

**GDP GROWTH UPGRADES TO 7.3% FOR FY24
(SBI:7.2%) :PER CAPITA INCOME GROWTH AT 6.4%**

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Bolstering the gung-ho sentiments further, the 1st advance estimate (AE) of GDP for FY24 indicates GDP growth at 7.3% as compared to 7.2% in FY23. The GVA growth estimate is 6.9%. **SBI GDP projections at 7.2% is the closest to CSO estimate.** Nominal GDP growth is estimated to have increased by 8.9% in FY24 vis-à-vis 16.1% in FY23. NSO’s estimated GDP growth of 7.3% in FY24 is 30 bps higher than the RBI’s estimates. NSO expect 7.0% GDP growth for H2 FY24, which seems quite reasonable by the tone and tenor of things unfolding each day. **If we look at the RBI estimates of GDP numbers, except for FY23 and FY24, it is always higher than the NSO estimates.**

Accordingly, the per capita real GDP is expected to increase by 6.4% in FY24. Interestingly, during the pre pandemic years, the real per capita GDP growth was averaging 5.3%. Additionally, per capita PFCE in real terms will expand by 3.5% in FY24. The post pandemic average of per capita PFCE however is at 6.7%, against 5.5% in pre pandemic era.

Agri. and Allied Activities are likely to decelerate to 1.8% in FY24 as against previous year growth of 4.0% while Industry appears to have recovered completely from the pandemic scars and is expected to grow by 7.9% in FY24 as compared to expansion of 4.4% growth in FY23. However, Service sector is likely to grow by 7.7% in FY24, compared to a growth of 9.5% in FY23. The deceleration expected in services growth is primarily due to the lower growth in the ‘Trade, Hotels, Transport, communication & broadcasting’, which is expected to grow by merely 6.3% as compared to a staggering 14.0% in FY23. One of the possible reasons for this slower growth may be base effect.

The sub-segment ‘Financial, Real Estate & Professional Services’ growth is expected to increase by 8.9% in FY24, as compared to growth of 7.0% in FY23. The Public Administration sub segment is also likely to increase by 7.7%, compared to last year growth of 7.2%.

The expenditure side trends are largely dictated by the trends in the nominal GVA which has slowed down quite sharply. The nominal GVA registered a growth of 8%, a decline by 7.4% from the previous year. The sluggishness in GVA directly impacts demand. Consequently, the private consumption therefore is expected to slow down. The real private consumption growth is estimated at 4.4% in FY24 down from 7.5% in FY23. The GFCF remains the only stable head under expenditures which is estimated to growth at 10.3%. On the external side, the export growth has slowed considerably in line with slow-down in principal exports markets. The exports are estimated to grow at 1.4%, down from 13.6% in FY23.

Fiscal deficit at the end of Nov’23 stood at Rs 9.06 lakh crore or 50.7% of BE. However, taking into account the revised GDP figures of today, if tax receipts grew by the BE, then Government may have to curtail spending by Rs 37,178 crore without changing the FD target of 5.9% of the GDP in FY24. For FY25, strong economy and buoyant tax revenues will let the government reduce fiscal deficit by 40-50 bps from the current fiscal to 5.4-5.5% of GDP.

NSO ESTIMATED GDP TO GROW BY 7.3% IN FY24

- ◆ The 1st advance estimate (AE) of GDP for FY24 indicates GDP growth at 7.3% as compared to 7.2% in FY23. The GVA growth estimate is 6.9%. Nominal GDP growth is estimated to increase by 8.9% in FY24 vis-à-vis whopping 16.1% in FY23.
- ◆ NSO’s estimated GDP growth of 7.3% in FY24 is 30 bps higher than the RBI’s estimates. This indicates that NSO expect 7.0% GDP growth for H2 FY24, which seems quite reasonable.

