



# Second Advance Estimate on National Income; Investment Led Growth

## Second Advance Estimate pegged FY 2023-24 GDP growth higher at 7.6%; Investment led growth

The Second Advance Estimates (SAE) of National Income FY 2023-24 released by the National Statistical Office (NSO) show that the Indian economy is estimated to grow at 7.6% in FY 2023-24 as against 7.0% in FY 2022-23 and 7.3% growth in the first advance estimates of 2023-24. This growth is led by strong investment activity coupled with firm performance by the manufacturing and construction sectors. The significant divergence between the GVA and GDP is explained by the sharp surge in net indirect taxes. The net indirect taxes are estimated to increase by 15.5% in FY 2023-24 as against 10.6% growth in the previous year. The rise in net taxes was on the back of resilient net taxes in the third quarter of FY 2023-24 which rose 32.0% y-o-y against (-2.6%) in Q3 FY 2022-23.

### Strong investment lift economic growth estimates in FY 2023-24

Second Advance Estimates of National Income and Expenditure Components, 2023-24 (at 2011-12 Prices)					
	Item	Percentage Change Over Previous Year		Share in GDP (%)	
		FY 2022-23	FY 2023-24		
1	GVA at Basic Prices	6.7%	6.9%		
2	Net Taxes on Products	10.6%	15.5%		
3	Gross Domestic Product (GDP)	7.0%	7.6%		
4	Net Domestic Product (NDP)	7.0%	7.7%		
<b>Expenditure Components</b>				<b>2022-23</b>	<b>2023-24</b>
5	Private Final Consumption Expenditure (PFCE)	6.8%	3.0%	58.0	55.6
6	Government Final Consumption Expenditure (GFCE)	9.0%	3.0%	10.0	9.6
7	Gross Fixed Capital Formation (GFCF)	6.6%	10.2%	33.3	34.1
8	Changes in Stocks (CIS)	14.5%	5.0%	1.1	1.1
9	Valuables	-19.1%	13.8%	1.4	1.5
10	Exports	13.4%	1.5%	23.9	22.6
11	Imports	10.6%	10.9%	24.4	25.1

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

The important driver of growth continues to be Gross Fixed Capital Formation (GFCF). This is projected to grow at 10.2% in FY 2023-24 from 6.6% in FY 2022-23. Consequently, the share of GFCF in GDP is estimated to have grown to 34.1% in FY 2023-24 from 33.3% in the previous year. Though investment has been strong, particularly from the Union and State governments, there is not much evidence of “crowding in” and the private investment is yet to pick up. Further, there is a slowdown in consumption growth as both private and government consumption grew at a tepid 3% each in FY 2023-24 from 6.8% and 9.0%, respectively in FY 2022-23.

## Sustained capex by government boost growth in Q3 FY 2023-24

Quarterly Estimates of Expenditure Components of GDP							
Expenditure Components (₹ Crore)		FY 2022-23			Percentage Change (Y-o-Y)		
		Q1	Q2	Q3	FY 2023 -24		
					Q1	Q2	Q3
1	Private Final Consumption Expenditure (PFCE)	22,81,433	23,38,416	25,60,203	5.3%	2.4%	3.5%
2	Government Final Consumption Expenditure (GFCE)	4,15,961	3,83,289	3,41,625	-0.1%	13.8%	-3.2%
3	Gross Fixed Capital Formation (GFCF)	14,14,766	14,34,931	14,18,043	8.5%	11.6%	10.6%
4	Exports	8,74,885	9,99,043	9,72,383	-6.5%	5.3%	3.4%
5	Imports	11,05,493	11,51,090	10,48,303	15.3%	11.9%	8.3%

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



## Strong expansion in economic growth in Q3 FY 2023-24

The GDP expanded strongly in Q3 FY 2023-24 with the economy projected to grow at 8.4% during the quarter against 4.3% in Q3 FY 2022-23 on the back of firm growth in the manufacturing and construction sectors. Further, an uptick in investment and consumption supported the economic growth as Gross Fixed Capital Formation (GFCF) and Private Final Consumption Expenditure (PFCE) is estimated to grow by 10.6% y-o-y and 3.5% y-o-y in Q3 FY 2023-24 to Rs 14,18,043 crore and Rs 25,60,203 crore, respectively. However, Government Final Consumption Expenditure (GFCE) fell by 3.2% y-o-y to Rs 3,41,625 crore.

