

India GDP: FY24 growth on the higher side led by investment and industrial activity

- GDP growth for FY24 pegged at 7.3% by NSO with GVA projected to increase by 6.9%
- Investment spending to continue to be the driver of growth in FY24 at 10.3% while consumption is expected to be muted at 4.4%. Exports too are projected to remain soft (+1.4%)
- A below normal monsoon has impacted agriculture output which is projected to increase by 1.8%. Industrial activity to be the driver of growth even in H2 led by construction, mining and electricity
- While H1 GDP and GVA have increased by 7.7% and 7.6% respectively, H2 GDP and GVA to see deviation at 7% and 6.2% respectively when nominal GDP slated to increase marginally faster in H2
- We expect FY25 growth at 6.3% with deceleration in momentum in industrial activity on the back of muted exports as well as domestic demand—fiscal consolidation and mean reversion of margins
- India's investment led growth to continue over the medium term with a normal monsoon to act as trigger for rural consumption next year

FY2024 growth above estimate: First advance estimate project GDP to increase by 7.3% in FY24 compared with our estimate of 6.8%. GVA growth at 6.9% in FY24 is in-line with our estimate of 6.8%. The deviation in GDP is because of much higher growth projected by NSO in H2 at 7% when GVA is estimated to increase by 6.2%. While NSO estimates show GVA and GDP growing broadly in-line in H1 at 7.7% and 7.6% respectively, there is large deviation in H2. Notably, nominal GDP is projected to grow at 8.6% and 9.1% in H1 and H2. This goes to show that deflator and net taxes projections are different from what has been seen in H1 and subject to revision when actual data is available in next revision. During H1, net taxes have increased by 9.1% and in H2 the projection is 15.3%.

Investment led growth: NSO estimates show GDP growth of 7.3% in FY24 is led by capital formation at 10.3% in FY24 as against 9.5% in H1. Thus NSO estimates show an acceleration in investment spending in H2. In nominal terms investment spending is estimated to increase by 11.2% in FY24 (H1: 10.6%). Consumption is assumed to grow at a similar pace in H2 as H1 when festive demand has seen a pick-up. During FY24 consumption is expected to increase by 4.4%. Notably, NSO projects exports to see an uptick in H2 and grow by 1.4% in FY24 (H1: -1.7%). NSO also projects imports to continue to increase at similar pace in H2 as H1 with an overall increase of 13.2% in FY24. Notably, in nominal terms imports are lower by 5.8% in H1 and projected to fall by 2.6% in FY24. The broader trend of investments continuing to drive the economy and consumption yet to pick up given uneven monsoon and inflation impacting rural households seems to continue in H2.

Industrial recovery driving GVA: NSO estimates show industrial growth is what is driving the supply side with industry estimated to increase by 7.9% in FY24 (H1: 9.3%). Hence, industrial growth is expected to see a deceleration in H2 led by manufacturing (H2: 3.9% versus 9.3% in H1) which can be explained by mean reversion of margins. Even so, there is scope for positive surprise here. At the same time, electricity supply is estimated to pick-up in H2 at 10.3% compared with 6.4% increase seen in H1. Construction activity is expected to maintain momentum with real estate activity sustaining and government capex lined up. Services sector too is expected to see a mild deceleration in H2 at 7.5% compared with 8% in H1. For FY24, services growth is expected at 7.8% compared with 12.6% in FY23. While public admin and defense is slated to grow at a similar pace in H1 and H2, financial services and real estate along with trade, hotels and transport and communication segment is projected to see a mild deceleration. Broadly, GVA growth is in-line with our estimates.

Where do we see FY25 growth: We maintain our growth estimate of FY25 GDP growth at 6.3% with deceleration in growth because of deceleration in industrial growth which will be impacted by weak global demand and fiscal consolidation. Government capex is expected to grow at a lower pace next year compared with this year (+31% YoY). While services growth should continue to hold up on the back of travel and tourism demand in the country, credit growth should see some moderation. However, a normal monsoon should propel agriculture growth and rural demand next year.

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GDP growth

Growth estimates at constant prices (% YoY)	FY21	FY22	FY23 (PE)	H1FY23	H2FY23	FY24 (FAE)	H1FY24	H2FY24 (Estimate)*
Net taxes on products	-22.6	12.1	10.1	22.6	1.6	12.5	9.1	15.3
PFCE	-5.2	11.2	7.5	13.6	2.5	4.4	4.5	4.4
GFCE	-0.9	6.6	0.1	-0.9	1.0	4.1	5.1	3.1
GFCF	-7.3	14.6	11.4	14.7	8.5	10.3	9.5	11.0
Change in stocks	-85.5	687.8	2.7	2.2	3.1	4.6	7.7	1.7
Valuables	26.4	34.0	-18.9	-8.5	-32.2	-12.5	-8.1	-19.9
Exports	-9.1	29.3	13.6	15.8	11.5	1.4	-1.7	4.3
Less Imports	-13.7	21.8	17.1	28.0	7.7	13.2	13.5	12.8
GDP	-5.8	9.1	7.2	9.5	5.3	7.3	7.7	7.0

*H2 is derived from the 1st advance estimates of the NSO

Source: NSO, ICICI Bank Research

GVA growth

Gross Value Added at constant prices (% YoY)	FY21	FY22	H1FY22	H2FY22	FY23 (PE)	H1FY23	H2FY23	FY24 (FAE)	H1FY24	H2FY24 (Estimate)*
Agriculture	4.1	3.5	-57.9	-44.3	4.0	2.4	5.1	1.8	2.4	1.4
Industry	-0.9	11.6	24.7	2.0	4.4	4.3	4.5	7.9	9.3	6.7
Mining	-8.6	7.1	11.5	3.7	4.6	5.1	4.2	8.1	7.6	8.4
Manufacturing	2.9	11.1	24.2	1.0	1.3	0.9	1.7	6.5	9.3	3.9
Electricity & utilities	-4.3	9.9	13.4	6.4	9.0	10.3	7.5	8.3	6.4	10.3
Construction	-5.7	14.8	35.2	2.8	10.0	10.7	9.5	10.7	10.5	10.9
Services	-8.2	8.8	11.7	6.2	9.4	12.6	6.5	7.8	8.0	7.5
Trade, transport, hotel & communication	-19.7	13.8	24.2	6.9	14.0	20.1	9.3	6.3	6.6	6.1
Financial & real estate	2.1	4.7	5.0	4.4	7.1	7.8	6.4	8.9	9.0	8.7
Public admin & defence	-7.6	9.7	12.0	7.8	7.2	12.6	2.6	7.7	7.7	7.7
GVA	-4.2	8.8	-52.8	-50.6	7.0	8.6	5.6	6.9	7.6	6.2

*H2 is derived from the 1st advance estimates of the NSO

Source: NSO, ICICI Bank Research

Growth estimates

Yearly growth estimates (% YoY)	FY21	FY22	FY23	FY24 FAE	FY24 (F)	FY25 (F)
Agriculture	4.1	3.5	4	1.8	2.3	3.5
Industry	-0.9	11.6	4.4	7.9	8.3	5.8
Services	-8.2	8.8	9.4	7.8	7.1	6.9
GVA	-4.2	8.8	7	6.9	6.8	6.1
GDP	-5.8	9.1	7.2	7.3	6.8	6.3

Source: MoSPI, ICICI Bank Research

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