GDP Growth Rates (YoY%) at Constant Prices (Base: 2011-12)					
Particulars	FY24			FY23 (PE)	FY22 (1RE)
	FY24 (1AE)	H2*	H1		
1. Agriculture, forestry & fishing	1.8	1.4	2.4	4.0	3.5
2. Industry	7.9	6.7	9.3	4.4	11.6
2.1 Mining & quarrying	8.1	8.4	7.6	4.6	7.1
2.2 Manufacturing	6.5	3.9	9.3	1.3	11.1
2.3 Electricity, gas, water supply & other utility services	8.3	10.3	6.4	9.0	9.9
2.4 Construction	10.7	10.9	10.5	10.0	14.8
3. Services	7.7	7.5	8.0	9.5	8.8
3.1 Trade, hotels, transport, communication & services related to broadcasting	6.3	6.1	6.6	14.0	13.8
3.2 Financing, insurance, real estate & bus. Services	8.9	8.7	9.0	7.1	4.7
3.3 Public administration, defence and Other Services	7.7	7.7	7.7	7.2	9.7
Total GVA at Basic Prices	6.9	6.2	7.6	7.0	8.8
GDP	7.3	7.0	7.7	7.2	9.1

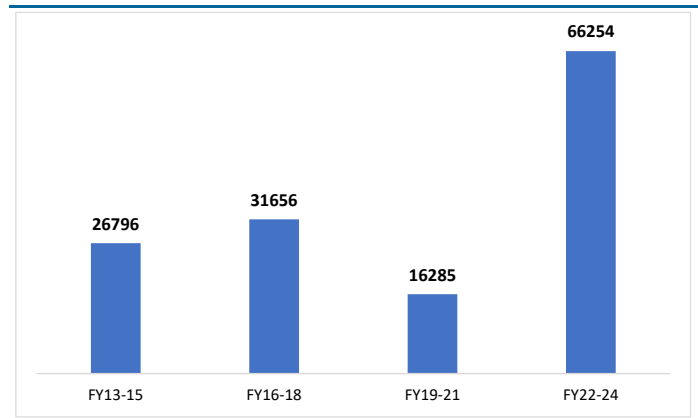
Source: NSO, SBI Research; *SBI calculation based on AE

- ◆ The per capita nominal GDP is expected to increase significantly. Compared to FY22, the NSO estimate of per capita GDP in FY24 is almost Rs 41,000 more. Interestingly, the last three years (post-pandemic), the nominal per capital GDP increased by whopping ~Rs 66,000, which is the highest ever increased in per -capita in any preceding triennial period since FY13.
- ◆ Agri. and Allied Activities are likely to decelerated to 1.8% in FY24 as against previous year growth of 4.0%.
- ◆ Industry recovered completely from the Covid-19 scare and expected to grow by 7.9% in FY24 as compared to expansion of 4.4% growth in FY23.
- ◆ Service sector is likely to grow by 7.7% in FY24, compared to a growth of 9.5% in FY23. The deceleration expected in services growth is primarily due to the lower growth in the sector ‘Trade, hotels, transport, communication & broadcasting’, which is expected to increase by merely 6.3% as compared to staggering 14.0% in FY23. One of the possible reason for this slower growth may be base effect.
- ◆ The sub-segment ‘Financial, Real Estate & Professional Services’ growth is expected to increase by 8.9% in FY24, as compared to growth of 7.0% in FY23. The Public Administration sub segment is also likely to increase by 7.7%, compared to last year growth of 7.2%.

DEMAND & EXPENDITURE SIDE GDP

- ◆ The expenditure side trends are largely dictated by the trends in the nominal GVA which has slowed down quite sharply. The nominal GVA registered a growth of 8%, a decline by 7.4% from the previous year. The sluggishness in GVA directly impacts demand.
- ◆ The private consumption therefore is expected to slow down. The real private consumption growth is estimated at 4.4% in FY24 down from 7.5% in FY23. A part of the slow down in private consumption was offset by rise in government consumption which registered a growth of 4.4%.
- ◆ The gross fixed capital formation remains the stable head under expenditures which is estimated to growth at 10.3%.
- ◆ On the external side, the export growth has slowed considerably in line with slowdown in principal exports markets. The exports are estimated to grow at 1.4%, down from 13.6% in FY23.

