

# TRENDS & TIDES

**India's GDP growth surprises  
on the upside at 7.6% YoY in  
Q2 FY24**



# Q2FY24 GDP prints at 7.6% YoY, led by a robust manufacturing sector

Manufacturing thrives on account of improved margins, while agriculture suffers from weak kharif production

YoY%	FY23				FY23	FY24	
Sector	Q1	Q2	Q3	Q4		Q1	Q2
<b>Agriculture</b>	2.4%	2.5%	4.7%	5.5%	4.0%	3.5%	1.2%
<b>Industry</b>	7.3%	(2.5%)	0.1%	4.7%	2.4%	4.6%	13.2%
Mining	9.5%	(0.1%)	4.1%	4.3%	4.6%	5.8%	10.0%
Manufacturing	6.1%	(3.8%)	(1.4%)	4.5%	1.3%	4.7%	13.9%
Electricity	14.9%	6.0%	8.2%	6.9%	9.0%	2.9%	10.1%
<b>Services</b>	16.3%	8.9%	6.4%	7.4%	9.5%	10.0%	6.7%
Construction	16.0%	5.7%	8.3%	10.4%	10.0%	7.9%	13.3%
Trade, Hotels, Transport, Communication	25.7%	15.6%	9.6%	9.1%	14.0%	9.2%	4.3%
Financial services, Real estate, Professional Services	8.5%	7.1%	5.7%	7.1%	7.1%	12.2%	6.0%
Public Admin, Defence & Other Services	21.3%	5.6%	2.0%	3.1%	7.2%	7.9%	7.6%
<b>Real GVA</b>	<b>11.9%</b>	<b>5.4%</b>	<b>4.7%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>7.8%</b>	<b>7.4%</b>
<b>Real GDP</b>	<b>13.1%</b>	<b>6.2%</b>	<b>4.5%</b>	<b>6.1%</b>	<b>7.2%</b>	<b>7.8%</b>	<b>7.6%</b>

Poor kharif production, caused by an uneven and erratic monsoon, hampers agricultural growth

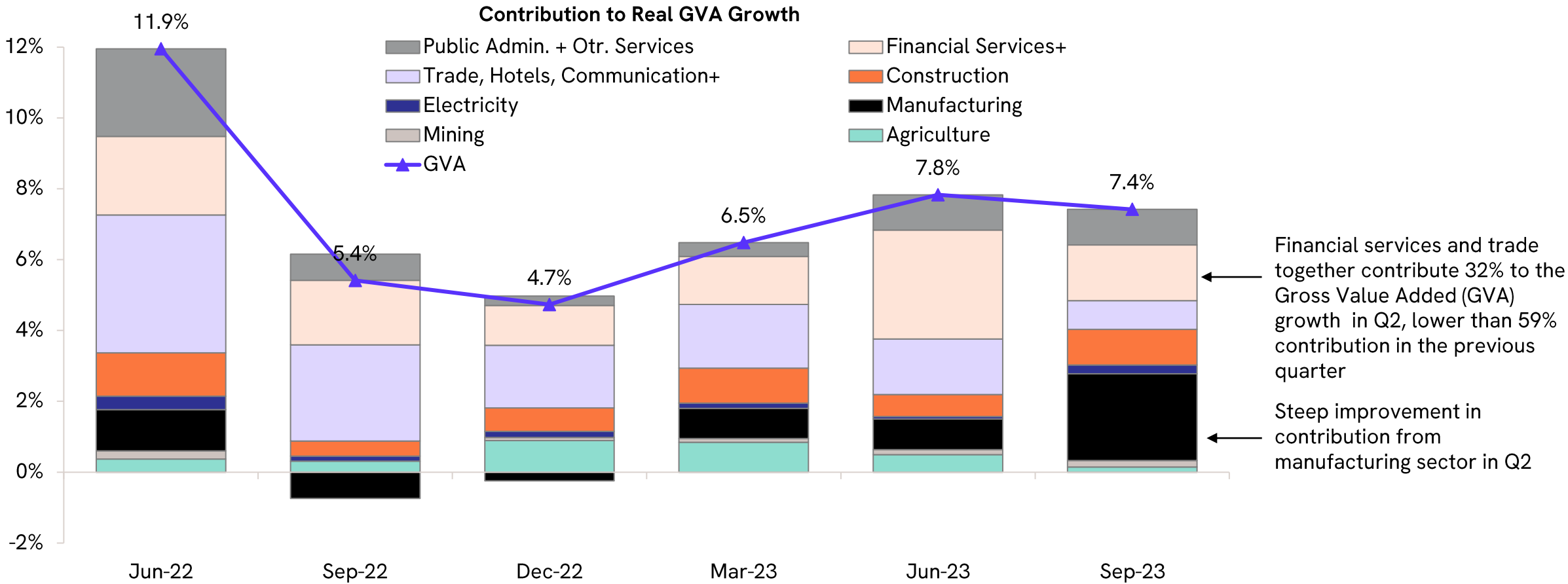
Strong manufacturing sector performance driven by improvement in operating margins as raw material costs fall

