

**INDIA'S FY24 GDP..... JUST AHA....****INDIA HAS GROWN AT AN AVERAGE OF 8.3% POST PANDEMIC...FY25 COULD SEE GROWTH TOPPING 7.5% ..HIGHER FOR LONGER GROWTH...**

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Surpassing all estimates, India's economy grew by a whopping 7.8% in Q4 FY24 (SBI estimate: 7.4%, Bloomberg Median estimate: 7.0%), much above 6.2% growth witnessed in the same quarter last fiscal. Riding on Q4 numbers, the annual FY24 growth is estimated to increase by 8.2% as against 7.0% in FY23. The GVA grew by 6.3% in Q4 and 7.2% in FY24 while Core GVA grew by 8.4% in FY24.

*Manufacturing sector apparently held the forte, driving the above spectacular growth.* During Q4, manufacturing grew by 8.9% while for the whole fiscal it has grown by 9.9% (as against a decline of 2.2% in FY23). While mining segment saw a 7.1% growth, Industry sector grew by 9.5% in FY24. Agriculture sector though is still muted, clocking growth by only 0.6% in Q4 (Q3: 0.4%). For FY23, Agriculture GVA grew by 5.4% as against 9.4% growth in FY23. Among services, 'Financial, Real Estate & Professional Services' grew by 7.6% and 'Trade, Hotels, Transport, Communication & Services related to Broadcasting' grew by 5.1%.

**NSO has revised the Q1 & Q3 GDP numbers by 2 bps and 21 bps respectively. Due to upward revision in FY24 GDP numbers (by 57 bps), the fiscal deficit of FY24 as % of GDP will now be revised downwards to 5.6% from 5.8% of GDP. For FY25 there will be no significant change in fiscal deficit due to revisions.**

**As against the perception from select quarters in market that decline in subsidies largely propelled FY24 growth, the truth aligns with huge increase in net direct taxes. We believe that this trend will remain active in FY25 also and GDP growth may reach the 7.5% mark. Given a historical ICOR of 4.3 and gross investment rate at 33.3% as per professional forecasters, 7.5% growth for FY25 could be a reality!**

GDP deflator increased to 2.0% yoy in Q4 FY24 compared to 1.4% yoy in Q3 FY24. Growth in GDP deflator for agriculture has declined to 4.0% yoy in Q4 from 4.7% yoy in the previous quarter. For industry GDP deflator came at -0.2% yoy compared to -0.6% yoy in Q3 FY24, with mining & quarrying and electricity, gas, water supply and other utility services registering higher deflator growth. Meanwhile, growth in services deflator moderated to 2.2% yoy in Q4 from 2.5% yoy in Q3 FY24.

Annually GDP deflator exhibited huge deceleration to 1.3% yoy in FY24 from 6.7% yoy in FY23, with agriculture and services witnessing lower deflator growth and industry de-growth in deflator. Looking ahead with WPI inflation expected to be around 2% yoy in FY25 (compared to -0.8% in FY24), deflator is expected to average around 2.8% yoy in FY25.

The general demand continues to remain robust with real GDP on expenditure side showing strong traction in capital formation. The capital formation in real terms increased by 9% in FY24 showing a strong growth. The consumption expenditure growth however decreased to 3.8% in FY24 from 7.1% in FY23.

Another aspect of the FY24 estimate is that the absolute nominal statistical error (discrepancy) is the highest in FY24 for the entire 2011-12 base series. **However, in % real terms it is only 0.7%. We believe however that this discrepancy will be adjusted later. For example, if we estimate average of all such discrepancies on a yearly basis since FY1951, it comes in at a negative 1.1%.**

SCBs credit growth continued to remain strong at 19.5% as on May 17, 2024, compared to last year growth of 15.4%. During Apr-May, credit grew by Rs 1.73 lakh crore (1.3% YTD), compared to last year growth of Rs 2.18 lakh crore (1.6% YTD), while deposits grew by Rs 3.38 lakh crore (1.7% YTD), compared to last year growth of Rs 3.32 lakh crore (1.8% YTD). The lower credit growth is seasonal effect, while the growth in deposits could come from select banks raising term deposits rate.

