

## Macro Insights

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

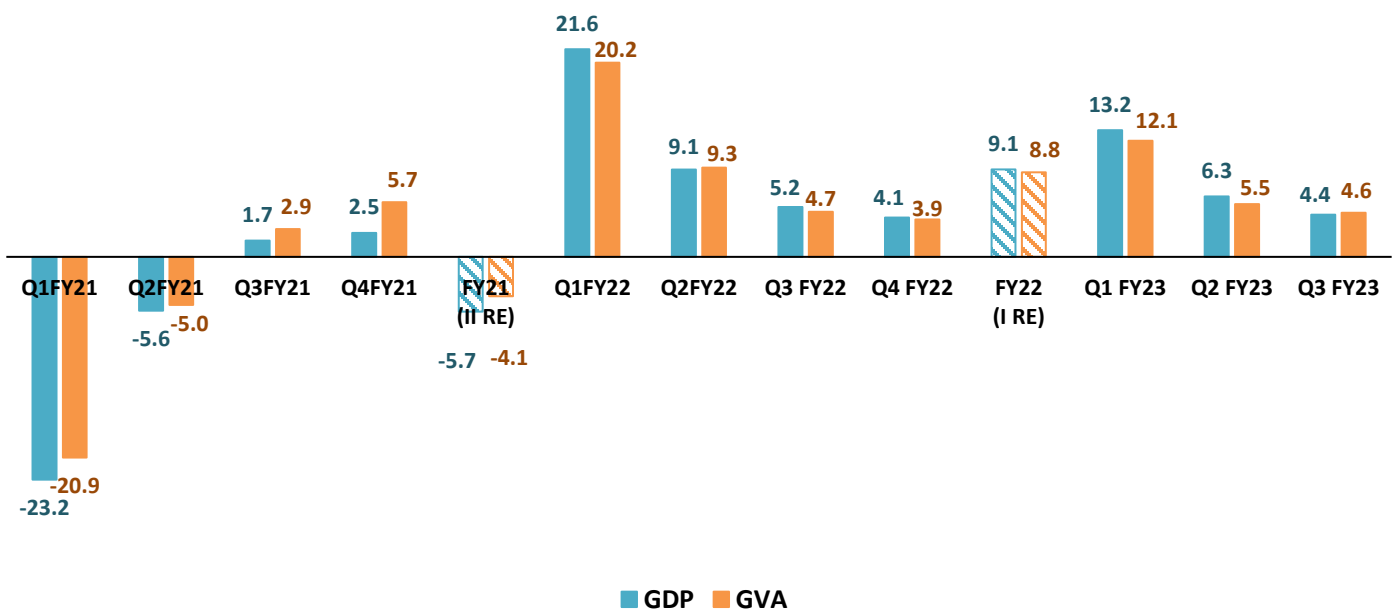
### GDP growth slowed down to 4.4%

GDP for Q3 FY23 grew by 4.4% as compared to a growth of 6.3% in the previous quarter (Q2FY23) and a growth of 5.2% in Q3FY22.

