

India Q1 FY23 GDP Grew 13.5%; GVA By 12.7% On Favorable Base

- The Indian economy grew by the fastest pace in four quarters in the April-June quarter this year, benefiting from the base effect. However, the GDP growth numbers were below estimates.
- GDP growth in Q1 FY23 was at 13.5% YoY, compared to 4.1% YoY for Q4 FY22. Gross value added, which strips out the impact of subsidies and indirect taxes, grew 12.7% YoY in the first quarter, compared with 3.9% YoY for Q4 FY22.
- Nominal GDP, at current prices in Q1 FY22, is estimated at Rs 64.95 lakh crore against Rs 66.15 lakh crore in the previous quarter.
- The agriculture sector grew 4.5% in the first quarter annually, compared to 4.1% in the fourth quarter of the previous financial year. The mining sector grew 6.5% in the first quarter, compared to 6.7% in the previous three months. The manufacturing sector grew by 4.8% in the first quarter, compared to a contraction of 0.2% in the fourth quarter.
- The construction sector grew 16.8% versus a growth of 2% in the preceding quarter. Trade, hotel, transport and communication sector grew 25.7% in the first quarter, compared with 5.3% in the fourth quarter. The financial services sector grew 9.2%, compared with 4.3% over the same duration. Public administration, defence and other services grew by 26.3%, compared to 13.8% in Q4 FY22.
- Relative to the pre-Covid-19 levels, trade, hotels, and transport stood out as the only sub-sectors reporting a contraction in Q1 FY23, in line with the robust but uneven recovery in sectors.
- Government consumption expenditure showed marginal growth. Private consumption, reflected in private final consumption expenditure, rose 25.9% in the first quarter on an annual basis, compared to a rise of 1.7% in the fourth quarter. Investments, as reflected by gross fixed capital formation, rose 20.1%, compared to a rise of 5.1% in the fourth quarter. Government final consumption expenditure rose 1.3%, compared to a rise of 4.8% year-on-year in the fourth quarter.

Our View: Though the quarterly GDP growth numbers of Q1 FY23 are influenced by the base effect, yet it indicates that the recovery is on course despite the global headwinds, high commodity prices (especially oil) and weakening of the rupee. The size of all demand-side drivers of GDP in Q1 FY23 is now bigger than their respective sizes in Q1 FY20 and suggests that they have now managed to overcome the drag on the economy caused by the pandemic and related disruptions. Gross fixed capital formation in Q1 FY23 shows a growth of just 6.7% over Q1 FY20. Similarly, private final consumption expenditure and government final consumption expenditure registered a growth of 9.9% and 9.6%, respectively, over Q1 FY20.

Going forward, GDP growth will moderate in Q2 FY23, as the base effect kick in. However, a robust demand for services would support a YoY GDP growth of 6.8%-7.2% YoY in the ongoing quarter and 7.2% for the year as a whole.

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GDP Growth YoY% Trend



GVA Table

% Growth	Q1 FY23 Apr-Jun	Q1 FY22 Apr-Jun
Agriculture, Forestry	4.5	2.2
Mining	6.5	18
Manufacturing	4.8	49
Electricity	14.7	13.8
Construction	16.8	71.3
Trade, Hotel, Transport	25.7	34.3
Financial & Real Estate	9.2	2.3
Public Administration	26.3	6.2
GVA Growth	12.7	18.1

GDP Table

% Growth	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Private Final Consumption Expenditure	10.5	7.4	1.8	25.9
Gross Fixed Capital Formation	14.6	2.1	5.2	20.1
Government Final Consumption Expenditure	8.9	3	4.8	1.3

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