**Indian Inc. in Q4 FY24, with around 4000 listed entities, reported top line growth of 9% while EBIDTA grew by around 23%, as compared to almost flat top line in all previous quarters. However, PAT growth declined to around 10% from 42% in the previous two quarters on yoy basis supported by banking sector which reported a PAT growth of 45% during Q4FY24.** Corporate results, for Q4FY24, ex BFSI represented by more than 3000 listed entities, shows topline growth of 5% while bottom line managed to grow by 3%.

**GDP GREW BY 7.8% IN Q4 FY24; 8.2% IN FY24**

- Surpassing all estimates, India’s economy grew by whopping 7.8% in Q4 FY24 (SBI estimate: 7.4%, Bloomberg Median estimate: 7.0%) as against 6.2% growth in same quarter last fiscal. Riding on Q4 numbers, the annual FY24 growth is estimated to increase by 8.2% as against 7.0% in FY23. The GVA grew by 6.3% in Q4 and 7.2% in FY24. Core GVA grew by 8.4% in FY24. Nominal GDP grew by 9.6% in FY24 as against 14.2% growth in FY23.
- Manufacturing sector is the main driver behind this growth. During Q4, manufacturing grew by 8.9% while for the whole fiscal it grew by 9.9% (as against decline of 2.2% in FY23). Along-with 7.1% growth in mining, Industry sector grew by 9.5% in FY24.
- Agriculture sector is still muted and grew by only 0.6% in Q4 (Q3: 0.4%). For FY23, Agriculture GVA grew by 5.4% as against 9.4% growth in FY23.
- Among services, ‘Financial, Real Estate & Professional Services’ grew by 7.6% and ‘Trade, Hotels, Transport, Communication & Services related to Broadcasting’ grew by 5.1%.
- NSO has revised the Q1 & Q3 GDP numbers by 2 bps and 21 bps respectively. Due to upward revision in FY24 GDP numbers (by 57 bps), the fiscal deficit of FY24 as % of GDP will now be revised downwards to 5.6% from 5.8% of GDP. For FY25 there will be no significant change in fiscal deficit due to revisions.

**GDP FY25 ESTIMATE**

- As against the market perception that FY24 growth is propelled due to decline in subsidies, the truth is that there was huge increase in net direct taxes. We believe that this trend will remain active in FY25 also and GDP growth may reach the 7.5% mark. Given the ICOR of 4.2 and gross investment rate at 33.3%, as per professional forecasters 7.5% growth in FY25 is a reality!
- We Project FY25 growth at 7.5% with Q1 growth at 7.7%, Q2 growth at 7.5%, Q3 growth at 7.4%, and Q4 growth at 7.3%.

**GDP DEFLATOR**

- GDP deflator increased to 2.0% yoy in Q4 FY24 compared to 1.4% yoy in Q3 FY24. Growth in GDP deflator for agriculture has declined to 4.0% yoy in Q4 from 4.7% yoy in the previous quarter.

Quarterly Estimates of GVA(% YoY) at Basic Prices by Sectors										
Sectors	FY23					FY24				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Agriculture	2.7	2.3	5.2	7.6	4.7	3.7	1.7	0.4	0.6	1.4
Industry	6.8	-2.4	0.6	3.4	2.1	6.0	13.6	10.5	8.4	9.5
Mining & quarrying	6.6	-4.1	1.4	2.9	1.9	7.0	11.1	7.5	4.3	7.1
Manufacturing	2.2	-7.2	-4.8	0.9	-2.2	5.0	14.3	11.5	8.9	9.9
Electricity, gas, water supply & other utility services	15.6	6.4	8.7	7.3	9.4	3.2	10.5	9.0	7.7	7.5
Construction	14.7	6.9	9.5	7.4	9.4	8.6	13.6	9.6	8.7	9.9
Services	16.7	9.8	7.2	7.2	10.0	10.7	6.0	7.1	6.7	7.6
Trade, hotels, transport, communication & services related to broadcasting	22.1	13.2	9.2	7.0	12.0	9.7	4.5	6.9	5.1	6.4
Financial, real estate & professional service	10.5	8.7	7.7	9.2	9.1	12.6	6.2	7.0	7.6	8.4
Public administration, defence and Other Services	23.6	7.3	3.5	4.7	8.9	8.3	7.7	7.5	7.8	7.8
<b>Total GVA at Basic Price</b>	<b>11.3</b>	<b>5.0</b>	<b>4.8</b>	<b>6.0</b>	<b>6.7</b>	<b>8.3</b>	<b>7.7</b>	<b>6.8</b>	<b>6.3</b>	<b>7.2</b>
<b>GDP</b>	<b>12.8</b>	<b>5.5</b>	<b>4.3</b>	<b>6.2</b>	<b>7.0</b>	<b>8.2</b>	<b>8.1</b>	<b>8.6</b>	<b>7.8</b>	<b>8.2</b>

