

GDP data for Q4 FY24 due on 31st May, is likely to show a sequential moderation to 7.5% (Q3 FY24: 8.4%). More importantly, the revised estimate for full year FY24 growth is likely to be raised to 8.0% from 7.6% previously.

GVA growth likely slowed in Q4FY24

- GVA growth in Q4 FY24 likely slowed to 6.2% as against 6.5% in Q3 FY24, led by a slowdown in industry even as services momentum picked up (Figure 1).
- In our view, services GVA growth spiked to 7.7% in Q4 FY24 from 7% in Q3 FY24 while industry growth slowed back to single digits (our est: 7.1%) from double digit consistently in the last two quarters. Meanwhile, agri GVA likely stayed in contraction zone in our view.
- We estimate Q4 FY24 GDP growth rate at 7.5% after consistently clocking more than 8% in previous three qtrs on sequential moderation in aggregate demand. The latter likely offset the growth boost from a switch to current account surplus in Q4 FY24 (the first non-crisis surplus in 17 years).

Growth likely slowed down led by industry while services stayed robust

- Slower industry GVA growth in Q4 FY24 was broad based in our view. In specific, the slip in EBITDA growth of corporate earnings of BSE 500 companies in Q4 FY24 likely caused the drop in manufacturing GVA growth to 8% y/y from 11.6% in Q3 FY24. Also, construction sector growth moderated post robust performance in previous 2 quarters.
- Meanwhile, the strong services segment growth was led by the out performance of public admin sector probably on backloaded government spending in FY24.
- For full year FY24 however, the industry has likely posted better performance with y-o-y growth rate of 9.2% (2.1% in FY23) as against services’ growth rate of 7.8% (10% in FY23).

Wedge between GVA and GDP likely narrowed in Q4 FY24

- GDP growth number gave a surprise in Q3 FY24 reading due to record high gap between GDP and GVA on account of robust indirect tax collections even as subsidies disbursements were slower.
- While the momentum in net indirect tax collection has remained strong in Q4 FY24, some slowdown is seen as compared to Q3 FY24. Hence, we expect a comparatively narrower wedge between GDP and GVA even as it stays elevated.

FY24 full year growth likely to be revised up to 8%

- Overall, bullish GDP growth numbers across four quarters of FY24 have likely led to a spike in full year GDP growth to 8% vis-à-vis 7.6% as per second advance estimates.
- Going forward, in FY25, we see GDP growth staying strong, yet moderate slightly to 7% on the back of slowdown in global growth and delay in broad based private capex recovery post elections to H2 FY25.
- In our view, investment is likely to stay the prime driver of growth in FY25 even as recovery is seen in consumption, on improved rural demand due to relatively good monsoon.

Fig 1: GDP likely clocked 8% in FY24 led by industry

% y/y	FY23	FY24 (est)	Q1	Q2	Q3	Q4 (est)
GDP	7.0	8.0	8.2	8.1	8.4	7.5
GVA	6.7	7.1	8.2	7.7	6.5	6.2
Agri	4.7	0.6	3.5	1.6	-0.8	-0.9
Industry	2.1	9.2	6.0	13.6	10.4	7.1
Services	10.0	7.8	10.7	6.0	7.0	7.7

Source: CEIC, UBI research

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Fig 2: GDP-GVA wedge likely narrowed yet stayed elevated on robust collection of indirect taxes; % y/y

