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First Advance Estimates of National Income Stand On an Optimistic Note

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First Advance Estimates of National Income Stand On an Optimistic Note

The National Statistical Office (NSO) has released the First Advance Estimates (FAE) of National Income FY 2023-24. The release suggests that the Indian economy is estimated to grow at a rate of 7.3% in FY 2023-24 against the provisional growth rate of 7.2% in FY 2022-23.

1- FIRST ADVANCE ESTIMATES OF NATIONAL INCOME, 2023-24 (at 2011- 12 Prices) (₹ Crore)			
		Percentage Change Over Previous Year	
		2022-23	2023-24
1	Agriculture, Livestock, Forestry & Fishing	4.0	1.8
2	Mining & Quarrying	4.6	8.1
3	Manufacturing	1.3	6.5
4	Electricity, Gas, Water Supply & Other Utility Services	9.0	8.3
5	Construction	10.0	10.7
6	Trade, Hotels, Transport, Communication & Services related to Broadcasting	14.0	6.3
7	Financial, Real Estate & Professional Services	7.1	8.9
8	Public Administration, Defence & Other Services	7.2	7.7
	GVA at Basic Prices	7.0	6.9

Source: Ministry of Statistics and Programme Implementation, Government of India

2- FIRST ADVANCE ESTIMATES OF NATIONAL INCOME, 2023-24
(at 2011- 12 Prices) (₹ Crore)

		2022-23 (PE)	2023-24 (PE)
1	Agriculture, Livestock, Forestry & Fishing	22,34,269	22,74,933
2	Mining & Quarrying	3,24,708	3,50,870
3	Manufacturing	26,17,059	27,88,056
4	Electricity, Gas, Water Supply & Other Utility Services	2,42,354	13,75,800
5	Construction	3,44,418	3,72,919
6	Trade, Hotels, Transport, Communication & Services related to Broadcasting	28,00,112	29,77,007
7	Financial, Real Estate & Professional Services	33,20,305	36,15,545
8	Public Administration, Defence & Other Services	18,81,615	20,27,026

Source: Ministry of Statistics and Programme Implementation, Government of India

The estimate of 7.2% growth in FY 2022-23 is optimistic and has beaten all the market expectations. The RBI, in its latest policy statement has estimated the economy to grow at 7% during FY 2023-24, taking into account factors such as private consumption, consolidation in manufacturing activity, buoyant services sector, continued infrastructure spending by the government, etc. Further, the GDP figures for Q2 2023-24 surprisingly stood higher than expected at 7.6%. The IMF and World Bank predictions are much lower, though they are likely to revise these estimates upwards in the course of time,

The estimates for gross value added (GVA) during FY 2023-24 show growth of 6.9%, a marginal slip from 7% in FY 2023 - 24. During the year, net indirect taxes minus subsidies are estimated to grow by 12.5% against 10.1% last year.

The agriculture, livestock, forestry and fishing sector is estimated to grow at 1.8% in FY 2023-24, against 4% in FY 2022-23. The growth estimate for agriculture, is influenced by the errant monsoon coupled with the effect of El Nino. Considering the 3% decline in the acreage under Rabi cultivation and much sharper contraction in the acreage under pulses at 7%, there is a significant downward risk even to this low growth rate.

Manufacturing is projected to grow at 6.5% in FY 2023-24. This is mainly due to the base effect as last year, the growth in manufacturing was just 1.3%. Growth estimates for Mining & Quarrying stand at 8.1% in FY 2023-24, a rise from 4.6% in the previous year. Estimate of growth in Construction sector which is pegged at 10.7% in FY 2023-24 is a continuation of the buoyant trend in construction activity.

Interestingly, the growth in industries at 7.9% is marginally higher than that of services at 7.3% mainly due to continued buoyancy in construction and mining and manufacturing and a significant revival of manufacturing. The continued buoyancy in labour-intensive construction also implies better employment conditions in the economy.

Growth in all services sub sectors together is estimated at 7.3%. Growth in Public Administration, Defence & Other Services is estimated to have grown by 7.7% in FY 2023-24 from 7.2%.



On the demand side, the main driver has been investment having a robust growth rate of 10.3%. However, consumption growth, both private and government has stayed subdued at 4.4% and 4.1% respectively.

Estimates for gross fixed capital formation (GFCF) show growth to 10.3% in FY 2023-24 from 11.4% in FY 2022-23, though the share of GFCF in GDP is estimated to have grown by 34.9% in FY 2023-24 from 34% in the previous year.

The government's capex spending and focus on infrastructure have helped growth. However, growth also carries elements of base effects. The risks to growth cannot be overlooked. Growth may not be as estimated given the sluggishness in industry. Growth in agriculture stays a concern; even if the errant monsoon has receded, the presence of El Nino is likely to impact the rabi harvest.

In our view, growth estimate of GDP at 7.3% is on the optimistic side. There are downside risks mainly arising from the agricultural sector and public administration and defence. The revenue expenditure growth in the budget was estimated at 1.2% and non-interest



revenue expenditure growth is budgeted at less than 1% and it is the GVA under Public Administration and Defence that is likely to be much lower than 7.7% in the estimate. On the demand side, the only driver of growth is GFCF and in this, there could be a significant deceleration in public sector capital expenditure.

On the whole, we think that the economy has continued the tempo of expansion, but the estimated growth at 7.3% is optimistic. Perhaps, a more realistic estimate is the one given by the RBI at 7%.

* Views are personal.

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