% in Q4FY23. Most significant increase was noted in financial, real estate & professional services (12.2% in Q1 versus 7.1% in Q4), and public administration & defence (7.9% versus 3.1%). This was followed by growth in sectors like mining & quarrying (5.8% versus 4.3%) and manufacturing (4.7% versus 4.5%). On the other hand, downward pull was exerted by slowdown in activity in sectors like agriculture, forestry & fishing (3.5% versus 5.5%), utility supplies (2.9% versus 6.9%) and construction (7.9% versus 10.4%). In trade/hotels segment growth was virtually stable (9.2% versus 9.1%). With monsoon activity noting 32% deficit in Aug'23 so far and registering driest month in over a century, risks to agriculture growth continue to persist. IMD has predicted a normal monsoon in Sep'23, which will have to be monitored closely to gauge its impact on Q2FY24 GDP print.

**Outlook for FY24**

India's GDP growth in Q1FY24 rose by 7%, coming off a high base, from 11.9% in Q1FY23. In terms of nominal growth, 8% growth in Q1 is similar to real GDP growth, owing to deflation in WPI. Base effect in real GDP is likely to continue to play throughout the year and with global growth slowing, GDP growth will witness moderation in the remaining quarters of the fiscal year (as also projected by RBI).



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