### Highlights:

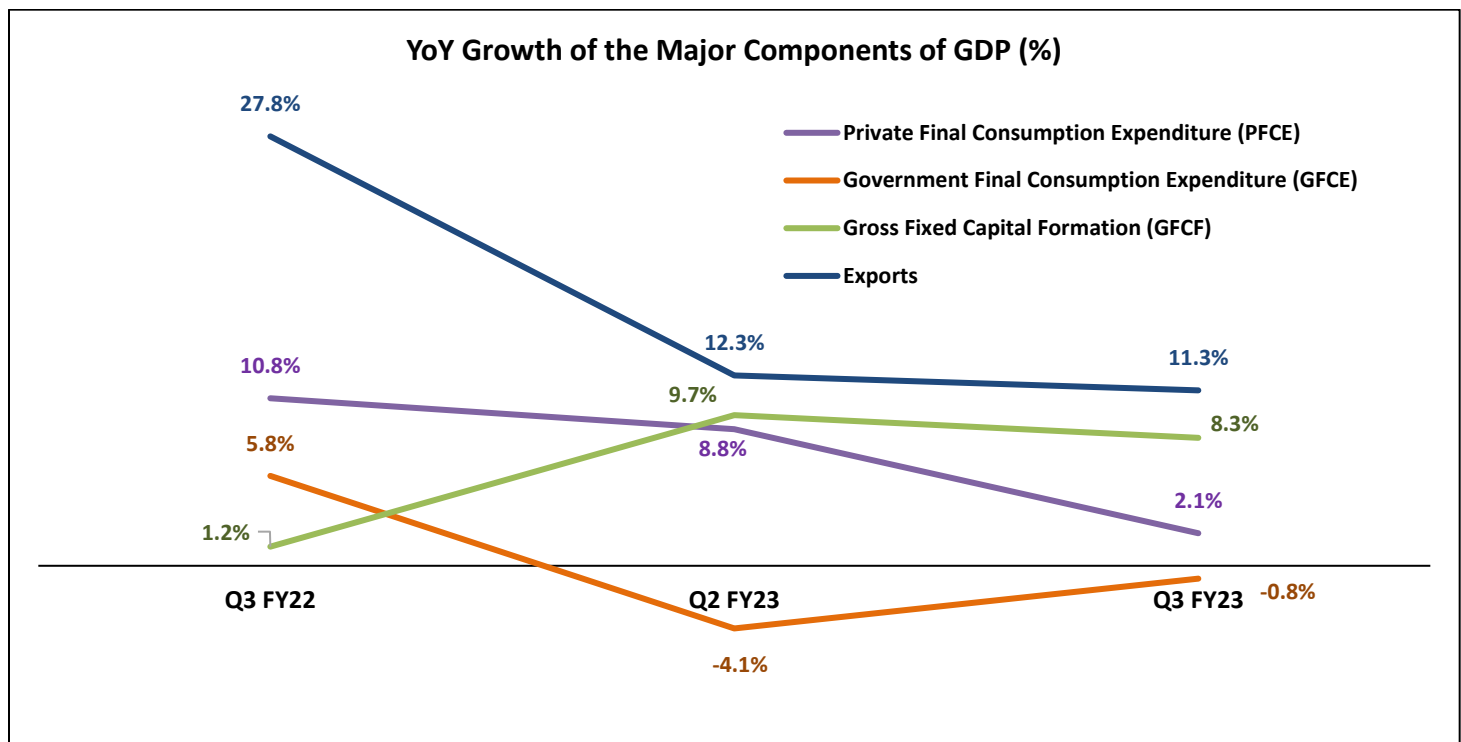
- ➡ GDP growth of the Indian economy in Q3 FY23 slowed down from the previous two quarters to 4.4%, mainly because of less favourable base, contraction in the manufacturing activity and slowdown in pent up demand due to high inflation & interest rates.
- ➡ GVA growth was pegged at 4.6% in Q3 FY23.
- ➡ The estimates for FY22 have been revised upwards to 9.1%.
- ➡ As per the second revised estimates, the growth contraction numbers of FY21 also bettered.

GDP vs GVA Growth (YoY%)



## Components of GDP

- Growth in Private Final Consumption Expenditure, the largest constituent of the gross domestic product, witnessed a rapid decline from 8.8% in Q2 FY23 to 2.1% in Q3 FY23. The figure depicts the decline of demand in the economy.
- Government Final Consumption Expenditure continued to be in the negative zone for the second consecutive quarter, though improved from -4.1% in Q2 FY23 to -0.8% in Q3 FY23. This implies the less dependency of the economy on Government Expenditure.
- The Growth in Gross Fixed Capital Formation, which denotes investment in the economy, has been quite consistent compared to the previous quarter, with a figure of 8.3% in Q3 FY23. The growth in Q3 FY22 was only 1.2%. The increased growth in Capex vis-à-vis previous year can be attributed to improving trend in capacity utilization.
- YoY Growth of both exports and imports in Q3 FY23 are lower than the growth in the year ago period, however the higher growth in the previous year may be due to lower base.