Per capita Nominal GDP (triennial sum in Rs)



Source: SBI Research

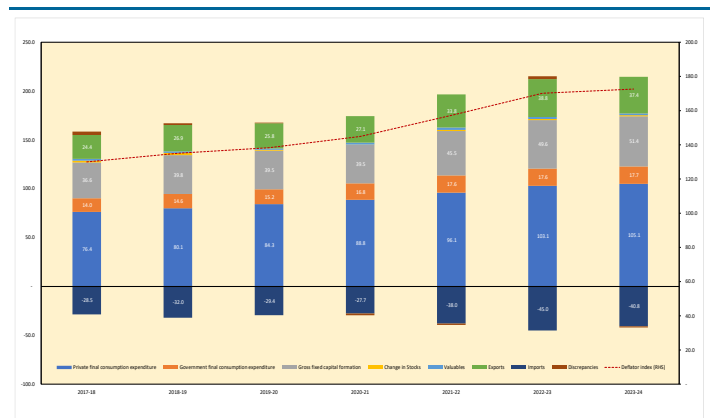
Growth in Sectoral Deflator(%)

Particulars	FY24			FY23 (PE)	FY22 (1RE)
	FY24 (1AE)	H2*	H1		
1. Agriculture, forestry & fishing	3.6	4.0	3.2	7.8	6.3
2. Industry	-1.3	-1.2	-1.4	9.4	10.5
2.1 Mining & quarrying	-2.1	-1.7	-2.5	29.9	26.8
2.2 Manufacturing	-2.0	-1.6	-2.4	5.6	9.2
2.3 Electricity, gas, water supply & other utility services	0.8	-2.3	4.1	22.5	1.0
2.4 Construction	-1.1	-1.2	-0.9	6.1	12.6
3. Services	1.7	1.8	1.6	7.1	8.5
3.1 Trade, hotels, transport, communication & services related to broadcasting	-0.5	-0.5	-0.4	8.0	10.6
3.2. Financing, insurance, real estate & bus. Services	1.0	1.4	0.6	7.2	9.1
3.3. Public administration, defence and Other Services	5.6	5.6	5.7	6.2	5.2
Total GVA at Basic Prices	1.0	1.2	0.8	7.9	8.3
GDP	1.4	2.1	0.8	8.2	8.5

Source: NSO, SBI Research; *SBI calculation based on AE

- ◆ The price effect on demand as gauged by decomposition of the deflator shows that even with fall in price of food items, the inflationary pressure in services and manufacturing have dented the demand.

Decomposition of GDP Deflator by Components Demand



Source: SBI Research

REVISION OF GDP NUMBERS

- ◆ As we are aware, NSO releases the first estimates of any fiscal year in January and revises it first in February and again in May. So, it take almost 4-years (refer table) to publish the final data (1AE, 2AE, PE, 1RE, 2RE & 3rd RE).
- ◆ For FY22, NSO revised downward GDP estimate by 10 bps but for FY23, it increased revised upwards by 20 bps. If we look at the RBI estimates of GDP numbers, except for FY23 and FY24, it is always higher than the NSO estimates.

