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PRESS RELEASE
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GDP growth to dip to a four-quarter low of 6.7% in Q4 FY2024 from 8.4% in Q3: ICRA

ICRA has projected the year-on-year (YoY) expansion of the GDP to moderate to a four-quarter low 6.7% in Q4 FY2024 from 8.4% in Q3 FY2024. Further, the growth in the gross value added (GVA) is estimated to ease to 5.7% in Q4 FY2024 from 6.5% in Q3 FY2024, driven by the industrial (to +7.9% from +10.4%) and services (to +6.2% from +7.0%) sectors. The agricultural GVA is expected to contract for the second straight quarter in Q4 FY2024 (-0.5%), at a pace similar to Q3 (-0.8%), amid weak trends in the rabi output (barring wheat) and concerns related to yields.

Further, the gap between the GDP and the GVA growth is likely to moderate to ~100 basis points (bps) in Q4 FY2024 from the particularly high 185 bps in the previous quarter. This is on account of an expected lower expansion in the net indirect taxes in Q4 owing to a narrower dip in the subsidy outgo (-22.8% in Jan-Feb 2024; -53.6% in Q3 FY2024). For the full-year FY2024, ICRA expects the GDP and GVA growth to print at 7.8% and 7.0%, respectively, unless the growth for 9M FY2024 is revised.

Aditi Nayar, Chief Economist, Head-Research & Outreach, ICRA Ltd. said**:** "*Lower volume growth coupled with diminishing gains from commodity prices dampening the profitability of some of the industrial sectors is expected to dampen India's GVA growth in Q4 FY2024."*

"*Notwithstanding the overhang of the unfavourable 2023 monsoon rains on agri output, there are some green shoots suggesting that a nascent revival in rural demand may be on the anvil. The domestic retail tractor volumes reverted to a YoY expansion of 7.7% in Q4 FY2024, after contracting by 4.0% in Q3 FY2024. Moreover, some listed FMCG players pointed to a recovery in the rural economy, particularly in the non-food segment, in Q4 FY2024. This can be partly attributed to the uptick in demand during the marriage season as well as a low base. Additionally, urban consumption is expected to have remained robust, albeit uneven in Q4 FY2024*," added **Nayar**.

ICRA estimates the industrial GVA growth to record a broad-based moderation to 7.9% in Q4 FY2024 from 10.4% in Q3 FY2024, led by all four sub-sectors, namely, manufacturing (to +8.0% from +11.6%), electricity (to +7.5% from +9.0%), construction (to +8.5% from +9.5%), and mining and quarrying (to +5.5% from +7.5%). As per the quarterly results of a relatively small sample of listed manufacturing companies, the profit margins eased slightly in Q4 FY2024 vis-a-vis Q3, partly owing to a narrower deflation in input costs as reflected in the WPI-industrial raw materials (-1.9% in Q4 vs. -2.8% in Q3). This, coupled with the lower growth in manufacturing IIP volumes (to +4.5% from +5.4%), suggests that the YoY growth in manufacturing GVA is likely to have eased in Q4 FY2024, with the adverse base (+0.9% in Q4 FY2023; -4.8% in Q3 FY2023) also likely to weigh on growth.

ICRA estimates the YoY expansion in the services GVA to ease slightly to 6.2% in Q4 FY2024 from 7.0% in Q3 FY2024. The YoY growth in India's services exports decelerated to 4.2% in Q4 FY2024 from 5.2% in Q3 FY2024. Moreover, the performance of certain indicators saw a deterioration in Q4 FY2024, relative to Q3 FY2024, such as ports cargo traffic (to +3.1% from +10.1%), GST e-way bills (to +16.3% from +17.1%), ATF consumption (to +10.0% from +11.0%), domestic airlines' passenger traffic (to +4.4% from +9.3%) and CV sales (to -3.8% from +3.2%).

Investment activity was healthy in Q4 FY2024, amidst a mixed trend, displayed by various investment-related lead indicators. There was a surge in new project announcements to the second-highest quarterly level owing to the state investor meets held in January 2024, as well as an appreciable increase in completions of both private and Government-led projects. However, some investment-related indicators moderated in Q4 FY2024 vis-à-vis Q3, along with an implicit slowdown in new project proposals in February-March 2024, relative to January 2024. This reflects some transient caution amid the onset of the Model Code of Conduct in March 2024 and the uncertainty owing to the Parliamentary Elections.

The YoY growth of the capital outlay and net lending of 24 state governments (except Arunachal Pradesh, Jharkhand, Manipur, and Goa) eased to 3.5% in Q4 FY2024 (+26.4% in Q4 FY2023) from 11.5% in Q3 FY2024 (+17.2% in Q3 FY2023), partly attributed to the base effect. While the GoI's capital expenditure expanded by 31.6% YoY to

Rs. 1.3 trillion in January-February 2024, it may have eased in March 2024 on a YoY basis amidst the Model Code of Conduct.

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