Construction sector growth is robust as indicated by steel consumption and cement production

Financial sector+ growth slows down on deceleration in credit and deposit growth, weak IT sector performance and poor insurance premium collections

# Manufacturing sector is the largest contributor to growth in Q2FY24

Steep fall in contribution from Financial Services+ and Trade+ in Q2 compared to the previous quarter



Note: GVA = GDP + subsidies – taxes, Financial Services+ include real estate and professional services as well

Source: MOSPI, 360 ONE Asset Research

# Private consumption deteriorates, government consumption recovers

Investments record a robust growth of 11% YoY on strong government capex and revival in private capex

Real Growth YoY%	FY23				FY23	FY24	
	Q1	Q2	Q3	Q4		Q1	Q2
<b>Consumption Expenditure</b>	<b>16.5%</b>	<b>6.6%</b>	<b>1.8%</b>	<b>2.7%</b>	<b>6.4%</b>	<b>4.9%</b>	<b>4.3%</b>
Private Consumption	19.8%	8.3%	2.2%	2.8%	7.5%	6.0%	3.1%
Government Consumption	1.8%	-4.1%	-0.6%	2.3%	0.1%	-0.7%	12.4%
<b>Gross Capital Formation</b>	<b>20.8%</b>	<b>6.5%</b>	<b>5.2%</b>	<b>7.8%</b>	<b>9.6%</b>	<b>7.1%</b>	<b>9.9%</b>
Fixed Investments	20.4%	9.6%	8.0%	8.9%	11.4%	8.0%	11.0%
Changes in Stocks	7.5%	-2.6%	-0.1%	5.9%	2.7%	3.9%	11.6%
Valuables	58.7%	-19.5%	-38.0%	-23.4%	-18.9%	-21.0%	-4.0%
<b>Exports</b>	<b>19.6%</b>	<b>12.2%</b>	<b>11.1%</b>	<b>11.9%</b>	<b>13.6%</b>	<b>-7.7%</b>	<b>4.3%</b>
<b>Less Imports</b>	<b>33.6%</b>	<b>23.1%</b>	<b>10.7%</b>	<b>4.9%</b>	<b>17.1%</b>	<b>10.1%</b>	<b>16.7%</b>
<b>Real GDP</b>	<b>13.1%</b>	<b>6.2%</b>	<b>4.5%</b>	<b>6.1%</b>	<b>7.2%</b>	<b>7.8%</b>	<b>7.6%</b>

Private consumption again underwhelms after witnessing a recovery in the previous quarter