Source: NSO & SBI Research

Revision in GDP and GVA Growths							
Quarter	GVA			GDP			
	Old	New	Change in bps	Old	New	Change in bps	
FY24	Q1	8.23	8.26	3	8.22	8.24	2
	Q2	7.67	7.69	1	8.08	8.08	0
	Q3	6.50	6.79	29	8.36	8.57	21
	Q4	-	6.27	-	-	7.76	-
	<b>Annual</b>	<b>6.91</b>	<b>7.22</b>	<b>31</b>	<b>7.58</b>	<b>8.15</b>	<b>57</b>

Source: NSO & SBI Research

FY25 GDP Projections				
Q1	Q2	Q3	Q4	FY25
7.7	7.5	7.4	7.3	7.5

Source: SBI Research

Growth in Sectoral Deflator (YoY%)								
Sectors	FY21	FY22	FY23	FY24				
				Q1	Q2	Q3	Q4	Annual
Agriculture	5.8	5.7	4.5	0.7	6.2	4.7	4.0	3.9
Industry	1.3	11.6	6.9	-1.6	-1.4	-0.6	-0.2	-0.9
Mining & quarrying	-1.1	27.6	10.4	-5.4	0.9	-1.2	2.7	-0.7
Manufacturing	0.5	10.1	6.6	-2.7	-2.1	-0.9	-1.1	-1.7
Electricity, gas, water supply & other utility services	3.9	4.6	-4.4	10.0	-1.1	-3.1	3.2	2.1
Construction	3.4	12.6	8.4	-2.1	-0.6	0.9	-0.2	-0.5
Services	3.1	8.7	7.6	0.6	2.2	2.5	2.2	1.9
Trade, hotels, transport, communication & services related to broadcasting	2.8	11.5	7.2	-2.3	-0.1	0.7	0.7	-0.2
Financial, real estate & professional service	1.8	9.1	9.0	0.1	1.5	2.2	1.8	1.3
Public administration, defence and Other Services	4.9	5.2	6.0	5.2	5.9	5.3	4.9	5.3
<b>Total GVA at Basic Price</b>	<b>3.4</b>	<b>8.6</b>	<b>6.8</b>	<b>0.0</b>	<b>1.5</b>	<b>1.8</b>	<b>1.6</b>	<b>1.2</b>
<b>GDP</b>	<b>4.8</b>	<b>8.4</b>	<b>6.7</b>	<b>0.2</b>	<b>1.4</b>	<b>1.6</b>	<b>2.0</b>	<b>1.3</b>