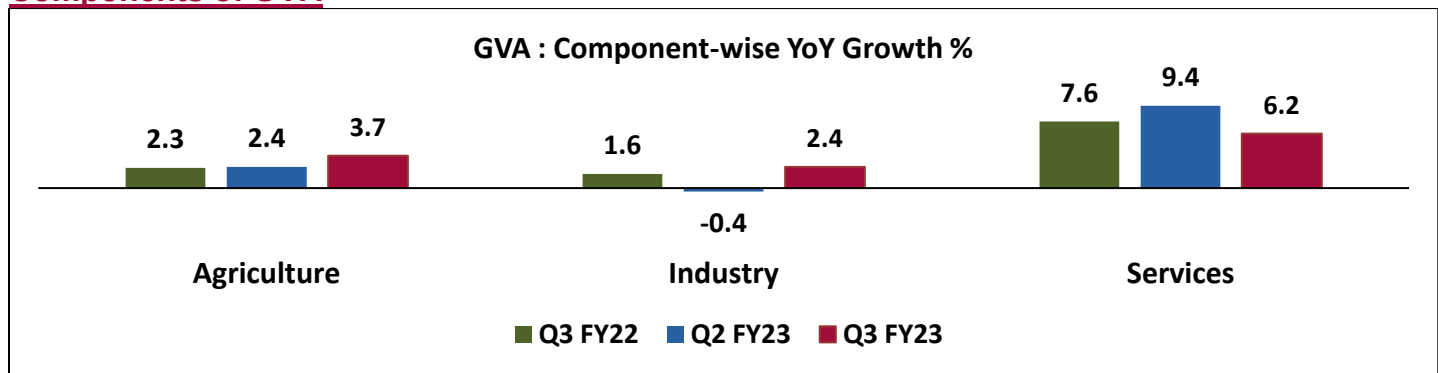


## Change of the Major Component's Share in GDP from last Year

- Share of Private Final Consumption Expenditure declined from 63.0% in Q3 FY22 to 61.6% in Q3 FY23.
- Likewise, share of Government Final Consumption Expenditure also declined.
- Share of Gross Fixed Capital Formation increased from 30.6% a year ago to 31.8% in Q3 FY23.
- Share of Exports and Imports also increased compared to previous year.