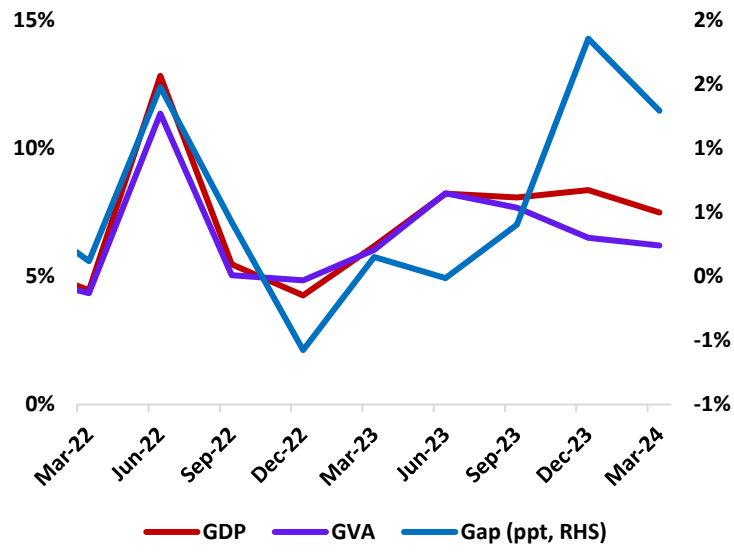


Fig 3: Slower GVA growth in Q4 FY24 led by industry; % y/y

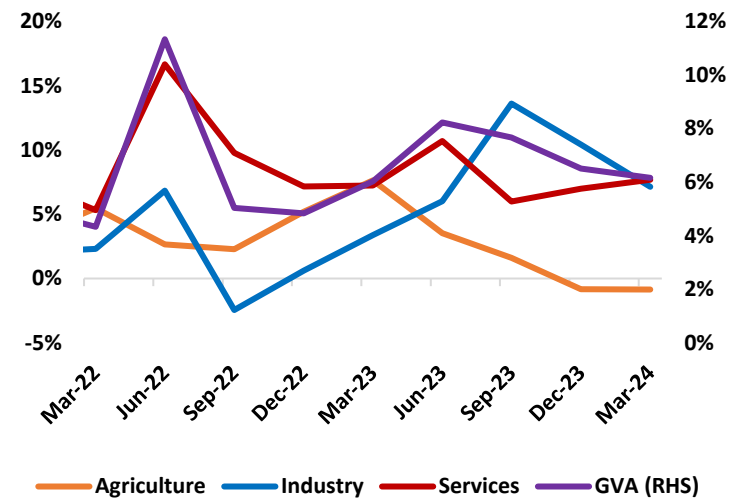


Fig 4: Industry GVA saw a broad-based slowdown in Q4 FY24; % y/y

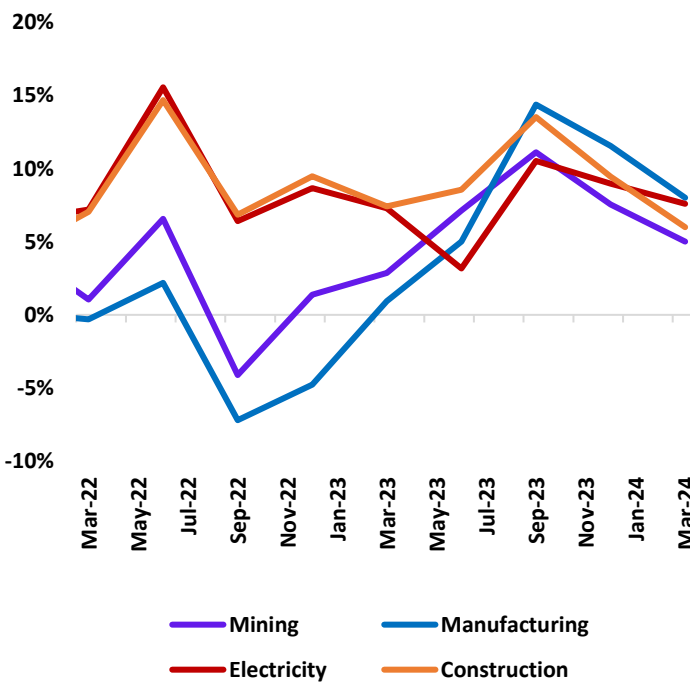


Fig 5: Services GVA growth pickup in Q4 FY24 led by government spending; % y/y