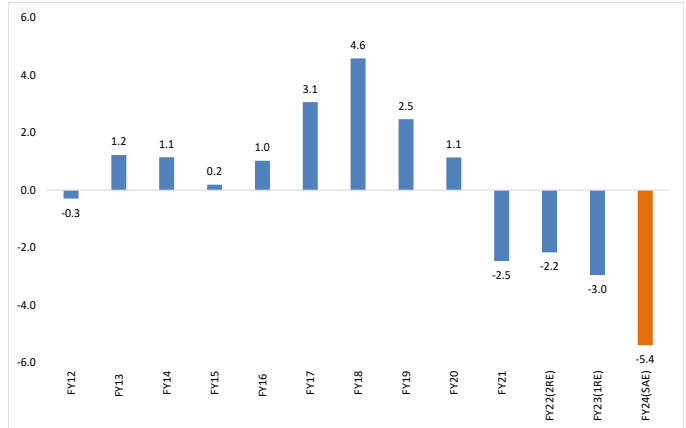
Source: NSO & SBI Research

- ◆ For industry GDP deflator came at -0.2% yoy compared to -0.6% yoy in Q3 FY24, with mining & quarrying and electricity, gas, water supply and other utility services registering higher deflator growth.
- ◆ Meanwhile, growth in services deflator moderated to 2.2% yoy in Q4 from 2.5% yoy in Q3 FY24.
- ◆ Annually GDP deflator exhibited huge deceleration to 1.3% yoy in FY24 from 6.7% yoy in FY23, with agriculture and services witnessing lower deflator growth and industry de-growth in deflator.
- ◆ Looking ahead with WPI inflation expected to be around 2% yoy in FY25 (compared to -0.8% in FY24), deflator is expected to average around 2.8% yoy in FY25.

**GDP EXPENDITURE SIDE**

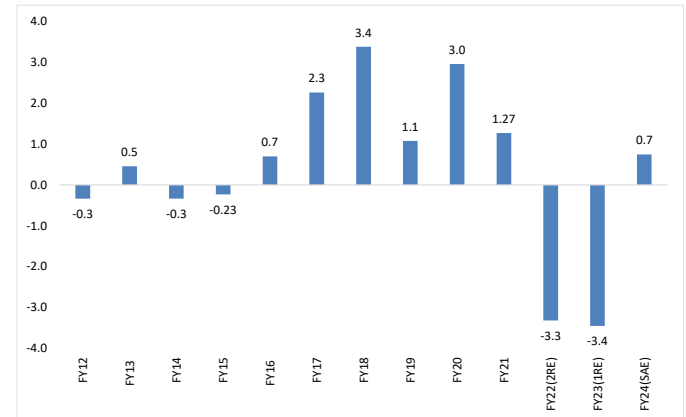
- ◆ The general demand continues to robust with real GDP on expenditure side showing strong traction in capital formation. The capital formation in real terms increased by 9% in FY24 showing a strong growth. The consumption expenditure growth decreased to 3.8% in FY24 from 7.1% in FY23.
- ◆ The picture on the external side is slightly difficult to interpret. The exports and imports growth in the nominal series have reduced . However, the imports have contracted in FY24 in nominal estimate. On the other hand, in the real estimates while the growth rates have declined in both exports and imports in FY24 compared to FY23, the imports have shown sharp growth of 10.9%.
- ◆ Another aspect of the FY24 estimate is that the absolute nominal statistical error (discrepancy) is the highest in FY24 for the entire 2011-12 base series. This is likely to be adjusted later.
- ◆ We believe however that this discrepancy will be adjusted later. For example, if we estimate average of all such discrepancies on a yearly basis since FY1951, in real terms it comes in at 0.7%. If we estimate on a quarterly basis beginning Q1FY12 till Q1FY24, the average deviation comes to only 0.5%. In fact, the negative -1.8% deviation in a quarterly number is perfectly legitimate over a longer period of time. In Q2FY13 and Q3FY13 a negative number of 4.8% flipped to a positive number of 4.6% in the immediate preceding quarter.

**Statistical Error (Discrepancies) in INR Lakh Crore**



Source: SBI Research

**Real Statistical Error (Discrepancies) in % of GDP**



Source: SBI Research

**SCB'S CREDIT CONTINUE TO GROW**

- ◆ Scheduled commercial banks' (SCBs) credit growth continued to remain strong at 19.5% as on May 17, 2024, compared to last year growth of 15.4%. During Apr-May, credit grew by Rs 1.73 lakh crore (1.3% YTD), compared to last year growth of Rs 2.18 lakh crore (1.6% YTD), while deposits grew by Rs 3.38 lakh crore (1.7% YTD), compared to last year growth of Rs 3.32 lakh crore (1.8% YTD). The lower credit growth is seasonal effect, while the growth in deposits as many banks have raised term deposits rate.
- ◆ The credit-to-GDP gap narrowed, reflecting the improved credit demand in the economy in the face of rising capacity utilisation in the manufacturing sector.