GOVERNMENT EXPENDITURE & FISCAL SITUATION

- ◆ Monthly data from CGA indicates that overall expenditure has already reached 58.9% of the BE till Nov'23, with revenue expenditure at 59% of BE and capital expenditure at 58.5% of BE. Both the capital and revenue expenditure are lower than the exp last year.
- ◆ Meanwhile, net tax revenue at Rs 14.3 lakh crore was 61.6% of BE 2023-24 (63.3% last year). Non-tax revenue was at Rs 2.8 lakh crore or 94.3% of BE (73.5% in last year). Total receipts came at Rs 17.4 lakh crore or 64.3% of BE.
- ◆ Fiscal deficit at the end of Nov'23 stood at Rs 9.06 lakh crore or 50.7% of BE. However, taking into account the revised GDP figures of today, if tax receipts grew by the BE, then Government has to curtail spending by Rs 37,178 crore without changing the FD target of 5.9% of the GDP in FY24. While, if Government sticks to the FD of RS 17.9 lakh crore, then with the revised GDP numbers FD % GDP would be at 6.03% in FY23.
- ◆ For FY25, strong economy and buoyant tax revenues will let the government reduce fiscal deficit by 40-50 bps from the current fiscal to 5.4-5.5% of GDP.

SBI COMPOSITE INDEX : DECEMBER 2023

- ◆ The monthly SBI Composite Index declined to 54.4 (Moderate Growth) in December 2023, compared to 55.9 (Moderate Growth) in December 2022. The yearly index is also declined to 53.8 (Moderate Growth) in December 2023 from 53.6 (Moderate Growth) in December 2022.
- ◆ Based on the SBI index, we believe IIP & IIP manufacturing may grow in the range of 3.5-4.0% in Nov and Dec 2023. Going forward, the surge in profitability, aided by easing input costs, is expected to sustain this dynamism. As inflation eases, a revival of topline growth will support the manufacturing expansion.

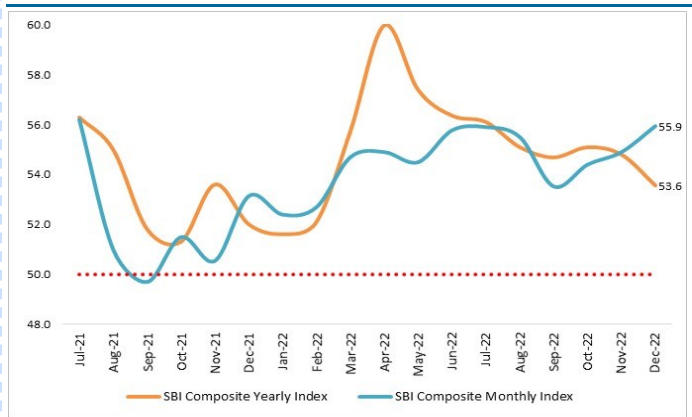
Revision in Real GDP Estimates							
Year	1AE	2AE	PE	1RE*	2RE*	3RE*	Change
T1 (Current Year)	Jan	Feb	T1+2 M	T1+1Y	T1+2Y	T1+3Y	
2016-17	7.1	7.1	7.1	7.1	8.2	8.3	1.20
2017-18	6.5	6.6	6.7	7.2	7.0	6.8	0.30
2018-19	7.2	7.0	6.8	6.1	6.5	6.5	-0.70
2019-20	5.0	5.0	4.2	4.0	3.7	3.9	-1.10
2020-21	-7.7	-8.0	-7.3	-6.6	-5.8	-	1.90
2021-22	9.2	8.9	8.7	9.1	-	-	-0.10
2022-23	7.0	7.0	7.2	-	-	-	0.20
2023-24	7.3	-	-	-	-	-	-

Source: NSO, SBI Research, *from 2023 onwards RE's are released in Feb with 2nd AE

Fiscal Arithmetic (Rs lakh crore)				
	FY23 (RE)	FY23 Actual	FY24 BE	FY24AE
Fiscal Deficit	17.6	17.3	17.9	17.5
% of GDP	6.4	6.4	5.9	6.0
Memo:				
Nominal GDP	273.1	272.4	301.8	296.6

Source: SBI Research

SBI Yearly and Monthly Composite Index Trend



Source: SBI Research

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Contact Details:

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in
Phone:022-22742440
 : kantisoumya