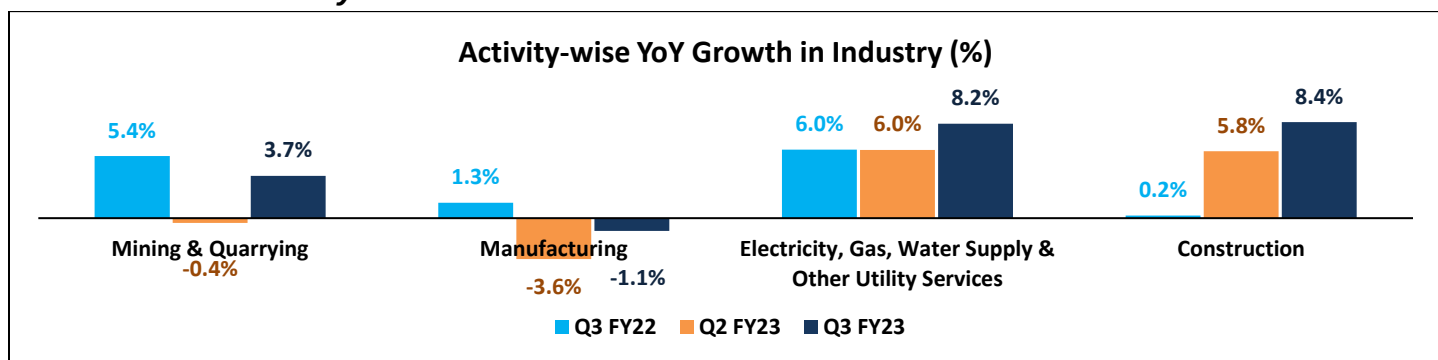
*(Details in Annexure, Table 1)*

## Components of GVA

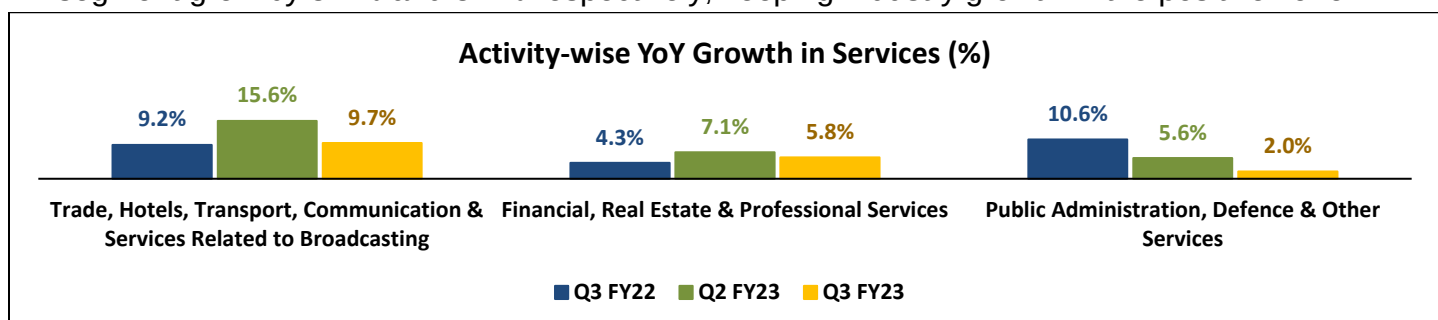


- The GVA growth in the farm sector increased to 3.7% in the third quarter of FY23 compared to 2.3% a year ago.
- The growth in the Industry Sector came out of the negative territory and showed a growth of 2.4% in Q3 FY23.
- The growth in the services sector has declined from both, i.e. the previous quarter and the previous year.

## Closer look at Industry and Services



- The Manufacturing industry, a major part of the industry sector, contracted in the present quarter too. The contraction was by 1.1% in Q3 FY23.
- Both Construction Industry and the 'electricity, gas, water supply and other utility services' segment grew by 8.4% and 8.2% respectively, keeping Industry growth in the positive zone.



- All the three segments declined from the previous quarter, taking growth of overall services down.
- However, growth of 'Trade, Hotel, Transport, Communication & Services related to broadcasting' and 'Financial, Insurance, Real Estate & Professional Services' in Q3 FY23 remained slightly above the growth level of Q3 FY22.

(Details in Annexure, Table 2)

## Views

- After all the data revisions incorporated for the past two years, **it estimates that the Indian economic growth slowed down to a 3-quarter low.**
- The Manufacturing industry, which plays an important role in the country's growth, **experienced a contraction due to the subdued demand, rate hikes and rising input costs.** Hence, the reasonable growth in Agriculture Sector was not enough to push the overall GDP Growth.
- Another factor leading to the declining numbers was the slowdown in exports, which may be linked to recent signs of global headwinds.
- The **Government's focus on capital expenditure and investments in infrastructure helped the construction sector** grow in the third quarter.
- Going forward, according to the second advance estimates (SAE) released by the National Statistical Office (NSO), India's GDP growth was estimated at 7.0% year-on-year for 2022-23. On the supply side, GVA was estimated at 6.6%.
- Even though the revised estimates indicate the tough and challenging times in the next quarter due to global uncertainties and recessionary trends, **the 7% real GDP growth mark in FY 2022-23 is quite reachable on the back of the economy's strong and stable momentum as compared to other countries.**
- In addition, **the slowdown in India's GDP was partly driven by revisions to past data, hence the growth is on expected lines and stronger than what the data suggests.**
- Further, as per the announcement of the Monetary Policy Committee on 08.02.2023, RBI has projected the Real GDP growth for 2023-24 at 6.4% with Q1 at 7.8%, Q2 at 6.2%, Q3 at 6.0% and Q4 at 5.8%.