- ◆ The sector-wise credit for April 2024 indicates that credit growth has been broad-based and grew in all the major sectors. Agriculture sector continues to grow at 16.7% y-o-y growth rate.

**CORPORATE RESULT Q4FY24 - BANKING SECTOR LEADS WITH 45% PAT GROWTH**

- ◆ Indian Inc. in Q4 FY24, around 4000 listed entities, reported top line growth of 9% while EBIDTA grew by around 23%, as compared to almost flat top line in all previous quarters in current financial year. However, PAT growth declined to around 10% from 42% in the previous two quarters on yoy basis supported by banking sector which reported a PAT growth of 45% during Q4FY24.
- ◆ However, Corporate results, for Q4FY24, ex BFSI represented by more than 3000 listed entities shows, topline growth of 5% while bottom line managed to grow by 3%.
- ◆ Further, it is pertinent to mention that margin shown moderation during Q4FY24. EBIDTA margin, on aggregate basis of more than 3000 companies, declined by 65 bps to 14.3% in Q4FY24 as compared to 14.95% in Q3FY24.

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ASCBs Sector-Wise Credit Flow (Rs bn): April 2024						
Sectors	(Apr-23)FY24 YTD		(Apr-24) FY25 YTD		YoY %	
	Rs bn	%	Rs bn	%	FY24 (Apr)	FY25 (Apr)
<b>Agri. &amp; Allied</b>	<b>392</b>	<b>16.8</b>	<b>427</b>	<b>2.1</b>	<b>16.8</b>	<b>19.7</b>
<b>Industry</b>	<b>375</b>	<b>7.2</b>	<b>35</b>	<b>0.1</b>	<b>7.2</b>	<b>7.4</b>
MSE (Priority)	131	12.8	-102	-0.5	12.8	18.6
Infrastructure	361	3.4	182	1.4	3.4	4.9
<b>Services</b>	<b>565</b>	<b>21.3</b>	<b>51</b>	<b>0.1</b>	<b>21.3</b>	<b>21.7</b>
NBFCs	141	29.2	67	0.4	29.2	14.6
<b>Personal Loans</b>	<b>370</b>	<b>19.4</b>	<b>286</b>	<b>0.5</b>	<b>19.4</b>	<b>27.1</b>
Housing (Including Priority)	138	13.9	225	0.8	13.9	36.9
Other Personal Loans	183	25.7	35	0.3	25.7	19.2
<b>Gross Bank Credit</b>	<b>1842</b>	<b>15.9</b>	<b>596</b>	<b>0.4</b>	<b>15.9</b>	<b>19.0</b>

Source: RBI, SBI Research

Corporate Results Key Parameters							
Qtr.	Rs in crore			EBIDTA Margin %	Growth % (YoY)		
	Net Sales	EBIDTA	PAT		Net Sales	EBIDTA	PAT
Q4FY21	1572680	256828	162508	16.33%	19	289	916
Q1FY22	1399820	247137	127880	17.65%	65	179	13063
Q2FY22	1632594	269390	175014	16.50%	38	35	56
Q3FY22	1808870	275784	162656	15.25%	32	18	28
Q4FY22	2046203	292821	199703	14.31%	26	7	15
Q1FY23	2199295	277100	151011	12.60%	51	7	11
Q2FY23	2180132	234263	136543	10.75%	28	-14	-23
Q3FY23	2177015	266074	145126	12.22%	15	-9	-16
Q4FY23	2257343	298325	197979	13.22%	9	-1	-3
Q1FY24	2151039	340062	200978	15.81%	-2	23	33
Q2FY24	2172655	329989	193940	15.19%	-0.3	41	42
Q3FY24	2247976	336131	206027	14.95%	3	26	42
Q4FY24	2375189	339656	203915	14.30%	5	14	3

Source: SBI Research; Cline; around 3000 listed entities ex BFSI

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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