

GDP update: May 2023

Q4 GVA growth was high but translation to GDP was eaten into by slower growth in net direct tax (real terms)

FY23 GVA growth was at 7.0% YoY (Agri: 4%, Industry: 2.4% and Services: 9.5%). Q4FY23 GVA was at 6.5% YoY (Agri: 5.5%, Industry: 4.7% and Services: 7.4%) which drove GDP growth to 6.1% after adjusting for indirect taxes and subsidies.

- GDP in real terms in Q4 was at 114% of pre-pandemic level i.e. 4QFY20 and was higher than 107% in Q4 last year and 112% in Q3FY23.

FY23 GVA growth is revised higher to 7.0% in PE compared to 6.6% in 2nd AE

- This is primarily driven by improved growth in Industry, Agriculture and Construction.
- The wedge between GDP and GVA narrowed in PE compared to 2AE on slower growth in net indirect taxes (measured in real terms).

Agriculture in Q4 was sharply higher at 5.5% YoY driving the full year growth to 4.0%

- Rabi (including summer crops) foodgrains output was sharply up at 9.5% compared to a slight contraction in Kharif crop driving the higher agriculture growth in Q4.

Industry: GVA growth at 4.7% YoY in Q4 (FY23 Q3: 0.1% and Q2: -2.5%)

- Full year growth at 2.4% which was better than 2nd AE on good Q4 growth.
- Manufacturing GVA growth at 4.5%YoY in Q4 which was in-line with trends seen in corporate sector GVA deflated using WPI manufacturing (proxying organized sector) and IIP manufacturing (proxying un-organized sector)
- Mining GVA growth was at 4.3% YoY in Q4 and in line with IIP mining. Good growth in coal has offset weakness in crude oil production.
- Electricity GVA growth was at 6.9% YoY in Q4 mostly in line with IIP Electricity at 6.0%

Services: Overall annual growth at 9.5% which is marginally higher than 2AE

- Improved growth in Construction and Financial Services+ partially offset slightly weaker growth in heavy weight Trade+ (18% share in GDP)
- Growth in Services in Q4 was at 7.4% YoY and was capped by weak contributions from Public Admin+
- 'Financial Services+' GVA growth was at 7.1% YoY in Q4 and improved from 5.7% in Q3, with strong credit growth trends.
- There was growth in 'Other Services' which includes education, health, recreation, and other personal services which seems to have supported growth in this segment.

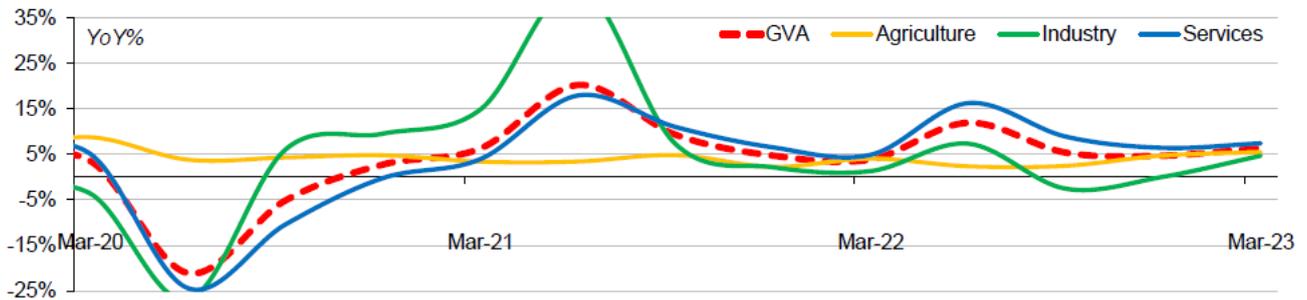
On the expenditure side, private consumption and government consumption remain soft but share of fixed investment rises towards series high.

- Consumption expenditure was at 6.4% (FY22: 10.5% but on a low base) with private consumption (up 7.5%) supporting growth when govt. consumption is down to just 0.1%.
- In Q4, overall consumption growth at 2.7% YoY was marginally better than 1.8% in Q3. Private consumption has softened from very high growth in Q1 (coming from low pandemic base) to 2.2% in Q3 and then to 2.8% in Q4.
- Government consumption has remained weak across quarters and has in fact improved to 2.3% in Q4.
- Gross Fixed Capital Formation growth at 11.4% (FY22: 14.6% and FY21: -7.3%) and this has taken GFCF to around 18% above the pre-pandemic level.
- Growth in Q4 at 8.9% YoY has driven GFCF's share of GDP to 35.3% (in real terms) almost to the high point in the current series.

Nominal FY23 GDP growth remains elevated at 16.1% in PE on high deflator inflation taking absolute nominal GDP to Rs. 272.4 tn. higher by Rs. 71 tn. from FY20 level.

Q4 GDP growth powers upward revision to annual print – we expected better manufacturing on a lower deflator, but agri and services also strong

YoY%	Share	Real Growth				FY22				FY23			
		FY20	FY21	1st RE	PE	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sector	FY23												
Agriculture	16%	6.2%	4.1%	3.5%	4.0%	3.4%	4.8%	2.3%	4.1%	2.4%	2.5%	4.7%	5.5%
Industry	23%	(2.5%)	0.9%	10.5%	2.4%	42.1%	7.3%	2.2%	1.3%	7.3%	(2.5%)	0.1%	4.7%
Services	61%	5.8%	(7.9%)	9.6%	9.5%	17.9%	11.0%	6.5%	4.9%	16.3%	8.9%	6.4%	7.4%
Real GVA	100%	3.9%	(4.2%)	8.8%	7.0%	20.2%	9.3%	4.7%	3.9%	11.9%	5.4%	4.7%	6.5%
Real GDP		3.9%	(5.8%)	9.1%	7.2%	21.6%	9.1%	5.2%	4.0%	13.1%	6.2%	4.5%	6.1%



Source: Axis Bank Business and Economic Research Team

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