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**Table-1: GDP (at Constant Prices) for Q3 FY23 (Oct-Dec)**

| Item                                            | Expenditures of Gross Domestic Product (Rs Cr) |                | Share in GDP (%) |              | % YoY Growth |             |             |
|-------------------------------------------------|------------------------------------------------|----------------|------------------|--------------|--------------|-------------|-------------|
|                                                 | Q3 2021-22                                     | Q3 2022-23     | Q3 2021-22       | Q3 2022-23   | Q3 2020-21   | Q3 2021-22  | Q3 2022-23  |
| Private Final Consumption Expenditure (PFCE)    | 2426098                                        | 2477160        | 63.0             | 61.6         | 1.5%         | 10.8%       | 2.1%        |
| Government Final Consumption Expenditure (GFCE) | 350565                                         | 347661         | 9.1              | 8.7          | -4.2%        | 5.8%        | -0.8%       |
| Gross Fixed Capital Formation (GFCF)            | 1179221                                        | 1276872        | 30.6             | 31.8         | 2.6%         | 1.2%        | 8.3%        |
| Change in Stocks                                | 29902                                          | 29969          | 0.8              | 0.7          | -            | -           | -           |
| Valuables                                       | 73595                                          | 45729          | 1.9              | 1.1          | 37.2%        | 44.5%       | -37.9%      |
| Exports                                         | 825929                                         | 919661         | 21.4             | 22.9         | -8.5%        | 27.8%       | 11.3%       |
| (Less) Imports                                  | 917188                                         | 1017152        | 23.8             | 25.3         | -5.0%        | 19.7%       | 10.9%       |
| Discrepancies                                   | -117350                                        | -61316         | -3.0             | -1.5         | -            | -           | -           |
| <b>GDP</b>                                      | <b>3850772</b>                                 | <b>4018584</b> | <b>100.0</b>     | <b>100.0</b> | <b>1.7%</b>  | <b>5.2%</b> | <b>4.4%</b> |

**Table-2: Real GVA at basic prices for Q3 FY23 (Oct-Dec)**

| SN | Industry                                                                  | Gross Value Added (Rs Cr) |                | Growth (%)   |             |             |
|----|---------------------------------------------------------------------------|---------------------------|----------------|--------------|-------------|-------------|
|    |                                                                           | Q3 2021-22                | Q3 2022-23     | Q3 2020-21   | Q3 2021-22  | Q3 2022-23  |
| 1  | Agriculture, Forestry & Fishing                                           | 668835                    | 693475         | 5.3%         | 2.3%        | 3.7%        |
|    | <b>Agriculture</b>                                                        | <b>668835</b>             | <b>693475</b>  | <b>5.3%</b>  | <b>2.3%</b> | <b>3.7%</b> |
| 2  | Mining & Quarrying                                                        | 75924                     | 78732          | -7.0%        | 5.4%        | 3.7%        |
| 3  | Manufacturing                                                             | 621928                    | 614982         | 12.7%        | 1.3%        | -1.1%       |
| 4  | Electricity, Gas, Water Supply & Other Utility Services                   | 75330                     | 81537          | 0.7%         | 6.0%        | 8.2%        |
| 5  | Construction                                                              | 281276                    | 304883         | 8.9%         | 0.2%        | 8.4%        |
|    | <b>Industry</b>                                                           | <b>1054458</b>            | <b>1080134</b> | <b>9.2%</b>  | <b>1.6%</b> | <b>2.4%</b> |
| 6  | Trade, Hotel, Transport, Communication & Services related to broadcasting | 653240                    | 716297         | -9.5%        | 9.2%        | 9.7%        |
| 7  | Financial, Insurance, Real Estate & Professional Services                 | 705027                    | 745836         | 9.7%         | 4.3%        | 5.8%        |
| 8  | Public Administration, Defence & Other Services                           | 471945                    | 481331         | -4.9%        | 10.6%       | 2.0%        |
|    | <b>Services</b>                                                           | <b>1830212</b>            | <b>1943464</b> | <b>-1.4%</b> | <b>7.6%</b> | <b>6.2%</b> |
|    | <b>GVA at Basic Price</b>                                                 | <b>3553505</b>            | <b>3717073</b> | <b>2.9%</b>  | <b>4.7%</b> | <b>4.6%</b> |

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