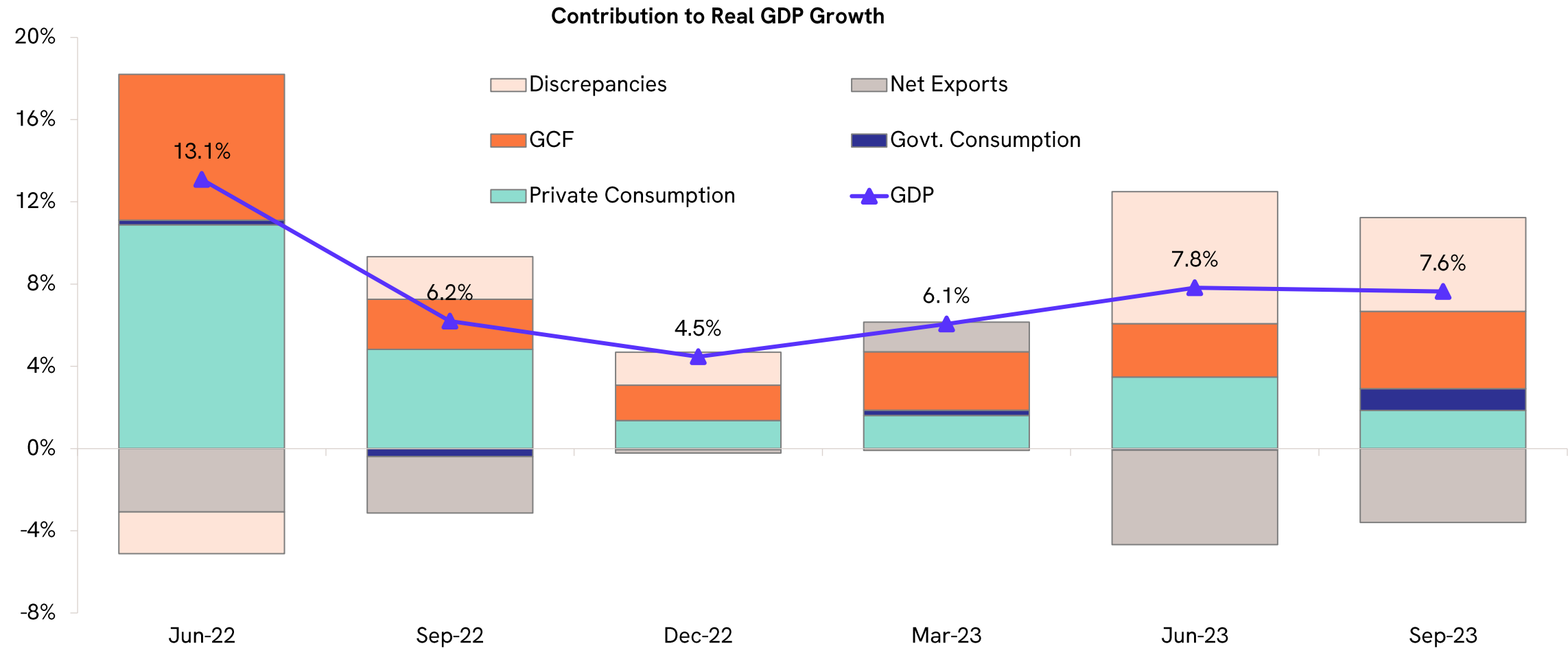
Strong growth in government consumption on recovery in revenue expenditure by central government

Fixed investment growth continues to remain robust on recovery in private sector capex and strong growth in government capital expenditure

Net Exports (exports less imports) remain a drag on GDP growth as import growth outpaces export growth in real terms

# Gross Capital Formation (GCF) is the largest contributor to GDP growth

Steep fall in the contribution from private consumption, while contribution from net exports was less negative



Source: MOSPI, 360 ONE Asset Research

GCF: Gross Capital Formation = Fixed Investment + Change in stocks + Valuables

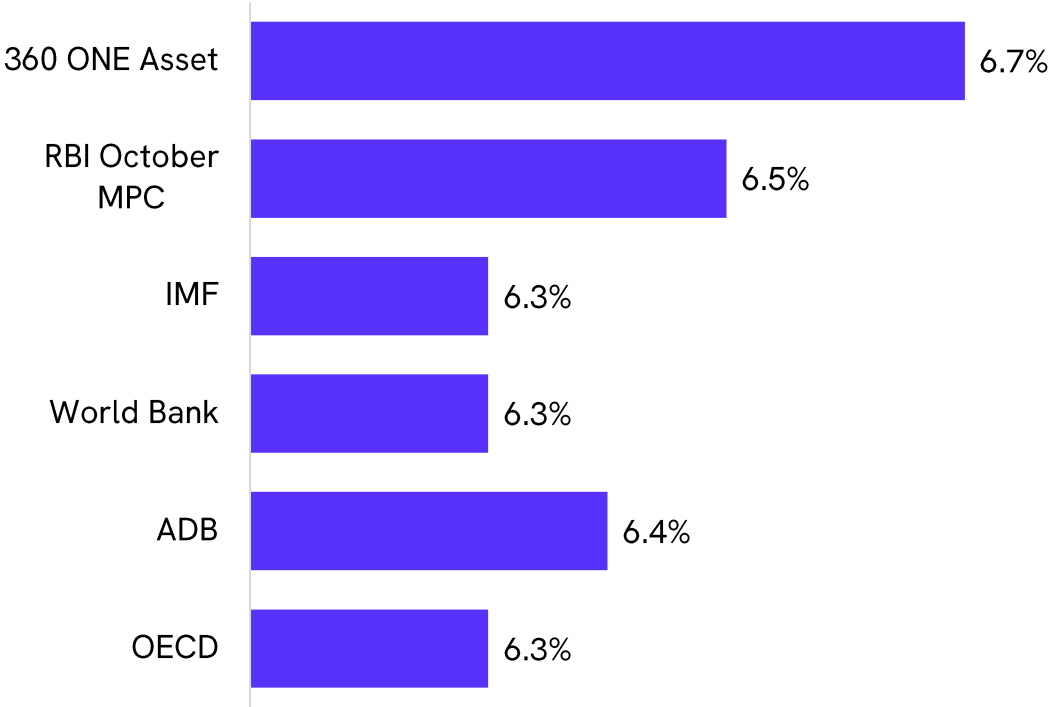
# Outlook: FY24 growth expected to be around 6.7% YoY