## Manufacturing GVA expand at a strongest pace in Q3 FY 2023-24; Agriculture growth weaken

Quarterly Estimates of Gross Value Added (GVA) at Basic Prices for Q3 (October-December) 2023-24 (at 2011-12 Prices)							
Industry		Percentage Change Over Previous Year					
		2022-23			2023-24		
		Q1	Q2	Q3	Q1	Q2	Q3
1	Agriculture, Livestock, Forestry and Fishing	2.7	2.3	5.2	3.5	1.6	-0.8
2	Mining and Quarrying	6.6	-4.1	1.4	7.1	11.1	7.5
3	Manufacturing	2.2	-7.2	-4.8	5.0	14.4	11.6
4	Electricity, Gas, Water Supply and Other Utility Services	15.6	6.4	8.7	3.2	10.5	9.0
5	Construction	14.7	6.9	9.5	8.5	13.5	9.5
6	Trade, Hotels, Transport, Communication and Services related to Broadcasting	22.1	13.2	9.2	9.7	4.5	6.7
7	Financial, Real Estate and Professional Services	10.5	8.7	7.7	12.6	6.2	7.0
8	Public Administration, Defence and Other Services	23.6	7.3	3.5	8.2	7.7	7.5
GVA at Basic Prices		11.3	5.0	4.8	8.2	7.7	6.5
Net Taxes		37.6	10.7	-2.6	8.0	12.8	32.0
<b>GDP</b>		<b>12.8</b>	<b>5.5</b>	<b>4.3</b>	<b>8.2</b>	<b>8.1</b>	<b>8.4</b>

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

## Construction and Manufacturing lead charge with strong growth

GVA growth estimates at Basic Prices for FY 2023-24 (at 2011- 12 Prices)			
Industry		Percentage Change Over Previous Year	
		2022-23	2023-24
1	Agriculture, Livestock, Forestry and Fishing	4.7	0.7
2	Mining and Quarrying	1.9	8.1
3	Manufacturing	-2.2	8.5
4	Electricity, Gas, Water Supply and Other Utility Services	9.4	7.5
5	Construction	9.4	10.7
6	Trade, Hotels, Transport, Communication and Services related to Broadcasting	12.0	6.5
7	Financial, Real Estate and Professional Services	9.1	8.2
8	Public Administration, Defence and Other Services	8.9	7.7
<b>GVA at Basic Prices</b>		<b>6.7</b>	<b>6.9</b>

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

India's Gross Value Added (GVA) for FY 2023-24 is projected to grow at 6.9% led by the firm GVA growth in Q3 FY 2023-24, which stood higher at 6.5% compared to 4.8% growth in Q3 FY 2022-23. On a sequential basis, there is a contraction in the GVA in Q3 FY 2023-24 compared to a growth of 7.7% (revised) in Q2 FY 2023-24 and 8.2% (revised) in Q1 FY2023-24.

The manufacturing sector posted robust performance in Q3 FY 2023-24, pushing GDP growth higher. The sector is estimated to grow at 8.5% in FY 2023-24 against a subdued (-2.2%) in the previous year. This is primarily due to a sharp rebound in manufacturing performance in Q3 FY 2023-24 at 11.6% y-o-y against (-) 4.8% in Q3 FY2022-23. Improving manufacturing performance is providing strength to the industrial activity.

Further, the construction sector is projected to grow at a robust 10.7% in FY 2023-24 from 9.4% growth in FY 2022-23 on the back of healthy growth of the sector in the third quarter at 9.5% y-o-y against the same growth at 9.5% in Q3 FY 2022-23. The growth is also supported by strong government capex.