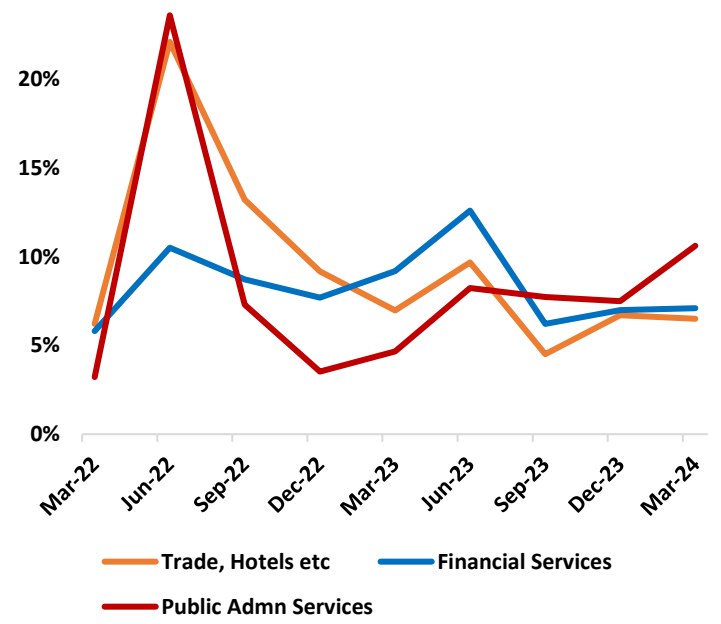


Fig 6: FY24 GVA growth likely led by industry; % y/y

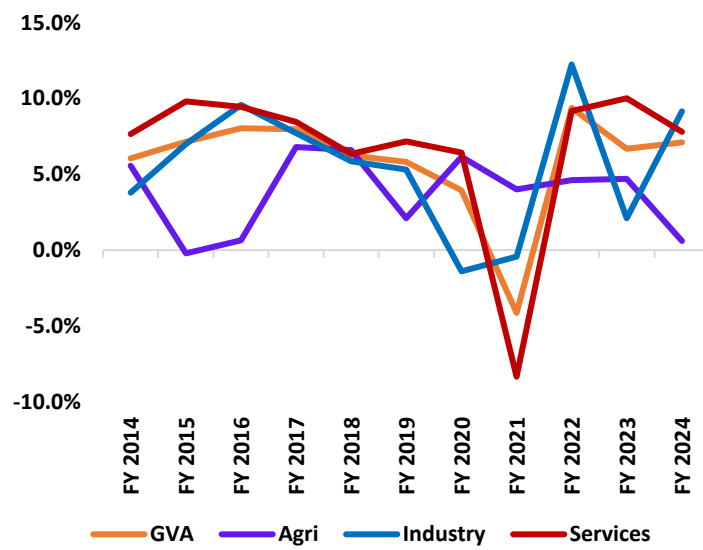
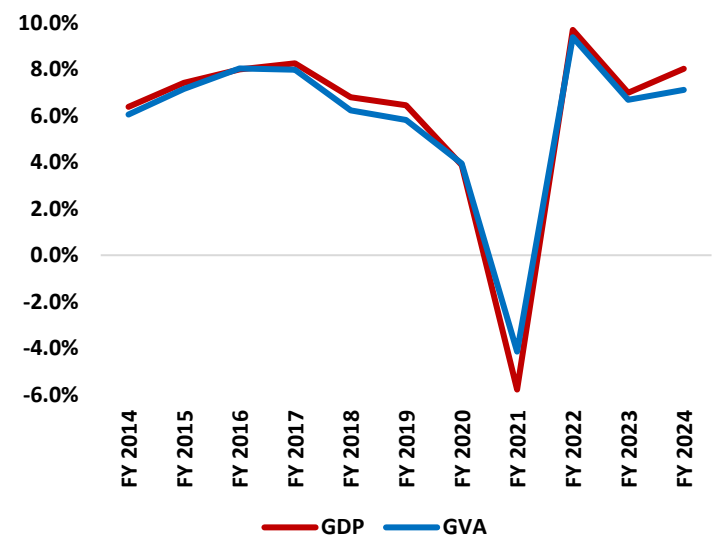


Fig 7: FY24 GDP growth likely to be revised higher to 8% from 7.6% previously; % y/y



Source: CEIC, UBI research

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