Global financial volatility, geopolitical conflicts, and weak rural recovery pose risks to the growth outlook

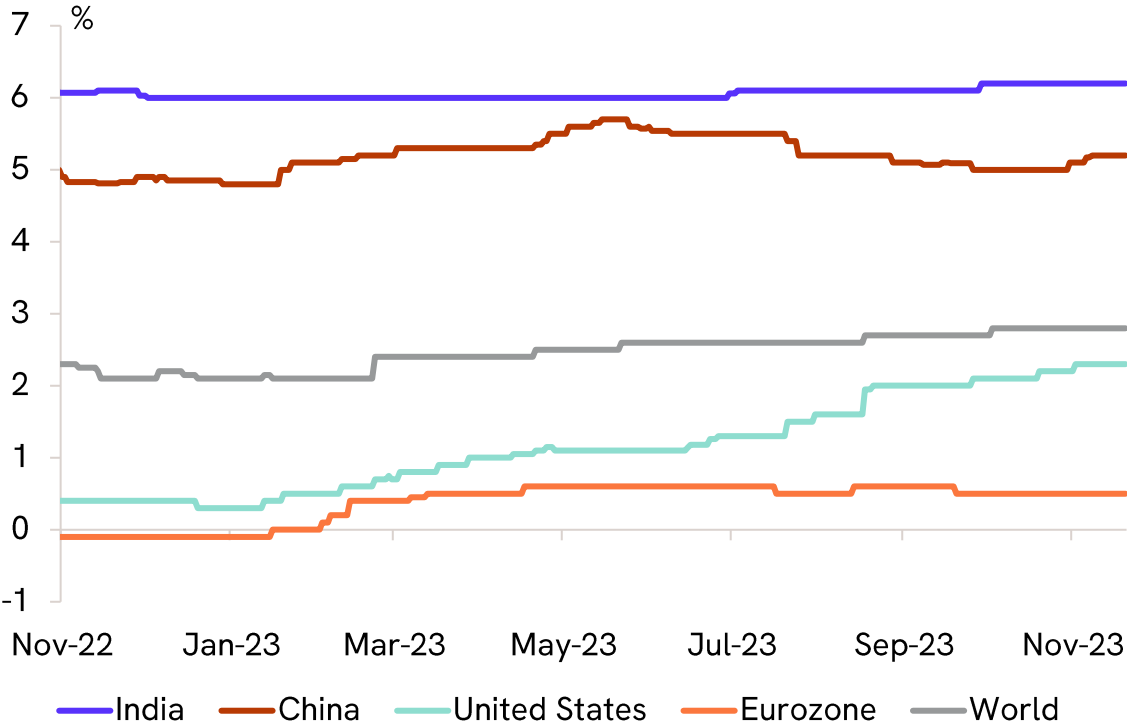
FY24 GDP forecasts are likely to be revised upwards, as Q2 print and high-frequency indicators point to strong growth momentum

Upward revisions in global growth and the conclusion of central banks' rate hike cycles bode well for the external sector

FY24 GDP Forecast



2023 Global Growth Forecasts



Source: MOSPI, CMIE, 360 ONE Asset Research

Note: India's GDP growth corresponds to FY24

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