The mining and quarrying sector is estimated to grow at 8.1% in FY 2023-24 compared to 1.9% growth in the previous year. The sector growth in Q3 FY 2023-24 stood firm at 7.5% against 1.4% growth in Q3 FY 2022-23. This growth can be attributed to improved mineral production. India's mining and quarrying sector's index of mineral production rose 5.1% y-o-y in December 2023 followed by 6.8% y-o-y growth in November 2023. Among important

minerals, magnesite leads with a strong production growth of 83.7% y-o-y in December 2023 followed by lead concentrate (16.5%), lignite (14.6%), and Copper Concentrate (13.7%). The cumulative growth for April - December 2023-24 period stood at 8.5% compared to the corresponding period of the previous year.

The agriculture and related sector is estimated to grow a mere 0.7% in FY 2023-24 compared to 4.7% growth in FY 2022-23. This is lower than 1.8% growth projected in the first advance estimates released in January 2024. The lower estimate is broadly in the wake of sluggish performance of the sector in the third quarter of FY 2023-24 as total gross value added in the agriculture, livestock, forestry, and fishing sector declined 0.8% from 1.6% and 3.5% growth recorded in the second and first quarter of the current financial year, respectively. This slowdown can be attributed to the impact of weak and erratic monsoon. Going ahead, better monsoon rains are expected to strengthen farm-level activity and agriculture growth. Further, moderating inflation and Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) is expected to boost rural consumption.

Other sectors like public administration, defense, and other services is likely to grow at 7.7% in FY 2023-24 against 8.9% in the previous year. The growth of the sector in the third quarter of FY 2023-24 stood at 7.5% against 3.5% in FY 2022-23.

Further, electricity, gas, water supply, and other utility services is projected to grow lower at 7.5% from 9.4% in the previous financial year and 8.3% in the first estimates. Moreover, growth in financial, real estate and professional services is forecasted lower at 8.2% against 9.1% in the previous financial year. Strong balance sheets of Indian banks, infusion of liquidity by the government into the economic system along with ease in lending norms and rapid urbanization augurs well for the domestic financial and real estate sector.

On a broader level, the primary sector (comprising agriculture, livestock, forestry, fishing and mining, and quarrying) is estimated to grow at 4.4% in 2022-23 against 4.8% in the previous year. Further, the growth of the secondary sector (comprising manufacturing, electricity, gas, water supply and other utility services, and construction) is projected to be lower at 2.1% in 2022-23 against 12.7% in the previous financial year. The tertiary sector (services) is estimated to grow at 10.0% against 9.2% in the previous year. Firm manufacturing along with healthy construction sector growth, infrastructure development, and robust tax collections underscore the resilience of the Indian economy in the light of improved economic prospects. Moreover, further improvement in demand for goods and services along with a revival in consumption and an uptick in private investments are likely to strengthen domestic economic growth further.



## Sustained firm economic growth boost per capita income

Per Capita Income, Product and Final Consumption	FY 2021-22 (2 <sup>nd</sup> RE)	FY 2022-23 (1 <sup>st</sup> RE)	FY 2023-24 (SAE)	Percentage Change Over Previous Year	
				2022-23	2023-24
Per Capita GDP (₹)	1,09,762	1,16,216	1,23,945	5.9	6.7
Per Capita Gross National Income (GNI) (₹)	1,08,345	1,14,478	1,22,110	5.7	6.7
Per Capita Net National Income (NNI) (₹)	94,054	99,404	1,06,134	5.7	6.8
Per Capita PFCE (₹)	63,807	67,423	68,857	5.7	2.1

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

\*RE: Revised Estimates

Per Capita GDP is estimated to grow at a firm 6.7% in FY 2023-24 to Rs 1,23,945 against Rs 1,16,216 in FY 2022-23. Similarly, Per Capita Gross National Income (GNI) is projected to grow at 6.7% to Rs 1,22,110 in FY 2023-24 from 5.7% growth to Rs 1,14,478 in FY 2022-23 driven by improvement in economic growth. Improvement in above key economic indicators bodes well for India in making it an attractive investment destination. The growth in Per Capita PFCE is likely to grow lower at 2.1% in FY 2023-24 against 5.7% growth in FY 2022-23.

\* Views are personal.

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